

NEW JERSEY BOARD OF PUBLIC UTILITIES

**REPORT TO THE GOVERNOR
AND LEGISLATURE**

**“THE EFFECTS OF THE SYSTEM-WIDE CABLE
TELEVISION FRANCHISE IN NEW JERSEY”**

PUBLIC LAW 2006, CHAPTER 83

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**THE EFFECTS OF THE SYSTEM-WIDE CABLE TELEVISION
FRANCHISE**

TABLE OF CONTENTS

JUNE 2010

Glossary of Common Acronyms and Terms.....A

Executive Summary..... i

Background-- The Proceeding ii

Part 1 The State of Competition: Verizon’s Required Deployment ii

 Scope of Deployment Commitments ii

 Reach of Competition iii

Part 2 Effect on Choice in the Marketplace iv

Part 3 Effect on Subscribers..... v

PART 1 The State of Competition: Verizon’s Required Deployment1

Executive Order No. 25 (2006)..... 1

Benefits to Municipalities 5

Benefits to Business 6

PART 2 Effect On Choice In The Marketplace7

Availability of Programming Content 7

 Chart 1 Verizon and Comcast Average Basic & CPS Channel Line Up 8

 Chart 2 Verizon and Cablevision Average Basic & CPS Channel Line Up 9

 Chart 3 Verizon and Time Warner Average Basic & CPS Channel Line Up 9

 Chart 4 Average Channel Counts by Major Channel Package 10

Pricing Benefit to Customers 11

 Chart 5 Triple Play Bundling vs. Unbundled Service 12

Subscriber Counts 13

Local News 14

Subscriber Bills and Municipal Payments 14

 Chart 6 Franchise Fees Paid by Percentages - 2007 to 2009 15

 Chart 7 Towns Served vs. Certified Towns Paying Higher Franchise Fees 16

 Chart 8 Total Dollar Franchise Fees Paid to NJ Towns (2006 to 2009) 16

PART 3 Effect on Subscribers17

Deregulation of Basic Rates 17

 Chart 9 Video Systems 17

 Chart 10 Pre-Verizon Equipment and Installation Rates (2006)..... 19

 Chart 11 Current Equipment and Installation Rates..... 20

Public, Educational and Governmental Access Channel Reach..... 21

Local Video Facilities, Equipment and Training..... 21

Customer Satisfaction 22

 Chart 12 OCTV and Industry Complaint Comparison (2006 to 2009)..... 23

CONCLUSIONS24

DEPLOYMENT 24

THE EFFECTS of CHOICE..... 25

 Pricing 25

 Municipalities..... 26

GOING FORWARD..... 27

APPENDICES

- Appendix I List of the 70 Municipalities (Verizon Required Builds)**
- Appendix II Summary of Oral and Written Comments**

EXHIBITS

- Exhibit 1 Map of Verizon Service Territory**
- Exhibit 2 Map of Verizon 60% Certified Municipalities**
- Exhibit 3 Map of Cable Franchise Territory**
- Exhibit 4 Map of Effective Competition Areas**
- Exhibit 5 Breakdown of PEG Equipment by County**

Glossary of Common Acronyms and Terms

BST: Basic Service Tier – the primary level of cable television service that is required in order to have access to other tiers of service, pay-per-view events or premium channels offered on an “a la carte” or individual basis. The BST generally includes most local broadcast stations such as ABC, CBS, NBC, Fox and CW, as well as the public, educational, and governmental channels required by the franchise agreement.

Cablecasting: To originate video programming over a cable system. Includes public access programming.

CATV: Cable Television – a service that involves (1) the one-way transmission to subscribers of video programming or other programming service; and (2) subscriber interaction, if any, which is required for the selection or use of such video programming or other programming service, regardless of the technology utilized by a cable television company to enable such selection or use.

CATV Penetration: The ratio of the number of subscribers to the total number of households passed by the cable system.

Channel: In cable television, a single path or section of the spectrum 6 MHz wide that carries a television signal.

CLEC: Competitive Local Exchange Carrier – A company certified to offer local telephone service in competition with the regional Bell companies and other incumbent telephone carriers.

Converter: (also referred to as a “set-top box”) A device which increases the number of channels that a TV set can receive by converting the large number of signals carried on a cable or satellite system to a single channel tuned by the TV set, e.g., channel 3 or 4.

CPST: Cable Programming Services Tier – the secondary grouping of cable television programming sometimes referred to as expanded basic or Satellite Service because the bulk of the programming offered on the CPST are transmitted to the cable company via satellite and compose most of the popular cable networks such as CNN, USA, TNT, AMC. The CPST has commonly been combined with the BST and marketed as a “Family” or “Preferred” Service Package.

DTV Transition or Digital Transition: The requirement by Congress that all full-power television broadcast stations - stations that use the public airwaves to transmit their programming for free to viewers through a broadcast antenna - stop broadcasting in analog format and broadcast only in digital format by June 12, 2009.

Direct Broadcast Satellite (DBS): A TV broadcast service from a small satellite dish antenna that offers services similar to cable TV, and which transmits highly compressed digital signals.

DTV: Digital Television – Television signals transmitted and received in digital format using electrical or electromagnetic signals that can be modulated to convey specific content. The TV picture is often in the same ratio as movie screens (a 16:9 aspect ratio) and may have up to 1,080 lines of resolution (considered high-definition), producing a crisper picture.

DVR: Digital Video Recorder – a generic term for a device that is similar to a VCR that records television data in digital format as opposed to the VCR’s analog format and stores the data in a

hard drive. DVRs have all of the same functionality of VCRs (recording, playback, fast forwarding, rewinding, pausing) plus the ability to pause "live" TV and resume without missing any part of a program. A DVR is essentially made up of two elements: the device that stores the hard disk drive and power supply, and some type of Electronic Programming Guide (EPG) that allows the user to program recordings.

Facilities-Based Telecom Company: A telecommunication carrier that owns call switching equipment and transmission lines.

FCC: Established by the Communications Act of 1934, the Federal Communications Commission is the federal agency in charge of overseeing interstate telecommunications as well as all communications services originating and terminating in the United States.

Federal Preemption: A legal theory triggered when the United States Constitution or Congress expressly provide exclusive power to the Federal government in a particular field and supplant state authority; or when the Federal intention to do so may be inferred from a pervasive system of regulation which does not leave a sufficient vacancy within which the state can act. A state may not pass any law inconsistent with the federal law when pre-emption controls.

Fiber Optics: Very thin, pliable tubes of glass that use coded light pulses, which represent data, images and sound, to carry signals. With nearly unlimited bandwidth, fiber optic cables have much greater capacity than other transmission lines.

FiOS: A service mark of Verizon Communications that refers to its Fiber Optic Service. FiOS is a data communications service that uses fiber optic cables to transfer voice video and data services. FiOS is designed as a Fiber to the Home, FTTH service that brings fiber optic data transmission capability directly to residential homes and businesses. Fiber optic technology sends data via pulses of light and is currently the fastest method of transferring data. FiOS is currently used for Internet access, digital video and Voice over Internet Protocol (VoIP) services.

FTTH: Fiber-to-the-Home – refers to the installation of fiber optic wires in the “last mile” between the telephone central office and the home.

Homes Passed: The number of homes that could potentially be hooked up to existing cable system.

HSC: Hourly Service Charge – in a regulated environment the HSC is the primary component in the development of the amount a cable operator may charge to recover the costs of certain types of installation activity, or equipment items.

ILEC: Incumbent Local Exchange Carrier – a term used to refer to the Regional Bell Operating Companies (RBOCs) who provide local exchange service.

Internet: A worldwide computer network that links the user to businesses, government agencies, universities, and individuals. The Internet provides end user computers with the ability to connect with other computers for communicating, disseminating and collecting information.

Incumbent Cable Operator: A cable company granted a non-exclusive franchise or Certificate of Approval from the Board prior to the amended State Cable Act’s introduction of the option for a system-wide cable franchise.

LEC: “Local Exchange Carrier” -- a term used to refer to traditional telephone companies that provide local exchange telephone service.

LFA: Local Franchising Authority – the city, county, or other governmental organization authorized to regulate cable television service – federal regulation limits LFA authority to the regulation the rates a cable company charges in non-competitive areas for the basic services tier and the equipment required to receive it. In New Jersey, the LFA is the State operating through the Board of Public Utilities and its OCTV.

MDU: Multiple Dwelling Unit

MMDS: Multi-channel Multipoint Distribution System – A wireless cable service using microwaves to transmit multiple television signals to customers.

Modem: An abbreviated term for “modulator de-modulator.” A modem converts digital signals into analog signals (and vice versa), enabling computers to send and receive data over traditional telephone networks. Also known as “dial up.”

MVPD: Multi-channel Video Programming Distributor – refers to service providers delivering video programming services, typically for a subscription fee. These operators include cable television (CATV) systems, direct-broadcast satellite (DBS) providers, and other wireline or terrestrially based providers, including Verizon FiOS and competitive local exchange carriers (CLECs).

OCTV: Office of Cable Television – the regulatory arm of the Board of Public Utilities, the franchising authority, certified by the FCC to regulate basic rates, technical standards, and customer service obligations of cable TV operators for the State of New Jersey.

OSR: Operator Selected Rate – the actual rate implemented by a cable operator for a product or service following its calculation of regulated rates in accordance with the applicable FCC formula.

Outage: the total loss of audio or visual portion of any level of cable television service for which the cable television company imposes a separate charge and which affects the cable television company's distribution plant.

Overbuild: In cable television, to construct a competitive cable system in a market or markets that already have a facilities-based cable television provider.

PEG: Public Educational & Governmental Access – channels set aside by a cable operator for use by the public, educational institutions and local governments unaffiliated with the operator.

Satellite - A communications device located in geostationary orbit which receives transmissions from earth and retransmits them to different parts of the globe.

SMATV: Satellite Master Antenna Television – small-scale, private cable system using a central rooftop antenna to serve the TV sets in an apartment building, hotel, or multiple dwelling unit.

Triple-Play: In cable or telecommunications, it is a marketing term for the provisioning of three services, high-speed Internet, television or video service and telephone or voice service, over a single broadband connection.

VoIP: Voice over Internet Protocol – a service that allows a user with a high-speed Internet connection to make telephone calls using their Internet connection instead of a regular phone line. This technology has allowed cable companies and other non-traditional communications companies to offer voice communication services without the need for costly network investments.

Executive Summary

Since the release of the Board of Public Utilities Report in 2004 on the Status of Video Competition in New Jersey, the state of multi-channel video competition improved significantly. Largely this transformation was a result of the system-wide franchise granted by the New Jersey Board of Public Utilities (Board) to Verizon New Jersey, Inc. (Verizon) in December 2006. This reconstruction of the video market place, notwithstanding some initial growing pains, has yielded notable consumer benefits in a variety of ways.

Verizon, an incumbent local exchange carrier, altered the cable marketplace with its Fiber Optic Service (FiOS). Its data communications service of fiber optic cables transfers voice, video and data directly to the residence. FiOS transmits digital high-definition video, high-speed Internet access and voice over Internet protocol (VoIP). Prior to the amendment of the State Cable Act, N.J.S.A. 48:5A-1 et seq., in 2006, the only cable franchise option was a municipal consent-based Certificate of Approval.

Accordingly, New Jersey consumers in portions of 349 municipalities can now choose between Verizon FiOS and a landline competitor; either Cablevision, Comcast or Time Warner. Eventually, Verizon says that number will be 369. This entry, in addition to the presence of direct broadcast satellite providers (DBS), has given New Jersey consumers more choice of providers and varied service plans. These consumers and affected municipalities have benefited from the introduction of this technology as the competitive nature of the industry has driven all providers to offer a full range of digital, high definition video, high-speed data and digital voice services. Known as the “triple play” some, including customers and providers, say it is a home-run.

Many customers, in order to benefit from discounts offered in bundled packages, now choose to buy more than one service from their cable provider, (normally all three), whether that is from Verizon or the incumbent cable providers. Verizon has “overbuilt” three Multiple System Operators (MSOs) in New Jersey: Cablevision, Comcast and Time Warner.

The Board has focused this report on the effectiveness of the system-wide franchise as mandated by N.J.S.A. 48:5A-25.2(d). The conversion of a small number of Cablevision’s traditional Certificates of Approval to system-wide franchises has been very recent and rather transparent. Board rules guiding the conversion process as well as the system-wide franchise renewal are being proposed this year.

The objective of this report is to quantify the benefits and overall effect of the new option in the now dual franchising system in New Jersey. The Board is the local franchising authority and grants Certificates of Approval in both traditional and system-wide franchises.

Background-- The Proceeding

In August 2006, the New Jersey Legislature passed and former Governor Corzine signed into law amendments to the New Jersey Cable Act to more rapidly enhance competition to consumers. This legislation gave Verizon a choice between acquiring traditional franchises town by town, as had been the practice in New Jersey since the 1970's, or taking an optional route to apply for a single system-wide franchise across its existing telecommunications service territory. It also permitted a municipal consent-based franchise cable television operator to convert to a system-wide franchise upon notice to the Board.

The amended State Cable Act, N.J.S.A. 48:5A-25.2(d) specifically required the Board and its Office of Cable Television (OCTV) to commence a proceeding within 36 months of the issuance of the first system-wide franchise, and within six months of commencing the proceeding, to report to the Governor and the leadership of the Senate and Assembly with reference to:

- 1) the extent of actual deployment of cable service by each system-wide franchisee;
- 2) the effect on choice in the marketplace; and
- 3) the effect that introduction of system-wide competitors has had on consumers.

The Board held three public hearings advertised in widely circulated newspapers across the state in accordance with N.J.S.A. 48:5A-25(d) between December 8 and December 22, 2009 in Cherry Hill, Newark and New Brunswick. The Board also accepted written comments at its Newark offices and via email at swfcomments@bpu.state.nj.us.

In total, comments from 28 members of the public and private sector were received at the public hearings and five additional written comments were accepted through January 22, 2010. These comments are summarized and are included as an appendix to this report.

Accompanying the State Cable Act amendments, Executive Order No.25 (2006) addressed deployment of Verizon's FiOS network.

Part 1 The State of Competition: Verizon's Required Deployment

Scope of Deployment Commitments

While the system-wide franchise option created a hospitable regulatory change for a provider like Verizon, now no longer limited to offering cable service under traditional municipal consent-based franchises, it left parts of the state without the hope of landline competition. There have been no other applicants for an initial system-wide franchise. Verizon's deployment is far greater in the northern part of the state; it is beyond the scope of this report to evaluate the expansion of service or lack thereof in the entire Verizon local exchange service territory of 526 towns. Verizon has never represented it would bring FiOS to its entire

local phone service area in the state and was not required to do so by the amended Cable Act. Rather the legislature required Verizon only to build out a portion of its service territory. In short, 70 towns are required “full build” municipalities while the remaining 299 of the total 369 contained in the system-wide franchise application are not. Prior to the entry of Verizon, only four New Jersey municipalities enjoyed head-to-head landline competition.

Released in conjunction with the amended State Cable Act, Executive Order No. 25 (2006) required the Director of OCTV, with the Board’s approval, to promulgate regulations to implement the amended Cable Act. Verizon’s deployment was ordered in residential areas of municipalities with greater than 7,111 residents per square mile of land (60 total) and the county seats in which it provides local exchange service (18). Eight municipalities are duplicative as they are both among the most densely populated and a county seat, bringing the total full build requirement to 70 municipalities. Verizon, by December 2009, within three years of the system-wide franchise approval, began service to all 70 of these required municipalities. The list of the 70 required municipalities is attached to this report as an appendix. The Board continues to promulgate rulemakings for entry, operation, conversion and renewal of these franchises.

The main concern among policymakers during the application phase of the system-wide franchise was that such a project might target profitable areas of the service territory served by Verizon, setting up a potential for the red-lining of low income areas with additional concern for the delivery of services in multiple dwelling units. No evidence of this was found.

A substantial number of multiple dwelling units in 240 municipalities have now been wired for FiOS. Verizon has negotiated access in over 3,200 MDU properties. The total number of FiOS customers is 370,883 as of December 31, 2009.

Reach of Competition

- Verizon represents that its FiOS passes 1.9 million homes in New Jersey, which out of an estimated 3.31 million household units per the 2000 census covers 57% of the state’s households.

(The other landline competitor Hometown Online, a subsidiary of Warwick Valley Telephone, which is a traditional municipal consent-based franchisee rather than a system-wide franchisee, passes another 4,681 homes giving additional residents in Vernon and West Milford landline competition.)

- Verizon has met its statutory requirement by beginning to offer cable television service on a commercial basis to customers in each of the 70 municipalities termed “must builds”, also referred to in this report as “the core 70.” In 38 of these 70 municipalities, Verizon is now offering service to more than 60% of these households.
- Verizon’s initial application listed 316 towns earmarked for service but 32 were added in 2007, 11 in 2008 and 10 in 2009 for a total of 369 of which 349 or 94.6% are currently served to some degree.

- Fewer subscribers were added to FiOS in 2009 than in the first two previous full years of roll out.
- There is no indication that Verizon has plans to expand to additional municipalities in its service territory since the last filed addition to its franchise area was June 9, 2009.
- Verizon's rollout of FiOS trended toward areas with the highest per capita income first along with the 70 must build municipalities. The roll out then proceeded with the next highest per capita areas in succession largely due to the company's unrestricted fiber-to-the-home initiative in suburban New Jersey towns begun prior to the system-wide franchise legislation.
- By June 2010, 194 of the 349 municipalities with Verizon FiOS will be qualified to receive the higher 4% franchise fee from the incumbent cable operator, which is paid each January 25th. Every municipality served by Verizon collects the 4% fee from Verizon from the inception of its service in the town.

Part 2 Effect on Choice in the Marketplace

New Jersey consumers benefit from choice of landline providers in several ways. Since Verizon's entry, they can "vote with their feet" and switch providers, yet retain comparable communication services. Until December 2006 when the first customer was served by FiOS, four municipalities in the entire state had such a choice. Subscribers were limited to a satellite provider as the only alternative. Verizon's entry and its new technology, as well as rising unregulated cable rates, along with a trend towards bundling services known as the "triple play", heightened interest in the service offerings of a competitor. The shift from a single service to multiple services by providers of telephony, Internet and video packages yields economic benefits to the consumer, as well as advanced services such as high speed data, hundreds of video channels, high definition television, on-demand movies, and VoIP. These packages offered at monthly savings by Verizon and the incumbent operators, Comcast, Time Warner and Cablevision, have become increasingly popular.

- "Triple play" bundled prices range from between \$41 and \$73 lower than the sum of individual components of voice, video and data.
- Incumbent cable operators in competition with Verizon began to more aggressively bundle and promote triple play offerings to attract and retain subscribers.
- At least 194 towns are or will soon be collecting the higher franchise fee of 4%, of which 3.5% goes directly to the town and 0.5% to a CATV Universal Access Fund for the Cable Rebate Program. This program may be suspended as reported on the Department of Treasury's website.

- While Verizon has represented it has lost landline telephone subscribers to incumbent cable companies, the system-wide franchise has enabled Verizon to siphon off video subscribers from cable operators. While it can not be determined if all the incumbents' defectors went to Verizon, the total net loss for the three providers which Verizon has "over built" is over 182,629 from Comcast, 50,461 from Cablevision and 92 subscribers from Time Warner at year end 2009, according to OCTV data.
- In competitive towns including the 23 where Verizon has not started servicing or has no subscribers, there has nonetheless been a 2.92% increase in overall subscribers in 2009.
- A net gain of 54,000 subscribers in 2009 can be attributed statewide to increased competition and in part due to the digital broadcast transition in 2009. That federal action made it necessary for some consumers to subscribe to cable where broadcast analog signals transitioned to digital and required a converter, antenna or cable subscription to bring in the off-air broadcast channels.
- Franchise fee revenue paid to towns escalated following Verizon's entry from \$25.1 million in 2006 to about \$43.8 million in 2009.

Part 3 Effect on Subscribers

The Legislature required that the Board examine the three main issues for subscribers--- price, content and customer service at the end of year three. Although consumers have more choice in selecting a provider in the areas of Verizon's footprint, competition has not stopped, but may have lessened the increases in unregulated cable rates. The annual increases to unregulated cable programming service tier (CPST) have slowed slightly at 9% annually as opposed to 15% annually prior to Verizon's entry. Basic cable rates, where regulated by the Board¹, have on the other hand decreased from \$12.71 at the end of 2006 to \$12.47 in the first quarter of 2010.² Due to current landline competition as well as the competition from direct satellite providers, 268 towns have been deregulated by the FCC and 258 remain under the Board's authority for the basic tier and equipment prices.

The blended average of regulated and unregulated rates throughout the state at the end of 2006 or pre-Verizon was \$13.40 for basic and \$35.62 for CPST. Today the average blended rate is \$13.45 and the average blended CPST rate is \$45.68 for respective increases of less than 1% in basic rates and slightly over 29% in CPST rates. As noted above, the growth rate for CPST prices slowed in 2009.

Alternately, the system-wide franchise effect on subscribers due to the increased franchise fees which are passed through to subscribers nearly tripled the bill charges for these

¹ Verizon's cable television rates have never been regulated due to federal preemption.

² By June 2010, nearly \$431 million dollars in rate reductions, refunds and foregone revenues since the advent of rate regulation in 1993 will have been realized for customers due to the Board's basic rate oversight.

fees for those whose incumbent cable provider is “over built” by Verizon in at least 60% of the municipality. Currently 194 municipalities have been verified by the Board as having 60% availability of FiOS triggering an increase in the franchise fee on incumbent customer’s bills, as mandated by changes to the State Cable Act.

- These estimated franchise fee charges on subscriber’s bills subject to the 4% total rate increased on average approximately \$2 per month per subscriber for the period from the first full year of Verizon service in 2007 to year end 2009.
- The average channel count at the end of 2009 on the basic tier is 40 and 57 on the CPST tier for an increase in channel offerings of 48% and 27% respectively.
- Since 2006, Verizon and each incumbent operator it has begun to compete with has dramatically increased programmed channels including Premium Movie, High Definition, On Demand and Digital Channels.
- On average basic converters have decreased in monthly costs by 9% to 20% while advanced converters have risen on average from about 2% to 56% depending on the functionality.
- Prices for initial installations have also risen since 2006 by 13% on average.
- At the end of 2006, there were 50 regulated rate districts under Board basic rate regulation and 12 unregulated ones. Due to new Effective Competition filings by incumbent cable operators since the entry of Verizon, in 2010 the figures were 35 and 25, respectively, for an increase of 108% in newly unregulated rate districts.
- Verizon has made public, educational and governmental access programming available in 234 municipalities; installed free Internet and cable connections to over 691 municipal locations in 192 towns and provides free PEG access equipment and training through a program administered by NJEDge (a consortium of community colleges).
- Complaint totals in 2006 as reported by the industry prior to Verizon were 4.79 million. In 2007, the first full year of Verizon’s entry, complaints increased 1.94%. In 2008, complaints increased 126%, but overall declined a year later by 20% in 2009.
- In the specific area of customer service, including how customers are treated and how complaints are resolved, there is a definite downward industry trend in complaint totals of 55% since Verizon’s entry. This would indicate that the relationship between the cable companies and subscribers has in many cases changed for the better.

REPORT

PART 1 The State of Competition: Verizon's Required Deployment

Executive Order No. 25 (2006)

Executive Order No. 25 (2006) released with the amended State Cable Act (L.2006, c.83) provides the guidance to implement the Act and assess its impact. Verizon New Jersey, Inc. (Verizon) was granted the system-wide franchise with limited deployment obligations amounting to 70 required municipalities which include the county seats in its service territory and the 60 most densely populated cities in the state. The statute allows Verizon discretion in adding towns. Cablevision is the only cable operator to convert to a system-wide franchise pursuant to N.J.S.A. 48:5A-25.1. It has already fully built 179 municipalities as a traditional franchisee since the 1970's and has recently converted 28 municipal consent based franchises into six system-wide franchises. It is anticipated Cablevision will continue to convert its traditional franchises especially where renewal negotiations for consent based franchise prove difficult. This report will focus primarily on the new entrant Verizon, as Cablevision's conversions to a system-wide have been recent and uneventful. (Verizon Territory Map – Exhibit "1")

The Executive Order also directed the Public Advocate to monitor activities of system-wide franchises and bring appropriate enforcement actions, pursuant to section 20(b) or otherwise protect the rights of residents of MDUs and all citizens and ensure that they receive appropriate service. To date, the Public Advocate has not indicated any violations of this nature.

Additionally, under the enabling legislation, the Department of Community Affairs (DCA) in consultation with the Board was to develop and conduct a study to investigate how cable companies can overcome technical, physical and other barriers to the provision of cable television service to residents of multiple dwellings. Further in preparing the study DCA was directed to investigate any model codes, such as BOCA National Existing Structures Code of 1987, the NJ Housing Rehabilitation code promulgated pursuant to L.1995, c.78 and experiences of other code enforcement jurisdictions, and to consult with individual and organization experiences in the construction or rehabilitation of multiple dwellings in this state and conduct research as may be relevant to the purposes of the State Cable Act.

The enabling legislation further provided that the DCA shall within 18 months of the date of the legislation submit a written report to the Governor and Legislature setting forth the finding and recommendations of this study as well as making such recommendation for further legislative action as the Commissioner may deem likely to remove barriers.

The Office of Cable Television (OCTV) met with the DCA in 2006 along with interested parties invited by the DCA. The meeting addressed the narrow concern of whether or not there

were technical barriers to Verizon FiOS TV service to MDUs. The consensus was that the issues had been resolved.

Independent of these agencies and in addition to the many mandates required of the Board, the OCTV felt it important to conduct its own analysis of service provided by Verizon and Cablevision, the two system-wide franchisees, with respect to service to MDUs. Cablevision, an incumbent cable operator for three decades, in building out its network, has long been serving single family homes and MDUs in its franchised municipalities. Cablevision does not provide information to the Board regarding MDU deployment.

Applying the same analysis the OCTV uses to verify Verizon activation capability, under N.J.S.A. 48:5A-30(d), where it claims 60% availability in a particular community, the OCTV developed a formula relying on US Census information and self-generated Verizon data to calculate that a minimum 60% of households were passed and capable of subscribing to FiOS. The OCTV analysis includes field visits, review of facility maps filed with the Board under other requirements, telephone calls to property owners/managers and review of public street and zoning maps as well as online satellite imagery. The OCTV also reviews several metrics including per capita income, housing density, wire center activations dates, and MDU data along with Verizon's need to balance necessary business practices while meeting build out conditions of the system-wide franchise. To date, the Board has issued 14 certification orders affecting 194 municipalities, approving every filing submitted to it where Verizon showed the capability of service to at least 60% of the households in these towns. (See Verizon Map Certified 60% Municipalities - Exhibit "2")

The overall business plan for FiOS investing more than \$1 billion seems based on density, cost and statutory mandate. Verizon reports that it now passes 1.9 million homes with its FiOS network or 57% of all state households. It is important to note that Verizon has six years from initial construction in any of the core 70 towns to complete the build out, which in some cases will be as late as 2015. Overall the company has provided services to diverse communities and met the benchmarks required of them. Verizon has also employed and trained hundreds of workers and made significant investment in the state's newest communications infrastructure resulting in an increase of local and state tax revenues. Verizon has begun residential service in the core 70 required municipalities and in 38 of these can reach at least 60% of all households. A substantial number of MDUs in 240 municipalities have been wired for FiOS with Verizon negotiating access in over 3,200 MDU properties. The total number of FiOS customers was 370,883 as of December 31, 2009.

The statute allows Verizon to avoid their build out requirements in MDUs in situations where there are exclusive arrangements with other cable television providers; developments or buildings that Verizon cannot access, using its standard technical solutions, under commercially reasonable terms and conditions after good faith negotiations; or in area which Verizon is unable to access the public rights-of-way under reasonable terms and conditions.

Verizon formed a special division, Verizon Enhanced Communications, responsible for deploying FiOS to rental apartments, condominiums, and multi-tenant businesses.¹

Verizon was required to file for relief with the Board where it cannot access an MDU property. Verizon made such a filing in March 2010 in a petition which is currently under review by the OCTV.

Since 2007, Verizon represents it contacted thousands of MDU property representatives to negotiate MDU access agreements. In its March 2010 filing, Verizon filed for exception to the full build requirement in five towns, claiming it could not reach agreements with the owners/managers of certain buildings and that there were not any requests for service from residents in these dwellings. Some of these MDU buildings have bulk-billing arrangements with the incumbent cable operators where costs are built in to the rent or tenant fees paid to a management company. Subscription to another cable television company would not remove the requirement of the resident to continue to pay in the bulk billing arrangement. Where there is no opt-out provision residents could have to pay for two MVPD services while only subscribing to one, which presents a barrier to successful deployment from Verizon's vantage point. A number of these pending matters will be addressed formally by the Board in the near future.

Data regarding deployment from the first two years might suggest that Verizon placed less emphasis on building MDUs. However, clearly these properties present a number of legal and lay-out challenges. There is no evidence that Verizon purposely avoided any MDU deployment. Verizon's representation that it deployed its FiOS network by balancing cost, receptivity of landlords and design of network, is plausible.

It must be noted that Verizon's fiber optic network was being constructed in 2004 prior to the award of the system-wide franchise and before deployment commitments were required. In 2005 the company was seeking individual traditional franchises at the Board in nearly 100 mostly suburban towns. This was a strategic yet voluntary business decision to offer competition to incumbent cable and satellite providers. Of the 92 applications for traditional franchises filed with the Board in 2005-2006, 89 of them were suburban towns. These areas have a higher percentage of aerial facilities, where deployment traditionally is rapid and more cost effective. This would suggest that Verizon made a business decision to then rapidly deploy in those mostly suburban towns in the first year of the system-wide franchise as opposed to urban towns where there were few pending applications for a traditional municipal-consent based franchise.²

Verizon's pattern of overall rollout and activation schedule is also comparable to that of any "over-builder" or second multichannel video programming distributor (MVPD) or initial MVPD in that the business plan generally focuses on first serving higher income areas and high density areas. History bears this out. During the initial cable franchise years in this state between 1975 and 1995, cable companies used a line extension policy (LEP) for areas with lower housing densities where they would ultimately extend service using a shared cost formula. Therefore, targeted cost based deployment in general is an acceptable business plan and does not conflict with mandate of the Executive Order.

¹ Broadband Properties, <http://broadbandproperties.com>, January-February 2009

² Verizon later withdrew those municipal consent applications in favor of the streamlined system-wide franchise.

In year three of deployment, Verizon made the most progress towards extending FiOS to MDUs in all areas including lower than average per capita income areas. Generally urban areas have a higher concentration of MDUs which require owner approvals for service. The system-wide franchise law does not relieve even a system-wide franchise provider from the need for these non-governmental approvals including permission from associations, landlords, boards or developers. As noted, Verizon's system-wide franchise deployment shows that it is capable of service to at least 60% of households in 38 of the 70 must build municipalities which are among the state's most urban communities. Verizon's data shows that the income in towns where FiOS is available meets the statewide average and the racial composition where it is available is as or more diverse than the statewide average. A subset of the requirement is the penetration of at least 60% in the deployment of the network. Verizon makes a plausible representation that it is at or above the statewide average overall in deployment even now with a franchise that will not be renewed until 2013.

It appears that the Verizon focus was to deploy rapidly in those towns where fiber plant had already been added to its network (i.e. suburban towns) where it planned to offer cable service via a traditional municipal-consent based franchise. It would follow that Verizon would have met or exceeded the statewide income average first in these higher per capita income areas. The rollout continued in a fairly balanced manner in the next highest per capita areas but also included the remaining core 70 must build municipalities which are largely urban or lower income per capita areas of the state.³

These considerations were specifically addressed in the public comment aspect of this proceeding. Specifically:

The Honorable Mayor Wayne Smith of Irvington commented during the Board's proceeding that Verizon is serving his town and providing his residents with a choice finally and that the company has made a commitment to urban centers.

Mr. William Vasquez, a Newark resident, said that he has received superior service as a FiOS customer since Verizon kept its promise to make FiOS available in urban communities.

Elizabeth Councilman Joseph Keenan said he thought his city might be low on the priority list since it is a largely low income but that FiOS is serving the community and residents he spoke to have disconnected from Cablevision in favor of FiOS. He then said they receive calls from Cablevision asking them to come back.

However, the curtailment of FiOS deployment also was addressed by one resident in the proceeding.

Mr. Kenneth Hattrick, a Medford resident commented during the Board's public proceedings that it appears Verizon has slowed its FiOS program down considerably in part he

³ See "Income Levels and Race of Person of Municipalities where Verizon NJ Offers FiOS TV" Chart in Verizon's written comments - Appendix II.

believes due to an economic downturn and he hoped that as the economy improves, Verizon will be able to provide FiOS to all residents who want it.

Verizon amended its original application for 316 towns adding 32 in 2007, 11 in 2008 and 10 in 2009. Of the total 369 towns in its current amended franchise, 94.6% or 349 have partial service.

While it is possible for Verizon to extend service throughout its authorized territory, to an additional 155 municipalities in the state that are not included in its current application of 369 towns, Verizon has indicated it will now concentrate its capital expenditures, expected to be between \$16.8 billion and \$17.2 billion in 2010 on its wireless telephone network. Further FiOS expansion will be limited to increasing penetration in those communities where FiOS is currently available, according to the company.

Verizon serves 495 municipalities solely, and splits 31 more with other local exchange carriers for a total footprint of 526 municipalities. The remaining 40 towns are served by independent telephone companies and remain totally outside the Verizon footprint. Therefore, unless a new entrant into the system-wide franchise process emerges in these areas, there is little expectation that they will receive landline cable television competition.

Benefits to Municipalities

FiOS deployment has benefited municipalities. By June 2010, 194 of the 349 currently served municipalities are or will be collecting the higher 4% franchise fee from the incumbent cable operator. Every town served by Verizon collects the 4% fee from the inception of FiOS service. The amended State Cable Act redefined the basis to include gross revenues from all billed "video" sources (i.e. installation, pay per view, premium and upper digital tier revenue and equipment). That coupled with the increase from 2% to 4% affected the franchise fees charged by Verizon which is immediately required to collect the increased franchise fees from subscribers. The incumbent cable providers must do the same no later than 90 days after the Board approves Verizon's claims that it is capable of service at least 60% of the households in any municipality served by an incumbent cable provider. All other operators continue to pay the 2% rate established in the original statute for basic cable.

Future migrations to a system-wide franchise status by any incumbent cable operator would potentially add to the franchise fee total where it is not already at the higher fee of 4%. To date only Cablevision has sought system-wide franchises in 28 towns and in each instance these are towns where Verizon had been certified as serving at least 60% of the town. Therefore, the franchise fee collection was not affected. Rather it appears Cablevision migrated to a system-wide franchise where the local municipalities were less than prompt in renewing the municipal consent based ordinance.

System-wide franchisees in all franchised towns and incumbents in 60% certified towns are also required to pay to the Treasurer a fee up to 0.5% of Gross Video Revenue for a CATV Universal Access Fund from the 4% total to subsidize the basic cable television service rates for

low income (P.A.A.D. eligible) seniors and disabled citizens. The amounts paid into the fund have reached approximately \$5.68 million; however, according to an online notice posted on the State of NJ Department of Treasury's website, the proposed budget for FY 2011 has suspended the Cable TV Rebate Program.

Benefits to Business

FiOS deployment is also beneficial to businesses. Contractor J. Fletcher Creamer, Jr. remarked in the proceeding that Verizon's contract with his company led to employment of 300 workers alone and estimates over 1,000 people were employed for the FiOS project working in 130 towns in the state.

While it is not within the purview of the Board to monitor commercial deployment of FiOS and its effect on the economy within the business community, Roger Ellis, a local union Government Affairs Representative, submits that well over 500 construction jobs were created, generating 200,000 work hours with the construction of the FiOS network.

PART 2 Effect On Choice In The Marketplace

Enhanced by competition, cable video programming services in 2010 are not only more extensive but superior in quality. Advanced bundling services at a discounted price are the most significant effect of Verizon's entry.

Discounted pricing in "triple play" offerings of telephony, Internet and video programming as a package existed prior to 2007 but it was not as widely purchased until market competition arrived. Verizon's established name brand history as a telecommunications provider and a reputation for reliability likely drew subscribers to this new technology and its bundled packages. The cable industry responded in kind with its own competitive promotional marketing of triple play packages.

Availability of Programming Content

Since the system-wide franchise option was introduced cable subscribers have seen program offerings increase to hundreds of digital television channels that are available now from more than one landline provider in multiple municipalities.

Technological advances in the industry have also resulted in more diverse programming. The weighted average channel count as of December 2009 was 40 on the basic tier marking a 48% increase from pre-Verizon 2006 when 27 channels was the state average. Cable programming service tier (CPST) counts (the expanded basic tier) have risen over the same period from 45 to the current 57 channels on average making a 27% increase. More specifically on a system by system basis, for a sampling of current channel count comparisons, Charts 1 through 3⁴ on the next two pages compare the overall approximate Basic⁵ and CPST channel counts of various Verizon territorial lineups⁶ with their incumbent competitors grouped by competitive areas⁷.

⁴ These charts are exclusive of PEG and HD channels. Also, only the service areas of incumbent cable companies (i.e. Comcast, Time Warner and Cablevision) (incumbents) that compete with Verizon are included. Excluded are Cablevision's Warwick/ W. Milford and Monmouth – Seaside systems and Comcast's Avalon, Northwest NJ, Wildwood and Long Beach Island systems. Also excluded are the completely non-competitive (i.e. with Verizon) Service Electric Cable T.V. of N.J., Inc., Service Electric Cable T.V. of Hunterdon, Inc. and Hometown Online, Inc. Since Verizon's channels are all delivered in digital format and because on average the vast majority of incumbent cable customers have at least one digital converter, the comparative incumbents' channel lineups will include their digital offerings on their mixed analog and digital basic and CPS tiers.

⁵ It should be noted that pursuant to an agreement with the OCTV, Verizon's cable bills state that "All FiOS TV packages include Basic service" at \$12.99 per month. However, it does not offer this as a separate "stand-alone" service and accordingly, a customer can't exclusively purchase a "basic tier only" package.

⁶ The lineups are Verizon of Northern New Jersey (NNJ), Mercer County (MER), Ocean County (OC) and Southern New Jersey (SNJ).

⁷ The number in parentheses next to each competitive incumbent cable group represents the number of systems comprising that group.

Chart 1

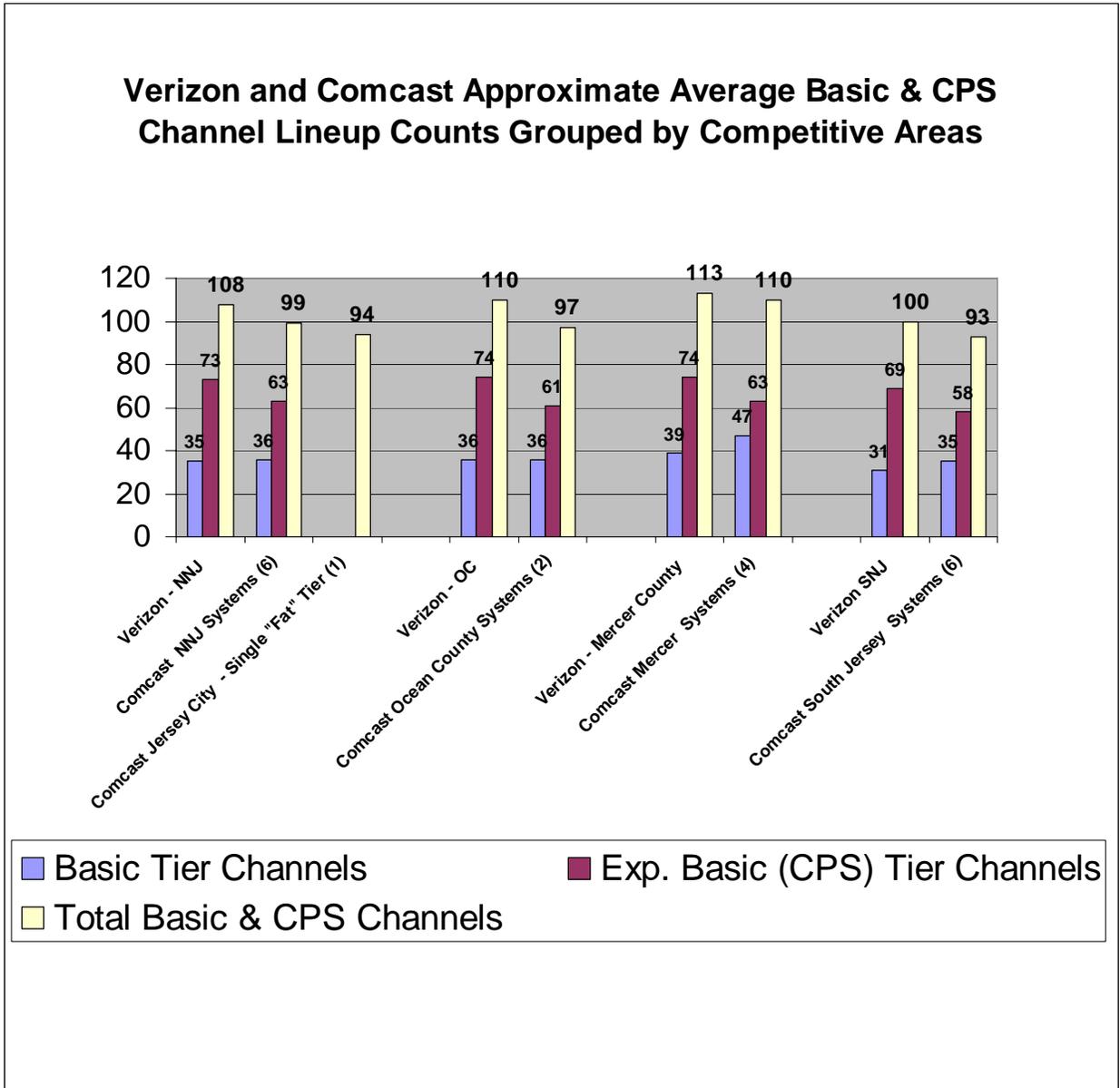


Chart 2

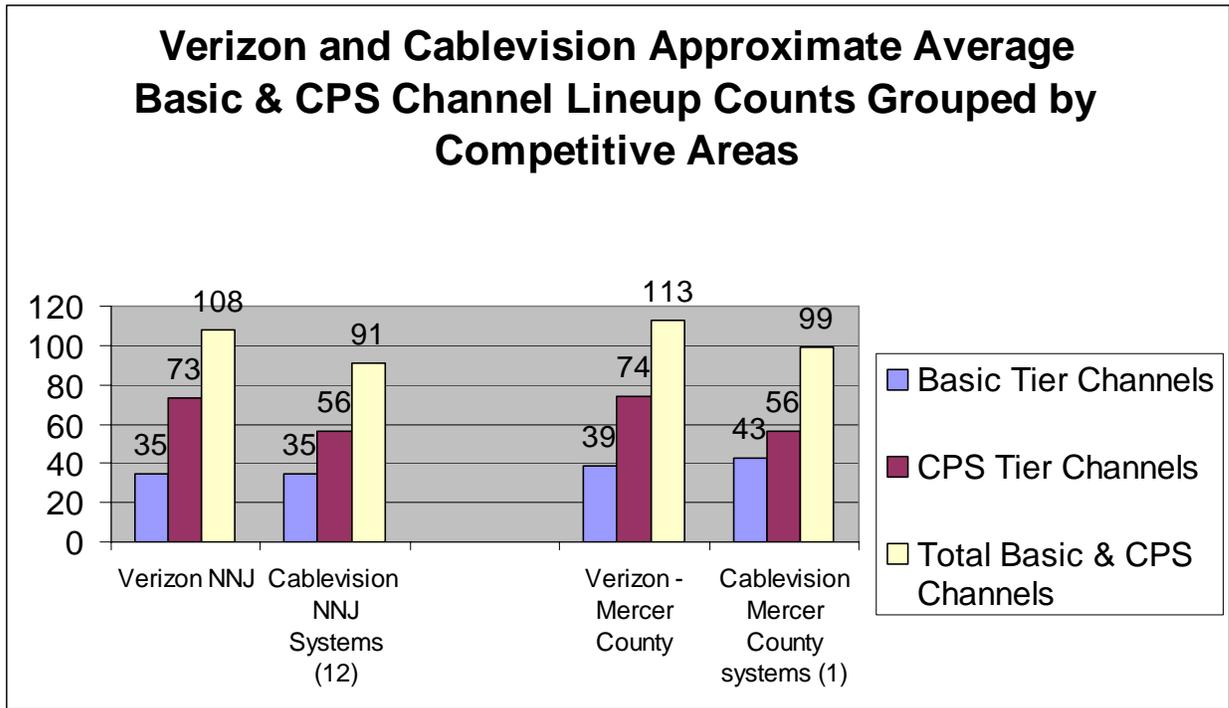
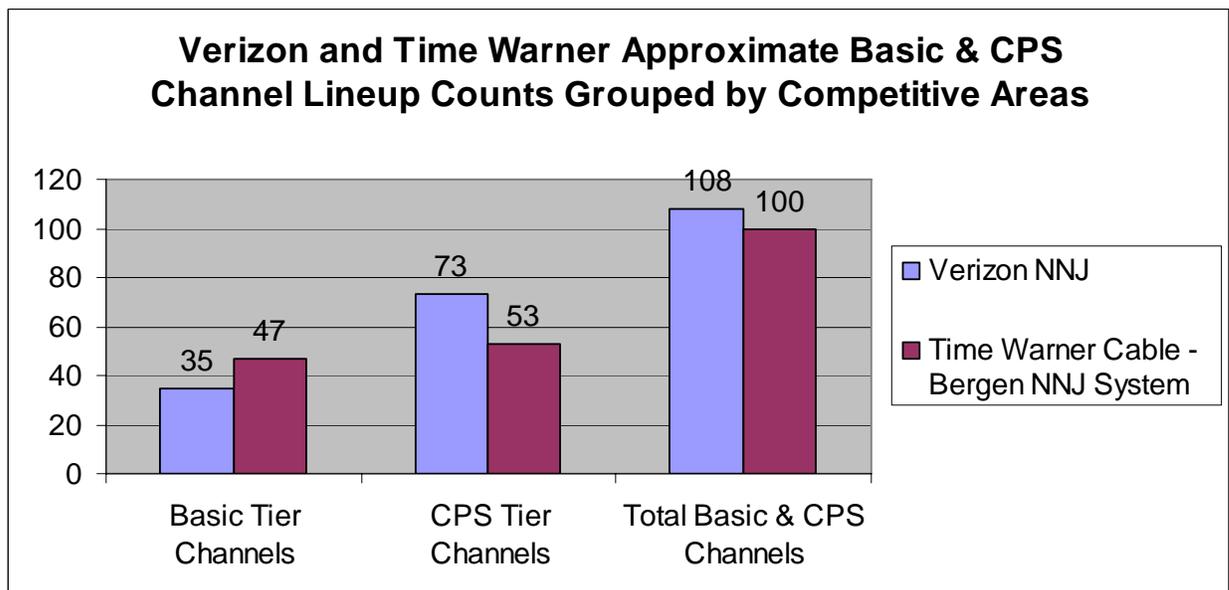


Chart 3



The remaining channel chart (Chart 4) more specifically breaks down the increased number of programming channels above the basic tier and CPST. Since 2006, Verizon and each incumbent have begun to compete by increasing programming channels including Premium Movie, High Definition, On-Demand and Digital Channels.

Chart 4

| Average Channel Counts by Major Channel Package Category (1) | | | | | |
|---|-------|--------------------|------------------------|-------------------------|------------------------|
| Categories | | Cablevision | Comcast *** | Verizon **** | Time Warner |
| All Channels | | | | | |
| | 2006: | 371 | 284 | 441 | 392 |
| | 2010: | 504 | 420 | 577 | 653 |
| Increase (Decrease) | | 133 | 136 | 136 | 261 |
| Movie & Premium * | | | | | |
| | 2006: | 72 | 35 | 91 | 93 |
| | 2010: | 123 | 42 | 109 | 122 |
| Increase (Decrease) | | 51 | 7 | 18 | 29 |
| HD Channels ** | | | | | |
| | 2006: | 23 | 24 | 25 | 21 |
| | 2010: | 120 | 97 | 105 | 118 |
| Increase (Decrease) | | 97 | 73 | 80 | 97 |
| On Demand Channels **** | | | | | |
| | 2006: | 17 | 13 | 1 | 38 |
| | 2010: | 19 | 13 | 1 | 56 |
| Increase (Decrease) | | 2 | 0 | 0 | 18 |
| Digital Tier Cable Channels ***** | | | | | |
| | 2006: | 38 | 56 | 134 | 56 |
| | 2010: | 63 | 79 | 108 | 91 |
| Increase (Decrease) (2) | | 25 | 23 | (26) | 35 |

* Includes certain "International Premiums".

May include HD "Movie & Premium" and HD "On Demand" channels

** May Include HD "Movie & Premium" , "HD "Digital" and HD "On Demand" Channels.

*** Comcast includes certain movie channels (e.g. Encore, IFC, Flix, Sundance, etc.) on its Digital Tier while others count them in the Movies & Premium category, resulting in slightly lower "Movie & Premium" counts for Comcast.

**** Verizon has one On-Demand channel from which all On-Demand titles are accessed. May include Premium Channels.

***** Typically the tier of Cable Programming Channels above the CPS or Expanded Tier. May include HD Channels.

The representative "Digital" tier for each system is:

| | |
|--------------|--|
| Comcast: | Digital Classic/Digital Plus |
| Cablevision: | iO Package |
| Verizon (2): | Extreme HD for 2010 & FiOS TV Premier for 2006 |
| Time Warner: | DTV - Digital Television Channels |

| | | | | |
|-----------------------------|--------------------|-----------------|-----------------|--------------------|
| (1) Channel Lineup Sources: | Cablevision | Comcast | Verizon | Time Warner |
| 2006: | Feb 2007 - card | Jan 2007 - card | Dec 2006 - card | Jan 2007-card |
| 2010: | May 2010 - web | Jan 2010 - card | May 2010 - web | Jan 2010-card |

(2) In 2006, "FiOS TV Premier" was the only Cable Programming tier above the Basic/Local Verizon offered. In 2008, Verizon re-tiered, effectively creating what became the Extreme HD tier.

Pricing Benefit to Customers

The 2010 promotional customer cost for triple play is approximately \$100.00 per month for the first 12 months. Some providers like Verizon offer a partial increase for the second year of the contract but continue with some level of discount. Verizon's two year commitment is unique in the industry. For comparison purposes, Verizon's 1st year triple play is \$89.99 rising to \$109.99 in year two. Cablevision's triple play is offered to new subscribers for \$89.85 and to existing customers \$99.85 for the first year. Comcast's and Time Warner's initial price for new or existing subscribers is \$99.00. Comcast's new subscribers pay \$114.99 for the second year.

Bundled prices can range between \$41.00 and approximately \$73.00 lower than the sum of the prices of individual components as seen in the Chart 5.

Triple play bundling generates customer savings in the total communications bills as companies discount services that are bundled. Any savings is significant since the FCC's findings of effective competition in many New Jersey towns has limited Board regulation of basic rates and consequently, the stability that rate authority has provided over the past two decades.⁸ Consumers perceive this triple play option in a new competitive environment as somewhat of a check on increases resulting from 1999 federal deregulation of rates.

⁸ By June, 2010, nearly \$431 million in rate reductions, refunds, and foregone revenues since the advent of rate regulation in 1993 will have been achieved due to the Board's basic rate oversight.

Chart 5

| Triple Play (Bundled Services): | | | | |
|--|---------------------------------|-----------------------|----------------------|-----------------------------|
| | <u>Cablevision</u> | <u>Comcast</u> | <u>Time Warner</u> | <u>Verizon</u> |
| 1 st Year | | | | |
| per month | \$89.85* | \$99.00 | \$99.00 | \$89.99 |
| | New Subscriber | | | |
| | \$99.85** | | | |
| | Existing Subscriber | | | |
| 2 nd Year | | | | |
| per month | Regular Prices | \$114.99 ¹ | Regular prices | \$109.99 |
| | apply | Regular prices apply | apply ² | |
| Unbundled Services (per month): | | | | |
| | <u>Cablevision</u> | <u>Comcast</u> | <u>Time Warner</u> | <u>Verizon</u> |
| Video | \$55.95 | \$61.32 ³ | \$58.80 | \$64.99 |
| Voice | \$34.95 | \$39.95- | \$39.95 ⁴ | \$42.99 |
| | | \$44.95 ⁵ | | |
| Internet | \$49.95 | \$42.95 | \$45.95 | \$49.99 ⁶ - |
| | | | | \$54.99 ⁷ |
| Monthly Savings (per month): | | | | |
| | <u>Cablevision</u> ⁸ | <u>Comcast</u> | <u>Time Warner</u> | <u>Verizon</u> ⁹ |
| First Year | \$41.00- | \$45.22- | \$45.70 | \$67.98- |
| | \$51.00 | \$50.22 ⁺ | | \$72.98 |
| Second Year | None | \$29.23- | None | \$47.98- |
| | | \$34.23 ¹⁰ | | \$52.98 |

- * \$29.95 per service
- ** \$29.95 for voice/Internet, \$39.95 for TV
- + Savings contingent on service area

¹ New subscriber only
² Existing subscribers
³ Average NJ rate
⁴ Not offered as a single service, only with Internet service as a “double play”
⁵ Price depends on service area
⁶ Subscribes to voice service
⁷ Does not subscribe to voice service
⁸ Savings contingent on whether a new or existing subscriber
⁹ Savings contingent on whether there is a subscription to voice service
¹⁰ New subscriber savings contingent on service area

Demarest resident Ms. Jean Strickholme commented during the proceeding that paying for bundled services enables her to write one check a month and has reduced costs from \$371.00 per month in 2007 to her most recent bill of \$284.00, a savings of \$87.00 per month. She adds that the addition of FiOS has provided an increase of choices available to consumers, improved services with high speed Internet, an increase of TV channels, lower prices and increased competition that she feels benefit consumers and area businesses.

Subscriber Counts

There was a net gain of 54,000 subscribers in 2009 in the state wireline MVPD industry. Our data shows 1.9 million subscribers out of a total 2.65 million statewide can now choose between Verizon and another landline competitor offering comparable services. There is one other landline competitor, Hometown Online (a subsidiary of Warwick Valley Telephone) which passes an additional 4,861 homes. Altogether 57% of total households statewide have now a landline competitor as an option to an incumbent cable operator.

Interestingly, there has been a net gain in subscribers to cable television occurring during the present economic recession. In competitive towns within the franchise, which include 23 municipalities where Verizon has not started serving or has no subscribers, there has been a 2.92% increase in overall subscribers from 2009 to 2010. Overall there was a 2.06% increase in subscription to cable television service from 2009 to 2010. Out of all subscribers, 80% are in municipalities with competitive services. Comcast leads the state in total subscribers with over 1.2 million followed by Cablevision with 933,226 and Verizon with 370,883. Time Warner (55,809), SECTV Sparta (30,438), SECTV Hunterdon (11,366) and Hometown Online (1,262) make up the remainder of the subscribers as reported to the Board at December 31, 2009. Some of these subscribers came from previous non-cable consumers who were forced to subscribe to cable services when the federal government ended analog off-air broadcasts and the digital broadcast transition went into effect in 2009. Due to their location, after June of last year, certain residents of the state could not access the off-air channels without cable service due to their location. (See Cable Franchise Territory Map - Exhibit "3")

There has been a shift in subscriber numbers amongst incumbents. While Verizon lost landline phone subscribers to incumbent cable operators, Verizon presumably has siphoned off video subscribers from cable incumbents and added previous non cable subscribers. The total net loss of video customers is 182,629 for Comcast; 50,461 for Cablevision and 92 for Time Warner in the period of December 2006 through December 2009 according to OCTV data. What is difficult to determine without company records is what the overall churn rate is for each provider.

Local News

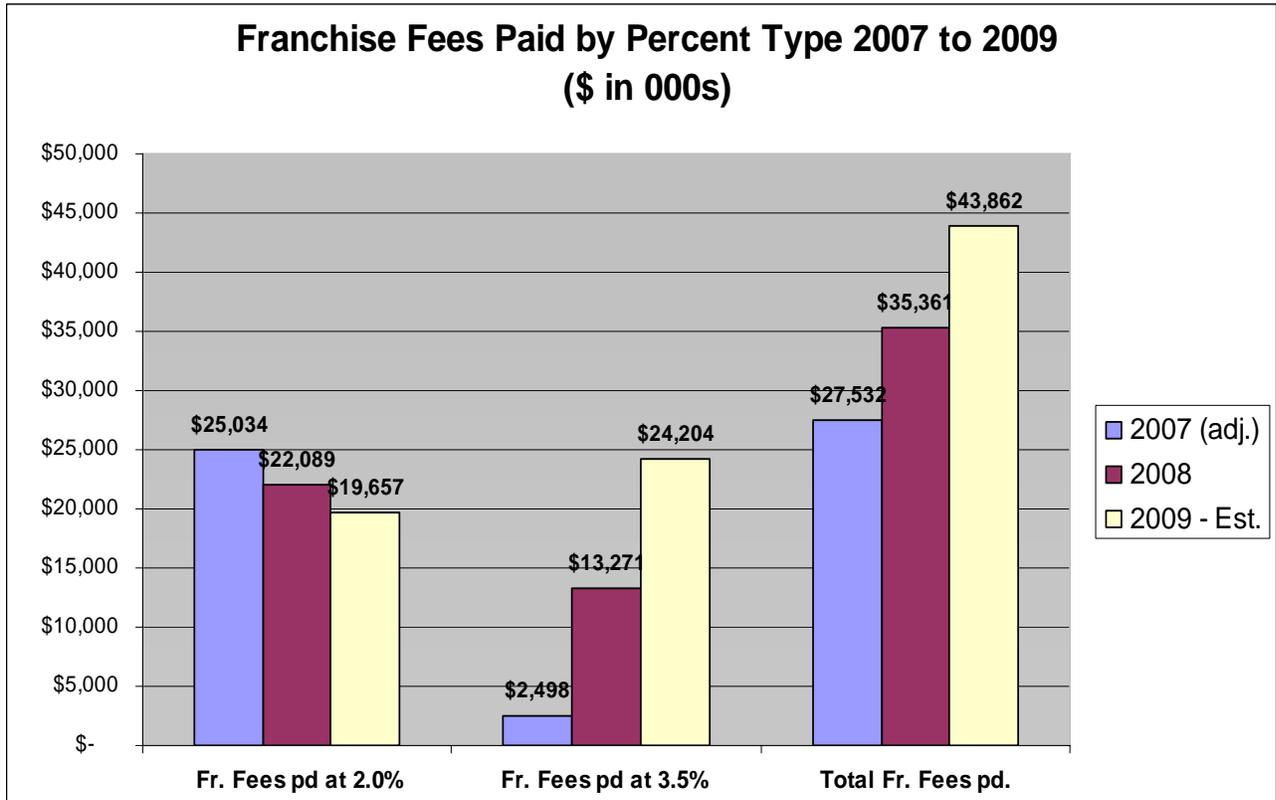
Verizon, in answer to Cablevision's News 12 NJ, launched FiOS 1 in its northern and central Jersey systems in an attempt to compete with Cablevision's round-the-clock regional news channel. Until recently MSNBC was not in Verizon's channel lineups in areas competitive with Cablevision because of Cablevision exclusive carriage agreement with NBC Universal (owner of MSNBC). However, according to recent news reports Cablevision lost its exclusive hold on terrestrial distribution of MSNBC in all of its New Jersey lineups effective February 11, 2010. Connecticut Attorney General Richard Blumenthal's letter to FCC Chairman Julius Genachowski of July 10, 2009 had argued an exclusive agreement between MSNBC and Cablevision might have been "illegal".

Subscriber Bills and Municipal Payments

It is undeniable that there is increased franchise fee revenue in Verizon served towns and this is especially true where Verizon has reached 60% certification which has increased the incumbent's fees to 4% from 2%. OCTV estimates that the average amount of franchise fees on subscriber's bills subject to the 4% total rate increased on average 256% for the three year period from 2007 to 2009 or \$2.01 from \$0.87 for a 2% payer to \$2.88 for a 4% payer. But subscribers' losses were countered by added municipal revenue.

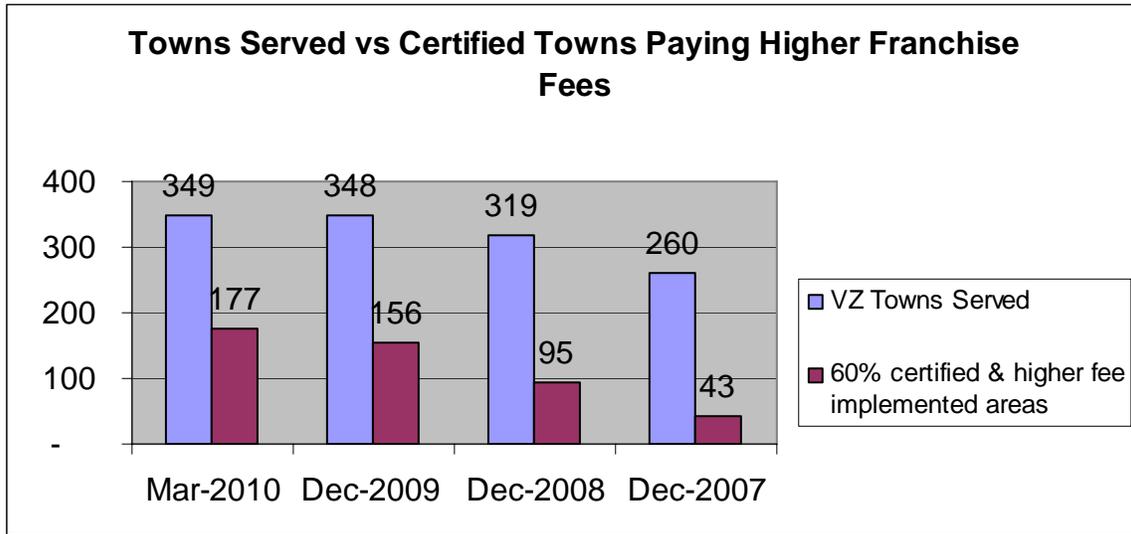
As seen in Chart 6 below, franchise fees at 2% totaled \$25 million in 2007, \$22 million in 2008 and \$19.7 million in 2009. Franchise fees paid at the higher rate of 3.5% to the municipality totaled \$2.5 million in 2007, \$13.3 million in 2008 and \$24.2 million in 2009. The total franchise fees paid have gone from \$27.5 million in 2007 to an estimated \$43.9 million at the end of 2009.

Chart 6



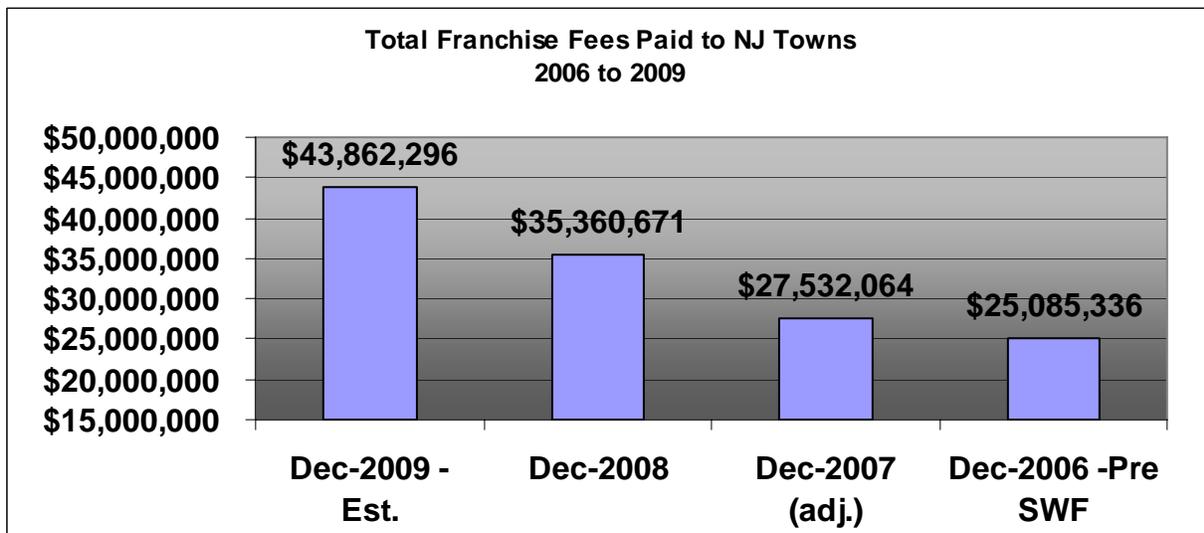
At full saturation, that is if all Verizon areas were 60% certified and both Verizon and the incumbent were paying the higher 3.5% for a full year, the total franchise fees to municipalities would have been \$65.3 in 2007 and \$71.2 million in 2008. Verizon’s wide deployment of service within municipalities has contributed to a continuous and ongoing expansion of 60% certified higher fee implemented areas.

Chart 7



Franchise fee revenues escalated to an estimated \$43.9 million in 2009 from \$25.1 million in 2006, the year immediately preceding system-wide franchise rules.

Chart 8

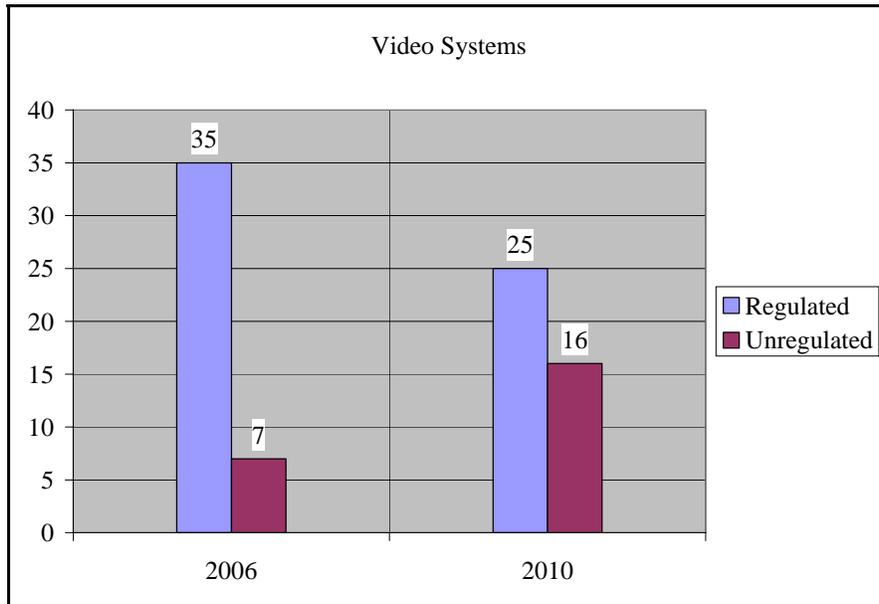


PART 3 Effect on Subscribers

Deregulation of Basic Rates

Presently, video providers are sectioned into 41 systems statewide. Prior to Verizon’s entry in 2006, there were 42 systems, 35 regulated and seven unregulated due to the availability of DBS as a competitor. As of 2010, there are now 16 unregulated rate districts and 25 regulated systems. These rate districts are formed based on the location of head ends, geographic regions or purchases and acquisitions. There are 268 towns declared deregulated by the FCC and 258 remain under the Board’s basic rate oversight. (Effective Competition Map - Exhibit “4”)

Chart 9



Promotional package and triple play bundling clearly are advantageous to subscribers and have been more so since Verizon’s entry. Verizon’s promotions have shifted from free equipment such as digital TVs or gift cards to monthly discounts for customers. One such current promotional offering is a \$20.00 discount off the triple play for two years plus no activation fee and a free wireless router for new subscribers.

Predominantly, the comments received by the Board from subscribers and interested parties did not address stand alone rates.

Stand alone rates, on the other hand, have not been subject to significant downward pressure except for those regulated districts still under the purview of the Board. However,

programming has increased with channel counts climbing into the hundreds of programming channels and packages as well as video on demand program libraries. While franchise fees to municipalities increased dramatically due to the new formula under the system-wide franchise, subscribers' franchise fee payments increased approximately \$2 per month for the period from the first full year of Verizon service in 2007 to year end 2009. The increases took place once a customer became a Verizon FiOS customer or once a subscriber's cable operator was "overbuilt" by Verizon in at least 60% of the households in an incumbent's municipality.

Unregulated CPST rates are up only 9% annually which represents a slowing of the historically double-digit upward trend. The average basic rate increased slightly from \$13.40 to \$13.45 since Verizon's entry. The blended average of regulated and unregulated rates statewide pre-Verizon was \$13.40 for basic and \$35.62 for the CPST. Today, the average is \$13.45 for basic and \$45.68 for CPST for a hike of 1% in basic and slightly more than 28% in CPST rates. Equipment prices have fluctuated as have initial installation charges. Basic converters have dropped between 9% and 20% while advanced converters have risen between 2% and 56% depending on functionality. Initial installations charges are up on average 13% since 2006 (Charts 10 and 11), however, sometimes promotional pricing is available.

Chart 10

| 12/31/2006 - Pre-Verizon Equipment and Installation Rates | | | | | | | | | | | | |
|---|--|------------------------|--------------------|---------------|--------------------|----------------|-----------------------|---------------|--------------------|--------------------|---------------|---------------|
| # OF DIST | COMPANY NAME/ DISTRICT | HSC | PRIMARY INSTALL | CONVERTERS | | | | | | | REMOTES | |
| | | | | NON ADDR | ADDR | 10/ DIGITAL | DVR | CABLE CARD | RESID GTWY | HDTV | STAND | DIGITAL |
| 1 | CABLEVISION | | | | | | | | | | | |
| | ALL SYSTEMS | \$46.95 | \$46.95 | | \$5.50 | \$5.50 | \$5.50 | \$1.25 | | \$5.50 | \$0.24 | \$0.24 |
| | LESS BPU CREDIT | -\$2.00 | -\$5.00 | | | | | | | | | |
| 2 | COMCAST | | | | | | | | | | | |
| | AVALON | \$33.55 | \$42.35 | | \$4.35 | \$4.35 | | | | \$10.25 | \$0.25 | \$0.25 |
| | | BASIC SUBS ONLY | | | \$1.25 | | | | | | | |
| | GARDEN STATE, TOMS RIVER, LBI | \$33.55 | \$42.35 | | \$4.60 | \$4.60 | | | | \$10.25 | \$0.25 | \$0.25 |
| | | BASIC SUBS ONLY | | | \$1.25 | | | | | | | |
| | ALL SYSTEMS EXCEPT AVALON, GARDEN STATE, TOMS RIVER, LBI & JERSEY CITY | \$33.55 | \$42.35 | | \$4.60 | \$4.60 | | | | \$10.25 | \$0.25 | \$0.25 |
| | | BASIC SUBS ONLY | | | \$0.35 | \$1.25 | NORTHWEST ONLY | | | \$0.15 | \$0.15 | |
| | MAPLE SHADE, GLOUCESTER CITY | \$34.20 | \$45.10 | | \$4.00 | \$4.00 | | | | \$9.90 | \$0.20 | \$0.20 |
| | | BASIC SUBS ONLY | | | \$0.35 | \$1.10 | | | | | | |
| | JERSEY CITY | \$33.55 | \$42.35 | | \$4.00 | \$4.00 | | | | \$9.90 | \$0.20 | \$0.20 |
| | | BASIC SUBS ONLY | | | \$0.35 | \$1.10 | | | | | | |
| 3 | HOMETOWN ONLINE | \$58.00 | \$99.00 | | | | | | \$8.00 | | | |
| 4 | PATRIOT MEDIA & COMMUNICATIONS CNJ, LLC | \$31.24 | \$41.65 | | \$1.00 | \$4.95 | | \$1.00 | | \$6.95 | | |
| | | | | | INCL REMOT E | INCL REMOTE | | | | INCL REMOT E | | |
| 5 | SERVICE ELECTRIC CABLE TV | | | | | | | | | | | |
| | PHILLIPSBURG /HUNTERDON | \$30.00 | \$49.95 | | \$2.80 | \$4.95 | \$12.95 | \$2.95 | | \$9.95 | \$0.20 | \$0.20 |
| 6 | SERVICE ELECTRIC CABLE TV | | | | | | | | | | | |
| | SUSSEX/WARREN | \$37.00 | \$36.00 | | | \$3.95 | \$11.95 | | | \$8.00 | | |
| 7 | TIME WARNER | \$37.62 | \$40.00 | \$0.55 | \$4.65 | \$4.65 | \$4.65 | \$1.75 | | \$4.65 | \$0.34 | \$0.34 |
| 8 | US CABLE | \$59.95 | \$59.95 | \$1.56 | \$3.13 | | \$10.00 | \$1.95 | \$8.00 | \$4.00 | \$0.31 | |
| | | | | | | | | | INCL REMOT E | | | |
| | AVERAGE CHARGE | \$35.94 | \$44.85 | \$0.63 | \$2.97 | \$4.56 | \$9.01 | \$1.78 | \$8.00 | \$8.15 | \$0.24 | \$0.23 |

Chart 11

| 2/28/2010 - Current Equipment and Installation Rates | | | | | | | | | | | | |
|--|---|--|--------------------|-------------|---------|----------------|-----------|---------------------------|---------------|---------|---------|---------|
| # OF DIST | COMPANY NAME/ DISTRICT | HSC | PRIMARY INSTALL | CONVERTERS | | | | | | | REMOTES | |
| | | | | NON ADDR | ADDR | IO/ DIGITAL | DVR | CABLE CARD | RESID GTWY | HDTV | STAND | DIGITAL |
| 1 | CABLEVISION - ALL SYSTEMS (REG/UNREG) | \$34.95 | \$34.95 | | | \$6.70 | \$6.70 | \$2.00 | | \$6.70 | | \$0.25 |
| 2 | COMCAST CABLE (REG/UNREG) | | | | | | | | | | | |
| | AVALON, CENTRAL II, GARDEN STATE, TOMS RIVER & LBI | \$33.20 | \$45.75 | | \$3.20 | \$3.20 | \$3.20 | 1ST ONE FREE-AFTER \$1.50 | | \$9.25 | \$0.25 | \$0.25 |
| | | BASIC SUBS ONLY | | | \$1.10 | | | | | | | |
| | LESS BPU CREDIT THRU 12/31/10 | | | | -\$0.45 | | | | | | | |
| | ALL SYSTEMS EXCEPT AVALON, CENTRAL II, GARDEN STATE, TOMS RIVER & LBI | \$33.20 | \$45.75 | | \$3.20 | \$3.20 | \$3.20 | 1ST ONE FREE-AFTER \$1.50 | | \$9.25 | \$0.25 | \$0.25 |
| | | BASIC SUBS ONLY | | | \$0.35 | \$1.10 | \$1.84 | ← NORTHWEST ONLY → | | | \$0.15 | \$0.15 |
| | LESS BPU CREDIT THRU 12/31/10 | | | | -\$0.45 | | | | | | | |
| 3 | HOMETOWN ONLINE (UNREG) | \$58.00 | \$99.00 | | \$6.35 | | \$8.95 | | \$8.00 | \$6.95 | | |
| 5 | SERVICE ELECTRIC CABLE TV (UNREG) | | | | | | | | | | | |
| | PHILLIPSBURG/HUNTERDON | \$30.00 | \$49.95 | | \$3.00 | \$4.95 | \$12.95 | \$2.95 | | \$9.95 | | |
| | | STANDARD DIGITAL | | | | \$2.95 | | | | | | |
| 6 | SERVICE ELECTRIC CABLE TV (UNREG) | | | | | | | | | | | |
| | SUSSEX/WARREN | \$37.00 | \$36.00 | | | \$3.95 | \$13.95 | \$2.95 | | \$10.00 | | |
| 7 | TIME WARNER (REG/UNREG) | \$37.62 | \$40.00 | | \$4.40 | \$4.40 | \$4.40 | \$1.75 | | \$4.40 | \$0.30 | \$0.30 |
| | | BASIC SUBS ONLY | | | | \$3.40 | | | | | | |
| 8 | VERIZON NJ, INC. (FIOS) (UNREG) | -- | \$54.99 | -- | -- | \$5.99 | | \$3.99 | -- | \$9.99 | -- | -- |
| | | | | | | \$3.99 | (ADAPTER) | | | | | |
| | | GRANDFATHERED RATES | | | | \$4.99 | \$12.99 | \$2.99 | | | | |
| | | (UP TO 3 SETS) (HD HOME MEDIA) | | | | \$19.99 | * | | | | | |
| | | GRANDFATHERED RATE(SD HOME MEDIA) | | | | \$17.99 | | | | | | |
| | | | | | | (INCL HD) | \$15.99 | | | | | |
| | * TWO TUNERS | | | | | | | | | | | |
| | AVERAGE CHARGE | \$37.71 | \$50.80 | \$0.35 | \$2.38 | \$4.13 | \$10.94 | \$2.77 | \$8.00 | \$8.31 | \$0.24 | \$0.24 |

Public, Educational and Governmental Access Channel Reach

The new law directed the Board and its OCTV to oversee the requirements for Verizon to provide PEG channels and offer free service to municipal buildings, schools and libraries. Due to interaction between the OCTV and hundreds of municipalities and Verizon's acknowledgement of its legislative requirements, subscribers who value PEG programming have benefited as over 234 towns have new PEG programming via Verizon and 691 municipal locations in 148 towns have additional free Internet and FiOS video services in their schools, libraries and municipal facilities.

N.J.S.A. 48:5A-28 also requires a commitment to provide equipment and training for access users without charge on a schedule to be agreed upon between the municipality and the system-wide franchisee. With training and equipment administered by the non-profit consortium of 52 New Jersey higher education institutions, NJEDge, Verizon has signed contracts with four county colleges and discussions are ongoing with others. Verizon carries five county wide channels and maintains a fully functional facility including training at Bergen Community College. (Breakdown of PEG Equipment Availability by County - Exhibit "5")

One county official noted his enthusiasm during the proceedings for the agreement between Verizon and his institution. William Vasquez, a trustee at Essex County College said he has seen a new partnership with Verizon giving students access to state of the art equipment and training.

Local Video Facilities, Equipment and Training

In its comments to the Board for this report, the NJ League of Municipalities asked that additional action by Verizon be taken in providing training and equipment to municipalities for PEG channels. The OCTV has not received any formal complaints in this regard and as Verizon notes even at Bergen Community College, where training and equipment is available in a fully equipped studio, usage is low. The Jersey Access Group representing some 60 PEG groups also notes this lack of progress. However, the statute requires the towns and Verizon to work out an equipment and training schedule and Board rules allow a town to file a complaint if agreement cannot be reached on this issue. The public-private relationship between Verizon and NJEDge appears to be a good fit and the goal of having a facility in each county Verizon serves seems in agreement with the goals of the franchise. The Board also notes the progress made by Verizon in obtaining agreements with NJEDge members.

The Honorable Brian C. Wahler, Mayor of Piscataway and Mr. William G. Dressel, Jr. Executive Director of the NJ League of Municipalities submitted comments that during the initial build-out, there were initial constituent complaints about Verizon's inability to interconnect with the existing cable system for PEG access programming. This at first limited Verizon's ability to provide local cable programming on PEG channels, but significantly he noted that the process proceeded much more smoothly since the Board resolved the PEG interconnection issue in 2008.

Customer Satisfaction

Not so clear are the overall effects of competition as measured by customer satisfaction. Whether there was landline competition or not the number of complaints received by the OCTV in 2009 remain similar among categories. Since Verizon's entry, the top five categories of complaints remain whether a town has two landline providers or not: billing, reception, "other", appointments/service calls and service interruptions. The OCTV examined the overall trend of complaints from 2006 (the year immediately preceding Verizon's entry) and each of the following three years through year end 2009 to measure any change in the quantity or character of customer complaints. Generally the major areas of customer dissatisfaction remained fairly constant as did the top five complaint categories. In 2006 the industry reported 4.8 million complaints with 91% of them in the top five categories of billing, service interruption, customer service, appointment/service calls and reception.

In 2007, the first full year of Verizon's entry, complaints reported by the industry increased by less than 2% over the prior year. Between 2006 and 2009, total complaints reported by the industry increased by 84% yet customer service complaints declined by 55% indicative that cable providers are in fact competing heavily in the customer service arena and interaction between the cable company and the subscribers has improved. Verizon has opened 11 local offices to accept complaints and exchange subscriber equipment. (Chart 12)

Chart 12

| OCTV & INDUSTRY COMPLAINT COMPARISON 2006 – 2009 | | | | | | | | |
|--|-----------|-----------|-----------|------------|-----------|-----------|-----------|--------------------------|
| | 2006 | 2007 | % Diff | 2008 | % Diff | 2009 | % Diff | % Diff 2006 - 2009 |
| Company Complaints as reported | 4,792,553 | 4,885,460 | 1.94% | 11,075,241 | 126.70% | 8,833,912 | - | 84.33% |
| OCTV Complaints | 11,804 | 12,586 | 6.62% | 13,349 | 6.06% | 12,087 | -9.45% | 2.40% |
| Top 5 Categories Companies | | | | | | | | |
| Billing | 1,462,821 | 1,473,114 | 0.70% | 4,034,768 | 173.89% | 3,837,136 | -4.90% | 162.31% |
| Service Interruption | 1,430,055 | 1,451,470 | 1.50% | 5,548,178 | 282.25% | 3,427,574 | 38.22% | 139.68% |
| Customer Service | 733,038 | 616,882 | 15.85% | 367,757 | -40.38% | 332,129 | -9.69% | -54.69% |
| Appointment Service Call | 664,510 | 653,956 | -1.59% | 659,160 | 0.80% | 662,116 | 0.45% | -0.36% |
| Reception | 109,871 | 123,423 | 12.33% | 139,153 | 12.74% | 153,386 | 10.23% | 39.61% |
| Top 5 Total Company Results | 4,400,295 | 4,318,845 | -1.85% | 10,749,016 | 148.89% | 8,412,341 | 21.74% | 91.18% |
| Top 5 Percentage of Total Reported | 91.82% | 88.40% | | 97.05% | | 95.23% | | |
| Top 5 Percentage of Total Reported Less Overstated Other | 99.11% | 98.51% | | 99.57% | | 98.99% | | |
| Top 5 Categories OCTV | | | | | | | | |
| Other | 2,750 | 2,668 | -2.98% | 2,317 | -13.16% | 1,956 | 15.58% | -28.87% |
| Reception | 2,495 | 2,784 | 11.58% | 2,732 | -1.87% | 2,386 | 12.66% | -4.37% |
| Billing | 1,611 | 1,987 | 23.34% | 2,362 | 18.87% | 2,255 | -4.53% | 39.98% |
| Appointment Service Call | 1,596 | 1,731 | 8.46% | 1,589 | -8.20% | 1,538 | -3.21% | -3.63% |
| Service Interruption | 923 | 1,083 | 17.33% | 1,086 | 0.28% | 986 | -9.21% | 6.83% |
| Top 5 Total OCTV Results | 9,375 | 10,253 | 9.37% | 10,086 | -1.63% | 9,121 | -9.57% | -2.71% |
| Top 5 Percentage of OCTV Total | 79.42% | 81.46% | | 75.56% | | 75.46% | | |

CONCLUSIONS

The Board has sought to provide important information unavailable from any other single source in answer to the questions:

1. Where has Verizon actually deployed its network?
2. What effect has Verizon's entry had on choosing a communications provider?
3. How have consumers been affected by the introduction of a system-wide franchise?

DEPLOYMENT

The system-wide franchise legislation intended that competitive benefits to consumers would mean improved service quality and lower prices. Although not without some initial growing pains, the entry of local exchange carrier Verizon into the video marketplace might be described by regulators as having the potential to become the ultimate competitive "over-build." Never before have so many consumers in our state had such choice in pricing, and programming options. Clearly, New Jersey's hospitable regulatory environment and the traditional role of the Board as arbiter, consumer protector, and local franchising authority have enabled the system-wide franchise approach to succeed.

Regardless, landline competition throughout New Jersey is not inevitable. While more than half the state's towns and subscribers benefit from the competitive pressure placed by Verizon on the incumbent operators, about 20% of the population may never see a landline competitor. Verizon's system-wide franchise service area as required by legislation includes 18 of the 21 county seats in the state with the exceptions being Hunterdon, Sussex and Warren Counties.

Residents of the core of 70 required municipalities are the largest segment of benefited consumers, as all of them will eventually have a choice of wire line providers. Portions of 369 towns are designated to eventually see competition; 349 are now served. The remainder of municipalities are either now unintended to be served or are fully or partially served by another telecommunications provider and may never realize the benefits of landline competition. The Verizon served municipalities that are beyond the core 70 present a geographic mix across the state that is benefiting consumers in both urban and suburban markets. The concentration of Verizon's deployment as noted is higher in the northern part of the state.

In support of its contention that FiOS deployment through 2009 has been balanced in terms of income and race, without preference, Verizon compares the per capita income averages and racial composition percentages from the 2000 US Census to the averages in the towns where FiOS is available. Within the statistical margin of error the income in towns where FiOS TV is available approximates the statewide average percentage for these categories. The racial composition of these towns is at or above the average statewide composition. Some might

proffer that Verizon has reached 60% availability quicker in higher per capita income towns. This is a subset the legislature did not request to be measured. As stated, there are legitimate mitigating factors which make it necessary to deploy: (a) where the network was already built or prevalent; and (b) where cost, time and access were favorable to quick and broad deployment of a competitive model. Further these steps are necessary historically to generate revenue and maintain financial stability to sustain deployment. Additionally, Verizon's 2004 fiber-to-the-home-efforts were executing a plan based on an unrestricted geographic build out which all but assured suburban towns would be able to receive FiOS sooner if and when the system-wide franchise became an option in the state.

The principal findings of this report which the Legislature asked to be reviewed at the end of the third year of Verizon's franchise suggest while the benefits of the system-wide franchise clearly have been positive for consumers who can access the Verizon FiOS network, it may also benefit those who cannot. Rivalry among providers appears to benefit consumers as well, since companies, responding to Verizon's entry, have offered more for less. This tactic spills over into non-competitive areas since companies are opting for pricing uniformity.

It is less clear whether the recent and geographically limited transition to a system-wide franchise by Cablevision has yielded any benefits or had any noticeable effects whatsoever. While these Cablevision conversions have lessened the cost for negotiating franchise renewal on the municipalities and itself, the burdens on the Board as the sole franchising authority for the system-wide franchises have increased since the bifurcated process was made optional by the legislation. Only one cable company has opted for conversion to a system-wide franchisee. There is every indication that Cablevision will continue to convert its traditional Certificates of Approval to system-wide franchises. No other incumbent cable operator has expressed intent to convert to system-wide franchising.

THE EFFECTS of CHOICE

Pricing

While it is true that stand alone prices for basic cable and CPST have not seen any dramatic change, nor has competition created any substantial downward pressure on stand alone rates, Verizon's entry and the ensuing rivalry with incumbent providers has lowered prices for bundled services which would otherwise be ordered and priced separately. "Come back" incentives offered by cable providers to former subscribers have also been popular and have saved consumers money. Companies do not provide subscriber breakdowns that would show the percentage of consumers who subscribe to bundled packages versus those who order service a la carte but it does seem that the trend is to select significant discounts offered by combining services, video, Internet and voice. It is also true that whether a consumer is in a competitive or non-competitive area, the triple play is now an option throughout most of the state.

New products and services like HDTV have been introduced by cable incumbents as competition intensifies and providers want to stay on equal footing with Verizon.

However, it is of some consequence that Verizon's presence has relieved cable incumbents in the LECs footprint of basic rate regulation by the Board due to the FCC regulations and decisions declaring these providers subject to effective competition. The Board previously challenged the petitions for effective competition pre-Verizon when DBS was the chief competitor to cable, but the third prong of the federal definition of effective competition clearly signaled any further challenges would be ineffective.⁹ State authority over cable prices in general is limited to those areas delegated in the Federal Communications Act, as amended in 1984, 1992 and 1996. Thus, while there has not been a significant increase in basic rates charged by the incumbents in these newly competitive areas as of yet, the potential exists going forward for basic rate hikes on those systems which were regulated by the Board prior to Verizon's entry.

Another cost effect on subscribers since the advent of the system-wide franchise is the estimated increased franchise fee charges of approximately \$2.00 per month on a subscriber's FiOS bill or on the bill of one who subscribes to an incumbent provider where Verizon can activate service in 60% of the households in the town.

Municipalities

Franchise fee collection has jumped from \$25.1 million from 2006 pre-Verizon to an estimated \$43.9 million in 2009. The data measuring franchise fee collection lags since these fees are reported in June of the year following the close of the calendar year.

Verizon has by law done more for municipalities by providing additional free cable TV and Internet service where requested to eligible facilities. This represents not only a new technology but additional services to towns, schools and public buildings which may already receive some of these services from their incumbent cable providers. Verizon has installed 691 free service drops in 148 towns with outstanding requests in 26 towns.

PEG access return lines which are required for live or taped cablecast of community programming over Verizon's network were slowly deployed at first as the newcomer hoped for full interconnection with the incumbent cable operator. Verizon, after a year long proceeding at the Board, accomplished agreements to interconnect with major cable operators, Comcast and Time Warner. Nonetheless Verizon has also installed 97 requested return lines in North Jersey and through interconnection agreements with incumbents has added 38 more in South Jersey. In addition five county wide channels serve 159 municipalities. Where no return line to transport PEG programming has yet been installed it is either because the requesting town is not prepared for the channel or because Verizon's FiOS network does not pass the location.

In response to the Legislature's question on deployment, while FiOS is less available in the southern part of the state, there are also "doughnut holes" in the north, as well as the south, which may or may not be served in the future.

⁹ By Federal law, cable rates provided by a LEC are unregulated and LEC provision of cable service is considered "effective competition."

In serving 349 of the 369 municipalities Verizon has included in its system-wide franchise application, it appears there are towns which represent “doughnut holes” in its deployment. These towns are not served currently and not included in the franchise, nor are they required to be served. However, they are surrounded by other towns which are included in Verizon’s franchise. These towns are: Boonton Town, Dunellen, Carteret, Metuchen, Milltown, Newfield, Pemberton Borough, Rahway, South River and Wenonah. Verizon’s public statement in March of this year stated it would not add any new towns to its FiOS footprint but rather continue network construction in the seventy municipalities required by statute leads to the conclusion that it seeks to focus on increasing penetration where it already has its FiOS network.

GOING FORWARD

The statute permits Verizon to complete the build out within a six year period of starting construction within the required municipalities including MDU deployment. Where property owners’ unwillingness is an issue, Verizon admits it seeks to avoid expensive litigation and go where their service is welcomed. Verizon has stated that a landlord’s unwillingness to allow it to construct or extend its network would require it to petition the Board for access and negotiate settlements with each individual property. Verizon is only obligated to complete its FiOS residential construction including MDUs in 70 of the 349 New Jersey towns where FiOS is currently available. It is hoped that Verizon will ultimately decide to amend its franchise to extend service throughout its 526 authorized towns. Again however, recently Verizon has indicated in the press that it will now concentrate its expenditures limiting FiOS expansion where it is currently available and continue to pursue MDU deployment where it is not challenged.

A filing currently before the Board seeks to invoke exemptions as permitted in the amended Cable Act to service MDUs where deployment is challenged or where otherwise unreasonable terms have been imposed by the property owner. These will be handled case by case in the near future.

This report concludes that promotional pricing has been advantageous for subscribers opting for the triple play since Verizon’s entry. Programming content is very comparable and the differentiators may be small such as the number of HD channels offered by any provider. Both the quality and quantity of services have increased as cable operators too have invested in their own technology to keep on equal footing with Verizon. In some areas customer service has improved as companies seek to distinguish themselves from their competitors. Verizon has provided real competitive pressure to incumbent providers and will continue to do so into the future to the benefit of all demographic classes where its network is placed.

Clearly the emergence of a new competitor and a new technology has been embraced by subscribers across the state. Paterson Restoration Corporation Chair Jamie Dykes articulated this sentiment during the Board’s hearings when he offered thanks to New Jersey policymakers for taking the necessary steps to put in place an option of a system-wide franchise which allowed for competition in the cable marketplace in our state.

While Verizon may be the ultimate “overbuilder”, the FiOS system-wide franchise cannot yet be called the ultimate overbuild due to the limited requirements of the statute as amended in 2006. The absence of another entrant from outside Verizon’s footprint or the stalling of Verizon’s FiOS network deployment within its system-wide franchise territory would still leave a significant portion of the state without the competitive option that 57% of the state’s households now enjoy. However, the ability of the Board to efficiently and effectively approach its own statutory mandates in this uncharted area of regulating a system-wide franchisee has assisted in creating an increasingly robust, competitive landscape unlike anything the state has ever seen in four decades of cable television services in New Jersey.

Appendix I

Verizon – 70 Required Municipalities

| Municipality | County | General Availability | Full Availability Date Required | County Seat |
|---------------------------|---------------|-----------------------------|--|--------------------|
| Asbury Park City | Monmouth | Jan-07 | Jan-13 | |
| Audubon Park Borough | Camden | Dec-06 | Dec-12 | |
| Bayonne City | Hudson | May-08 | May-14 | |
| Belleville Township | Essex | Dec-07 | Dec-13 | |
| Bergenfield Borough | Bergen | Dec-06 | Dec-12 | |
| Bloomfield Township | Essex | Jan-07 | Jan-13 | |
| Bogota Borough | Bergen | Jan-07 | Jan-13 | |
| Bradley Beach Borough | Monmouth | Jan-07 | Jan-13 | |
| Bridgeton City | Cumberland | Nov-08 | Nov-14 | x |
| Camden City | Camden | Jul-08 | Jul-14 | x |
| Cliffside Park Borough | Bergen | Sep-07 | Sep-13 | |
| Collingswood Borough | Camden | Jun-08 | Jun-14 | |
| Dumont Borough | Bergen | Dec-06 | Dec-12 | |
| East Newark Borough | Hudson | Aug-09 | Aug-15 | |
| East Orange City | Essex | Oct-09 | Oct-15 | |
| Edgewater Borough | Bergen | Oct-07 | Oct-13 | |
| Elizabeth City | Union | Oct-09 | Oct-15 | x |
| Elmwood Park Borough | Bergen | Jan-07 | Jan-13 | |
| Fairview Borough | Bergen | Apr-08 | Apr-14 | |
| Fort Lee Borough | Bergen | Nov-07 | Nov-13 | |
| Freehold Borough | Monmouth | Dec-06 | Dec-12 | x |
| Garfield City | Bergen | Dec-06 | Dec-12 | |
| Guttenberg Town | Hudson | Jun-08 | Jun-14 | |
| Hackensack City | Bergen | Jan-07 | Jan-13 | x |
| Haledon Borough | Bergen | Feb-08 | Feb-14 | |
| Hamilton Township | Atlantic | Dec-09 | Dec-15 | x |
| Harrison Town | Hudson | Aug-09 | Aug-15 | |
| Hasbrouck Heights Borough | Bergen | Aug-07 | Aug-13 | |
| Highland Park Borough | Middlesex | Oct-09 | Oct-15 | |
| Hillside Township | Union | Dec-07 | Dec-13 | |
| Hoboken City | Hudson | Dec-07 | Dec-13 | |
| Irvington Township | Essex | Oct-09 | Oct-15 | |
| Jamesburg Borough | Middlesex | Mar-08 | Mar-14 | |
| Jersey City | Hudson | Aug-07 | Aug-13 | x |
| Keansburg Borough | Monmouth | Jun-08 | Jun-14 | |
| Lake Como Borough | Monmouth | Jan-07 | Jan-13 | |
| Lodi Borough | Bergen | Dec-06 | Dec-12 | |
| Maywood Borough | Bergen | Apr-07 | Apr-13 | |
| Middle Township | Cape May | Dec-09 | Dec-15 | x |
| Morristown Town | Morris | Dec-06 | Dec-12 | x |
| Mount Holly Township | Burlington | Mar-08 | Mar-14 | X |
| New Brunswick City | Middlesex | Dec-09 | Dec-15 | X |
| Newark City | Essex | Oct-08 | Oct-14 | X |

| Municipality | County | General Availability | Full Availability Date Required | County Seat |
|--------------------------|---------------|-----------------------------|--|--------------------|
| North Bergen Township | Bergen | Oct-07 | Oct-13 | |
| North Plainfield Borough | Somerset | Jul-08 | Jul-14 | |
| Nutley Township | Essex | Jan-07 | Jan-13 | |
| Orange City | Essex | Aug-09 | Aug-15 | |
| Palisades Park Borough | Bergen | Mar-08 | Mar-14 | |
| Passaic City | Passaic | Dec-06 | Dec-12 | |
| Paterson City | Passaic | Jul-08 | Jul-14 | X |
| Perth Amboy City | Middlesex | May-08 | May-14 | |
| Plainfield City | Union | May-08 | May-14 | |
| Princeton Borough | Mercer | Mar-07 | Mar-13 | |
| Prospect Park Borough | Passaic | Sep-08 | Sep-14 | |
| Ridgefield Park Village | Bergen | Aug-07 | Aug-13 | |
| Roselle Borough | Union | Jan-09 | Jan-15 | |
| Roselle Park Borough | Union | Jan-09 | Jan-15 | |
| Salem City | Salem | Jul-08 | Jul-14 | x |
| Shrewsbury Township | Monmouth | Oct-08 | Oct-14 | |
| Somerville Borough | Somerset | Dec-06 | Dec-12 | x |
| Toms River Township | Ocean | Oct-07 | Oct-13 | x |
| Trenton City | Mercer | Jun-07 | Jun-13 | x |
| Union City | Hudson | Nov-07 | Nov-13 | |
| Victory Gardens Borough | Morris | Jan-07 | Jan-13 | |
| Wallington Borough | Bergen | Dec-06 | Dec-12 | |
| Weehawken Town | Hudson | Feb-08 | Feb-14 | |
| West New York Town | Hudson | May-08 | May-14 | |
| Winfield Township | Union | Dec-08 | Dec-14 | |
| Woodbury City | Gloucester | Dec-07 | Dec-13 | x |
| Woodlynne Borough | Camden | Mar-09 | Mar-15 | |

Appendix II – Summary of Oral and Written Comments

Cherry Hill – Commissioner Nicholas Asselta, presiding

1. Richard Chapkis, VP and General Counsel, Verizon New Jersey, Inc.
2. Jim Morris, Cherry Hill
3. Kurt Bicking, Audubon, Verizon employee

Newark – Commissioner/Acting President Elizabeth Randall, presiding

4. Richard Chapkis, VP and General Counsel, Verizon New Jersey, Inc.
5. Jose Rivera-Benitez, Rate Counsel
6. Wayne Smith, Mayor, Township of Irvington
7. Robert Ruane, Councilman, Township of Bloomfield
8. Joseph Keenan, Councilman, City of Elizabeth
9. Albert Greco, City Manager, City of Clifton
10. Jamie Dykes, Chairman, Paterson Restoration Corporation
11. Dr. G. Jeremiah Ryan, President, Bergen Community College
12. William Vasquez, Newark
13. J. Fletcher Creamer, Jr., CEO, J. Fletcher Creamer & Son Contractors
14. Jerry Keenan, Executive Vice President, New Jersey Alliance for Action
15. Adam Ferra, Vice President, UCEDC (Union County Economic Development Corp.)
16. Jeffrey Lahm, Belleville resident, consultant for Verizon
17. John Wilson, Morristown
18. Jean Strickholme, Demarest
19. Chip Hallock, President, Newark Regional Business Partnership

New Brunswick – President/Commissioner Jeanne Fox, presiding

20. Richard Chapkis, VP and General Counsel, Verizon New Jersey, Inc.
21. Christopher White, Rate Counsel
22. Wayne Sos, President/Owner, Waycomm Consulting
23. Gary Gelman, Let's Talk TV
24. Calvin Iszard, Business Consultant, Mercer County College teacher
25. William Watson, IBS CompreCore
26. David Garb, Jersey Access Group (JAG)
27. Ed Kline, Brigantine
28. Catherine Milone, Junior Achievement
29. Mike Kerwin, President/CEO, Somerset County Business Partnership
30. Tom Dallessio, Executive Director, Leadership New Jersey

Written Comments

1. Bernie Platt, Mayor, Cherry Hill Township
2. Kenneth Hattrick, Medford resident
3. Hon. Brian C Wahler, Mayor, Piscataway, and William G. Dressel, Jr., Executive Director, on behalf of NJSLOM, *as supplemented by 2/18/10 letter from Mayor Bruce Hankins, Hopewell Township, Cumberland County*
4. Roger Ellis, Government Affairs Representative, Local 472, Heavy & General Construction Laborers' Union
5. Richard Chapkis, VP and General Counsel, Verizon New Jersey, Inc.

Comments

Cherry Hill – Commissioner Nicholas Asselta, presiding

1. Richard Chapkis, VP and General Counsel, Verizon

- More than 17,000 employees who call New Jersey home
- Deployment has had positive effect on competition and consumer choice in our State.
- Invested more than \$1 billion to deploy FiOS network across the State.
- Providing FiOS TV in more than 348 municipalities in 19 counties across the Garden State. More towns and counties than are served by any other single provider
- Verizon has passed almost 2 million premises with FiOS in New Jersey.
- Inclusive; hasn't excluded any community based on demographics or the fact that the community contained too many multiple dwelling units, condos and apartments.
- As of December 1st, offering service in each of the county seats and all of the densest municipalities in territory.
- Board has approved certifications saying that we are capable of providing FiOS to more than 60 percent of the households in 32 of the 70 required municipalities and to more than 60 percent of the households in 177 municipalities.
- Demographics of the 348 towns show clearly that Verizon made good on our intent to deploy FiOS to communities of diverse income and racial backgrounds.
- Working hard to get FiOS TV to residents of condos and MDUs.
- Over the past three years, contacted representatives of thousands of multiple dwelling unit properties; negotiating premises access agreements. Begun offering FiOS TV to a substantial number of multiple dwelling units located in almost 240 municipalities across the State including Bridgeton, Camden, Hackensack, Jersey City, Newark, Salem, Trenton and Woodbury.
- The Board's decision to allow Verizon into cable market as a system-wide franchisee and its subsequent wide-scale deployment of the FiOS network has promoted competition for the benefit of consumers, for the benefit of the towns and the really for the benefit of the State as a whole.
- Entry into the market has spurred cable competition. Wide variety of competitive service options, packages and prices now available to consumers. The cable incumbents have been forced to respond to Verizon's presence and to a superior product by upgrading their networks, by diversifying their product and service offerings, by improving their customer service and by lowering their prices.
- Result of the competition between Verizon and the cable incumbent has been a big win for cable consumers; many more channels of programming available; channel guides goes into the thousands; more high-definition channels; video-on-demand library has over 18,000 video-on-demand titles available, many for free.
- Internet speeds are lightning fast; speeds of up to 50 million bits per second available at competitive price points.
- Verizon pays an increased franchise fee and the incumbent providers are required to match that fee in a municipality once we certify and the Board approved that we're capable of serving 60 percent of the households in a municipality.

- In 2005, the year before a system-wide franchise came into being, franchise fees to municipalities totaled \$24.4 million. In 2008, payments to municipalities increased to \$35.4 million, an increase of 45 percent.
- Towns benefit in other ways. Verizon provides PEG channels and free Internet and cable connections to municipal locations; have made PEG programming available in over 200 municipalities.
- Installed free Internet and cable connections to over 630 municipal locations in 140 municipalities.
- Established a free equipment and training program administered by New Jersey Edge. The program makes available loaner equipment and training at community colleges.

2. Jim Morris, Cherry Hill

- Got Verizon FiOS very early when it first came into Cherry Hill.
- Just learned that initially they had to go into each community to get authorized to offer their services and then the State passed a law where they can go into all the communities; seems like a good thing because it costs money to do that.
- There is politics in every community. There's some in this one, some in other ones. Some of it's good. Some of it's bad.
- Experience with Verizon has been good. Customer service has been excellent.
- Call them and get an answer fairly quickly.
- Don't have obnoxious advertising like other companies.
- Don't blast you out on TV, cranking up the volume.
- Hasn't seen any distortions of their advertising.
- When first got FiOS, expected after one-year contract expired, price would leap up significantly and it didn't.
- Thinks Verizon in the community is a good thing
- Thinks Verizon should be allowed to continue the service.

3. Kurt Bicking, Audubon, Verizon employee

- Worked for Verizon about 13 years or so.
- Elected official in the Borough of Audubon, Commissioner of the town.
- Heads Public Works Department.
- Boss asked him to speak a little bit about what's going on.
- Understand one of the biggest concerns is grounding of equipment that Comcast has brought up and it's important. The line that comes into that house there's nothing on that that can conduct electricity. So when Verizon constantly checks their grounding; everything is in compliance as far as he can tell.
- Biggest thing for New Jersey when there is choice, consumers win and when you are locked into one choice; had Comcast for 11 years. Obviously, switched to Verizon.
- Tried to get the Dish. Told the only place they could put it was on the front A-frame of his house. Did not want that.
- People are happy with the service.
- Whether you like Verizon or Comcast, the fact that there is a choice and people can choose.
- Consumers win based on the fact that there is a true choice out of this.

Newark – Commissioner/Acting President Elizabeth Randall, presiding

4. Richard Chapkis, VP and General Counsel, Verizon
(See above.)
5. Jose Rivera-Benitez, Rate Counsel
 - The New Jersey Board of Public Utilities issued an order on November 10, 2009 in this docket to initiate the statutorily required review of system-wide franchisee entry into the cable television market in New Jersey.
 - This is the second of three scheduled public hearings to consider public comments on the subject in order for the Board to formulate a report to the legislature.
 - The law requires that the report provide information on, A, the extent of actual deployment by each system-wide franchisee, including the income and race of the persons in the areas where such services were deployed. B, the franchisee's effect on choice in the marketplace and C, the effect of system-wide competitors on consumers.
 - The purpose of this hearing is for the public to voice their opinion, relate their experiences and offer comments about this matter. It's important that you express your views so that they may become part of the record upon which the Board will make its report. Rate Counsel also needs to hear those voices.
 - This hearing is being transcribed and the public comments will become part of the record.
 - Rate Counsel stresses the importance of the public's participation so that Rate Counsel can have a clear record of your concerns and interests.
6. Wayne Smith, Mayor, Township of Irvington
 - Verizon is a corporate citizen in town, a very responsible corporate citizen, has done both charitable and made a commitment to urban centers; proud to talk about what they are doing.
 - They started serving customers across New Jersey about three years ago. They are serving 348 municipalities and Irvington is one of them and they are vigorously out there competing in the marketplace and providing for his residents a choice finally.
 - Just started a couple of months ago and the buzz in the community is positive about finally having the ability to make a choice in terms of the provider they wish to have.
 - FiOS is now available in thousands of locations. One of those densely populated communities in New Jersey; look forward to that and in light of the state of the economy, any competitive expansion which is going to create jobs is surely needed in communities, in urban communities in particular.
 - Competition is good. Vigorous marketing so residents know what their choices are and in light of the cost of the print media today and the people not being able to afford, in many instances, local newspapers and in fact, many of those newspapers are being shutdown and cable choices are where people get a lot of their information. That's also adding a diversity of choices which is important as well.
 - It's also good for municipal government, with Verizon paying a slightly higher franchise fee and once they are certified as an existing provider, the other companies

will raise that revenue. So at a time when municipal government is straining for revenue, certainly this is good overall for everyone.

- With the consolidation of media interest in our state, Verizon gives residents a choice of where they get information and
- Staff is putting together request to Verizon about the PEG channels.
- Verizon has committed to making sure that there is Internet accessibility in municipals buildings. Excited about that; allows the ability to do some things that maybe the municipal government in these strained times could not do.

7. Robert Ruane, Councilman, Township of Bloomfield

- People are very satisfied with FiOS in Bloomfield. Son has it and he allows him to watch some of the football games on his 48-inch screen
- Weren't able to have FiOS in Bloomfield because some years ago Bloomfield entered into a rather long-term contract with another cable company; stymied competition which was unfair.
- FiOS is now coming into Bloomfield at very rapid speed; providing competition and providing jobs. Being a retired iron worker for 42 years, knows what unemployment is in hard times and knows how important jobs are to people.
- If FiOS comes in, it will create competition and there is nothing better than competition; stabilizes prices and to gives the people choices.
- Wholeheartedly endorses the idea of competition.
- FiOS is a superior product and it far outweighs Comcast. Disgusted with Comcast because charged him a monthly fee and withheld so many channels for which they wanted us to pay extra, for instance, the NFL and National Geographic.
- As soon as he can get FiOS, he will; wholeheartedly endorses their product.

8. Joseph Keenan, Councilman, City of Elizabeth

- Pleased that the county seats were being wired up rapidly when Verizon FiOS was first announced.
- Coming from a large low income area, thought that perhaps they wouldn't be high on the priority chain. Wants to thank either Verizon and/or the state legislature, whoever was responsible for requiring that the county seats be wired fairly early. It's been a great thing for us.
- Verizon FiOS services recently became available in his ward.
- Has spoken with about eight or nine residence who have converted from Cablevision to FiOS for bundled Internet, cable television and telephone services. Residents reported that Verizon salespeople were courteous, professional and well-informed. Installation went smoothly in the promised time frames and with the minimum amount of disruption in the home. The folks he's talked to said that the quality of the video was excellent and the Internet speeds were in excess of what they had from the prior provider. Several were subscribing to premium channels at extra reasonable cost.
- One resident told him that he upgraded to Verizon FiOS because he wanted to get his telephone service, POTS, covered as well. While Cablevision offers that as part of their bundle, it was clear that he had a very high comfort level and a very high feeling

- of satisfaction with Verizon's POTS. Thinks that was one of the things in Verizon's FiOS favor was, a lot of people didn't want to change or give up their POTS service.
- People he has spoken with said they were saving a great deal of money with the Verizon FiOS services. They said that after they had disconnected their accounts with Cablevision, they received telephone calls from Cablevision asking them to come back and offering tremendous discounts. Without the presence of Verizon FiOS, Cablevision had no intention of reducing prices for existing customers.
 - Very happy that there are two vendors to service community.
 - Both Verizon and Cablevision will wish to build their bases of customers in his community and to do so, they will both need to provide high quality services at competitive, by that, he means lower price.

9. Albert Greco, City Manager, City of Clifton

- Residents were without any significant choice of cable TV providers; had to endure annual increases without any appreciate service increases.
- Supports the bold, but necessary, step for a system-wide franchise to greatly accelerate competition in New Jersey.
- Many residents over these past years have taken advantage of the competitive option and signed up for FiOS service when it became available. Cable competition has been good for consumers allowing for choice and competitive economies.
- As a result of the additional choices residents have gotten more for less. The city has also benefited economically through the additional revenues streams provided by Verizon and the added revenue from Cablevision as a result of four percent franchise fee required as City of Clifton became a certified community with over 60 percent coverage.
- The city has also benefited through the provision of free Internet services to all of our municipal buildings from which we had been previously paying for from Cablevision.
- The city has also seen a seamless transition to Verizon digital only previously carried by Cablevision; wants to thank the Board in their intervention in allowing that to happen.
- Grateful the legislature brought much-needed competition in the cable TV market in New Jersey.
- Feel that the goals and objectives of the legislative have been met and he would like to thank the Board today for this time.

10. Jamie Dykes, Chairman, Paterson Restoration Corporation

- Like many New Jersey customers, without any real choice of cable TV providers, had to take the fee structure offered by local cable provider, like it or not. Did not like it.
- Due to technical issues with their system, home did not receive a high-quality strong signal.
- After several service calls from Cablevision, was told it was what it is was and that he would just have to live with it. Cablevision did do everything that they could. They added amplifiers, new wires, splitters.
- Was paying about \$140 per month for inferior reception and slower Internet speeds.
- Switched to FiOS and now spends roughly the same per month as he did before, but he receives more services, programming and a beautiful, crystal clear HD picture on

his various TVs. Has a higher level of satisfaction today than before there was a choice.

- From an economic development side, the FiOS build out that started in Paterson, New Jersey's third largest city is very exciting. Our 150,000 residents will now have a competitive choice of programming providers who will now be competitively competing for their business with enhanced programming and pricing packages. In this economy, price is more important now than ever.
- Also, as Verizon does this build out, new employment opportunities have been created and our workforces and opportunity to be employed in a field that is growing and provides a living wage and benefits for themselves and their families.
- Businesses and merchants are enhanced by the local spending that's created due to the aforementioned conditions.
- Municipality receives a share of the taxes generated from the franchising, thus giving property tax relief to our homeowners. As always, we find in the climate of competition, the end users are ultimately better off.
- Thank you to our New Jersey policy makers for taking the necessary steps to put in place an option of system-wide franchise to allow cable competition in New Jersey and thereby providing us with a better competitive system.

11. Dr. G. Jeremiah Ryan, President, Bergen Community College

- Partnership with Verizon goes back many, many years. BCC has been a provider of training to Verizon employees and Verizon has shown a long history of wonderful philanthropy for the college.
- FiOS has given another opportunity to have an even greater partnership with Verizon. Part of the FiOS roll out is provides the opportunity for training and borrowing of the equipment in broadcast media. BCC was the first institution to get these grants from Verizon and in the roll out in fall 2008. Has 16 months of experience.
- During that period of time the PEG grants has enabled the college to hire four students as interns from broadcast technology program under the watchful eye of the faculty. They've been trained and offer six courses for community people, four in basic equipment and two in editing. Had first municipality actually ask to borrow the equipment. The PEG Program is working. It's providing great training for students and great opportunities in the community for people to learn.
- Also got access to channel 26, the public and educational access channel. College has developed its own TV shows—three of them—all produced by students, all supported by FiOS, all supported by Verizon. These are public affairs programs, campus media programs and seen by people, oddly enough, all over the state apparently.
- During that period of time, as well over the last 16 months, as a thank you to the institution for coming forward and working with Verizon to provide models in these ways, the company has dramatically increased the amount of money that it gives for scholarships for students.
- So the FiOS program has enabled BCC to take an already well-established corporate partnership and through the modeling they've been doing and the training from the opportunities in the community make it even better.

12. William Vasquez, Newark, resident, Trustee, Essex County College

- Has received superior service as a FiOS customer since Verizon kept its promise to make FiOS available in urban communities.
- Also a trustee of Essex County College, which has a new partnership with Verizon and which is providing an opportunity for students to have access to state-of-the-art equipment training as well as support for an intern so that municipal access channels can have programming developed at their state-of-the-art facilities.
- Before FiOS came to Newark, there was no choice. Were locked into a single cable provider, the service which was poor. Personally had repeated instances where cable repairmen would come to his home and had to show them what technically they had to do rather than the other way around. FiOS service to date has been excellent. The quality of image, the availability of programming, the high-definition channels.
- Pleased that this competition has been good for the state and certainly has been a benefit to ECC.

13. J. Fletcher Creamer, Jr., CEO, J. Fletcher Creamer & Son Contractors

- His company is a large utility and highway contractor employing about 1,200 people of which over 900 people are in New Jersey.
- Been in business for 87 years and has worked in 35 states throughout the country.
- Has been chosen as Verizon contractor or one of their contractors and to date company has installed 8.5 million feet of underground conduit of Verizon over the last four-and-a-half years.
- Has passed 250,000 homes to date and one point on the project, employed 300 workers that were Creamer employees, plus working with our subcontractors, they added another 200--total 500 employees working for Verizon doing their underground work.
- Does not count people that did the mark out for the other utility companies or people who have supplied us with material. In total, estimates that over a 1,000 people were employed in the State of New Jersey just for this project.
- The investments that we've made over the last four-and-a-half years: purchased \$5 million worth of equipment and \$1.5 million worth of fuel.
- Has worked with many small companies as subcontractors, many of which were minority contractors. Some of the contractors have now become union since the company employs union employees. So the subcontractors got the skilled labor to enhance and diversify their business, so it's been good for them.
- To date, \$100 million of money has been invested into this program. Company has worked in 130 towns from South Jersey to North Jersey.
- Has FiOS in his house and it's great.

14. Jerry Keenan, Executive Vice President, New Jersey Alliance for Action

- An association of about 600 businesses, labor organizations and higher education groups as well as some others. Main focus is economic development through infrastructure improvements. Work to get permits, work to create funding. The best way to spur economic development in the state is through infrastructure, building new roads, new schools, new office parks, communications and so on.

- Spoke before Board three years ago; three years later a review of what's happened shows competition is really providing the benefits that we had hoped. First of all, television customers have a choice. If you don't like service you're receiving, you drop it and you try something else. Verizon right now offers television services to close to 350 municipalities. That number is only going to grow within the next few years. So if you don't like what you have, you move on.
- Service is better. Verizon, Comcast and Cablevision all in an effort to get our business, are providing more on-demand services, more high-definition channels and more diverse programming. Prices are competitive. All you need to do is check your mailbox and see that you're getting bombarded by special offers or low prices and just another positive effect that this has created the infrastructure investment by the companies trying to get better and clearer picture service has been fantastic.
- Take a listen to what Mr. Creamer has said. Verizon has pumped over \$1 billion into economy with their service and that's been great news for the economy and great news for our employment picture.
- Not a Verizon versus the cable companies issue. Was a Comcast customer; lives in East Windsor. Came home to find that cable provider took of New York channels. Comcast said we don't offer that anymore. Didn't like it. Grew up in North Jersey; is a North Jersey guy. Wants to watch New York information.
- Has FiOS now. But if FiOS gets him angry, he's bolting out of there and going back to old cable provider. Wants competition and that is what this has done.

15. Adam Ferra, Vice President, UCEDC (Union County Economic Development Corp.)

- Statewide 501-C-3 nonprofit economic development corporation. Provide loans, financial packaging and a variety of technical resource and solutions for small businesses for almost 25 years.
- Mission is to stimulate economic development, create an environment for progress and to be an advocate for small businesses. Purpose in being here today is to weigh in on the positive impact of expanded competition on the deliver of video services within New Jersey, specifically in terms of how it relates to consumer economics and the quality of life.
- A few years back there was a concern or some might say a fear that allowing Verizon FiOS into the marketplace would result in increased consumer prices and this simply has not been the case.
- We have seen competitive pricing from a variety of providers and not Verizon and all of the providers have expanded their level of quality of service and products. Why? Because they have to in order to remain competitive.
- Most can agree that fairer competition is the lifeblood of American business. Allowing the free market to operate generally results in lower retail prices, better consumer service and a wider variety of products by which consumers may choose. This is true in any industry and telecommunications is no exception.
- There is also a ripple effect in benefits when you encourage competition, you stimulate the economy and that directly benefits small businesses. When one business has success, they spread the wealth by adding employees, investing in their business and buying more products and services from other businesses. It's a cycle that feeds itself and the small business community directly benefits.

- The current structure encourages greater retail market competition and all qualified service providers are allowed to compete on a fair playing field. Consumers, small businesses and everyone else who depends on a vibrant New Jersey telecommunications network will continue to benefit.
- In closing, it's their position that Verizon, like all businesses, deserves the opportunity to continue to innovate in the same way as its competitors. Likewise, the consumer also deserves to reap the benefits of fair and equitable competition.

16. Jeffrey Lahm, Belleville resident, consultant for Verizon

- Retired from Verizon; if system-wide franchise didn't happen, he wouldn't have a job.
- Appearing as a customer on testifying on the effects the system-wide franchise has had on his particular household. Not very happy with existing cable service so earlier this year when FiOS became available; he took advantage of the competitive option and signed up for Verizon's triple play. Has not been disappointed.
- Before switching cable providers, subscribed to basic and expanded basic service with roughly 100 channels of programming. Broadband Internet service was DSL at 3 million bits per second.
- Now has FiOS TV with roughly 650 channels of TV programming, including more than 100 high-definition programs, a multiple room DVR and FiOS Internet at 20 million bits per second. Gets more TV programming, enhanced clarity with HDTV, lightning fast Internet.
- Saving more than \$10 per month from what he was paying before the system-wide franchise brought real facilities based competition to area and monthly rate is fixed for a period of 24 months under agreement signed.
- Also, changed cable service under a special promotion and received a \$150 gift card and is not receiving any retiree or employee discounts, so the savings is real savings.
- As a result of the additional choices made by the system-wide franchise, has gotten far more for less.
- Previous cable company continues to send information on promotions and special offers to win back his business. Switched six months ago he just received this little flier earlier this week in the mail asking him to come back to Comcast.

17. John Wilson, Morristown

- Has had Verizon FiOS service since early 2008. Residential customer; wants to just share a little of his experience. Says ditto to everything already stated.
- Having a choice is an added benefit.
- The greatest marketing man in America, the late David A. Sunny Werblin, said, when asked why they put the New Jersey Sports Complex so close to Madison Square Garden, said the competition would make each of us better. Thinks the same case applies right here today.
- Waited for his neighborhood and towns to become eligible for FiOS service, which came early in the program. Verizon was very visible in the communities where it was installing its FiOS capability.
- Got access to high-quality service with excellent programming and savings by bundling telephone, Internet and television with one provider.

- Still receives marketing materials inviting him back to former cable provider; reassuring to know that he can choose to do so.

18. Jean Strickholme, Demarest

- Currently busy managing a music group which has done about 600 concerts in the last 29 years.
- Back in January of 2007, were using Cablevision for TV, Verizon for Internet and cell phone and AT&T for long distance phone services. Each month, would pay several bills. Wanted faster Internet service because both she and her husband involved in non-profit organizations which involve many e-mails and use of the Internet. Husband would spend as much as three hours a day handling e-mail messages.
- When FiOS representative came to door, he had little difficulty persuading us to sign up for a package of services. Compared prices that we were paying at that time and found that they would pay less with Verizon services.
- Using FiOS has been a positive experience. Had to learn new TV channel numbers, but had a vastly increased selection of channels to choose from.
- Husband's time on the computer managing e-mails has gone from three hours to one hour a day.
- Paying for bundled services has been one check to write each month. Our costs for all services have gone from \$371 per month in February of 2007 to our most recent phone bill of \$284, a savings of \$87 a month.
- The addition of FiOS services in Northern New Jersey has provided several benefits: an increase of choices available for consumers, improved services with high-speed Internet, an increase of TV channels, lower prices and increased competition. These benefits are surely good for consumers and for area businesses.
- Very satisfied with our FiOS services and recommend that FiOS been expanded throughout the state.

19. Chip Hallock, President, Newark Regional Business Partnership

- 450 members in Partnership; employ more than 140,000 members in Newark Region.
- When they testified three years ago, not only was it the competition that they were looking forward to, but certainly a stimulus program before one was known to be needed. Now those jobs that Mr. Creamer talked about before from the great expansion of Verizon's network has certainly benefited the State of New Jersey with increased jobs and increased economic activity.
- Competition is wonderful thing. It's the essence of free enterprise and on behalf of his members, they are very pleased that they will be enjoying this in Newark; the network is being built out in Newark and he looks forward to it in his community as well on a personal level.

New Brunswick – President/Commissioner Jeanne Fox, presiding

20. Richard Chapkis, VP and General Counsel, Verizon

See above.

21. Christopher White, Rate Counsel

See Jose Rivera Benitez's comments above.

22. Wayne Sos, President/Owner, Waycomm Consulting

- Independent telecom consultant. Assists Fortune 1000 clients with reducing their telecom costs.
- Support renewal of system-wide franchise because allowing Verizon to continue to expand into more localities is creating much needed competition for both residential video services and for business services.
- Has had residential FiOS for over two years. The service is great.
- It's about time there was competition for video services. In past year, Cablevision knocked on his door twice offering him a package. That's competition. Can get video services from either Verizon or Cablevision. Can get Internet services from either carrier and can get phone services anywhere.
- Prior to FiOS, there was no multi room DVR available or any way to display digital pictures on your TV or listen to music downloads on a home computer. FiOS introduced these services to us that were not available from the cable companies. Cable companies either plan to or are now offering similar services. This is a result of competition which really benefits the consumer.
- Small and mid sized businesses, which he works with, have benefited. In the past if a business needed reliable Internet service they had one choice, they had to get an expensive T1. Cable carriers responded by offering business broadband. Broadband was pretty expensive--less than the cost of a T1--but three times the cost of DSL. Advent of cable broadband actually pushed the cost of an Internet T1 down to businesses which was the first piece of competition. FiOS for business is providing needed competition to cable for business now. The reliability and performance offers a much needed choice to small and mid sized businesses.
- Competition between cable broadband and FiOS has brought additional benefits such as improved reliability and more bandwidth for lower costs.
- Both technologies are driving costs lower for things like voice service and/or TV in the business. Cable companies are now offering voice services for business.
- Competition has forced cable companies to improve their services to business class because you can choose.
- Low cost reliable bandwidth also gives small business access to independent IP telephony companies that were not available two years ago.
- IP telephony offers the small business community more business solutions at affordable prices.
- Their phone service is IP based and is delivered over the Internet. If FiOS becomes available at his business location he could switch carriers by unplugging one and plugging into another.
- The second part, if he calls up and say he's switching he'll probably get a better deal.
- With low cost Internet service businesses are able to get a suite of business class features, flexible service that fits their disaster recovery plan and also low cost calling for about 30 percent of a business phone system with traditional landline service.
- Another interesting observation: has a client located in an office building in Monmouth County. Tried several times to get cable service in this building. Cable provider wanted over \$3,000 in construction costs to bring the cable into the building.

Verizon brought FiOS in and now cable service is available in the building now for free.

23. Gary Gelman, Let's Talk TV

- Five years ago, began to create local programming in our community.
- Pedaled program throughout Jersey Access Group which was great in allowing us to get the shows out there. When he approached the cable companies they didn't want to talk to him.
- If he wanted to do a program cable television companies wanted to charge to run local programming.
- The programs are elected officials, celebrities in New Jersey, real positive "feels" for New Jersey. So when the opportunity for FiOS 1 opened, staff at Verizon allowed him to share programming that they created.
- Has created over 400 shows in total since we started and he started with FiOS 1 back in July. Was at New Jersey League of Municipalities conference interviewing over 80 elected officials about their communities.
- With FiOS' - FiOS 1 hyper local annual of creating program it's been a win/win for us.
- It's been good for them and for New Jersey. Had the opportunity to share the great people that are part of New Jersey. Covered New Jersey Hall of Fame. Interviewed celebrities who lived in New Jersey, like Jerry Cooney, the boxer, Famous Wally Haberman who came from Newark and taught kids in Newark to read. Also had New York Times columnist, Kevin Coy, all of whom lived or worked in New Jersey.
- Supports FiOS' entrance into the marketplace.
- Let's Talk is on FiOS 1 from Monmouth County north.

24. Calvin Iszard, Business Consultant, Mercer County College teacher

- Retired Verizon employee
- Appearing also as a former 20-year broadcast television programming executive, former President of the Cable User's Association of New Jersey, former Chairperson of the East Windsor Cable Advisory Franchise Committee, one of the first in New Jersey. Sat on the New Jersey Education Association cable television advisory committee when it first began trying to forge the kind of franchises needed to culminate education in New Jersey. But most of all is a FiOS customer.
- Since working to forge one of the first cable franchise agreements in New Jersey has waited about 20 years for some meaningful choice of cable TV programming access and those things that were originally promised by the cable industry. Tried all the current options;
- DirecTV--the installation was terrible. The technician didn't have ladder. Drilled holes throughout his historic home. For two years every time it rained and there was a big cloud lost a signal for an hour without any compensation for that down time.
- Tried Comcast High Definition services because FiOS was not available in his area. Comcast sent a technician at the appointed time. Couldn't find the cable on his street. Another person returned one week later and wanted to drill a hole in historic stone foundation. Installation of cable was made by pulling the wire out of a wooden conduit in the alley. To date, several homes are still being serviced by wires lying on

- the ground in the alleys of the Mill Hill historic district. When it rains this conduit fills with water and the service is out until the flood recedes. It's another comedy of errors in his opinion.
- The hundreds of free movies offered by Comcast were free because nobody would actually pay for them.
 - The hundreds of channels of programming; in his opinion as a television programmer for 20 years was a useless and uninteresting offering that would never make it on broadcast TV.
 - Received \$150 from Verizon when he signed up for FiOS triple play; absolutely delighted with it. Installation was top notch. Tech cleaned up and simplified the tangle of wires, including fifty feet of wire that was left in his closet from the previous companies.
 - Desires top of the line services. Needs FiOS. Great amount of choices in their programming. 100 HDTV programs and likes the multi room DVR. Saving about \$30 a month. On fixed income; basically retired. Counts on the monthly rate that's fixed for 24 months.
 - On Sunday and before he testified, he discovered a problem with voice mail. Went on line and reported trouble. Within ten minutes on a Sunday was called by a technician who gave him an easy fix for this problem. Received two voice mails from Verizon asking if problem was fixed to his satisfaction.

25. William Watson, IBS CompreCore

- Company provides value and services to utility companies around the country. Verizon is one of their clients.
- Presented testimony three years ago to this body in support of Verizon's effort to accelerate its roll out of FiOS in New Jersey.
- Speaking both as a customer of Verizon and user of FiOS, as well as a supplier of materials used by them to roll out this service.
- Since 2006 IBS CompreCore has provided aerial service wire to Verizon for their entire national footprint. Approximately three months ago after meeting with Verizon New Jersey President Dennis Bone, New Jersey Vice-President Sam Delgado, who's in the room today, and senior members of Verizon's corporate sourcing department in Basking Ridge, they were awarded a contract to provide Verizon single dwelling fiber drop units for the State of New Jersey with a commitment to provide similar products to Pennsylvania, New York and other parts of their footprint in 2010.
- Previously this material has only been managed by Verizon and they represent the first supplier to handle this outside of their organization. The material connects FiOS to single family homes and serves a critical role in meeting their goal of making FiOS available to every New Jersey citizen.
- As a FiOS customer and supplier, has followed Verizon's deployment and is keenly aware of their rapid inroads toward servicing customers across New Jersey. They entered the cable market just three short years ago and they already are serving large numbers of customers across the State. It is his understanding that Verizon is already in 384 [sic] of New Jersey's municipalities.
- People finally have a choice of cable providers and are not limited by one provider or having to rely on satellite service. Cable competition has been good for customers and consumers, whether you subscribe to Verizon or not, by forcing the other providers,

Comcast and Cablevision, to match the many services provided by Verizon including but not limited to more HDTV channels, more video on demand, faster and faster Internet speeds, culturally diverse programming, FiOS crystal clear picture. Companies are now offering lower and lower prices and increasingly popular promotional offerings.

- Had Comcast before we switched to FiOS and has gotten at least three additional calls from Comcast offering deals, which he is looking at, because the numbers are moving down and down. But it has caused everyone to kind of sharpen their pencils and to be more aggressive and provide better service to the customers that they serve.
- Competition has also been good for the State overall. Verizon continues to invest in the State's communications infrastructure thus keeping us on the cutting edge and making us appear a more attractive place to do business. As a New Jersey businessman, can state that Verizon's investment has and will continue to provide employment opportunities in his company. With the new contracts we expect to secure with Verizon in 2010 we'll be able to offer employment opportunities to more New Jersey residents.
- Competition has been good for municipalities. As the former Chief of Staff to Mayor Palmer in Trenton and the former Director to the New Jersey Urban Mayors Association knows cities continue to be challenged in finding new revenues to support their many necessary programs. Competition has provided more money to towns and Verizon pays higher franchise fees than existing providers. Additionally, once a town is certified the existing provider will also pay the higher fee.
- Municipalities also benefit from free services such as PEG channels, free Internet to municipal buildings and free cable to municipal buildings.

26. David Garb, Jersey Access Group (JAG) – separate questions

- I'm representing JAG, the Jersey Access Group. They are a PEG organization throughout New Jersey. Competition is a great thing. It's helped them a lot. It's helped a lot of members get started in the PEG realm.
- They have a few issues with the FiOS system. One thing is that when FiOS goes out and sells, they claim that their local channels will be on the air. However, when people get FiOS they realize that it didn't mean PEG channels, it meant CBS, ABC, and NBC. And it takes a while sometimes to get the PEG channel on the air. It could take up to actually six years. He comes from Perth Amboy; they got theirs relative quickly and it's been good for him but there are a lot of systems still waiting to be hooked up.
- JAG believes that the first person who was turned onto FiOS should get the PEG channels especially for emergency management. It's a very important thing and in the six years out something happens, real problems exist.
- Another issue has to do with training, which was mentioned earlier. Heard for two years that it was being hooked up to the colleges and PEG groups were going to be able to get equipment. As of now, only Bergen Community College is up and active right now. It's not feasible for all of our members to go get equipment to go out and do their video shoots as needed.
- Another concern is that Verizon is trying to do away with the franchise fees. A lot of the PEG channels need that money to exist.

- Last concern is about Cablevision. They've become system-wide franchises as well. Where are their training facilities going to be? Want to have some clarity on that.

27. Ed Kline, Brigantine

- Former Mayor, former Assemblyman. He could speak on the franchise tax. The last gentleman asked about eliminating the franchise taxes. Yes, there is legislation introduced; it needs a lot of votes to go somewhere and it might never happen.
- Is an outside contractor and company is handling "Property Owner Complaints." POCs, Property Owner Complaints, are when Mrs. Smith says you backed over her mailbox, you broke her rose bush, you drilled holes in her old home. Verizon has taken the new step now. His company is going to be handling property owner complaints on a different level. It's become a number one priority. It's good for the community and good for the consumer to know Verizon is turning on a dime. Going to respond within 24 hours. There is going to be a response now on Property Owner Complaints.
- Commissioners are going to hear "they broke my water main," "they cracked my driveway," "my sprinkler system is broken," "my outside lights don't work any more." That's the issues that you've been hearing the last few years and that's being corrected.
- Handles POCs south of the Raritan River; different unions north the river. J. Fletcher Creamer handles north side.
- [Asked how many people he employs?] "A lot." "Hired 50 people November the 1st."

28. Catherine Milone, Junior Achievement

- Proponent of consumer choice and healthy competition, thus long career for Junior Achievement teaching kids about entrepreneurship and current role as President of Junior Achievement of New Jersey. Huge fan of FiOS as a resident of Mill Hill.
- JA and Verizon are partners in education to support New Jersey's kindergarten to 12th grade students. Verizon's volunteers help to inspire and prepare young people to succeed in a global economy. Business-education partnerships such as with Verizon involve positive role models, i.e., Verizon volunteers who implement the programs and inspire our youth with 21st century education to ensure their success as citizens and workers. Key concepts of our programs include financial literacy entrepreneurship and becoming work ready.
- Applauds Governor Corzine and members of the State Legislature for allowing cable competition in New Jersey. This legislation opened the New Jersey Market to Verizon and to additional service providers.
- Legislation gave New Jersey residents the true benefits of competition for TV service, more choices, competitive prices and improved cable television services.
- Loves spending time at home with their dogs, often watching the History Channel, Sci-Fi or the latest movie release.
- Old cable service was an absolute underperformer. The picture was absolutely terrible and they continued for years to have problems with a consistent pixilated screen. The only choice they had was satellite but were told by the satellite company that our Brownstone was not suitable for their product.

- Never forget the moment FiOS came to Mill Hill. It a great day and a fond memory. Once installed, FiOS provided a clear picture, phenomenal choices including Philadelphia and New York stations, excellent world class service, even on Sundays.
- Issues on Sunday were resolved right away via telephone call.
- Bundled services were much less expensive than prior years.
- Cable competition is good for consumers, whether they subscribe to Verizon or not. Increased competition promotes innovation and an entrepreneurial spirit.

29. Mike Kerwin, President/CEO, Somerset County Business Partnership

- A regional Chamber of Commerce for Somerset County. Also provides economic development services for Somerset County in partnership with the Somerset County Freeholders.
- Mission for the business partnership is to lead the business community to a future that is prosperous and sustainable.
- Choice is good for the customer because it leads to a better responsiveness for the customers' needs. Competition is good for the programming.
- Competition is good for the customer in terms of keeping fees reasonable.
- The business partnership is very concerned about the economic well being of not only Somerset County but also the State. Partnership was recently engaged by the Somerset County Freeholders to do a study to identify emerging industries that could provide jobs to the future. Looking to create coalitions with the State EDA and remove some of the competitive disadvantages in New Jersey. Favor any policies that encourage or create incentives for State communications infrastructure in the State and hopefully increase competitive situation and generate jobs.

30. Tom Dallessio, Executive Director, Leadership New Jersey

- A number of Verizon employees have been Fellows of Leadership New Jersey and without their involvement our program would greatly suffer. Verizon has been a strong champion of Leadership New Jersey and LNJ values their support.
- Speaking today from the perspective of a user of FiOS service at work and at home. At work in Trenton has FiOS Internet and telephone service and since installation about 18 months ago hasn't had any service interruptions. Internet is fast and our telephone connections are clear. Installation was performed by professionals who were polite and responsive to need to be up and running as quickly as possible.
- At home in Hopewell, has FiOS television, Internet and phone. For over two years has enjoyed crisp pictures, speedy computer connections and telephone services that exceeded his initial expectations. Most importantly was that he had a choice of service and by choosing Verizon FiOS got quality service at a reasonable price.
- Prior to FiOS was restricted to one cable company and services would often go out for hours without a response. This has never happened with Verizon FiOS.
- Having choice is perhaps the most significant opportunity available to customers.
- With FiOS and HDTV they feel like they're in the moment, whether it's Yankee baseball game, a National Geographic tour of some far-away island or a science program where the pictures speak louder than words. FiOS gives them video on demand, culturally diverse programming and an amazing picture that rivals most movie theaters.

- In his travels, has seen Verizon investing in the State's communications infrastructure and he knows the value of these investments and the importance of cutting-edge technology to make State a more attractive place to do business. These investments also provide employment opportunities that can ensure a sustainable wage. In this fragile economy, our State Government should be rewarding those that make long term investments, especially if it will create new and sustainable jobs.
- Hopes that any new State policies or BPU plan or any other agencies create or enforce these various regulations will empower Verizon and other companies to invest in the State; looks forward to Verizon continuing to be a good neighbor.

Written Comments

1. Bernie Platt, Mayor, Cherry Hill Township

- Verizon's presence in New Jersey and the competition it provides is essential to ensuring that high-quality services and competitive prices remain available to our residents.
- As Mayor of Cherry Hill Township, can say that Verizon has been a valuable partner, providing excellent service to its customers in our community.

2. Kenneth Hattrick, Medford resident

- Verizon retiree; worked for the company for over 30 years. Went back to work as a contractor but was laid off in August 2009.
- As a contractor, was intimately involved with FiOS program—responsible for attending Township meetings to inform council members of work progress.
- Secured required permits/approvals needed from various government agencies.
- Primary contact for handling of customer complaints related to FiOS.
- Has had FiOS since it came into Medford Township [in 6/07]. At that time, it took two technicians most of the day to install. Timeframe is much improved.
- Did a nice, neat job; explained all of the functions; old TV looked great.
- Had one service call—router failed—on a Sunday. Called 800 number and new router was FedEx'd to him without charge.
- Appears that Verizon has slowed its FiOS program down considerably, in part—he believes—due to the economic downturn.
- While Verizon has worked hard to meet requirements of the system-wide franchise, several communities have geographic areas where FiOS is not available, such as in Cherry Hill, Winslow and Voorhees, where there are multiple central offices. Hopes that as the economy improves, Verizon will be able to provide FiOS to all residents that want it.

3. Hon. Brian C Wahler, Mayor, Piscataway, and William G. Dressel, Jr., Executive Director, on behalf of NJSLOM

- P.L. 2006, Chapter 83 radically altered the municipal role in regulating cable television services. The League of Municipalities spent considerable effort working with state legislators, opponents, and proponents of the bill to ensure that the new legislation would advance the cable-related needs of the State's municipalities.

- The League wanted to make sure that the new legislation would promote competition, increase the franchise fee to help bring property tax relief, save municipalities the time and expense of negotiating detailed franchise agreements, and contain guarantees that low income areas would not be passed over by companies operating under a new system-wide franchise.
- Overall, the League believes that the new legislation has met its goals. In particular, Verizon's rapid entry into the market under the new franchising system has been faster than anticipated. Verizon's entry into the market has provided choice for residents in municipalities that in the past offered only one cable franchise alternative.
- With the new competition, municipalities have seen an increase in franchise fees. The new legislation required that the holder of a system-wide franchise pay 3½% of gross revenues to the municipality, which was a significant improvement over the former law, which only required a franchise fee of 2% of revenues on basic programming packages. In addition, the bill required incumbent cable providers to pay the higher 3½% fee once the system-wide franchise holder was able to service 60% of the households in the municipality. As a result, many municipalities are now seeing higher franchise fees being paid by the incumbent cable provider as well as by Verizon.
- Municipalities remain concerned that their incumbent cable provider can walk away from an existing local franchise and automatically convert to a system-wide franchise. Understand that this has happened twice -- in Fair Lawn and in Cedar Grove. We are pleased that incumbent cable providers have limited the number of times they have exercised this right, because municipalities that have engaged in the lengthy process of negotiating a franchise through the municipal consent procedures should be able to count on a cable company honoring the terms of that franchise. Therefore, the League continues to hope that cable companies utilize this procedure sparingly. The League also requests the BPU to carefully review any such action.
- During Verizon's build-out, there were initially complaints about Verizon's inability to interconnect with the existing cable system, which limited Verizon's ability to provide local cable programming on public, educational, and governmental (PEG) channels. That process has proceeded much more smoothly since the BPU resolved the interconnection issue last year.
- The League would still like to see additional action by Verizon in providing training and equipment to municipalities for their PEG channels.
- The League has not received complaints about discrimination in Verizon's build out; however, the League is in many ways operating with incomplete information. For that reason, the League urges Verizon to provide the mayor of each town in which it operates with a map of that town's current build-out. Having such information would allow each town to assess whether there is any evidence of "redlining."
- Overall, the new legislation has saved municipalities countless hours in negotiations with cable providers, and has thereby saved time and expense at a time when municipalities need to conserve resources to the greatest extent possible.
- The League believes that Verizon has worked in good faith to implement its system-wide franchise. Verizon has provided information to the League when requested, and has worked aggressively to provide service to our member municipalities. The bottom line is that the new legislation has provided increased franchise fee revenues for municipalities and has provided more choices for municipal residents, which were both goals that the League sought when it originally supported the legislation.

- An additional comment letter was received after the close of the comment period and served to supplement the comments submitted by the New Jersey State League of Municipalities. The comments were from Mayor Bruce Hankins of the Township of Hopewell in Cumberland County.
 - The Township has applied for a Transfer of Development Rights for affordable housing in order to preserve its farmland and not increase its potential to grow ratables. A community such as Hopewell Township and others like it, which have opted to comply with state directives governing open space and preserved farmlands, have been excluded from deployment of Verizon's high speed network. While preservation of open space is a noble and just effort, it has resulted in a penalty to the residents of the Township.
 - Because the Township is sparsely populated, even the incumbent cable television company will only extend service to the densely populated areas of the municipality. Verizon has only offered their service to those more densely populated areas as well. Cable television and high speed internet are essential to the community's competitive existence.
 - Existing telecommunications/cable regulations fail to adequately address the needs of municipalities such as Hopewell Township. There is a need to address the deployment of modern technology in communities like Hopewell where agriculture is the core business sector. Access to services is critical to the quality of life of the constituency of rural New Jersey. Verizon and Comcast have lobbied legislators to ignore this key demographic. Because of cherry picking, rural businesses, residents and students are at a competitive disadvantage.
 - Incumbent telecommunications providers are required to provide universal access to every resident of New Jersey but Verizon has chosen to provide high speed service only to select parts of New Jersey. This form of redlining is not tolerated in more densely populated areas of New Jersey and should not be tolerated in lower density municipalities. Hopewell Township requests relief from the Board of Public Utilities and legislature to address the needs of communities such as the Township's.
4. Roger Ellis, Government Affairs Representative, Local 472, Heavy & General Construction Laborers' Union
- Over three years ago, Laborers' Local 472 supported Legislation that would create major changes in the telecommunications industry.
 - Their Vision was that the system-wide franchise would create expanded service, greater competition in the industry, and many long-term, good-paying jobs with benefits. Program has accomplished that. Economic impact in terms of construction jobs created has been tremendous.
 - Construction of new fiber optic network has expanded utility market during difficult financial times.
 - Local 472 estimates that well over 500 construction jobs were created, generating 200,000 work hours.
 - System-wide franchises have been a major success. In addition to the economic benefit and job creation of the new network, it is their hope that the continued competition in the industry will encourage new providers to invest in their infrastructure thereby creating even more jobs and greater economic impact in the entire state.

5. Richard Chapkis, VP and General Counsel, Verizon New Jersey, Inc. – written comments
- Without the Cable Act amendments pass in 2006, Verizon would have had to obtain a second franchise in each community to use those same networks to offer consumers cable programming.
 - The Cable Act Amendments eliminated this redundant and time-consuming municipal franchise process by allowing an entity that wishes to provide cable television service in the State to apply for a single “system-wide” franchise from the Board.
 - The Cable Act Amendments recognize that (i) cable competition benefits consumers by improving service quality and lowering prices; and (ii) delay in the approval of competitive cable franchises should not be permitted to stand in the way of enhanced cable competition that benefits consumers.
 - In December of 2006, the Board approved Verizon’s system-wide franchise application, thereby granting Verizon the authority to enter the cable television market in 316 municipalities. Since that time, Verizon has added 53 additional municipalities to its system-wide franchise service area, so that it is now authorized to provide cable television service in 369 municipalities.
 - In November of 2009, three years after Verizon was granted a system-wide franchise, the Board commenced this proceeding, in accordance with *N.J.S.A 48:5A-20(4)(d)*, to examine the effects of the entry of system-wide franchisees on the State’s cable television market, and to report to the Legislature regarding:
 - The extent of actual deployment of cable service by each system-wide franchisee, including income and race of persons in the areas where such facilities were deployed;
 - The franchisee’s effect on choice in the marketplace; and
 - The effect that introduction of system-wide competitors has had on consumers.
 - Verizon has made a *massive* investment in the State’s communications infrastructure to widely deploy cable television service across much of its service territory, including in economically and racially diverse communities, in a relatively short period of time.
 - Verizon’s widespread entry into the cable television market has provided New Jerseyans with a real competitive alternative to incumbent cable television companies and satellite providers, which has benefited of consumers, municipalities and the State.
 - Verizon has invested more than \$1 billion to deploy cable television service.
 - Verizon has already passed more than 1.9 million premises with FiOS in New Jersey.
 - Verizon is presently offering cable television service in more than 348 towns in 19 counties across the State – more towns and counties than are served by any other single provider.
 - Verizon is offering cable television service to a large number of households in these municipalities, as evidenced by the Board’s approval of certifications that Verizon is offering cable television service to more than 60% of the households in 177 municipalities.
 - Verizon’s efforts to deploy cable television service in New Jersey extend to residents of multiple dwelling units (“MDUs”).
 - Verizon has contacted representatives of thousands of MDUs, and has negotiating premises access agreements. Verizon has already begun offering cable television service to a substantial number of MDUs located in almost 240 municipalities across the State (towns such as Bridgeton, Camden, Hackensack, Jersey City, Newark, Salem, Trenton and Woodbury).

- Verizon's deployment of cable television service across its footprint has been (and will continue to be) non-discriminatory. Verizon's adherence to the requirements in the Cable Act Amendments is convincing evidence of this fact.
- Verizon must *begin* providing cable television service on a commercial basis within three years of obtaining a system-wide franchise, in (i) each county seat within the system-wide franchisee's service area, and (ii) in each municipality within the system-wide franchisee's service area that has a population density greater than 7,111 persons per square mile of land area. N.J.S.A. 48:5A-25.2(a)(1)
- Subject to certain exceptions, Verizon must make cable television service available throughout the residential areas of these municipalities within six years of the date it first provides cable television service on a commercial basis directly to multiple subscribers within such a central office area. N.J.S.A. 48:5A-25.2(a)(2)
- Verizon's service area encompasses 18 of the 21 county seats in New Jersey (all but the Hunterdon, Sussex and Warren County Seats). Verizon's service area also encompasses 60 municipalities that meet the population density criteria. Some municipalities meet both the county seat and the population density criteria; therefore, a total of 70 towns in Verizon's footprint are subject to the statutory requirements.
- As of December 1, 2009, Verizon began offering cable television service on a commercial basis to customers in each of the 70 municipalities subject to the deployment requirements.
- Verizon has taken substantial strides toward building out many of these municipalities, as evidenced by the Board's approval of certifications stating that Verizon is offering cable television service to more than 60 percent of the households in 32 of the 70 municipalities.
- The demographics of the towns where Verizon's FiOS TV is available is further evidence that Verizon has deployed cable television service to diverse communities.

The chart below compares the income and race of persons in municipalities where Verizon's FiOS TV is available to statewide averages. It shows that the income in towns where FiOS TV is available approximates the statewide average, and the racial composition of the towns where FiOS TV is available is more diverse than the statewide average. The data makes clear that Verizon has widely deployed cable service, in a non-discriminatory fashion, across its New Jersey footprint.

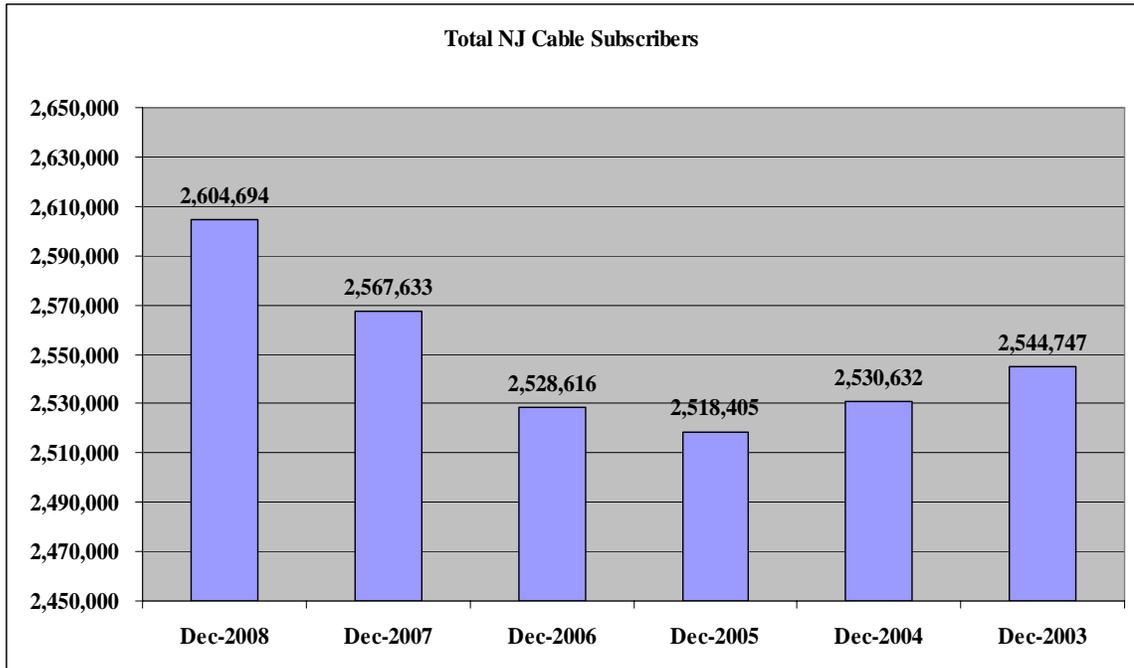
Income Levels and Race of Person of Municipalities where Verizon NJ Offers FiOS TV

| | Per Capita Income | Percent White | Percent Black of African American | Percent Asian | Percent Some Other Race | Percent two or more Races | Percent Hispanic or Latino of any Race |
|--------------------------------------|--------------------------|----------------------|--|----------------------|--------------------------------|----------------------------------|---|
| State of New Jersey | \$27,006 | 72.6% | 13.6% | 5.7% | 5.6% | 2.5% | 13.3% |
| Municipalities with FiOS TV # | \$27,339 | 69.8% | 14.7% | 6.4% | 6.3% | 2.7% | 15.0% |

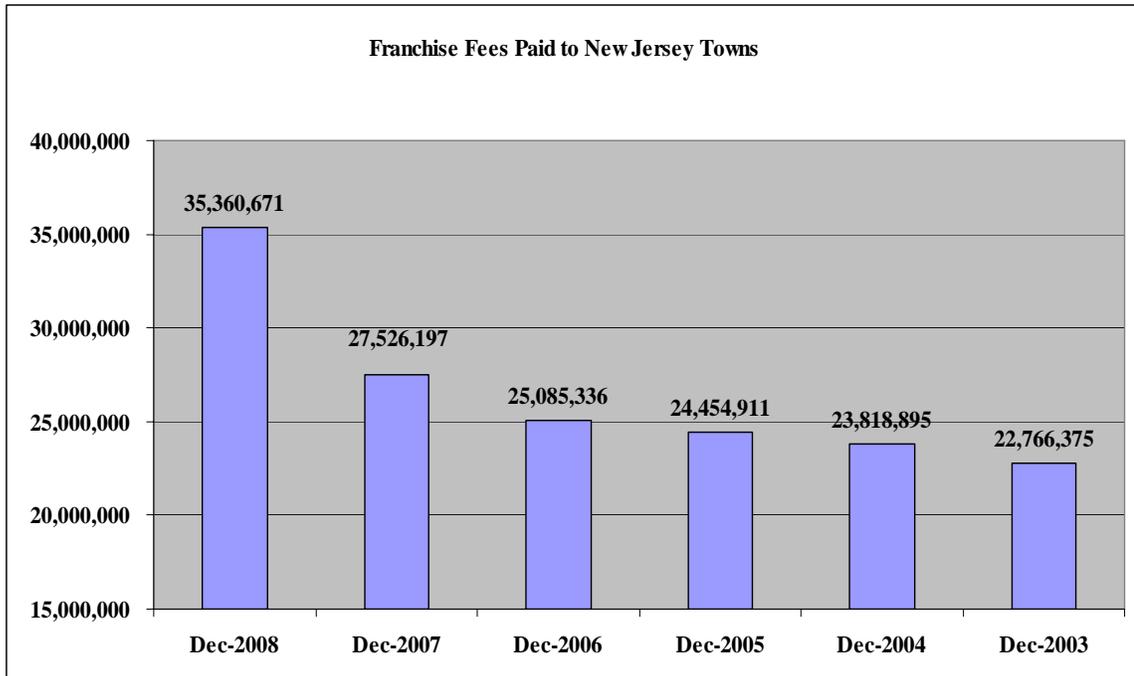
Municipalities with FiOS TV available as of 12/31/2009.

- Verizon’s network of fiber optic cable and optical electronics to directly link homes and businesses to Verizon’s network allows it to provide consumers with reliability; sharp pictures and sound; an array of high-definition programming; a large library of video-on-demand titles; diverse program offerings for a variety of multicultural and ethnic audiences; and an interactive programming guide to control it all.
- Cable incumbents were forced to respond to Verizon’s presence and its superior product by upgrading their networks, by diversifying their product and service offerings, by improving their customer service, and by lowering their prices.
- Verizon was in turn forced to respond to the competitive moves of the cable incumbents. As a result, consumers now have more and better choices in the cable television market than ever before.
- Verizon’s currently offers its customers the following products and services at competitive prices: More than 600 all-digital channels, grouped by genres; Up to 138 HD channels; a library of more than 18,000 video-on-demand titles each month – 70 percent of which are free; An interactive media guide that can provide next-generation, personalized, interactive services such as: Multi-Room DVR; Media Manager; Remote DVR management; Widgets; Free casual games; What’s Hot on FiOS TV; Dual Pause and Play; and Channel sorting options.
- Verizon’s entry into the cable television market has spurred cable competition and increased choice for the benefit of consumers, whether they subscribe to Verizon or an incumbent cable provider. One could also argue that the system-wide franchise legislation benefited consumers in other ways. For example, the legislation established a special fund to provide basic cable subsidies to consumers eligible to participate in the Pharmaceutical Aid to the Aged and Disabled program. Funding is provided by franchise fees (up to 0.5%) collected by system-wide franchisees and incumbent cable companies operating in certified towns.

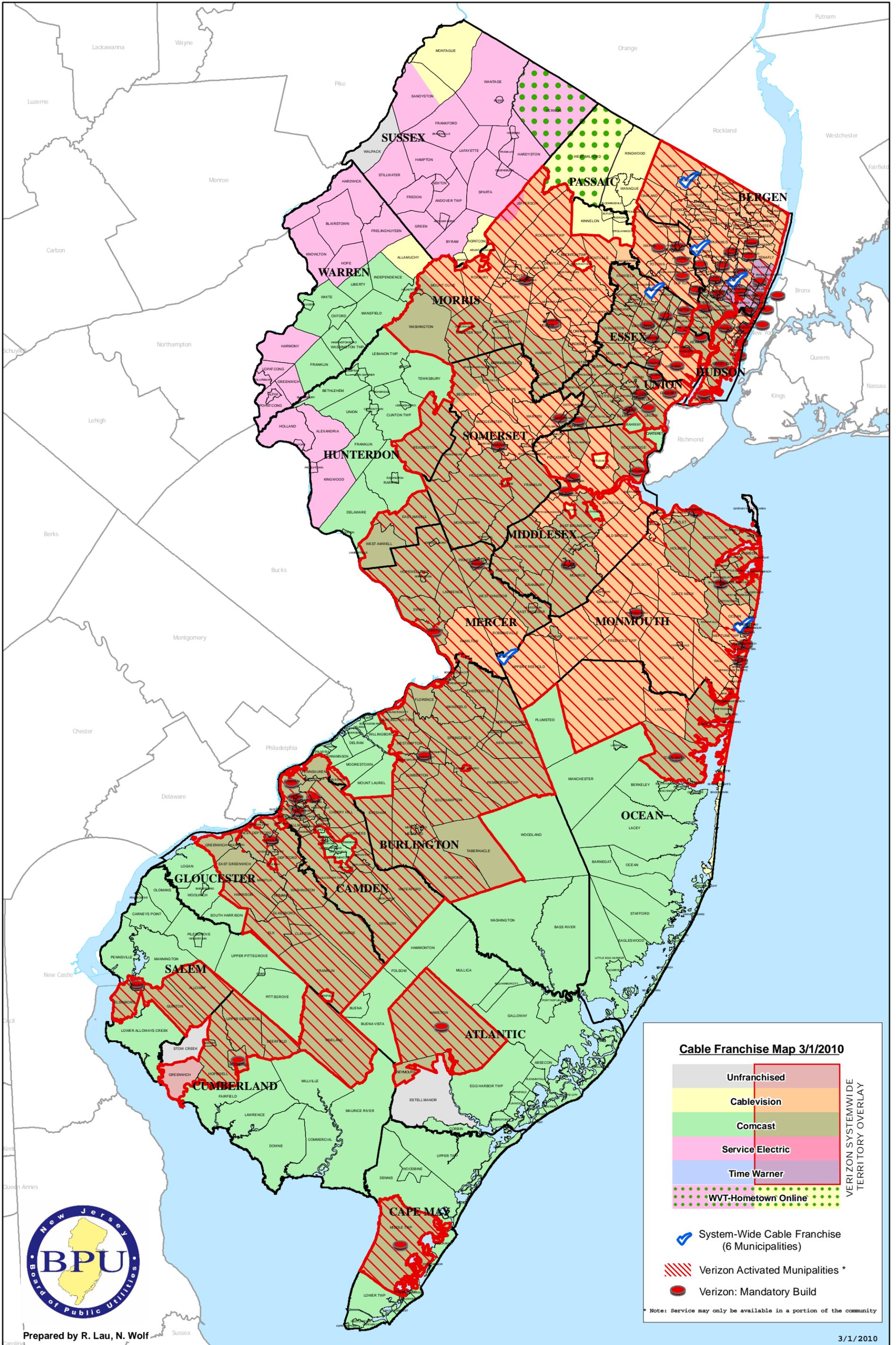
- Verizon, as a system-wide franchisee, pays an increased franchise fee to municipalities, and the incumbent providers are required to match that increased fee in a municipality once the Board certifies that Verizon is capable of serving at least 60 percent of the households in that municipality.
- Competition from Verizon appears to have increased the number of customers paying franchise fees to municipalities. The chart below compares the number of subscribers in the years prior to, and after, mass market entry by Verizon in December of 2006.

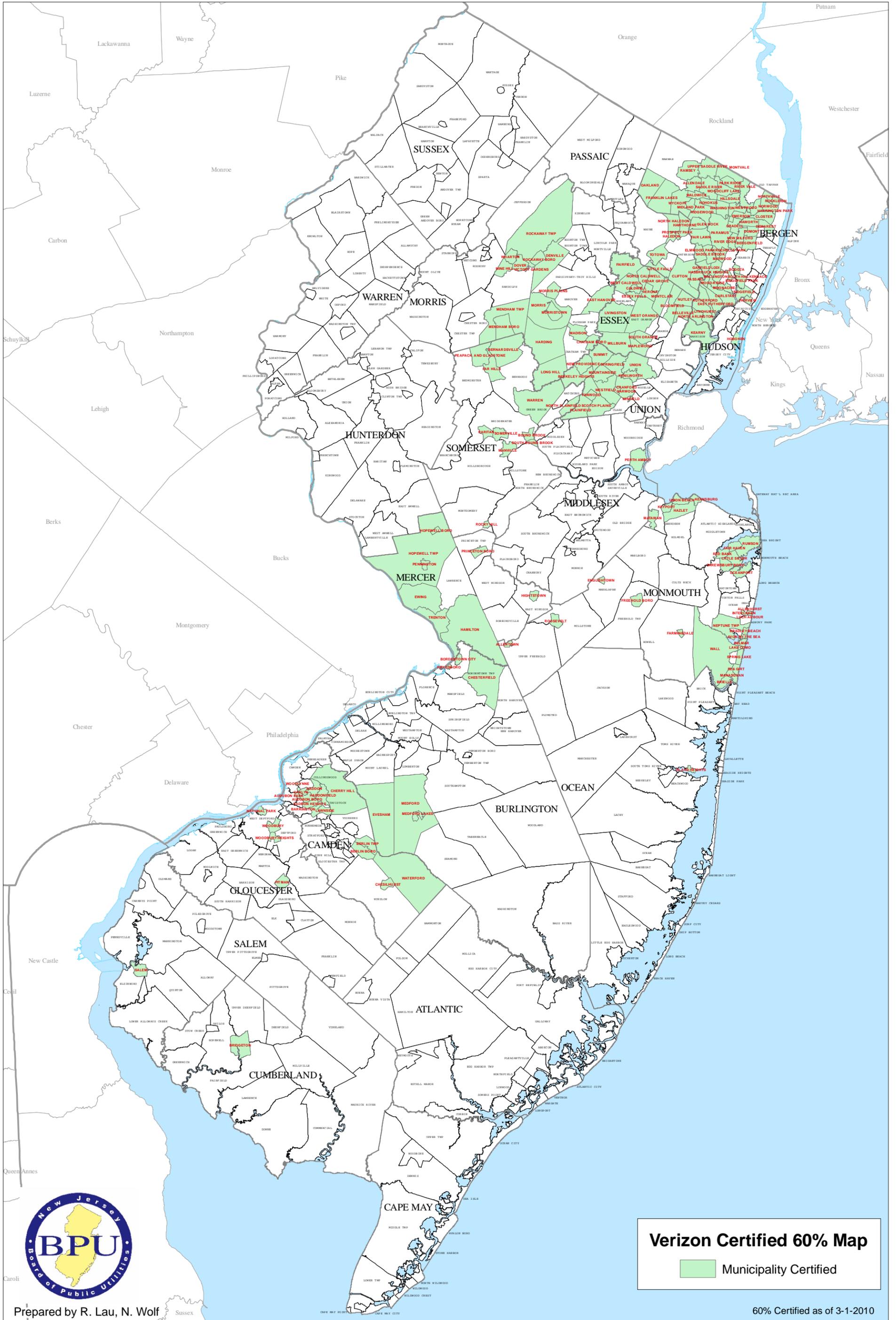


The franchise fees paid to municipalities has also risen since Verizon entered the cable television market.



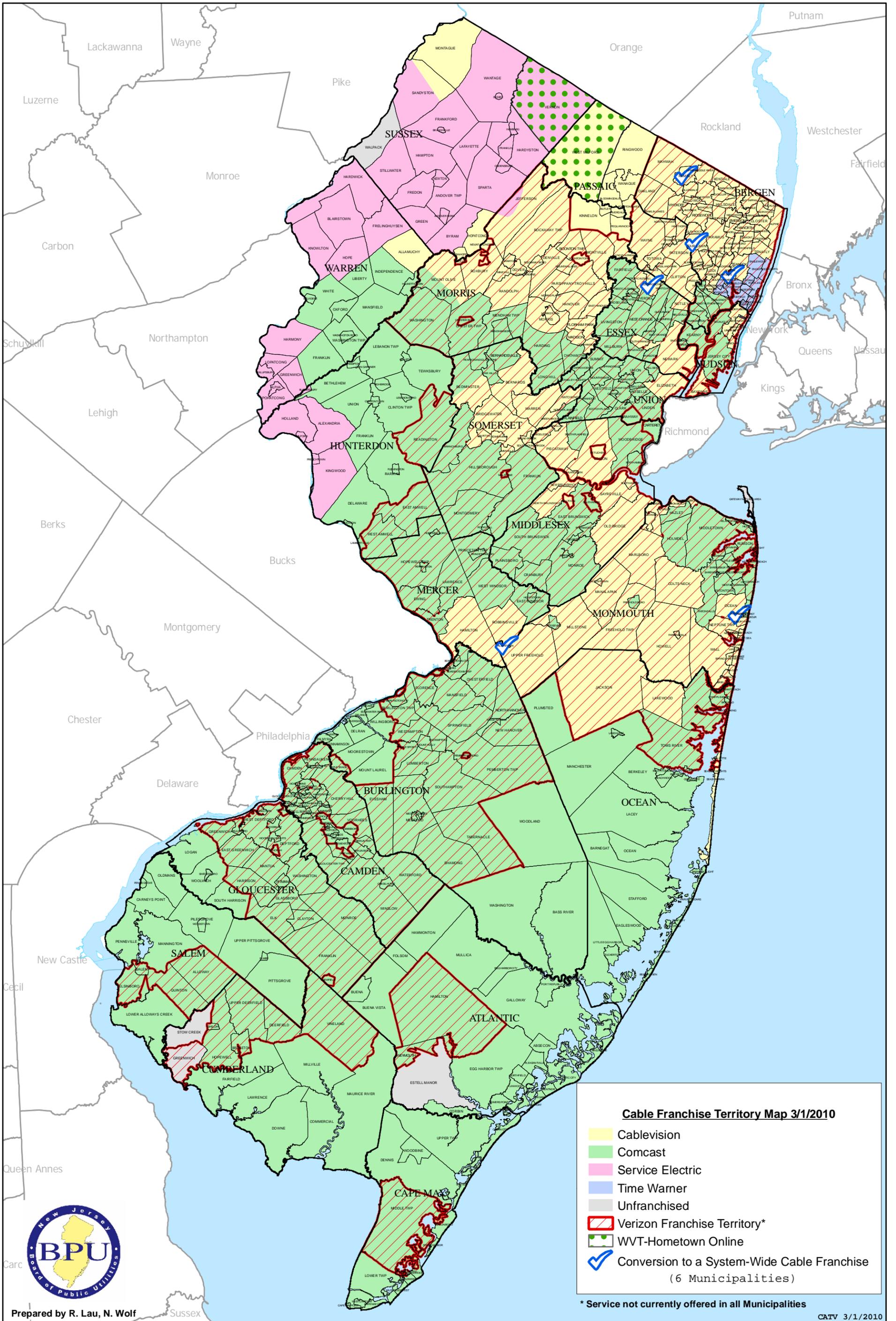
- In 2005, before Verizon was issued a system-wide franchise, franchise fee payments to municipalities totaled \$24.4 million. By December 2008, payments to municipalities had increased to \$35.4 million, an increase of \$11 million or 45%.
- Verizon provides PEG channels and free Internet and cable connections to certain municipal locations. To date, Verizon has made PEG programming available in over 200 municipalities. Verizon has also installed free Internet and cable connections to over 667 municipal locations in 145 municipalities. And, Verizon provides free PEG access equipment and training through a program administered by NJEDge (a consortium of community colleges). To date, these programs have not been heavily used. This low usage could be due to the fact that municipalities that originate programming generally have the equipment necessary to record and/or broadcast their PEG programming.
- Towns also benefit because they do not have to engage in protracted negotiations to obtain benefits from a system-wide franchisee because the Cable Act delineates the obligations that system-wide franchisees must undertake for the benefit of municipalities.
- The State has benefited from Verizon's entry into the cable television market as a system-wide franchisee. Since December of 2006, Verizon has hired and trained hundreds of workers and invested enormous sums in the State's communications infrastructure. This has advanced a technology that creates jobs and improves the capacity of workers – all of which generates increased local and state tax revenues. Moreover, by deploying FiOS widely in the State, Verizon has provided an incentive for businesses to stay or relocate in New Jersey, and has helped to restore New Jersey's position as a leader in communications employment and investment.
- Verizon's entry into the cable market and deployment of facilities has fostered cable competition and consumer choice – giving New Jerseyans more channels, more choice, and more value for their money, while simultaneously providing significant benefits to municipalities and the State as a whole.





Verizon Certified 60% Map
 Municipality Certified



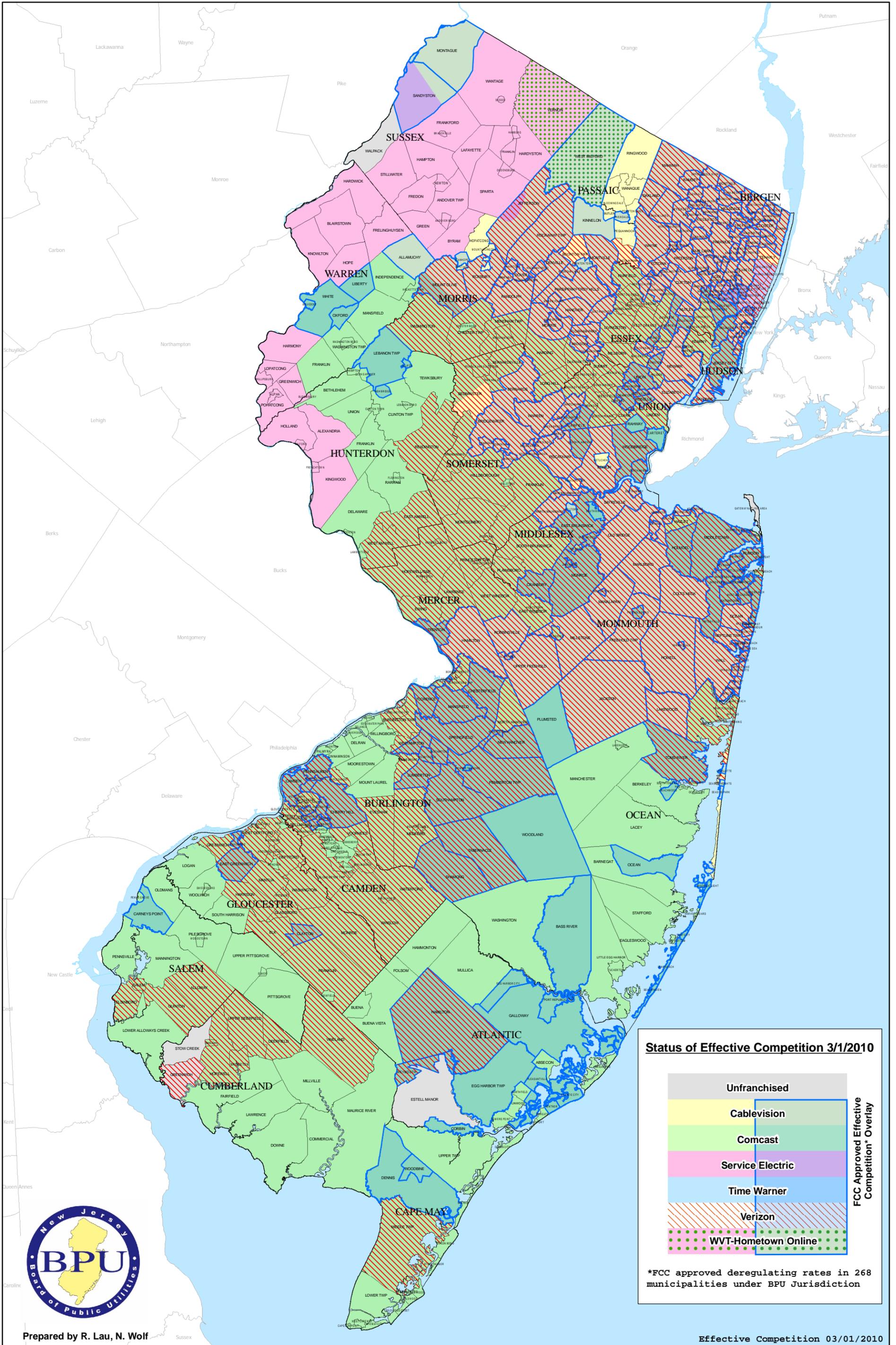


Cable Franchise Territory Map 3/1/2010

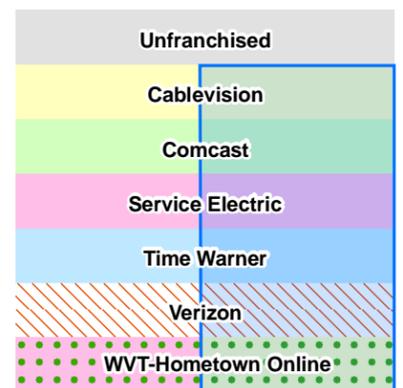
- Cablevision
- Comcast
- Service Electric
- Time Warner
- Unfranchised
- Verizon Franchise Territory*
- WVT-Hometown Online
- Conversion to a System-Wide Cable Franchise
(6 Municipalities)

* Service not currently offered in all Municipalities





Status of Effective Competition 3/1/2010



FCC Approved Effective Competition* Overlay

*FCC approved deregulating rates in 268 municipalities under BPU Jurisdiction



**Verizon System-Wide Franchise Information NJ-EDGE
Breakdown of PEG Equipment by County**

| County | No. of Municipalities in each County | % of Municipalities in County w/ System-Wide Franchise | No. of Municipalities in County w/ Verizon System-wide Franchises | % of Municipalities in each County w/ Verizon Activation | Verizon Activated County channel | NJ-EDGE Equipment | NJ-EDGE Training Available | College Affiliation | Comments |
|---------------|---|---|--|---|---|--------------------------|-----------------------------------|-----------------------------|--|
| Atlantic | 23 | 9% | 2 | 4% | | | | | |
| Bergen | 70 | 100% | 70 | 97% | Yes | Yes | Yes | Bergen Community College | Contract signed 5/2008, active and provided training |
| Burlington | 40 | 63% | 25 | 55% | | | | | |
| Camden | 37 | 76% | 28 | 70% | | | | | |
| Cape May | 16 | 6% | 1 | 6% | | | | | |
| Cumberland | 14 | 50% | 7 | 43% | | | | | |
| Essex | 22 | 100% | 22 | 100% | Yes | Yes | Pending | Essex County College | Contract signed 2/2010 - Equipment delivered |
| Gloucester | 24 | 71% | 17 | 58% | | | | | |
| Hudson | 12 | 100% | 12 | 100% | | | | | |
| Hunterdon | 26 | 12% | 3 | 8% | | | | | |
| Mercer | 58 | 55% | 32 | 100% | Yes | Yes | Yes | Mercer County College | Contract signed 9/30/09 |
| Middlesex | 25 | 84% | 21 | 80% | | | | | |
| Monmouth | 53 | 100% | 53 | 100% | Yes | No | No | Brookdale Community College | Contract pending |
| Morris | 39 | 79% | 31 | 74% | | | | | |
| Ocean | 33 | 27% | 9 | 15% | Yes | Yes | Yes | Ocean County College | Contract signed 12/2009 |
| Passaic | 16 | 69% | 11 | 69% | | | | | |
| Salem | 15 | 27% | 4 | 27% | | | | | |
| Somerset | 21 | 95% | 20 | 95% | | | | | |
| Union | 21 | 95% | 20 | 95% | | | | | |
| | 19 | | | | | 5 | | | |