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April 16, 2011

Via Electronic Mail

Lawanda R. Gilbert
Acting Director
Office of Cable Television
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625

Re: Initial Comments of Verizon New Jersey Inc. regarding the Renewal of Its System-wide Franchise

Dear Ms. Gilbert:

Pursuant to your request, enclosed please find the Initial Comments of Verizon New Jersey Inc. regarding the Renewal of Its System-wide Franchise.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Gregory M. Romano".

Verizon New Jersey Inc. (“Verizon”) hereby submits written comments in response to the Office of Cable Television’s (OCTV’s) request of February 1, 2012 inviting comments on its performance under its system-wide franchise and how it will meet the future cable related needs of communities.

I. BACKGROUND AND INTRODUCTION

In August of 2006, the New Jersey Legislature overwhelmingly passed – and the Governor signed into law – amendments to the New Jersey Cable Act (the “Cable Act Amendments”) intended to accelerate cable competition and consumer choice. The Cable Act Amendments eliminated the redundant, time-consuming, economically inefficient and barrier to entry 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 of Public Utilities (“Board”), rather than applying for individual franchises on a municipality-by-municipality basis.

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 54 additional municipalities to its system-wide franchise service area, so that it is now authorized to provide cable television service in 370 municipalities.

In November of 2009, three years after Verizon was granted a system-wide franchise, the Board commenced a 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 issued a report (“Report”). In that Report, the Board found that “[o]verall 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 taxes.”¹

As discussed in detail below, Verizon has made a *massive* investment in the State’s communications infrastructure to widely deploy cable television service across much of its service territory 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 consumers, municipalities and the State.

II. PERFORMANCE: VERIZON HAS WIDELY DEPLOYED CABLE TELEVISION SERVICE IN NEW JERSEY TO FULFILL ITS STATUTORY OBLIGATIONS UNDER THE SYSTEM-WIDE FRANCHISE

In the five plus years since the Board granted Verizon a system-wide franchise, Verizon has invested more than \$2 billion to deploy cable television service. This enormous investment has allowed Verizon to deploy cable television service widely across its service territory in the State. Specifically, Verizon has already passed more than 2.2 million premises with its FiOS network in New Jersey. Verizon is presently offering cable television service in 352 towns in 19 counties across the State – more towns and counties than are served by any other single wireline video provider. And, Verizon is offering cable television service to a large number of households in these municipalities, as evidenced by the Board’s approval of certifications² that Verizon is

¹New Jersey Board of Public Utilities Report to the Governor and Legislature on the Effects of the System-wide Franchise Cable Television Franchise in New Jersey, issued June 2010, page 2.

² A system-wide franchisee pays 3.5% of total video revenues to municipalities and up to 0.5% to the State Treasurer to administer a Universal CATV access fund. In contrast, incumbent cable companies pay only

offering cable television service to more than 60% of the households in 239 municipalities. Under its system-wide franchise, from 2007 through 2011 Verizon paid almost \$62 million in franchise fees to Municipalities and the State.

To ensure non-discriminatory access to competitive cable television service, the Legislature set out specific requirements for system-wide franchisees. These requirements provide that system-wide franchisees, such as 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.³ The requirements further provide that, subject to certain exceptions, a system-wide franchisee 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.⁴

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. Given that some municipalities in Verizon's service territory meet both the county seat and the population density criteria, a total of 70 municipalities in Verizon's footprint are subject to the statutory requirements discussed above.⁵

2% of basic cable revenues to municipalities, until and unless the Board certifies that Verizon is capable of serving at least 60 percent of the households in a municipality, in which case the incumbent provider must match the higher fee. [N.J.S.A. 48:5A-30(a)(d)]

³ N.J.S.A. 48:5A-20(1).

⁴ N.J.S.A. 48:5A-20(2).

⁵ Exhibit A, attached hereto, provides a list of the 70 municipalities.

As of December 1, 2009, less than three years after Verizon received its system-wide franchise, Verizon had begun offering cable television service on a commercial basis to customers in each of the 70 municipalities subject to the deployment requirements. Furthermore, Verizon has taken substantial strides, with emphasis on building out 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 55 of the 70 municipalities.

Verizon's efforts to deploy cable television service in New Jersey extend to residents of multiple dwelling units ("MDUs"). Since being granted a system-wide franchise, Verizon has contacted representatives of thousands of MDUs, and has been negotiating premises access agreements so that it can offer cable television service to customers in these buildings. In fact, Verizon has already begun offering cable television service to thousands of MDU properties located in approximately 75% of the municipalities⁶ across the State where FiOS is available.

MDU property owners have delayed and hampered Verizon's ability to make FiOS available within every MDU in these 70 municipalities. Verizon has experienced difficulties obtaining access to MDU properties because property owners have offered a litany of reasons not to serve their MDUs, including that: they do not want to inconvenience residents with an upgrade of the MDU property's infrastructure unless a resident requests FiOS; they are already served by a cable provider and are not required to give Verizon access under the Board's rules⁷; they simply do not want FiOS; they do not want to affect the aesthetics of their property; or Verizon has fulfilled its deployment obligations by making FiOS available outside of the MDU property. Consequently,

⁶ Towns such as Bridgeton, Camden, Hackensack, Irvington, Jersey City, Newark, Salem, Trenton, Union City, Vineland, West New York and Woodbury.

⁷ N.J.A.C. 14:18-4.5(b)

Verizon filed 14 notices that it cannot obtain access to 622 MDU properties involving 28,000 living units and more are contemplated. To date, the Board has acted on 5 notices, approving a waiver of deployment obligations in these MDUs. Pursuant to the Board's requirements, Verizon also filed 70 mandatory access petitions⁸ requesting that the Board either grant Verizon access or waive the deployment obligation.

System-wide franchisees are required, upon request, to provide up to two PEG access channels, a free Internet and cable connection to certain municipal locations, free PEG equipment and training and one free return line. Verizon provides an information packet to municipal personnel that outline municipal entitlements and the process to receive them along with contact information for Verizon's franchise management team. This outreach has ensured that municipalities are aware of the system-wide franchise entitlements and many have taken advantage of these benefits. To date, Verizon has installed 165 return lines and interconnected with incumbent cable companies that enabled 267 municipalities to distribute or receive PEG programming. Although not a requirement of its system-wide franchise, Verizon also made 7 (2 more to be launched in coming months) county-wide PEG channels available reaching residents in 190 municipalities. Through an innovative program administered by NJEDge (a consortium of NJ colleges), Verizon provides access to free PEG equipment and training⁹ at 7 county colleges across the State. Verizon has also installed free Internet and cable connections to 927 municipal locations in 192 municipalities.

⁸ Mandatory Access Petitions involve situations where at least one resident of an MDU property has requested FiOS service but property owners/managers have not granted access to Verizon. To date, the Board has only acted on one petition, issuing an Order on November 11, 2011 that granted Verizon access, Docket No. CE10120889.

⁹ 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.

III. FUTURE CABLE RELATED NEEDS OF COMMUNITIES

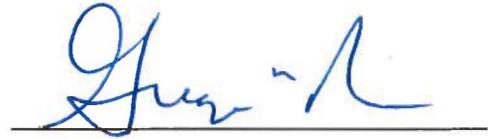
The Cable Act Amendments¹⁰ were crafted to include specific requirements for system-wide franchisees that guarantee a consistent set of benefits are available to all municipalities to meet their current and future cable related needs. Towns benefit from these statutory requirements because they do not have to engage in protracted negotiations to obtain benefits from a system-wide franchisee, as they are required to do under municipal consent franchises. That is because the Cable Act Amendments clearly establish the Board as the franchising authority, and delineate the obligations that system-wide franchisees must undertake for the benefit of municipalities. In addition, system-wide franchisee pay substantially higher franchise fees to municipalities, providing the capability for municipalities to fulfill any unique cable related needs they may face in the future.

¹⁰ *N.J.S.A. 48:5A-28(i-m)*.

IV. CONCLUSION

In sum, Verizon's has met, and is on track to meet, its deployment obligations under its system-wide franchise to the benefit of consumers, municipalities and the State. Moreover, New Jersey's statutory obligations, higher franchise fees, PEG programming, equipment and training and free municipal connections, enable system-wide franchisees to fulfill current and future cable related needs of municipalities.

Respectfully submitted,

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DATE: April 16, 2012