



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CABLE TELEVISION

IN THE MATTER OF THE PETITION OF VERIZON) ORDER
NEW JERSEY, INC. FOR CERTIFICATION OF)
CAPABILITY TO PROVIDE CABLE TELEVISION)
SERVICE TO 60 PERCENT OF HOUSEHOLDS IN)
FOUR DESIGNATED MUNICIPALITIES) DOCKET NO. CO14101141

Parties of Record:

William D. Smith, Esq., Assistant General Counsel, Verizon New Jersey, Inc.
Sidney A. Sayovitz, Esq., Schenck, Price, Smith & King, on behalf of Cablevision
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD¹:

On October 8, 2014, Verizon New Jersey, Inc. ("Verizon") filed a petition with the Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:5A-30(d) and N.J.A.C. 14:18-15.7, seeking approval of its certification that it is capable of providing cable television service to at least 60 percent of the households in the City of Bayonne, the City of Newark, the City of Paterson, and the City of Union City. Notice was provided, pursuant to N.J.A.C. 14:18-15.7(b)(2), to the four municipalities and the cable television company or companies serving the municipalities.

On December 18, 2006, Verizon was granted a system-wide franchise by the Board, to provide cable television service, pursuant to the State Cable Television Act, N.J.S.A. 48:5A-1 et seq. (the "Act") in Docket No. CE06110768. On January 30, 2014, the Board issued Verizon a renewal system-wide franchise in Docket No. CE13080756. The Board issued an amendment to the renewal system-wide franchise on July 23, 2014, in Docket No. CE13080756. Through subsequent filings as provided in N.J.A.C. 14:18-14.14(a), Verizon is currently authorized to provide service to 380 municipalities. The Act, as amended, allows for the granting of competitive system-wide franchises for providers of cable television service by the Board. Prior to the passage of the amendments to the Act, cable television providers negotiated with each municipality separately for the grant of municipal consent, and then petitioned the Board for a

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter. Commissioner Dianne Solomon was not present at the 11/21/14 agenda meeting.

certificate of approval to provide service within that municipality. Since the passage of the amendments to the Act, cable television companies now have a choice of continuing under the municipal consent based franchise system or proceeding under the system-wide franchise option.

Each cable television company operating in the State of New Jersey must pay franchise fees to each municipality in which it provides service. Currently, an incumbent cable operator operating under a municipal consent based franchise pays franchise fees each year in the amount of 2 percent of the gross revenues from all recurring charges in the nature of subscription fees paid by subscribers within the municipality for its cable television reception service, as such term is defined by N.J.S.A. 48:5A-3(e). The Act, as amended, requires that the holder of a system-wide cable television franchise pay to each municipality served each year a sum equal to 3.5 percent of gross revenues derived from cable television service charges or fees paid by subscribers in the municipality to the system-wide cable television franchisee. N.J.S.A. 48:5A-30(d). In addition, an amount not to exceed one-half of one percent of those gross revenues must be remitted to the State Treasurer for a "CATV Universal Access Fund" to offset basic cable television service rates for seniors and disabled persons. N.J.S.A. 48:5A-30(d). N.J.S.A. 48:5A-30(d) further provides that once a system-wide cable television franchise holder certifies that it is capable of providing service to at least 60 percent of the households within a municipality that is served by an incumbent cable television provider, and the Board approves that certification, the existing cable television company must also pay the increased franchise fee.

In conjunction with this statutory requirement, and in support of its petition, Verizon filed an Affidavit of Malkia J. Henson, Director, Network Engineering and Operations, Verizon, explaining the methodology used in calculating the percentage of households where Verizon is capable of providing cable television service. The affidavit states that Verizon first identified the number of residential addresses passed by Verizon's network and served by Verizon's cable television facilities, which were validated as capable of receiving Verizon's services ("FiOS"). Because the Act, as amended, requires the franchise operator to identify the percentage of households rather than addresses, Verizon performed additional calculations to convert the data on validated addresses to reflect household data by utilizing information from the 2000 and 2010 U.S. Census. Verizon then projected the number of occupied households as of July 31, 2014 by comparing the number of households in 2000 and 2010, and adjusting that trend forward to the 2014 date. Verizon also multiplied its FiOS validated residential address counts in the filing by the estimated occupancy rates for 2014 to estimate the households in each town that were capable of being provided FiOS service. Verizon divided these projected household numbers by the total number of estimated households in each municipality as of July 31, 2014 as calculated in the first step. Verizon provided a list of the final calculations, which demonstrated the percentage of occupied households where Verizon is capable of providing cable television service: in Bayonne, 74 percent; Newark, 75 percent; Paterson, 70 percent; and Union City, 67 percent.²

Board Staff ("Staff") has reviewed the petition and supporting documentation. As part of its analysis, Staff performed its own calculations to project the data forward to July 31, 2014 and estimate the number of households within the four municipalities for the purpose of converting Verizon's FiOS validated residential address data to households capable of receiving FiOS service. In its review, Staff also reviewed several aspects of Verizon's service capabilities. This review included an analysis of whether Verizon's central offices/wire centers serving the Cities of Bayonne, Newark, Paterson, and Union City had been converted to Video Serving Offices

²See Appendix "I" attached.

which are FiOS capable, as well as an analysis of Verizon's capability of serving residential households of all types, including one to four family structures located in underground utility service areas within a particular municipality and multiple-dwelling unit ("MDU") structures located in both aerial and underground utility service areas within a particular municipality.

Furthermore, Staff reviewed additional data from Verizon demonstrating that the MDUs in the affected municipalities were not just passed by Verizon's cable television service, but capable of being provided cable television service if a resident requested it. Staff's review of MDU service capability also focused on important issues highlighted in Executive Order No. 25 (2006), which supplemented anti-redlining elements of the Act, as amended. Verizon also provided data indicating that no MDUs or any units within a particular MDU were included unless they could be provided service at the time they were included in the certification. Verizon represented that only households within MDUs that were able to be served upon request of a resident were counted towards the 60 percent certification. Verizon also provided a current status of additional MDUs which are not currently capable of being provided FiOS service, but where access agreements have been successfully negotiated. In each case, additional survey, engineering, or design work is underway, but not yet complete.

Based on Staff's recommendation and the Board's review of the information provided in support of the petition, the Board accepts Verizon's certification that it is capable of providing service to at least 60 percent of the households in municipalities currently served by a cable television company that operates under a municipal consent in the City of Bayonne, the City of Newark, the City of Paterson, and the City of Union City and **HEREBY APPROVES** Verizon's certification. Attached as Appendix "I" is a list of the four municipalities where Verizon is capable of providing cable service to more than 60 percent of the households in the municipality that is currently provided with cable service by another cable company, and the percentage of FiOS availability to those households.

Each cable television operator currently operating in the City of Bayonne, the City of Newark, the City of Paterson, and the City of Union City approved under Verizon's certification is **HEREBY REQUIRED** to pay to each municipality each year a sum equal to 3.5 percent of gross revenues, as such term is defined by N.J.S.A. 48:5A-3(x), derived from cable television service charges or fees paid by subscribers in the municipality to the cable television franchisee, and an additional amount not to exceed one-half of one percent of those gross revenues to the State Treasurer for a "CATV Universal Access Fund" to offset basic cable television service rates for low income (Pharmaceutical Assistance to the Aged and Disabled eligible) seniors and disabled persons.

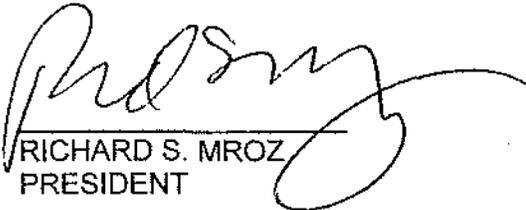
Cable television operators may begin implementation of the increased franchise fee collection from their subscribers up to, but no later than, 90 days following the effective date of this Board Order approving the certification, pursuant to N.J.A.C. 14:18-15.7(d) and N.J.S.A. 48:2-40.

Cable television operators shall notify each municipality, the Division of Rate Counsel and the Office of Cable Television in writing of the effective date of the increased franchise fee.

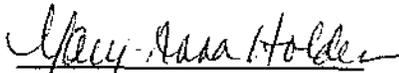
This Order shall be effective on December 1, 2014.

DATED: 11/21/14

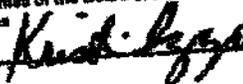
BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST: 
KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities


APPENDIX "I"

Municipality	County	Percentage
City of Bayonne	Hudson	74%
City of Newark	Essex	75%
City of Paterson	Passaic	70%
City of Union City	Hudson	67%

In the Matter of the Petition of Verizon New Jersey, Inc. for Certification of Capability to Provide
Cable Television Service to 60 Percent of Households in Four Designated Municipalities

BPU DOCKET NO. CO14101141

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