STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF VERIZON NEW JERSEY, INC.'S ALLEGED FAILURE TO COMPLY WITH OPPORTUNITY NEW JERSEY COMMITMENTS	))))))))	DOCKET NO. TO12020155

AFFIDAVIT OF PAUL B. VASINGTON
ON BEHALF OF VERIZON NEW JERSEY INC.

I, Paul B. Vasington, duly sworn according to law, depose and say as follows:

1. I am a Director-State Public Policy for Verizon. My business address is 125 High Street, Oliver Tower, Boston, Massachusetts 02110. I have a Bachelor of Arts in Political Science from Boston College and a Masters in Public Policy from the Kennedy School of Government, Harvard University. I have been employed by Verizon since February 2005.

2. Prior to my work at Verizon, from September 2003 to February 2005, I was a Vice President at Analysis Group, Inc. Before that, I was Chairman of the Massachusetts Department of Telecommunications and Energy ("MDTE") from May 2002 to August 2003, and was a Commissioner at the MDTE from March 1998 to May 2002. Prior to my term as a Commissioner, I was a Senior Analyst at National Economic Research Associates, Inc. from August 1996 to March 1998. Prior to that, I was employed in the Telecommunications Division of the MDTE (then called the Department of Public Utilities), first as a staff analyst from May 1991 to December 1992, then as division director from December 1992 to July 1996.

3. The purpose of this Affidavit is to demonstrate the success of Opportunity New Jersey ("ONJ") and how Verizon met its commitments under that plan. I will begin with a discussion of Verizon's investment in broadband deployment in New Jersey and its fulfillment of the ONJ goals, and then discuss the policy framework that existed when ONJ was proposed and adopted, the subsequent changes to market structure, technology, and customer demand, and how Verizon satisfied its ONJ obligations in the face of these changing conditions. In this context, Verizon's performance under ONJ and delivery of broadband availability to the State has more than satisfied the objectives set by the Board when it adopted ONJ in 1993.

4. Indeed, despite dramatic changes in the telecommunications landscape that have led to significant landline and revenue losses for Verizon since it operated as New Jersey Bell when ONJ was approved in 1993, Verizon has invested literally billions of dollars in making broadband available throughout New Jersey – significantly more than what was contemplated by ONJ – equipping 100% of its central offices with broadband capability and offering broadband service to customers in more than 99% of the census blocks in the State. As a result, New Jersey is now ranked first in the nation in broadband telecommunications – reflecting Verizon's successful fulfillment of the ONJ plan. The Board should recognize the success of Opportunity New Jersey, and not proceed with the Show Cause docket.

I. VERIZON HAS INVESTED BILLIONS OF DOLLARS TO DEPLOY BROADBAND IN NEW JERSEY.

5. Since Opportunity New Jersey was adopted, Verizon has invested literally billions of dollars in making broadband available throughout New Jersey – significantly more than what was contemplated by ONJ.

6. While ONJ envisioned that Verizon would invest approximately $1.5 billion more than the $3.87 billion it already planned to spend on network development in New Jersey

between 1992 through 1999, Verizon actually invested nearly $5.1 billion from mid-1993 through 1999 to support the modernization of its network infrastructure to meet its deployment commitments in New Jersey, opening markets to competition. In the following years, Verizon invested an additional $8.3 billion in New Jersey. All told, Verizon has invested ***more than $13 billion*** since the plan was approved.

7. These investments are in addition to the amounts that Verizon Wireless and other Verizon entities have spent on broadband availability in the state. For example, Verizon Wireless has deployed its 3G network to almost all of New Jersey, and is in the process of deploying 4G in the same areas; the Verizon Wireless 4G LTE network provides broadband at average data rates of 5 to 12 megabits per second on the downlink and 2 to 5 megabits on the uplink, speeds up to 10 times faster than the company's 3G network.[1] Over the last decade, Verizon Wireless has invested billions of dollars in New Jersey to bring wireless services – including the most advanced wireless broadband services – to the State.

8. As a result of its investment, Verizon has deployed broadband to customers in ***more than 99 percent*** of the census blocks in New Jersey.

9. Verizon demonstrated this level of deployment to the Board by providing it with the most recent data set (reflecting data as of December 31, 2010) that Verizon provided to the New Jersey Office of Information Technology, which is the New Jersey-designated mapping that provides information for inclusion in the National Telecommunications and Information Administration's ("NTIA's") National Broadband Map.[2] This data set shows broadband service availability data by census block for broadband Internet access service offered by Verizon on its FiOS network and for DSL in New Jersey, with the associated maximum advertised upstream

[1] *See* http://aboutus.verizonwireless.com/bestnetwork/network_facts.html.

[2] *See* http://broadbandmap.gov/. *See also* Exhibit 2.

and downstream speeds. This data effectively reflects the level of broadband service availability for the wireline broadband services offered by Verizon to consumers in New Jersey. For those census blocks with an area greater than two square miles, Verizon provided a list of all street segments with address ranges in such census blocks (as required by the NTIA's July and August 2009 "Notice of Funds Availability"), with the associated maximum advertised upstream and downstream speeds. Verizon also supplied the Board with the most recent available Form 477 data that it filed with the Federal Communications Commission ("FCC"), which shows where Verizon is currently serving broadband customers, as of December 31, 2010. The combined mapping of these data sets shows that Verizon has deployed broadband facilities in New Jersey capable of serving customers in more than 99 percent of its census blocks.[3]

10. Moreover, Opportunity New Jersey envisioned "Switching Technologies matched with transmission capabilities to support data rates up to 45,000,000 bits per second and higher ('45 megabits')."[4] And Verizon offers a variety of products that meet such a definition, including High-Cap, Frame Relay, ATM, DSL and FiOS, with FiOS capable of meeting and exceeding the 45 megabit broadband data rate.

11. Given this effort by Verizon, it is hardly surprising that a recent study by the International Information and Technology Innovation Foundation ranked New Jersey first in the nation in broadband telecommunications.[5]

---

[3] *See also* Exhibit 2.

[4] Opportunity New Jersey, Exh. 2, Att. 1 to Application of New Jersey Bell for Approval of a Plan for Alternative Regulation (Mar. 31, 1992), at 2. *See also In the Matter of the Application of New Jersey Bell Telephone Company for Approval of Its Plan for an Alternative Form of Regulation*, Docket No. TO92030358, Decision and Order (May 6, 1993) ("*PAR-1 Order*") at 74.

[5] *See* Atkinson, Robert D., and Andes, Scott, The Information Technology & Innovation Foundation, *The 2010 State New Economy Index: Benchmarking Economic Transformation in the States* (Nov. 2010) ("*ITIF Study*") available at http://www.itif.org/files/2010-state-new-economy-index.pdf.

12. Verizon has been joined by a number of other providers offering broadband services in New Jersey. In addition to wireless broadband services provided by Verizon Wireless and other carriers, broadband also is now available from other providers, as well. For example, cable modem service was first made available to New Jersey consumers in 2001, with cable modem lines quickly outnumbering ADSL lines.[6] By 2010, cable modem service was available to almost all residential consumers in the State.[7] In addition, broadband is offered by other companies via satellite to much of the State.

13. According to the FCC's Broadband Reports, New Jersey now leads the nation in broadband subscribership for fixed (not mobile) connections (*i.e.*, connections/households) for both lower speed and higher speed broadband, and the percentage of New Jersey households connected to higher speed broadband is double the national average.[8]

14. A recent report by Navigant Economics showed how New Jersey leads the nation in broadband:[9]

> Recent data show clearly that New Jersey leads the nation in overall high-speed broadband penetration. As shown in Figure Six [below], New Jersey has more than 0.67 broadband connections per household within the approximate range of the FCC's National Broadband availability target (3 Mbps down and 768 Kbps up) – more than any other state. This trend towards steadily increasing broadband speeds (and a decreasing reliance on dial-up service), is indicative of the quality improvements that have marked broadband services.

---

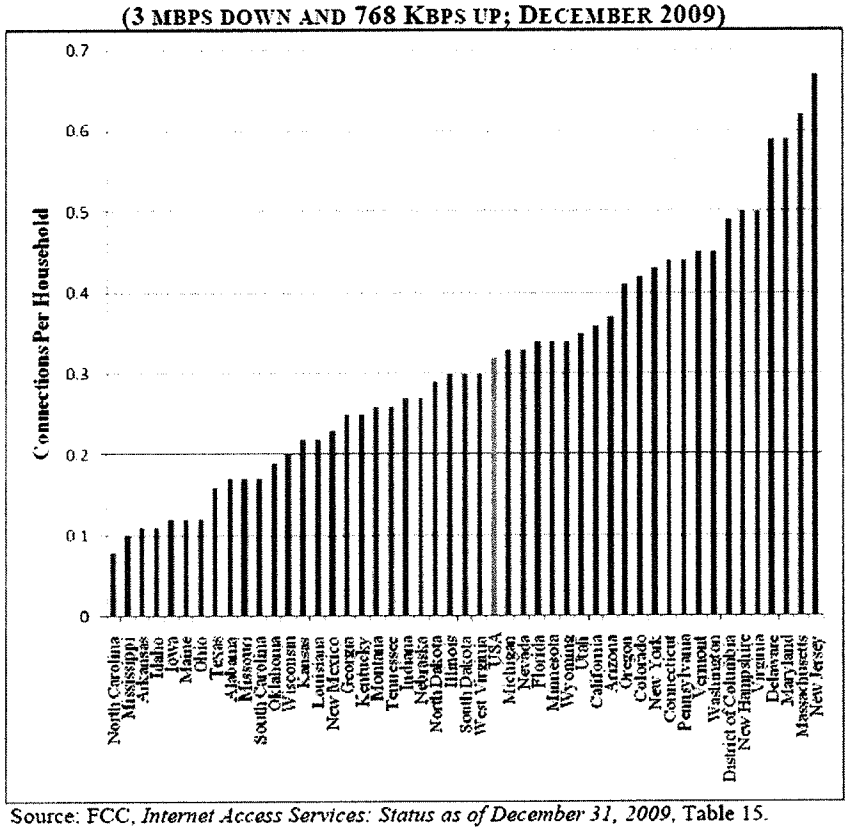
[6] Federal Communications Commission, *High-Speed Services for Internet Access: Subscribership as of December 31, 2000* (Table 7) (available at www.fcc.gov/wcb/stats).

[7] Federal Communications Commission, *Internet Access Services: Status as of June 30, 2010* (Table 24) (available at www.fcc.gov/wcb/stats).

[8] Federal Communications Commission, Industry Analysis and Technology Division, Wireline Competition Bureau, *Internet Access Services: Status as of December 31, 2010* (Oct. 2011) (available at http://transition.fcc.gov/Daily_Releases/Daily_Business/2011/db1011/DOC-310261A1.pdf).

[9] Dr. Jeffrey A. Eisenach, Navigant Economics, "Competition in the New Jersey Communications Market: Implications for Reform" (Mar. 16, 2011), at 11.

FIGURE SIX:
FIXED BROADBAND CONNECTIONS PER HOUSEHOLD
APPROXIMATING THE NATIONAL BROADBAND AVAILABILITY TARGET
(3 MBPS DOWN AND 768 KBPS UP; DECEMBER 2009)



Source: FCC, *Internet Access Services: Status as of December 31, 2009*, Table 15.

II. IN THE FACE OF CHANGING TECHNOLOGY AND MARKET CONDITIONS, VERIZON HAS MET ALL OF ITS ONJ COMMITMENTS.

15. Because of the continued evolution of technology that was occurring in the telecommunications industry, the ONJ program focused on four distinct service capabilities, rather than specific technologies. These four service capabilities provided a natural evolution, beginning with the Advanced Intelligent Network ("AIN") by year-end 1998, branching out to include expanded switching and transmission technologies providing Narrowband Digital ("NB") service capability by year-end 1998, Wideband Digital ("WB") service capability by year-end 2001, and culminating with full deployment of Broadband Digital ("BB") service capability providing switching and transmission speeds of up to 45 megabits per second and

higher by year-end 2010. Thus, the plan contained the appropriate flexibility for Verizon to ensure that the residents of New Jersey would benefit from the most current, state-of the-art telecommunications infrastructure as new technologies became available. Verizon has done just that. Verizon fulfilled the first three categories of service capabilities ahead of schedule and, with respect to the fourth, the above information confirms that Verizon has provided New Jersey with a broadband network that is second to none by equipping 100% of its central offices with broadband capability and offering broadband service to customers in over 99% of census blocks in the state. The Board has been fully involved in reviewing Verizon's progress at every step of the way under Opportunity New Jersey year after year, and has recognized that Verizon has met its obligations under the plan.

III. VERIZON CONSISTENTLY HAS DEMONSTRATED COMPLIANCE WITH ONJ TO THE BOARD.

16. After ONJ was approved, Verizon filed annual reports demonstrating compliance, beginning with the initial special report for 1993, and concluding with the final report at the conclusion of ONJ in 2010.[10] Throughout that process, Verizon worked with Board Staff to provide additional information in response to Staff requests. In addition to receiving this information, the Board also periodically conducted formal review proceedings to further examine Verizon's progress.

17. In 1996, the Board opened a formal review proceeding to examine Verizon's progress under ONJ in four distinct areas: (1) ONJ status and relevant deployment strategies; (2) "business as usual" benchmarks used to gauge ONJ's progress to date; (3) the economic deployment impacts ONJ has had on the State; and (4) the impact of the proposed acquisition by Bell Atlantic Corporation of NYNEX Corporation. In 1997, the Board issued its review order,

[10] The 2010 report is attached hereto as Exhibit 1.

and concluded that Opportunity New Jersey should be modified in certain respects based on changed conditions.[11] In particular, the Board found that the costs of actual deployment were more advantageous than originally projected and, therefore, approved a stipulation involving a further acceleration of ONJ, initially dubbed Ed-vantage New Jersey program.

18. This program accelerated the availability of broadband to the State's schools, public libraries and urban areas by 2001. The new program included free installation, service discounts and free equipment for schools and public libraries to connect to the network, up to 500 free Net Day (inside wiring) kits, one free Interactive Television Classroom ("ITV") in each of the State's Abbott Districts, the withdrawal of a price index-based rate increase along with the inapplicability of that provision for the remainder of the alternative regulation plan period, and the establishment of a Lifeline program. Ultimately, this program would become known as the Access New Jersey ("ANJ") program.

19. With the Board's approval of Access New Jersey, Verizon's reporting requirements also evolved and the first revised progress report containing confidential information was submitted to the Board under proprietary seal in 1998. Verizon continued to issue public reports to policy makers around the state touting the benefits of these programs.

20. In 1999, the Board initiated its second formal review of the ONJ program, eventually resulting in a 2001 order concluding the review.[12] In that order, the Board found that Verizon was in compliance with its ONJ and ANJ commitments and directed Staff to meet with the company to design specific reporting requirements.

---

[11] *See* Order Approving Stipulation, *In the Matter of the Board's Inquiry into Bell Atlantic-New Jersey, Inc.'s Progress and Compliance with Opportunity New Jersey, Its Network Modernization Program*, Dkt. No. TX96100707 (June 10, 1997) ("*Order Approving Stipulation*").

[12] *See* Order of Approval, *In the Matter of the Board's Inquiry into Bell Atlantic-New Jersey, Inc.'s Progress and Compliance with Opportunity New Jersey, As Accelerated by Order Dated June 10, 1997*, Dkt. No. TX99020050 (Mar. 30, 2001) ("*Order of Approval*") at 10.

21. Finally, in the Order approving Verizon's second plan for alternative regulation ("PAR-2") in 2003, the Board found in ONJ progress review proceedings that Verizon has demonstrated that it was fulfilling its commitments and that the economic development benefits of the program were even greater than anticipated.[13]

IV. SUMMARY OF VERIZON'S SATISFACTION OF THE ONJ AND ANJ REQUIREMENTS.

22. As Verizon demonstrated to the Board throughout the plan period, it consistently met or exceeded expectations under Opportunity New Jersey.

23. The following chart lists the four ONJ categories, as well as Access New Jersey, and the status of Verizon's deployment in each category:

Opportunity New Jersey

Category	Status
Advanced Intelligent Network (AIN)	**Full availability in 1997, one year ahead of schedule.**
Narrowband Digital Services	**Full availability in 1997, one year ahead of schedule.**
Wideband Digital Services	**100% digital switches; 24 Advanced Asynchronous Transfer Mode ("ATM") and 150 fast-packet switches. Provides statewide availability of ATM and Switched Multi-megabit Data Service ("SMDS").**
Access New Jersey – Schools and Libraries	**Full compliance by 2001.**
Broadband Digital Services	**100% of central offices equipped with DSL, with broadband available to customers in over 99 percent of census blocks by 2010.**

[13] *See* Decision and Order, *In the Matter of the Application of Verizon New Jersey Inc. for Approval (i) Of a New Plan for an Alternative Form of Regulation and (ii) To Reclassify Multi-Line Rate Regulated Business Services as Competitive Services, and Compliance Filing*, Docket No. TO01020095 (Aug. 19, 2003) ("*PAR-2 Order*").

24. In order to reach the present status, Verizon made significant investments in New Jersey and detailed those investments to the Board in annual reports, as described above. The following is a list of "milestones" that Verizon achieved as a result of its investment, as described in the annual reports provided to the Board from 1996 to the present:

1996 Infrastructure Report:

- New Jersey is the nationwide leader with 140 interactive distance learning classrooms
- Advanced Asynchronous Transfer Mode ("ATM") broadband switch deployed, three more planned later this year to form Bell Atlantic's first multi-service ATM backbone network
- Union City Interactive Multimedia Education Trial in Union City becomes national model for education excellence
- 276 High speed SONET rings making NJ a haven for large and medium sized businesses.
- Opened Intelligent Application Center in South Plainfield as a technology showcase to attract and retain businesses
- CLEC Service and Support Center opened in Newark
- 0 Fast Packet Switches
- 3 ATM Switches by the end of the year

1997 Infrastructure Report:

- Began offering services under ANJ
- 10 fast packet hub locations statewide
- 100% of network is signaling system 7 capable
- 200 digital switches
- 100% AIN availability, one year earlier than originally planned.
- Narrowband digital service 100% available one year earlier than originally planned
- Completion of an all fiber interoffice network in the Atlantic Coastal LATA.
- 1.0 million miles of fiber deployed, covering 94% of the towns in the Verizon NJ service area
- 475 SONET Rings
- 79 Fast Packet Switches
- 3 ATM Switches

1998 Infrastructure Report:

- 1.2 million miles of fiber deployed
- Initial broadband availability is 35%
- 661 SONET rings
- 125 Fast Packet Switches
- 16 ATM Switches

1999 Infrastructure Report:

- 100% digital switching achieved, 215 switches
- Unique Video Portal for two-way interactive video or Internet services for K-12 Schools
- 84% wideband & 42% broadband availability
- 855 SONET Rings
- 1.3 million miles of fiber
- 148 Fast Packet Switches
- 19 ATM Switches

2000 Infrastructure Report:

- 1.4 million miles of fiber
- 1,214 SONET Rings
- 95% wideband availability
- 52% broadband availability
- 150 Fast Packet Switches
- 24 ATM Switches

2001 Infrastructure Report:

- 1.5 million miles of fiber
- 1,779 SONET Rings
- 55% broadband availability
- 160 Fast Packet Switches
- 40 ATM Switches

2002 Infrastructure Report:

- 1.7 million miles of fiber
- 1,981 SONET Rings
- 56% broadband availability
- 168 Fast Packet Switches
- 47 ATM Switches

2003 Infrastructure Report:

- 1,747.5 million miles of fiber
- 68% broadband availability
- 163 Fast Packet Switches
- 52 ATM Switches

2004 Infrastructure Report:

- 1.8 million miles of fiber
- 82% broadband availability
- 129 Fast Packet Switches
- 57 ATM Switches

2005 Infrastructure Report:

- 2.1 million miles of fiber
- 83% broadband availability
- 129 Fast Packet Switches
- 62 ATM Switches
- Mass market deployment of FTTP
- 100% of Verizon wire centers and 766 remote terminals equipped to provide DSL service

2006 Infrastructure Report:

- 2.4 million miles of fiber
- 91% broadband availability
- 131 Fast Packet Switches
- 71 ATM Switches
- 651,000 premises passed with FiOS network

2007 Infrastructure Report:

- 2.5 million miles of fiber
- 92% broadband availability
- 141 Fast Packet Switches
- 72 ATM Switches
- 1.1 million premises passed with FiOS network

2008 Infrastructure Report:

- 2.7 million miles of fiber
- 93% broadband availability
- 74 Fast Packet Switches
- 72 ATM Switches
- 1.5 million premises passed with FiOS network

2009 Infrastructure Report:

- 2.9 million miles of fiber
- 94% broadband availability
- 74 Fast Packet Switches
- 72 ATM Switches
- 2.0 million premises passed with FiOS network

2010 (Final) Infrastructure Report[14]:

- 3.7 million miles of fiber
- Over 99% broadband availability
- 100% digital switching
- High speed switching available statewide via 146 Fast Packet and ATM switches deployed hub locations around the state
- DSL available in 100% of Verizon Central Offices and more than 750 remote terminals equipped for DSL
- 2.1 million premises passed with the fiber-to-the-home technology on the FiOS network

25. During this time, pursuant to the Access New Jersey component of ONJ and related stipulations approved by the Board, Verizon also provided more than $100 million worth of free equipment and service discounts to nearly 2,700 K-12 school and public library locations throughout the State to allow them to connect to the high-speed network made possible under Opportunity New Jersey.

26. As noted above, Verizon reached full compliance with its ANJ commitments by 2001. The following are some examples of what was achieved in ANJ:

[14] *See* Exhibit 1.

- Statewide ATM availability to K-12 schools and public libraries in 1998, one year ahead of schedule;
- $77 million of capital and expense committed by December 2001 for an ATM-based network and customer-premises equipment ("CPE");
- Verizon provided $7.8 million of free CPE to Abbott districts;
- Verizon funded 17 ITV classrooms at a total cost of $910,000;
- ISDN, frame relay, SMDS, and ATM services discounted and packaged for K-12 schools and public libraries, retroactive to September 1997;
- Verizon provided 539 free NetDay kits to "wire" 3,234 classrooms and funded a statewide coordinator;
- From 1998 to 2001, Verizon provided $400,000 in grants to ten public libraries; and
- Verizon supported an interim Lifeline program, which was offered to 400,000 New Jersey residents.[15]

V. THE REGULATORY ENVIRONMENT HAS CHANGED SIGNIFICANTLY SINCE THE BOARD APPROVED OPPORTUNITY NEW JERSEY IN 1993.

27. When the Board approved Opportunity New Jersey in 1993, regulatory policy for telecommunications was only beginning to prepare for the coming changes in technology and market conditions. But very few – if any – foresaw the fundamental changes that would occur in what had been until then a fairly staid, monopoly utility industry in local exchange services. As a result of the Bell System break-up in 1984, the long distance and customer equipment portions of the industry had become competitive by 1993, but the local exchange portion of the industry largely remained a monopoly. Regulatory policy was still basically unchanged from the decades-old public utility framework, and the focus of most public utility commissions at the time with respect to telecommunications was on the extent of local calling areas, jurisdictional cost allocations, and how to regulate new service providers in the long-distance, alternative operator service, and payphone industries. In some states, new providers called "competitive access providers" or "CAPs" were starting to enter the market in order to provide alternatives to

[15] *See* 2001 Infrastructure Report, Appendix C.

LEC-provided switched and special access. In later years, some of these CAPs morphed into providing local switched services.

28. In the early 1990s, regulators had just started to adopt ratemaking policies, such as price cap incentive regulation plans, that were more conducive to market changes than rate-of-return regulation. Under price caps, regulators no longer would strictly limit earnings and set rates according to a "cost plus" system, but instead would allow price changes within narrow bands that reflected inflation and other factors. Price caps were designed to provide carriers with better incentives for efficiency, such that above-average efficiency gains would increase profits for the regulated firm. The change from limiting earnings was not minor – an inherent feature of traditional rate-of-return regulation is that the primary purpose of ratemaking is to ensure that the utility's financial profits are no more than their cost of capital. Therefore, many regulators were wary of changing to "alternative" regulation without some sort of counterbalancing considerations, such as economic development.

29. At the time, the policy framework in New Jersey was ahead of most states and the federal government in preparing for future changes, primarily due to the reforms contained in the New Jersey Telecommunications Act of 1992 ("NJ Act"). The NJ Act recognized that, "[i]n a competitive marketplace, traditional utility regulation is not necessary to protect the public interest and that competition will promote efficiency, reduce regulatory delay, and foster productivity and innovation."[16] Accordingly, the NJ Act provided, *inter alia*, for classification of services as competitive and authorized the Board to replace traditional utility rate-of-return regulation with an alternative form of regulation, as long as the alternative met certain criteria specified in the NJ Act.

[16] N.J.S.A. 48:2-21.16(b)(1).

30. On March 31, 1992, Verizon – then New Jersey Bell Telephone Company – filed a petition with the Board seeking alternative regulation.[17] The petition included the Opportunity New Jersey plan, which – in exchange for the benefits of alternative regulation – called for Verizon to accelerate its deployment of advanced switching and transmission technologies in New Jersey.[18] On May 6, 1993, the Board issued an order granting Verizon a modified plan for alternative regulation ("PAR-1"), including Opportunity New Jersey.[19]

31. As approved, Opportunity New Jersey was designed to modernize the telecommunications network in "an aggressive, yet prudent" manner to allow for support of "virtually any telecommunications service imagined" at the time.[20] The Board's analysis of the ONJ portion of the alternative regulation plan focused on the statutory criterion of whether the plan "will enhance economic development in the State while maintaining affordable rates."[21] The Board's review illustrates that it considered the ONJ provisions of the alternative regulation plan to be focused on economic development in New Jersey.

32. For example, the Board found that, "[h]aving carefully reviewed the record and briefs on this issue, the Board FINDS that the plan as modified herein, including Opportunity New Jersey, will result in positive benefits to the New Jersey economy."[22] In particular, the Board found that "[a]dvanced telecommunications capabilities are expected to be particularly important for the attraction and retention of business in New Jersey. The focus of future

---

[17] *See* Application of New Jersey Bell for Approval of a Plan for Alternative Regulation (Mar. 31, 1992).

[18] *Id.*

[19] *See PAR-1 Order, supra.*

[20] Opportunity New Jersey at 10.

[21] N.J.S.A. 48:2-21.18(a)(6).

[22] *PAR-1 Order* at 87.

economic development efforts in the state will be on the services-producing sectors of the economy, such as the finance, insurance, and real estate industries."[23]

33. The Board also considered ONJ to be necessary to balance against the benefits that the Board believed Verizon would receive from operating under the alternative regulation plan. In particular, the Board stated that, "[i]f projections on the availability of technology necessary to implement ONJ are overly optimistic and NJ Bell's deployment slips significantly beyond forecasted levels, the Board reserves the right to commence a proceeding and examine key aspects of the plan *to ensure that NJ Bell does not receive the benefits of an alternative form of regulation without at the same time fulfilling its obligations.*"[24]

34. These considerations are important because they relate to the significance of whether Verizon's investment in the state has promoted economic development (it clearly has), and whether ONJ in fact was necessary to counterbalance anticipated benefits to Verizon from operating under alternative regulation (it was not, as such benefits did not materialize as envisioned). I will discuss both of these issues and my conclusions in more detail below.

35. The Board should be commended for its foresight in adopting the ONJ plan and the overall objectives embodied therein, and in recognizing the importance of communications technology to economic development. In contrast to some other regulatory bodies at the time, the Board was prescient in recognizing the importance of broadband, high-definition television, and other advanced network technologies. Such forward thinking is particularly impressive given that most broadband consumer applications and delivery mechanisms had not yet been deployed in the marketplace at the time ONJ was adopted.

---

[23] *Id.* at 92.

[24] *Id.* at 97 (emphasis added).

36. The Board also should be commended for its inherent recognition in its approval of ONJ that any market and technology predictions in such a dynamic industry must, by definition, be flexible and adaptable. ONJ expressly acknowledged that it was based on certain long-term assumptions regarding technology, markets and economic conditions that might not hold and, as such, the evolution of the project would have to be re-evaluated and guided by developments in these areas.[25] Given this express language, the Board should not construe ONJ to mandate that every household must be served with broadband in order for the full deployment objectives of the plan to have been met, particularly given the many successes the plan has achieved since 1993 with the promotion of competition and forward-looking regulatory policy. Indeed, the FCC's National Broadband Plan recognizes that terrestrial broadband service need not reach every household in every location in order to achieve universal broadband coverage. To satisfy the objective of universal broadband coverage throughout the country, the National Broadband Plan proposed reforms that would "enable the buildout of broadband infrastructure to more than 99% of ... households by 2020."[26] Rather than require that terrestrial-based broadband reach every remaining household, the NBP noted the availability of broadband through other providers and specifically highlighted that satellite was well-suited to fill in coverage gaps for high cost/low density areas.[27] The FCC's view of what constitutes universal broadband coverage should be instructive on what constitutes full broadband deployment in this context – particularly in light of the changed market and economic conditions that have seen a dramatic rise in competition and a dramatic decrease in Verizon's landline customers and ILEC revenue since Opportunity New Jersey was initiated.

---

[25] *See* Opportunity New Jersey at 10.

[26] Federal Communications Commission, "Connecting America: The National Broadband Plan," http://www.broadband.gov/download-plan (Mar. 16, 2010) at 143.

[27] *Id.* at 137.

37. As noted above, regulators were starting to adjust regulatory policy to new market realities in the early 1990s, but it generally was still assumed that the basic outcomes of the industry would be largely a function of regulatory policy and the incentives that such policies provided to regulated companies. Competition was expected to develop over time, but regulatory plans, such as that approved in the *PAR 1 Order*, were based on the assumption that prices, investment, service quality, and industry structure would be the product of regulatory decisions. But that has not been the case. Instead, with the passage of the federal Telecommunications Act of 1996 (following the lead of New Jersey and other states in promoting competition) and, more importantly, with the rapid spread of Internet access and wireless technology growth, the consumer became the driver of outcomes in the industry. Those changes caused profound impacts that I will discuss in more detail below. The Board must consider this evolution as it evaluates the issues raised in the Order to Show Cause.

VI. MARKETS, TECHNOLOGY, AND CONSUMER DEMAND CHANGED DRAMATICALLY FOLLOWING THE ADOPTION OF OPPORTUNITY NEW JERSEY IN 1993.

38. When Opportunity New Jersey was adopted in 1993, the telecommunications technology of the day and the industry structure were very different than what exists now. These changes in technology and industry structure have led to increased competition, and declines in traditional landlines and revenue for the former New Jersey Bell entity.

39. In 1993, local exchange service was still provided by monopoly telephone companies over twisted-pair, copper loops. Television service was provided only by cable television, broadcast, and some satellite services. Wireless communications were offered by only two companies in any geographic region, while the handsets were bulky and limited and the prices made the service a luxury item. The Internet was still largely a tool for academics, and the network backbone was still based on the U.S. government's NSFNet; the Internet backbone was

not commercialized until later. Although a few consumers were using dial-up access through Compuserve, Prodigy, and America Online, the "World Wide Web" and browsers were not yet being deployed. As prescient as the Board was in 1993, the ONJ plan did not refer to the Internet, and few at the time were predicting that cable, wireless, and telephone companies one day would compete to provide broadband access to the Internet.

40. With the passage of the federal Telecommunications Act of 1996, the emergence and popularity of the Internet, and the growth in wireless services, the communications marketplace has been transformed since 1993. In fact, consumers today have and use multiple ways to communicate, in addition to – and, increasingly, instead of – wireline voice service. Data from the FCC shows the steep decline in "minutes of use" for wireline providers: for large ILECs, the number of local calls declined by more than half (56 percent) from 2000 to 2007, and the number of toll calls declined by 34 percent in the same time period.[28] More recently, the number of ILEC interstate switched access minutes of use for Verizon in New Jersey has declined from 12.7 billion in 2006 to 7.6 billion in 2010, a decline of about 40 percent.[29] The trend has continued since then.

41. People now communicate using other voice services, as well as text messages, instant messaging, social networks (such as Facebook and Twitter), and even video game chats. One creative example combines the technologies of the past with the most modern services: there is now a service that translates Morse code from a telegraph machine into a Twitter feed.[30] And customers are adept at switching back and forth among these many ways of communicating.

---

[28] Federal Communications Commission, Industry Analysis and Technology Division, Wireline Competition Bureau, *Trends in Telephone Service*, September 2010, Table 10.2 (available at http://transition.fcc.gov/Daily_Releases/Daily_Business/2010/db0930/DOC-301823A1.pdf).

[29] Federal Communications Commission, *Universal Service Monitoring Report: 2011 (Data through October 2011)* (rel. Dec. 2011), Supplementary Material.

[30] *See* http://www.economist.com/blogs/babbage/2012/02/microblogging-and-telegraph.

Competition now is more than just customers switching service providers – it includes all of the various options that customers have to substitute for telephone calls. For example, here are some data on the average amount of usage every 60 seconds:[31]

- 168 million e-mails;
- 98,000 "tweets;" and
- 695,000 status updates, 79,364 wall posts, and 510,040 comments on Facebook.

42. These new services substitute for a substantial number of phone calls that formerly would have been carried by wireline providers, like New Jersey Bell Telephone as it existed in 1993.

43. As another example, in June of 1993, there were just over 13 million cellular service subscribers nationwide,[32] whereas, as of June 2011, there were more than 324 million US wireless lines. The number of wireless connections now actually exceeds the country's population.

44. Similarly, as of December 2010, there were about 8.6 million wireless subscribers in New Jersey, a State with a population of about 8.8 million. This number of wireless subscribers far exceeds the approximately 5.4 million (about 2.9 million ILEC + 2.5 million CLEC/Cable VoIP) wireline access connections in the State.[33]

45. In addition to the increase in lines, the increase in wireless voice minutes and, especially, text messages is staggering. The CTIA reports that annual wireless voice minutes of

---

[31] *See* http://techliberation.com/wp-content/uploads/2011/06/Every-60-Seconds-on-the-Web.jpg.

[32] Federal Communications Commission, Industry Analysis Division, Common Carrier Bureau, 1993 *Trends in Telephone Service*, Table 2.1 (available at http://www.fcc.gov/ccb/stats).

[33] Federal Communications Commission, Industry Analysis and Technology Division, Wireline Competition Bureau, *Local Telephone Competition: Status as of December 31, 2010*, (October 2011) (available at: http://transition.fcc.gov/Daily_Releases/Daily_Business/2011/db1007/DOC-310264A1.pdf).

use was 2.25 trillion, and the annual number of text messages was 2.15 trillion. From 2006 to 2011, the voice minutes grew by 34 percent, and the number of text messages grew by 1768 percent.[34] Wireless service today is much more than just voice and texting; Cisco recently estimated that mobile data traffic will increase 18-fold between 2011 and 2016.[35] Cisco also noted that mobile data traffic in 2011 was eight times the size of the entire global Internet in 2000.[36]

46. Wireless service has become a replacement for home landline phone service. The United States Centers for Disease Control and Prevention ("CDC") conducts surveys to determine the level of wireless substitution.[37] The latest CDC survey determined that, as of June 2011, 31.6 percent of households in the U.S. had only wireless phones, and an additional 16.4 percent of American homes received all or almost all calls on wireless telephones. In other words, in 48 percent of American households, wireless phones are either the exclusive or predominant form of voice communication.[38]

47. New Jersey has experienced similar trends. The vast majority of New Jersey is served by at least four wireless carriers.[39] Wireless carriers serving New Jersey include the four largest wireless carriers in the country – AT&T, Sprint/Nextel, T-Mobile, and Verizon Wireless – as well as others. As a result, the FCC recently released an interactive map that shows "US Census blocks that lack 3G or better mobile coverage at the centroid of the block according to

---

[34] *See* http://ctia.org/media/industry_info/index.cfm/AID/10323 (accessed January 27, 2012).

[35] Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2011-2016, at 4.

[36] *Id.* at 1.

[37] Blumberg SJ, Luke JV, National Center for Health Statistics, *Wireless substitution: Early release of estimates from the National Health Interview Survey, January-June 2011* (December 2011).

[38] *Id.* at 2.

[39] Federal Communications Commission, *Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, Fifteenth Report* (June 27, 2011), Map D-22.

January 2012 American Roamer data," and for New Jersey, the map shows nearly ubiquitous coverage.[40]

48. Cable companies also have made substantial investments to upgrade their infrastructure so they can provide two-way digital services. These upgrades have enabled cable companies to provide voice telephony and broadband services that compete directly with services provided by ILECs. In fact, Comcast is now the third-largest landline voice provider in the country.[41] The National Cable & Telecommunications Association ("NCTA") reports that cable companies have invested $186 billion since 1996 rebuilding and upgrading their networks nationwide.[42] The NCTA also reports that cable companies have 25 million telephony customers, as of September 2011.[43] The cable industry for a number of years has said that telephone consumers are now benefiting from "true competition":

> A quarter century after the initial breakup of the original AT&T telephone monopoly, true competition has come to the market for phone service, thanks to cable's facilities-based offering. Gaining both powerful features and cost efficiency by utilizing digital Voice over Internet Protocol (VoIP) technology on the same hybrid fiber-coaxial network that carries video and Internet data signals, cable telephone service is high in both quality and affordability.[44]

49. By the third quarter of 2011, Cablevision was serving about 2.9 million Optimum Voice customers. This represents a 12-month increase of 280,000 lines, or 10.4%.[45]

---

[40] http://tiles.mapbox.com/fcc/map/mobility-fund-phase-1-potentially-eligible-areas-oct-2011-data.

[41] North American Voice Tracker: Third Quarter 2011, Frost and Sullivan, December 22, 2011 at 10.

[42] *See* http://www.ncta.com/Statistics.aspx.

[43] *Id.*

[44] NCTA 2007 Industry Overview (available at: http://i.ncta.com/ncta_com/PDFs/NCTA_Annual_Report_04.24.07.pdf) at 13.

[45] *See* Cablevision Form 10Q for the quarterly period ended September 30, 2011, at 53.

Cablevision's year-to-date revenues from voice service increased 9% from the 3rd quarter of 2010 to the 3rd quarter of 2011.[46] Comcast, the largest cable provider in New Jersey, reported that it had 9.2 million digital voice subscribers at the end of the third quarter of 2011, an increase of nearly 600,000 since the end of 2010.[47]

50. Cable providers are seeing similar trends with respect to the provision of broadband services. According to the FCC's High-Speed Services Report, high-speed lines provided via cable modem increased by 59% at the end of 1999 and have seen steady increases ever since. As noted above, cable modem service has proliferated in New Jersey, with service first being made available to New Jersey consumers in 2001 and cable modem lines quickly outnumbering ADSL lines,[48] such that cable modem service was available to almost all residential consumers in the State by 2010.[49]

51. Cable companies and other broadband providers compete with traditional telephone services, and facilitate competition by VoIP providers. Wireless mobile companies now compete for voice services, as well as for data services. As a result, local exchange carriers like Verizon have lost access lines and usage, while wireless subscribers and broadband lines have shown dramatic growth and now exceed the number of traditional switched access lines.

52. According to FCC data, from 2006 to 2010, the number of wireless subscribers in New Jersey grew by about 24 percent to 8.6 million, compared to just 5.4 million landlines (ILEC and CLEC/Cable VoIP combined); the number of high-speed lines increased by about 2

---

[46] *Id.* at 52.

[47] *Id.* at 44.

[48] Federal Communications Commission, *High-Speed Services for Internet Access: Subscribership as of December 31, 2000* (Table 7) (available at www.fcc.gov/wcb/stats).

[49] Federal Communications Commission, *Internet Access Services: Status as of June 30, 2010* (Table 24) (available at www.fcc.gov/wcb/stats).

million – from 3.4 million to 5.4 million – an increase of almost 60 percent; the number of ILEC wirelines decreased from 4.5 million to 2.9 million, a decrease of 36 percent; and the CLEC share of the wireline market has grown from 4 to 46 percent.[50]

53. This market transformation has had a substantial effect on Verizon. Verizon is no longer the dominant telecommunications provider in New Jersey that it was when it operated as New Jersey Bell, let alone the monopoly utility for which the Board approved the alternative regulatory plan and ONJ. The regulatory incentives that the Board designed for that New Jersey Bell entity in the 1993 alternative regulatory plan fairly quickly were overtaken by events, such that market forces and consumer demand became the driving force behind Verizon's actions. The changes brought significant benefits to customers and to New Jersey's economy, as discussed above. But, for Verizon itself, the company today has a much smaller presence in the landline business and financially has not benefited from the opportunities envisioned in the alternative regulation plan. That is not because of any design flaw in the plan, but because consumers, markets and alternative technologies took over, and it is very difficult for a provider with high fixed costs to adjust to losses in demand and revenue.

54. Even small reductions in demand can have a significant effect because wireline telephone companies, like Verizon, have cost structures disproportionately dominated by fixed costs or sunk costs. For these firms, small losses of volume to competitors result in a large reduction in profits. The basic reason is straightforward: firms with high fixed or sunk costs must charge prices that are well in excess of their marginal costs in order to pay for those large fixed or sunk costs and earn normal profits. When such firms lose customers to competitors,

---

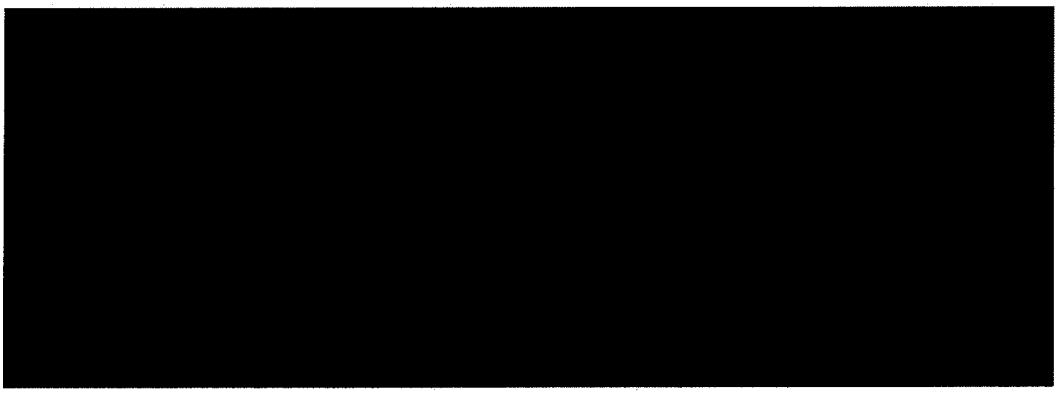
[50] *See* Federal Communications Commission, *Local Telephone Competition: Status as of December 31, 2006* (rel. Dec. 2007); *Local Telephone Competition: Status as of December 31, 2010* (rel. Oct. 2011); *High-Speed Services for Internet Access: Status as of December 31, 2006* (rel. Oct. 2007); and *Internet Access Services: Status as of December 31, 2010* (all reports available at www.fcc.gov/wcb/stats).

their revenues erode more quickly than their costs, since fixed costs remain the same. And Verizon's losses of demand and revenue have been anything but small.

55. At the end of 1993, Verizon served **[BEGIN PROPRIETARY]** [redacted] **[END PROPRIETARY]** access lines. By the end of 2011, the number of Verizon access lines had shrunk to **[BEGIN PROPRIETARY]** [redacted] **[END PROPRIETARY]** – a decline of nearly **[BEGIN PROPRIETARY]** [redacted] **[END PROPRIETARY]** access lines, or more than 50 percent.

56. In terms of Verizon's financial results, the changes in demand applied to the fixed cost nature of the business have had predictable results. Revenues have declined twice as rapidly as costs, to the point where Verizon New Jersey has operated for the past several years with significant negative net income for both its intrastate operations and total company (intrastate and interstate) operations. These results are summarized in the chart below (in 2011 dollars) for Verizon New Jersey "total company," *i.e.*, intrastate and interstate combined.

[BEGIN PROPRIETARY]



[END PROPRIETARY]

57. Verizon New Jersey reported net operating income of negative **[BEGIN PROPRIETARY]** [redacted] **[END PROPRIETARY]** for its Board-regulated intrastate operations for the year ended 2011, and has had negative net operating income in the state since

2006. For the year ended 2007, Verizon New Jersey reported net income of negative **[BEGIN PROPRIETARY]** [redacted] **[END PROPRIETARY]** for its Board-regulated intrastate operations. That was followed by negative net income of **[BEGIN PROPRIETARY]** [redacted] **[END PROPRIETARY]** for 2008. And that loss ballooned to more than **[BEGIN PROPRIETARY]** [redacted] **[END PROPRIETARY]** for 2009, **[BEGIN PROPRIETARY]** [redacted] **[END PROPRIETARY]** in 2010 and **[BEGIN PROPRIETARY]** [redacted] **[END PROPRIETARY]** in 2011.[51]

58. At the same time, Verizon has faced other significant changes in markets and prevailing conditions in New Jersey, including passage of the 2006 statewide video franchise law that required Verizon to deploy cable television service in seventy of the state's most densely populated towns and county seats within specific time frames.[52] This requirement has necessitated an enormous undertaking and further substantial investment by Verizon in the State.

59. Verizon already has begun offering cable television service on a commercial basis to customers in each of the 70 municipalities subject to the deployment requirements, with the Board approving certifications stating that Verizon now is offering cable television service to more than 60 percent of the households in 55 of those 70 municipalities. This only furthers the progress the Board noted in a June 2010 report, where it found that Verizon's entry into the video market under the statewide franchise act "assisted in creating an increasingly robust, competitive landscape unlike anything the state has ever seen in four decades of cable television

[51] As noted above, Verizon New Jersey has experienced significant negative net income for all intrastate services and on a total company (intrastate and interstate) basis. For example, Verizon New Jersey has reported negative operating income for its combined intrastate and interstate operations since 2009.

[52] *See* N.J.S.A 48:5A-25.2a.

service in New Jersey."[53] Verizon continues to be on track to fulfill its new, state-imposed cable television commitments.

60. During these changes, Verizon continued to make the investments described above to deploy broadband throughout New Jersey, equipping 100% of its central offices with broadband facilities and offering broadband service to customers in more than 99% of census blocks.

VII. VERIZON FULFILLED ITS ONJ OBLIGATIONS BY FULLY DEPLOYING BROADBAND UNDER THE PREVAILING CONDITIONS.

61. The Board's decision to issue the *Show Cause Order*[54] appears to be based on the concept that anything less than broadband service availability to every household in every location in the State would amount to a failure to comply with Opportunity New Jersey.[55] The Board focuses on two towns (Greenwich Township and Stow Creek). Verizon already has equipped the nearest central office that serves these towns (in Bridgeton) with equipment to provide DSL, and has deployed remote terminals to provide broadband to schools and libraries in those two towns, as well as surrounding areas. But because broadband is not yet available to every household in those two towns – the allegation is that Verizon has failed to comply with the ONJ plan.[56] However, neither Opportunity New Jersey nor the *PAR-1 Order* envisioned such a rigid and inflexible standard.

---

[53] New Jersey Board of Public Utilities' report to the Governor and Legislature on "The Effects of the System-Wide Cable Television Franchise in New Jersey," released June 2010.

[54] *See* Order to Show Cause, Docket No. TO12020155 (Mar. 12, 2012) ("*Show Cause Order*").

[55] Transcript of March 12, 2012 Meeting of Board of Public Utilities, Board Agenda Item 4B ("Transcript") at 6:14-15; 8:3-4.

[56] *Id.* at 3:25-4:3 and 5:8-10.

62. Opportunity New Jersey contemplated that "[f]ull deployment of broadband digital service capability is targeted for 2010"[57] and that "complete deployment is expected in 2010."[58] The Board used similar language in the *PAR-1 Order* approving Opportunity New Jersey, referring to "full broadband capability" under ONJ.[59] While neither ONJ nor the *PAR-1 Order* explicitly defined what "full deployment," "complete deployment" or "full broadband capability" entailed, both the ONJ plan and the Board avoided any notion of an absolute and inflexible requirement that every household in every location be reached. They recognized that any such standard would not be practical, workable or realistic, given the decades long nature of the project and the near certainty that changes would occur in the telecommunications market.

63. Instead, as set forth more fully in Verizon's Answer to the *Show Cause Order*, Opportunity New Jersey was focused on a broader goal: "to deploy wel[l]-defined advanced technologies as soon as possible to provide the voice, data and video services that [Verizon's] customers will require."[60] Or, as the Board put it a few years later, "ONJ is intended to spur New Jersey's economy by providing a communications network second to none ...."[61] And that is precisely what Verizon has delivered, by deploying broadband to customers in over 99% of census blocks in the state and helping New Jersey rank first in the nation in broadband telecommunications.[62] As discussed above, the FCC recognizes that serving such a percentage of customers with terrestrial broadband constitutes universal broadband deployment.

---

[57] Opportunity New Jersey at 9.

[58] *Id.* at 2.

[59] *PAR-1 Order* at 97.

[60] Opportunity New Jersey at 10.

[61] *Order Approving Stipulation* at 3.

[62] *See ITIF Study, supra.*

64. Moreover, both Greenwich Township and Stow Creek are in predominantly rural locations, with relatively small populations and low population density. Based on the available census data, Stow Creek has a population of only 1,429 people, living in 560 housing units and a population density of just 76 people per square mile, while Greenwich has 847 people in 361 housing units, with a population density of only 43 people per square mile.[63] As noted above, Verizon equipped the nearest central office that serves these towns with equipment to provide DSL, and deployed remote terminals to provide broadband to schools and libraries in those two towns, as well as surrounding areas. But the circumstances make broadband deployment cost-prohibitive in certain areas of these towns. In particular, the towns' distance from the nearest central office in Bridgeton (roughly 18,000 feet) make it very difficult to provision high speed Internet access to residents in the towns that are the farthest from the central office. Verizon continues to explore the potential options to provide additional broadband availability in these towns. But, at present, it is simply too expensive to reach every household. Any such investment is uneconomic, given the higher costs and low population density. Indeed, likely for the same reasons, the incumbent cable company in the area never pursued a municipal franchise to offer service in either of these two towns.

VIII. CONCLUSION.

65. New Jersey is the nation's leader in broadband deployment and subscribership, largely due to Verizon's investments made under the policies adopted by the Legislature and implemented by the Board. The Board's objectives of strengthening the New Jersey economy with the ONJ plan have been met. Verizon invested billions of dollars in the State, equipping 100% of its central offices with broadband capability and offering broadband service to

[63] 2010 census data found at http://en.wikipedia.org/wiki/Stow_Creek_Township,_New_Jersey and http://en.wikipedia.org/wiki/Greenwich_Township,_Cumberland_County,_New_Jersey.

customers in more than 99% of census blocks. New Jersey now ranks as the most wired state in the nation.

66. Under these circumstances, Verizon has complied with its obligations under Opportunity New Jersey. Moreover, the Board cannot plausibly consider any mandate for Verizon to expand broadband availability to literally every single household in its service territory. As discussed above, the National Broadband Plan released by the FCC noted that deploying broadband at 99% levels constituted universal broadband deployment. In doing so, it emphasized that there is no business case for making broadband available for every single household:

> Because service providers in these areas [with low population density] cannot earn enough revenue to cover the costs of deploying and operating broadband networks, including expected returns on capital, there is no business case to offer broadband services in these areas. As a result, it is unlikely that private investment alone will fill the broadband availability gap.[64]

67. The Board did not contemplate any such mandate as a remedy for noncompliance with Opportunity New Jersey in 1993. To the contrary, the *PAR-1 Order* provided that, "[i]n the event that [Verizon] cannot perform its obligations as set forth in ONJ, the Board shall consider remedies such as [1] altering the depreciation allowances for [Verizon], [2] restructuring [Verizon's] ability to implement indexed price increases, or [3] in the extreme scenario, voiding the [alternative regulation] plan and instituting a traditional base rate proceeding."[65] Requiring Verizon to make broadband available to additional households was not on the table. And the other "remedies" actually contemplated by the Board in 1993 reflect just how outdated the plan is today. Depreciation rates and indexed price bands have no bearing on rates now, and the

---

[64] National Broadband Plan at 136.

[65] *PAR-1 Order* at 97.

"extreme" outcome of a rate case would certainly not harm Verizon. To the contrary, the financial results summarized above demonstrate that any rate case review would show a considerable shortfall in revenues to meet a rate case revenue requirement, necessitating a large increase in regulated rates that would not be sustainable in New Jersey's highly competitive communications market. In any event, Verizon's financial condition would preclude any mandated investments, particularly in services that are not state-regulated, such as broadband.

68. In the totality of this context, the Board certainly should not take a narrowly picayune view of the ONJ commitments. Under any reasonable standard, Verizon has complied with Opportunity New Jersey. The Board therefore should recognize the success of Opportunity New Jersey and refrain from pursuing the *Show Cause Order*.

April 12, 2012

Paul B. Vasington

Sworn to and subscribed

before me this 12th day

of April, 2012.

LINDA M. LLOYD
A NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES JUNE 7, 2015

Linda M. Lloyd

Exhibit 1

Supplemental Infrastructure Deployment Report 2010 from Verizon New Jersey Inc. for Staff

Confidential Data – Filed Under Seal

Exhibit 2

Map Depicting Broadband Availability in Verizon's Local Exchange Service Area

Confidential Data – Filed Under Seal