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October 6, 2014

VIA HAND DELIVERY

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Joint Petition of Verizon Pennsylvania LLC and Verizon North LLC for Competitive Classification of all Retail Services in Certain Geographic Areas, and for a Waiver of Regulations for Competitive Services
Docket No. _____

Dear Secretary Chiavetta:

Enclosed please find the Joint Petition of Verizon Pennsylvania LLC ("Verizon PA") and Verizon North LLC ("Verizon North") for Competitive Classification of all Retail Services in Certain Geographic Areas, and for a Waiver of Regulations for Competitive Services. Pursuant to 66 Pa C. S. § 3016(a)(2), a copy of this Petition is being provided to the parties, or their respective successors, to Verizon PA's predecessor Bell Atlantic - Pennsylvania, Inc.'s Petition and Plan for Alternative Form of Regulation Under Chapter 30, at Docket No. P-00930715, and to the Verizon North's predecessor's Petition of Verizon North Inc. for Alternative Regulation and Network Modernization Plan, at Docket No. P-00001854.

Please note that, because Exhibit B to the Petition includes Proprietary information, a Public Version also is being provided for the public record.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

A handwritten signature in blue ink that reads "Suzan D. Paiva".

Suzan D. Paiva

SDP/slb
Enc.

Via Federal Express
cc: Katherine Sophy, Esquire

Via First Class U.S. Mail
cc: Attached Certificate of Service

CERTIFICATE OF SERVICE

I, Suzan D. Paiva, hereby certify that I have this day served a copy of the Joint Petition of Verizon Pennsylvania LLC and Verizon North LLC for Competitive Classification of all Retail Services in Certain Geographic Areas, and for a Waiver of Regulations for Competitive Services, upon the representatives listed below in accordance with the requirements of 52 Pa. Code Section 1.54 and 1.55 and 66 Pa. C.S. § 3016(a)(2) . **

Dated at Philadelphia, Pennsylvania, this 6th day of October, 2014.

VIA FIRST CLASS U.S. MAIL

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Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101-1923

Steven C. Gray, Esquire
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Johnnie E. Simms, Esquire ***
Bureau of Investigation & Enforcement
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Broadband Cable Association of Pennsylvania
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Harrisburg, PA 17101-1025

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Teleport Communications Group
Eastern TeleLogic Corporation
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Time Warner Cable Information Services, LLC
Time Warner AxS
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Central Atlantic Payphone Association
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Royersford, PA 19468

Pennsylvania Utility Law Project
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Philadelphia, PA 19102

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Englewood, CO 80111-3000

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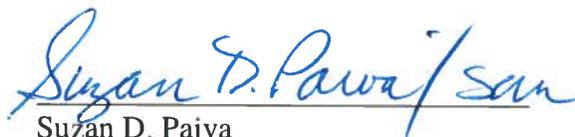
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Attorney for Verizon

** Due to the merger of Verizon and MCI, MCI Telecommunications Corporation, Metropolitan Fiber Systems of Pittsburgh, Inc. and Metropolitan Fiber Systems of Philadelphia, Inc. are not being served.

*** The Commission's Bureau of Investigation and Enforcement is receiving a PROPRIETARY version of the Petition. All other parties are receiving a PUBLIC version. Proprietary information is in the testimony (Exhibit B) only.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition of Verizon Pennsylvania LLC :
And Verizon North LLC for Competitive :
Classification of all Retail Services in Certain : Docket No.
Geographic Areas, and for a Waiver of :
Regulations for Competitive Services :

**JOINT PETITION OF VERIZON PENNSYLVANIA LLC
AND VERIZON NORTH LLC FOR COMPETITIVE CLASSIFICATION
OF ALL RETAIL SERVICES IN CERTAIN GEOGRAPHIC AREAS,
AND FOR A WAIVER OF REGULATIONS FOR COMPETITIVE SERVICES**

Pursuant to 66 Pa. C.S. §§ 501 and 3016 and 52 Pa. Code § 5.43, Verizon Pennsylvania LLC (“Verizon PA”) and Verizon North LLC (“Verizon North”) (together, “Verizon”) hereby petition the Commission for a determination that Verizon’s retail services not currently classified as competitive should be reclassified to reflect their competitive status in the metropolitan areas of Philadelphia, Pittsburgh, Erie, Harrisburg/York and Scranton/Wilkes-Barre.¹ Cable, wireless, broadband, and VoIP alternatives to regulated Verizon local telephone service are widely available in these areas, satisfying the statutory standard requiring competitive classification of “a particular geographic area, exchange or group of exchanges or density cell within [Verizon’s] service territory” based on “the demonstrated availability of like or substitute services or other business activities provided or offered by alternative service providers.” 66 Pa. C.S. § 3016(a).

To ensure that customers enjoy the full benefits of the competitive market, Verizon also seeks a waiver of certain of the Commission’s regulations set forth in Chapters 63 and 64 of 52 Pa. Code, as applied to competitive services in these exchanges. Such regulations do not apply to Verizon’s competitors, and should be not apply to Verizon in the competitive geographical

¹ These areas are served by the wire centers listed in Exhibit A to this petition. They are also depicted in the map that is Attachment C to the accompanying testimony of Paul B. Vasington. The regulatory classification of the services in other areas of the state would not change.

areas listed above. The testimony and sworn verification of Paul B. Vasington in support of this petition is attached as Exhibit B. In support of this petition, Verizon states as follows:

1. The names and addresses of the Petitioners are:

Verizon Pennsylvania LLC
Verizon North LLC
1717 Arch Street, 3rd Floor
Philadelphia, PA 19103

2. Petitioners' attorney is the following:

Suzan D. Paiva
1717 Arch Street, 3rd Floor
Philadelphia, PA 19103
suzan.d.paiva@verizon.com

3. Pursuant to 66 Pa. C.S. § 3016(a)(2), Verizon has served a copy of this Petition upon “the Office of Consumer Advocate, the Office of Small Business Advocate and each of the parties to the commission's proceeding in which the company's network modernization plan that was in effect on December 31, 2003, was approved by the commission,” as demonstrated in the attached Certificate of Service.

A. Competitive Classification of Geographic Areas

4. Verizon PA and Verizon North are “local exchange telecommunications companies” as defined in 66 Pa. C.S. § 3012. Each company has chosen alternative regulation under Chapter 30 of the Public Utility Code and operates under a Commission-approved alternative regulation plan.

5. Many of Verizon’s jurisdictional retail services have been classified or declared “competitive” on a state-wide basis under 66 Pa. C.S. § 3016(a) or predecessor provisions of Chapter 30 of the Public Utility Code. Verizon’s competitive services include all residential and business services except basic stand alone local calling service and all services to business

customers generating more than \$10,000 in annual billed revenue. All bundles and packages that include a local calling component are competitive.

6. The Verizon retail services that have not yet been classified as “competitive” are those that are categorized as “protected services” under Chapter 30, specifically basic stand alone local calling for residential and business customers. In addition, intrastate switched access services and a small portion of special access services have not been classified competitive, but Verizon does not propose to reclassify those services here.

7. The reclassification of protected services to competitive requires a Commission determination under 66 Pa. C.S. § 3016(a), as follows:

A local exchange telecommunications company may petition the commission for a determination of whether a protected or retail noncompetitive service or other business activity in its service territory or a particular geographic area, exchange or group of exchanges or density cell within its service territory is competitive based on the demonstrated availability of like or substitute services or other business activities provided or offered by alternative service providers.

The statute further provides that:

In making its determination, the commission shall consider all relevant information submitted to it, including the availability of like or substitute services or other business activities, and shall limit its determination to the service territory or the particular geographic area, exchange or group of exchanges or density cell in which the service or other business activity has been proved to be competitive.

8. Chapter 30 provides for an expedited process to accomplish competitive reclassification under Section 3016(a). The statute requires that “[t]he commission, after notice and hearing, shall enter an order granting or denying the petition within 60 days of the filing date or within 150 days of the filing date where a protest is timely filed, or the petition shall be deemed granted.”

9. There is no question that much has changed with respect to communications options in Pennsylvania, so that in many areas of the state regulated landline service from the local

telephone company is only one of many competitive options available to customers. Just a decade ago, the last time Chapter 30 was amended, we did not have smartphones, tablets and social media, and cable telephony was in its infancy. As technology has evolved and competitive options have burgeoned, Pennsylvania consumers have exercised their choices to take advantage of “the availability of like or substitute services or other business activities provided or offered by alternative service providers,” and therefore the share of lines served by traditional landlines has declined dramatically.

10. FCC statistics show that customers are moving away from landlines served by traditional incumbent telephone companies such as Verizon PA and Verizon North. In Pennsylvania, incumbent telephone companies serve less than half the access lines they did in 1999.² The FCC reports that as of June 30, 2013 competitors in Pennsylvania (mostly cable companies) served 44% of the landlines (and a full 52% of the business landlines), a percentage that continues to grow.³ When wireless service to customers is included, the FCC reports that all of Pennsylvania’s incumbent telephone companies taken together serve less than 20% of the state’s lines.⁴ Evidence shows that customers are rapidly adopting wireless service and, in many cases, abandoning landlines. As of the end of 2013, over 41% of US households were wireless-only, eliminating landline service entirely.⁵ Another 16% of households consider a cell phone to be their primary line, for a total of 57% that rely only or primarily on mobile phones.⁶ The FCC

² In 1999, Pennsylvania ILECs served 8.5 million landlines and customers had very few other options for service. By June 30, 2013, the FCC reports that ILECs serve only 3.67 million lines in Pennsylvania. See FCC Local Telephone Competition Status as of June 30, 2013, available at https://apps.fcc.gov/edocs_public/attachmatch/DOC-327830A1.pdf (“FCC Local Comp Report”).

³ FCC Local Comp Report, Tables 9 and 11.

⁴ FCC Local Comp Report, Tables 9 and 18.

⁵ Centers for Disease Control Wireless Substitution July-December, 2013, available at <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201407.pdf>.

⁶ Id.

also reports that Pennsylvanians are increasingly relying on the internet to communicate: As of June 30, 2012, Pennsylvanians had more than ten million broadband Internet connections, including mobile broadband, DSL, cable modem, and fiber to the home.⁷

11. These competitive trends are extant in the highly competitive locations that are the subject of this petition. Verizon is requesting the competitive reclassification of all retail protected and any other services to residential and business customers yet to be competitively classified (excluding intrastate switched and special access) in the specific geographic areas identified in Exhibit A to this petition. As demonstrated in this petition and the attached sworn testimony (which is incorporated), all retail services in those geographic locations are “competitive based on the demonstrated availability of like or substitute services or other business activities provided or offered by alternative service providers.” 66 Pa. C.S. § 3016(a)(1).⁸

12. The evidence shows that each of the specified wire centers has alternative service available from numerous competitors, including at least the following: (1) at least one cable telephony provider; and (2) at least one unaffiliated wireless provider. Information from the Warren Communications News Advanced TV FactBook shows that cable telephony is available in all of these exchanges. Individual carrier information from the National Broadband Map also shows voice and wireless broadband coverage in these areas by AT&T, T-Mobile and Sprint.

⁷ FCC Internet Access Service as of June 30, 2013, available at https://apps.fcc.gov/edocs_public/attachmatch/DOC-327829A1.pdf. Of those broadband connections, approximately 1 million are DSL, 2.4 million are cable modems and 6.7 million are mobile wireless. Id. Tables 15 and 16.

⁸ Verizon is not seeking reclassification of switched or special access services that are subject to the Commission’s jurisdiction and classified as protected under Chapter 30. Other wholesale services and unbundled network elements that Verizon makes available to CLECs pursuant to the requirements of Sections 251 and 252 of the Federal Communications Act will not be altered by this petition. They are subject to the requirements of federal law and Verizon is not seek any change to these wholesale and interconnection obligations with this petition.

13. Accordingly, Verizon’s basic residential and business landline service and any other retail noncompetitive services in those areas are competitive “based on the demonstrated availability of like or substitute services or other business activities provided or offered by alternative service providers.” 66 Pa. C.S. § 3016(a)(1).

B. Waiver of Certain Chapter 63 and 64 Regulations for Competitive Services

14. In addition to providing for the competitive classification of services, Chapter 30 of the Public Utility Code “recognize[s] that the regulatory obligations imposed upon the incumbent local exchange telecommunications companies should be reduced to levels more consistent with those imposed upon competing alternative service providers.” 66 Pa. C.S. § 3011(13). Competitive classification under Chapter 30 brings with it pricing flexibility and a certain measure of regulatory relaxation, but flexibility for such services in these areas is also needed from the Commission’s regulations at Chapter 63 and 64 that do not apply to Verizon’s competitors in these areas.

15. Specifically, Verizon requests waiver for a period ending December 31, 2025 of the following regulations as applied to competitive services in these geographic areas: Chapter 63, Subchapters B (Services and Facilities), C (Accounts and Records), G (Public Coin Services), E (Quality of Service), F (Extended Area Service), and the entirety of Chapter 64.

16. As Mr. Vasington testifies, a competitive, unregulated market structure maximizes consumer welfare and thus is in the best interest of consumers. Regulation arose in certain markets to replicate—to the extent possible—the effects of a competitive market. But the Legislature determined in Chapter 30 that, where the evidence demonstrates that markets are competitive, the level of regulation must be tailored to competitive conditions. Accordingly the Legislature directed that where services or geographic areas meet the competitive standard in the statute, “[t]he commission may not fix or prescribe the rates, tolls, charges, rate structures, rate

base, rate of return or earnings of competitive services or otherwise regulate competitive services except as set forth in this chapter.” 66 Pa. C.S. § 3019(g). Simply put, *less regulation* is warranted where competitive forces are sufficient to discipline firms to produce the products and services customers want at reasonable prices. With the conclusive demonstration that Verizon’s retail services meet the statutory criteria for reclassification in the listed exchanges, traditional regulations become unnecessary. The Commission should waive these unnecessary regulations on those competitive services for the benefit of Pennsylvania consumers.

17. In highly competitive areas such as those depicted in Exhibit A, customers who are dissatisfied with the quality of Verizon’s service have many options for alternative service providers. But Verizon also faces pressure to keep its quality of service consistent with that of its competitors if it wishes to retain customers and profit from its investment in facilities in those locations. Thus, customers will drive Verizon’s service quality. Verizon’s competitors are not subject to detailed rules relating to their interactions and communications with customers and the Commission’s informal complaint process. Yet customers are flocking to those competitors, demonstrating that there is no need to enforce traditional Chapter 63 and Chapter 64 regulations in those areas.

18. As recognized in Verizon PA’s alternative regulation plans, even with a waiver of the Commission’s traditional regulations, “[a]ll services provided by the Company and under the jurisdiction of the Commission,” including competitive services “are still subject to all provisions of Title 66 regarding the safety, adequacy, and reliability of telecommunication services or business activities. 66 Pa. C.S.A. Section 1501.” (Verizon PA Alternative Regulation Plan at 33). Similarly, Verizon North’s plan provides that “[c]ompetitive services are not to be regulated on any basis, including rates, rate structures, rate base, rate of return or

earnings. The Commission retains its existing general authority over competitive services for the purpose of safety, adequacy and reliability under 66 Pa. C.S. §1501, *et seq.*” (Verizon North Alternative Regulation Plan at 10). Therefore, the Commission will retain general authority over Verizon’s provision of jurisdictional services in these competitive areas, but it should waive the specific Chapter 63 and 64 regulatory standards and requirements that are no longer appropriate for competitive services.

WHEREFORE, for the foregoing reasons Verizon PA and Verizon North respectfully request that the Commission (1) determine pursuant to 66 Pa. C.S. § 3016(a) that all retail services offered by Verizon in the exchanges listed in Exhibit A are competitive; (2) grant a waiver of the regulations identified above as applied to competitive services in those exchanges; and (3) grant any other waivers and/or approval of alternative regulation plan language necessary to achieve the result requested in this petition.

Respectfully submitted,



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Counsel for Verizon

Dated: October 6, 2014

EXHIBIT A

EXHIBIT A

	WIRE CENTER NAME	CLLI Codes
1	ALQUIPPA PA	ALQPPAAL
2	ALLENTOWN PA	ALTWPAAL
3	ALLENTOWN-PITT PA	PITBPAAL
4	AMBLER PA	AMBLPAAM
5	AMBRIDGE PA	AMBRPAAM
6	ANNVILLE PA	ANVLPAAN
7	ARDMORE PA	ARMRPAAR
8	AVONDALE PA	AVDLPAAV
9	BADEN PA	BADNPABA
10	BALA CYNWYD PA	BCYNPABC
11	BALDWIN PA	PHLAPABA
12	BEAR CREEK PA	BRCKPAES
13	BEDMINSTER PA	BMNSPABM
14	BELLEVUE PA	BLLVPABE
15	BETHAYRES PA	BTHYPABH
16	BETHEL PARK PA	BTPKPABP
17	BETHLEHEM PA	BHLHPABE
18	BRADDOCK PA	BRDDPABR
19	BRIDGEVILLE PA	BGVLPABR
20	BRISTOL PA	BRSTPABR
21	BRYN MAWR PA	BRYMPABM
22	BUCKINGHAM PA	BCHMPABU
23	CAMP HILL PA	CPHLPACH
24	CARNEGIE PA	CARNPACA
25	CARRICK PA	PITBPACA
26	CARVERSVILLE PA	CRVVPACA
27	CATASAUQUA PA	CTSQPACT
28	CENTER POINT PA	CNPNPACE
29	CHESTER A PA	CHESPACA
30	CHESTER B PA	CHESPACB
31	CHESTER HEIGHTS PA	CHTTPACT
32	CHESTER SPRINGS PA	CSSPPACS
33	CHESTNUT HILL PA	PHLAPACH
34	CHURCHVILLE PA	CHVLPACH
35	CLAIRTON PA	CLRTPACL
36	COATESVILLE PA	CTVLPACV
37	COLLEGEVILLE PA	CGVLPACL
38	CONSHOHOCKEN PA	CNSHPACN
39	CORAOPOLIS PA	CRPLPACO
40	CRAFTON PA	CRAFPACR
41	DAUPHIN PA	DAPHPADA
42	DAVENPORT PA	PHLAPADB

EXHIBIT A

	WIRE CENTER NAME	CLLI Codes
43	DEWEY PA	PHLAPADE
44	DORMONT PA	DRMTPADO
45	DORSEYVILLE PA	DRVLPADO
46	DOVER	DOVRPAXD
47	DOWNINGTOWN PA	DWTWPADT
48	DOWNTOWN PA	PITBPADT
49	DOYLESTOWN PA	DYTWPADB
50	EAGLE PA	EAGLPAEG
51	EAST LIBERTY PA	PITBPAEL
52	EASTON PA	ESTNPAEA
53	EASTWICK PA	PHLAPAEW
54	EDDINGTON PA	EDTNPAED
55	ELIZABETH TOWNSHIP PA	ELZTPAET
56	EMMAUS	EMMSPAXE
57	ENOLA PA	ENOLPAEN
58	ERIE EAST	ERIEPAXE
59	ERIE MAIN	ERIEPAXM
60	ERIE SOUTH	ERIEPAXS
61	ERIE SOUTHEAST	ERIEPAXT
62	ERIE WEST	ERIEPAXW
63	EVERGREEN PA	PHLAPAEV
64	EXTON PA	EXTNPAEX
65	FAIRVIEW	FRERPAXF
66	FISHING CREEK PA	FSCKPAFC
67	GERMANTOWN PA	PHLAPAGE
68	GLENMOORE PA	GLNMPAGL
69	GLENOLDEN PA	GLLDPAGN
70	GLENSHAW PA	GLNSPAGL
71	GREEN LANE PA	GRLAPAGL
72	GREENSBURG PA	GNBGPAGR
73	HARLEYSVILLE PA	HRLVPAHV
74	HARRISBURG PA	HRBGPAHA
75	HATBORO PA	HTBOPAHB
76	HELLERTOWN PA	HLTWPAHE
77	HERSHEY	HRSHPAXH
78	HOMESTEAD PA	HMSTPAHO
79	HUMMELSTOWN PA	HUMLPAHM
80	IMPERIAL PA	IMPRPAIM
81	IRWIN PA	IRWNPAIR
82	IVYRIDGE PA	PHLAPAIV
83	JEANNETTE PA	JNNTPAJE
84	JEFFERSON PA	PHLAPAJE

EXHIBIT A

	WIRE CENTER NAME	CLLI Codes
85	JENKINTOWN PA	JENKPAJK
86	KEMBLESVILLE PA	KMVLPAKV
87	KENNETT SQUARE PA	KNSQPAKS
88	KING OF PRUSSIA PA	KGPRPAKP
89	KINGSTON PA	KGTNPAES
90	KIRKLYN PA	KRLNPAKL
91	KNIGHTS ROAD PA	PHLAPAKR
92	KUHNSVILLE PA	KHVLPAKU
93	LANDENBERG PA	LDNBPALB
94	LANGHORNE PA	LANGPALA
95	LANSDALE PA	LNDLPALD
96	LANSDOWNE PA	LNSDPALD
97	LARCHMONT PA	LARCPALM
98	LEBANON PA	LBNNPAES
99	LINE LEXINGTON PA	LNLXPALN
100	LOCUST PA	PHLAPALO
101	MARKET PA	PHLAPAMK
102	MAYFAIR PA	PHLAPAMY
103	MCKEES ROCKS PA	MCRKPAMR
104	MCKEESPORT PA	MCPTPAMK
105	MCMURRAY PA	MCMRPAMC
106	MECHANICSBURG PA	MBRGPAME
107	MEDIA PA	MEDIPAME
108	MENDENHALL PA	MNDNPAMH
109	MIDDLETOWN PA	MDTNPAMI
110	MIDLAND PA	MDLDPAMI
111	MILLVALE PA	MLVAPAMI
112	MONROEVILLE PA	MOVLPAMO
113	MOOSIC PA	MOSCPAMC
114	MORRISVILLE PA	MRSLPAMV
115	MOUNT GRETNA PA	MTGRPAMG
116	MOUNTAINVILLE PA	ALTWPAMT
117	NEW CUMBERLAND PA	NCLDPANC
118	NEW HOPE PA	NWHPPANH
119	NEW KENSINGTON PA	NWKNPANK
120	NEWTOWN PA	NWTWPANW
121	NORRISTOWN PA	NRTWPANR
122	NORTH SIDE PA	PITBPANS
123	NORTH WALES PA	NWLSPANW
124	OAKDALE PA	OKDLPAOA
125	OAKLAND PA	PITBPAOK
126	OAKMONT PA	OKMTPAOA

EXHIBIT A

	WIRE CENTER NAME	CLLI Codes
127	OLYPHANT PA	OLYPPAOL
128	ORCHARD PA	PHLAPAOR
129	PALMYRA PA	PLMYPAPA
130	PAOLI PA	PAOLPAPA
131	PARKERFORD PA	PRFDPAPF
132	PARKESBURG PA	PRBGPAPB
133	PAXTANG PA	PXTGPAPG
134	PAXTONIA PA	PXTNPAPA
135	PENN HILLS PA	PEHLPAPH
136	PENNSBURG PA	PNBGPAPB
137	PENNYPACKER PA	PHLAPAPE
138	PERKASIE PA	PRKSPAPE
139	PERRYSVILLE PA	PYVLPAPE
140	PHOENIXVILLE PA	PXVLPAPV
141	PILGRIM PA	PHLAPAPI
142	PINEVILLE PA	PIVLPAPV
143	PITTSTON PA	PTTNPAPI
144	PLEASANT HILLS PA	PLHSPAPH
145	PLUMSTEADVILLE PA	PSVLPAPV
146	PLYMOUTH PA	PLMOPAPL
147	POPLAR PA	PHLAPAPO
148	POTTSTOWN PA	PTTWPAPT
149	PUGHTOWN PA	PGTWPAPT
150	QUAKERTOWN PA	QKTWPAQT
151	RED LION	RDLNPAXR
152	REGENT PA	PHLAPARE
153	REIGELSVILLE PA	RGVLPARI
154	RIDLEY PARK PA	RDPKPARP
155	ROBINSON TWP PA	RBTPPART
156	ROCHESTER PA	ROCHPARC
157	ROYERSFORD PA	RYFRPARF
158	SARATOGA PA	PHLAPASA
159	SCHWENKSVILLE PA	SCHWPASV
160	SCRANTON PA	SCTNPASC
161	SEWICKLEY PA	SWKYPASE
162	SHARPSBURG PA	SHSAPASH
163	SHERWOOD PA	PHLAPASH
164	SOUDERTON PA	SDTNPASD
165	SPRING GROVE	SPGVPAXS
166	SPRINGDALE PA	SPDLPASP
167	SPRINGFIELD PA	SPFDPASF
168	SPRINGTOWN PA	SPTWPASP

EXHIBIT A

	WIRE CENTER NAME	CLLI Codes
169	SQUIRREL HILL PA	PITBPASQ
170	STEELTON PA	SLTNPAST
171	TAYLOR PA	TAYLPATA
172	TRINITY PA	PHLAPATR
173	TROOPER PA	TRPRPATR
174	TULLYTOWN PA	TULYPATU
175	TURTLE CREEK PA	TRCKPATC
176	WARRINGTON PA	WGTPPAWR
177	WATERFORD	WTFRPAXW
178	WAVERLY PA	PHLAPAWV
179	WAYNE PA	WAYNPAWY
180	WEST CHESTER PA	WCHSPAWC
181	WEST GROVE PA	WGRVPAWG
182	WEST MIFFLIN PA	WMFLPAWM
183	WEST VIEW PA	WSVWPAWE
184	WILKES BARRE PA	WLBRPAWB
185	WILKINSBURG PA	WKBGPAWK
186	WILLOW GROVE PA	WLGRPAWG
187	WYOMING PA	WYNGPAWY
188	YARDLEY PA	YRDLPAYL
189	YORK EAST	YORKPAXE
190	YORK MAIN	YORKPAXM
191	YORK NORTH	YORKPAXN
192	YORK SOUTH/LOGANVILLE	YORKPAXS
193	YORK WEST	YORKPAXW
194	ZELIENOPLE PA	ZLNPPAZE

EXHIBIT B

VERIZON PENNSYLVANIA LLC
AND VERIZON NORTH LLC
STATEMENT NO. 1.0

VERIZON NORTH LLC
AND VERIZON PENNSYLVANIA LLC

PETITION FOR RECLASSIFICATION

DOCKET NO. _____

VERIZON PENNSYLVANIA LLC
VERIZON NORTH LLC

STATEMENT NO. 1.0
(DIRECT TESTIMONY)

WITNESSES: Paul B. Vasington

DATED: October 6, 2014

PUBLIC VERSION

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1 **I. Introduction**

2 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

3 A. My name is Paul B. Vasington. I am a Director-State Public Policy for Verizon. My
4 business address is 125 High Street, Oliver Tower, Boston, Massachusetts 02110.

5 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
6 **BACKGROUND.**

7 A. I have a Bachelor of Arts in Political Science from Boston College and a Masters in
8 Public Policy from the Kennedy School of Government, Harvard University. I have been
9 employed by Verizon since February 2005. From September 2003 to February 2005, I
10 was a Vice President at Analysis Group, Inc. Prior to that, I was Chairman of the
11 Massachusetts Department of Telecommunications and Energy (“MDTE”) from May
12 2002 to August 2003, and was a Commissioner at the MDTE from March 1998 to May
13 2002. Prior to my term as a Commissioner, I was a Senior Analyst at National Economic
14 Research Associates, Inc. from August 1996 to March 1998. Prior to that, I was
15 employed in the Telecommunications Division of the MDTE (then called the Department
16 of Public Utilities), first as a staff analyst from May 1991 to December 1992, then as
17 division director from December 1992 to July 1996.

18 **Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?**

19 A. I am submitting this testimony on behalf of Verizon Pennsylvania LLC (“Verizon PA”)
20 and Verizon North LLC (“Verizon North”) (together “Verizon” or the “Verizon
21 companies”).

22 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

1 A. The purpose of my testimony is to show that Verizon’s retail services that are not
2 currently classified as competitive should be reclassified as competitive in certain wire
3 centers because they satisfy the statutory standard. In the urban and suburban areas of
4 Philadelphia, Pittsburgh, Erie, Harrisburg/York and Scranton/Wilkes-Barre, market
5 conditions warrant a change in the regulatory framework applied to Verizon in
6 Pennsylvania.

7 **II. Pennsylvania’s Reclassification Standard**

8 **Q. HOW ARE VERIZON PA AND VERIZON NORTH REGULATED IN**
9 **PENNSYLVANIA?**

10
11 A. Verizon PA and Verizon North are “local exchange telecommunications companies” that
12 have elected alternative regulation under Chapter 30 of Title 66 of the Pennsylvania
13 Consolidated Statutes (the Public Utility Code). Each company operates under the terms
14 of Chapter 30 and a Commission-approved alternative regulation plan. Under Chapter
15 30, Verizon’s services are classified as either “competitive” or “noncompetitive.”
16 Noncompetitive services are subject to oversight of rates under the terms of the
17 alternative regulation plan. But for competitive services Chapter 30 provides that “[t]he
18 commission may not fix or prescribe the rates, tolls, charges, rate structures, rate base,
19 rate of return or earnings of competitive services or otherwise regulate competitive
20 services except as set forth in this chapter.” 66 Pa. C.S. § 3019(g).

21 Many of Verizon’s jurisdictional retail services have been classified or declared
22 “competitive” on a state-wide basis under 66 Pa. C.S. § 3016(a) or predecessor provisions
23 of Chapter 30 of the Public Utility Code. Verizon’s competitive services include all
24 residential and business services except basic stand alone local calling service and all
25 services to business customers generating more than \$10,000 in annual billed revenue.

1 All bundles and packages that include a local calling component are competitive. The
2 Verizon retail services that have not yet been classified as “competitive” are basic stand
3 alone local calling for residential and business customers. In addition, intrastate switched
4 access services have not been classified competitive, but Verizon does not propose to
5 reclassify those services or special access services here.

6 **Q. WHAT IS THE STATUTORY STANDARD FOR RECLASSIFICATION OF A**
7 **SERVICE AS COMPETITIVE?**

8 A. For the services at issue here, Section 3016 provides that the Pennsylvania Public Utility
9 Commission (“PUC” or “Commission”) shall reclassify a “protected or retail
10 noncompetitive service or other business activity” as competitive if it finds that the
11 following standard is satisfied:

12
13 A local exchange telecommunications company may petition the commission for a
14 determination of whether a protected or retail noncompetitive service or other business
15 activity in its service territory or a particular geographic area, exchange or group of
16 exchanges or density cell within its service territory is competitive based on the
17 demonstrated availability of like or substitute services or other business activities
18 provided or offered by alternative service providers....

19
20 In making its determination, the commission shall consider all relevant information
21 submitted to it, including the availability of like or substitute services or other business
22 activities, and shall limit its determination to the service territory or the particular
23 geographic area, exchange or group of exchanges or density cell in which the service or
24 other business activity has been proved to be competitive....
25

26 **Q. PLEASE DESCRIBE THE VERIZON SERVICES AND AREAS THAT SHOULD**
27 **BE RECLASSIFIED AS COMPETITIVE.**

28 A. As discussed above, many of Verizon’s jurisdictional retail services have been classified
29 or declared “competitive” on a state-wide basis under 66 Pa. C.S. § 3016(a) or
30 predecessor provisions of Chapter 30 of the Public Utility Code. Verizon is seeking
31 reclassification of its remaining residential and business local exchange retail services in

1 194 specific wire centers in the territories of both Verizon companies (out of 504 total
2 Verizon-served wire centers in the state).¹ Those wire centers are listed in Attachment A
3 to this testimony.

4 **Q. HOW DID VERIZON CHOOSE THE WIRE CENTERS THAT IT IS**
5 **PROPOSING FOR RECLASSIFICATION?**

6 A. Verizon's services are highly competitive throughout the state. But for this petition,
7 Verizon is focusing on certain urban and suburban, population-dense areas where the
8 presence of competition is without question: specific wire centers in urban and suburban
9 areas in and around Philadelphia, Pittsburgh, Harrisburg/York, Erie, and
10 Scranton/Wilkes-Barre. In these areas, the availability of like or substitute services or
11 other business activities provided or offered by alternative service providers is
12 demonstrated by the presence of two or more unaffiliated alternative network providers in
13 each wire center proposed for reclassification. Specifically, **each** wire center listed in
14 Attachment A satisfies the following criteria:

- 15 • Cable telephony is available; and
- 16 • There is coverage by at least one unaffiliated wireless provider.²

17 In addition, for this petition, Verizon is limiting its request for reclassification to certain
18 wire centers located in specified urban, suburban areas.

19 This is a very conservative demonstration of the availability of competitive
20 alternatives because it excludes a number of wire centers that have both cable telephony

¹ Verizon is NOT seeking reclassification of any wholesale services, including switched and special access and the wholesale services and unbundled network elements that Verizon makes available to CLECs pursuant to the requirements of Sections 251 and 252 of the Federal Communications Act. Verizon is seeking no change to its wholesale and interconnection obligations with this petition.

² Verizon PA and Verizon North share a corporate parent with Verizon Wireless. Therefore, this criteria requires the demonstration of coverage from at least one unaffiliated wireless carrier.

1 and at least one unaffiliated wireless provider, and because it does not take into account
2 any evidence of intramodal competition or competition from alternative networks other
3 than cable and wireless companies.

4 **Q. THE STATUTE STATES THAT “THE COMMISSION SHALL CONSIDER ALL**
5 **RELEVANT INFORMATION SUBMITTED TO IT, INCLUDING THE**
6 **AVAILABILITY OF LIKE OR SUBSTITUTE SERVICES OR OTHER**
7 **BUSINESS ACTIVITIES.” IS THERE ADDITIONAL RELEVANT**
8 **INFORMATION THAT THE COMMISSION SHOULD CONSIDER?**

9 A. Yes. I will provide a general description of current market conditions, both for the
10 Commonwealth and nationally, including information about some of the offerings of
11 Verizon’s competitors in Pennsylvania. Also, Verizon’s line loss and number porting
12 data in the Commonwealth are relevant information to inform the Commission that
13 customers have found “like or substitute” services from providers other than Verizon.

14 **Q. WHEN IS A SERVICE CONSIDERED A “LIKE OR SUBSTITUTE SERVICE?”**

15 A. A service is considered a “substitute” when consumers consider the competitor’s service
16 to be similar enough that consumers would increase their use of the competitor’s service
17 in response to an increase in the incumbent’s price above competitive levels (or a
18 decrease in the incumbent’s service quality or output).

19 **Q. MUST SERVICES BE IDENTICAL TO BE CONSIDERED SUBSTITUTES FOR**
20 **EACH OTHER?**

21 A. No. Two services can be considered substitutes for each other if consumers view them as
22 being *similar enough* that consumers are willing and able to switch to the other. The key
23 is whether two services are similar enough in the eye of the customer, not whether the
24 two services have identical characteristics. If a sufficient number of customers would
25 shift to one or more like services, then those services are considered substitutes, even if

1 they are not identical to the service at issue. In short, the question is whether enough
2 customers can purchase a service or services from other providers that would fulfill the
3 same functions for them as the incumbent's service(s).

4 **Q. DOES VERIZON HAVE TO LOSE A RELATIVELY LARGE SHARE OF**
5 **CUSTOMERS TO ANOTHER SERVICE FOR THAT ALTERNATIVE SERVICE**
6 **TO BE CONSIDERED A SUBSTITUTE FOR VERIZON'S SERVICE?**

7 A. No. Even small losses to an alternative service provider can have a significant effect
8 because wireline telephone companies, like Verizon, have cost structures
9 disproportionately dominated by fixed costs. For these firms, small losses of volume to
10 competitors result in a large reduction in profits. The basic reason is straightforward:
11 firms with high fixed costs must charge prices that are well in excess of their marginal
12 costs in order to pay for those large fixed costs and earn normal profits. When such firms
13 lose customers to competitors—especially to facilities-based competitors like cable and
14 wireless companies—their revenues erode more quickly than their costs, since fixed costs
15 remain the same. If these firms attempt to increase prices above competitive levels, the
16 lost profits (lost revenue minus avoided cost) from even a small decrease in customers
17 could easily exceed the extra revenue obtained from the price increases on the remaining
18 customers.

19 However, while Verizon does not have to lose a “large” share of customers to
20 another service for that service to be considered a substitute for Verizon's service, I
21 demonstrate that the alternative service providers have in fact taken a very significant
22 share of Verizon's business. This demonstrates conclusively that Pennsylvania
23 consumers consider other services to be substitutes for Verizon services.

1 **III. General Market Conditions**

2 **Q. WHAT HAS HAPPENED RECENTLY IN THE COMMUNICATIONS**
3 **INDUSTRY?**

4 A. The market for communications has transformed in fundamental and profound ways, and
5 continues to change rapidly due to advancements in competition, technology, and
6 consumer demand. Verizon faces robust competition, resulting from convergence that
7 has brought formerly disparate industry sectors into direct competition with one another
8 by allowing each of their different network platforms to provide similar bundles of
9 communications and other services. Yet Verizon is still regulated largely as though it
10 were a monopoly.

11 When Chapter 30 alternative regulation first became available in the early 1990's,
12 the only option customers had to meet their local exchange needs was the local telephone
13 company. Today, service from the local telephone company is only a small part of the
14 many options that consumers have to communicate. FCC statistics demonstrate the
15 diminishing importance of the incumbent local exchange carrier ("ILEC"), and the
16 growth of other competitive options. From mid-2009 to mid-2013, the total number of
17 ILEC lines nationally, including business and residential lines, fell 30 percent, from 122
18 million to 85 million.³ This decline includes all ILEC lines – retail switched access, retail
19 VoIP, and wholesale and UNE lines. Looking even further back, roughly to when the
20 number of ILEC lines peaked at around 181 million at the end of 1999,⁴ the decline in
21 ILEC lines has been about 53 percent. In fact, in that time period, more ILEC lines have
22 been lost than were in service in mid-2013. In recent years, line losses have been

³ FCC, "Local Telephone Competition: Status as of June 30, 2013," (released June 2014), at Table 5.

⁴ FCC, "Local Telephone Competition: Status as of June 30, 2000," (released December 2000), at Table 1.

1 especially pronounced for residential lines. The number of ILEC residential lines fell 35
2 percent from mid-2009 to mid-2013, from 69 million to 45 million lines.⁵

3 Former ILEC customers have not disappeared, but have shifted to other
4 technologies and providers, such as competitive local exchange carriers (“CLECs”),
5 wireless providers, voice over Internet protocol (“VoIP”) provided by cable companies,
6 and “over-the-top” providers – each of which is not subject to state economic regulation.
7 Indeed, the portion of U.S. telephone households that have “cut the cord” and rely
8 entirely on wireless for their voice service has risen from less than five percent in 2003 to
9 more than 40 percent today, while an additional 16 percent of households rely mostly on
10 their wireless phones.⁶

11 **Q. YOU USED THE TERM “CONVERGENCE” TO DESCRIBE THE**
12 **COMMUNICATIONS MARKET. WHAT DID YOU MEAN BY THAT, AND**
13 **HOW DOES IT RELATE TO THE REGULATORY FRAMEWORK?**

14 **A.** I used that term in the past to refer to converged networks in the context of how wireline
15 telephone, cable television, and wireless networks were all starting to offer similar
16 services, such as voice, data, and video. All of that remains true today, but it does not
17 fully capture what is happening in the market now that customers are able to combine
18 services that run over these converged networks in multiple ways. Until the 1990s, if you
19 wanted to talk with someone outside of your presence, you had to use a wireline phone
20 with service provided by the local telephone company to call a fixed location that you
21 hoped would be in the vicinity of the person you wanted to talk to. Now customers can

⁵ FCC, “Local Telephone Competition: Status as of June 30, 2013,” (released June 2014), at Table 2.

⁶ *Id.* at Figure 11. Blumberg SJ, Luke JV. Wireless substitution: Early release of estimates from the National Health Interview Survey, July–December 2013. National Center for Health Statistics. July 2014. Available from: <http://www.cdc.gov/nchs/nhis.htm>.

1 choose whether to call a person (not just a location) using a telephone handset (wired or
2 wireless), a video game console, or through a VoIP service, such as Skype. Or, if they
3 don't want to talk, they can send a text, or an e-mail, or a tweet, Facebook message or via
4 many other messaging options. Customers regularly have access to, and switch back and
5 forth between, these many ways of communicating, and no longer rely on just one among
6 the many options. Therefore, while customers can and do switch providers, they also are
7 able to switch among various services.

8 The point is that the regulatory framework is outdated and has been overtaken by
9 a fundamental revolution that has reshaped the way in which customers communicate.
10 The policy debates of the past, about Bell companies versus long distance companies,
11 jurisdictional boundaries, line of business restrictions, calling areas, and cost allocations,
12 etc., have little relevance to the way customers communicate today. Verizon's retail
13 services should be reclassified as competitive because the statutory standard clearly is
14 satisfied, as I will show conclusively in this testimony. But, stepping back from the
15 "trees" of the standard and the evidence and looking at the "forest" of the revolutionary
16 changes that have taken place, it is readily apparent that customers are in charge, and
17 customers are driving companies to invest and innovate in figuring out how best to meet
18 customers' evolving needs and demands.

19 **Q. DOES REGULATING VERIZON'S RETAIL SERVICES AS THOUGH THEY**
20 **ARE NOT COMPETITIVE MAKE SENSE FROM A POLICY PERSPECTIVE?**

21 A. Certainly not, and it has not made sense for years. Failing to recognize the competitive
22 nature of these services ignores the threshold point that customers have and use multiple
23 ways to communicate, and no longer rely on any one mode to meet their communication
24 needs. With customers frequently switching back and forth between different ways to

1 communicate, to meet their needs in any particular instance, it makes no policy sense to
2 treat one aspect of the converged communications system under the outdated regulatory
3 structure applicable to services not classified as competitive in Pennsylvania. To do so
4 discourages and diverts attention from what customers really want: investment in
5 infrastructure to support service models focused on customer convenience, along the lines
6 of what has developed for companies such as Apple, Google or Facebook. Treating
7 specific companies within the communications industry differently with an arcane
8 regulatory structure is bad policy in such a competitive environment and in the face of
9 such customer preferences.

10 **Q. YOU PROVIDED SOME NATIONAL STATISTICS ABOUT THE MARKET.**
11 **PLEASE DESCRIBE SOME OF THE MARKET CONDITIONS IN**
12 **PENNSYLVANIA.**

13 A. The following are some highlights from the overwhelming evidence showing that
14 Verizon's retail services in Pennsylvania are competitive:

- 15 • *Cable, wireless, VoIP, and CLEC services are widely available:*
 - 16 ○ Cable telephony service is available in all of the wire centers that are
17 the subject of this petition.
 - 18 ○ Wireless service is widely available in Pennsylvania from 12 wireless
19 providers.⁷ The National Broadband Map shows that around three-
20 quarters of Pennsylvania's population has broadband service available
21 from 5 or more wireless providers.⁸
 - 22 ○ As of June 2013, 74 percent of Pennsylvania households subscribe to a
23 broadband connection, which enables them to use countless "over-the-
24 top" VoIP providers. All of the wire centers in this petition are
25 broadband-enabled.

⁷ FCC, "Local Telephone Competition: Status as of June 30, 2013," (released June 2014), at Table 18.

⁸ <http://www.broadbandmap.gov/summarize/state/pennsylvania>.

- 1 ○ The National Broadband Map shows that 97.6% of Pennsylvania’s
2 population has access to wired broadband service offering at least 3
3 Mbps download.⁹
- 4 ○ There are now **[BEGIN VERIZON PROPRIETARY]** **[END**
5 **VERIZON PROPRIETARY]** traditional CLECs offering service to
6 customers in competition with Verizon in Pennsylvania.
- 7 • *Verizon’s Competitors Are Successful And On The Rise:*
- 8 ○ As of June 2013, there were 1,637,000 non-ILEC interconnected VoIP
9 lines in the State.¹⁰
- 10 ○ Pennsylvania wireless subscribership has more than quadrupled from
11 year end 1999 to June 2013, growing from 2.8 million to 12.1 million
12 subscribers (in fact, since June 2006, wireless subscribers have
13 outnumbered landlines in the State).¹¹
- 14 ○ Over 4 in 10 households (41%) have “cut the cord” in favor of
15 wireless only service, a figure that has been steadily increasing.
- 16 ○ The CLEC share of just the wireline portion of the market in
17 Pennsylvania has grown to 44 percent.¹²
- 18 • *Customers Are Substituting Away From Verizon:*
- 19 ○ Verizon does not have a primary line in **[BEGIN VERIZON**
20 **PROPRIETARY]** **[END VERIZON**
21 **PROPRIETARY]** of the households in its service territory, as of the
22 end of 2013.
- 23 ○ For the years 2009 through 2013, Verizon lost about **[BEGIN**
24 **VERIZON PROPRIETARY]** **[END VERIZON**
25 **PROPRIETARY]** retail voice lines, **[BEGIN VERIZON**
26 **PROPRIETARY]** **[END VERIZON PROPRIETARY]** of
27 which are residential (despite population and economic growth in the
28 State).
- 29 ○ CLEC share of the total number of business lines is more than
30 **[BEGIN VERIZON PROPRIETARY]** **[END VERIZON**
31 **PROPRIETARY]** percent.

⁹ <http://www.broadbandmap.gov/summarize/state/pennsylvania>

¹⁰ FCC, “Local Telephone Competition: Status as of June 30, 2013,” (released June 2014), at Table 9.

¹¹ FCC, “Local Telephone Competition: Status as of June 30, 2013,” (released June 2014), at Table 18.

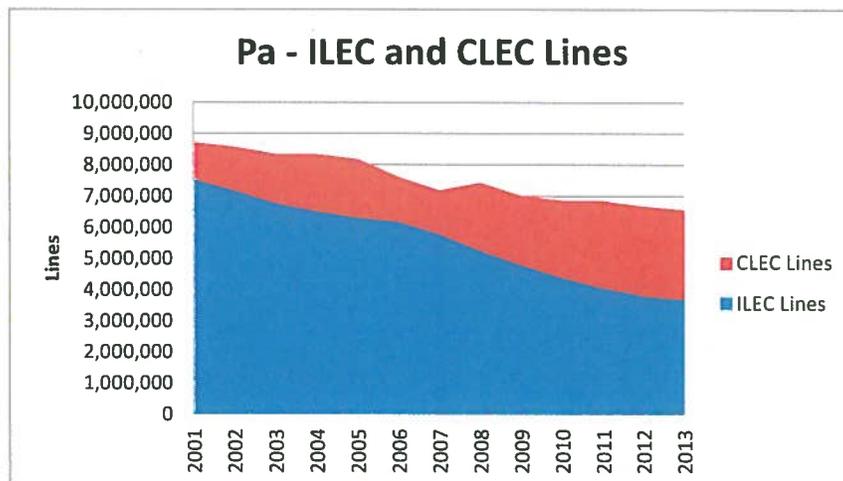
¹² FCC, “Local Telephone Competition: Status as of June 30, 2013,” (released June 2014), at Table 9.

- The volume of telephone numbers ported from Verizon to its facilities-based competitors demonstrates that Verizon line losses are due to competition. Verizon has ported around [BEGIN VERIZON PROPRIETARY] [END VERIZON PROPRIETARY] numbers completely off its network, with almost [BEGIN VERIZON PROPRIETARY] [END VERIZON PROPRIETARY] just in the past four years (2009-2013), net of numbers ported in to Verizon.

Q. WHAT IS THE TREND IN WIRELINE CONNECTIONS IN PENNSYLVANIA OVER THE LAST SEVERAL YEARS?

A. Based on FCC data, total wireline connections (Residential and Business) in Pennsylvania have declined 25% over the period 2001 to 2013.¹³ Over the same period lines provided by Incumbent Local Exchange Carriers (ILECs) have declined 51% and lines provided by Competitive Local Exchange Carriers (including cable VoIP) have increased 144%. These data are presented in Figure 1 below. As a result of a growing demand for CLEC connections and declining demand for ILEC connections, the ILEC share of total wireline connections has decreased from 86% to 56%. This trend is presented in Figure 2 below.

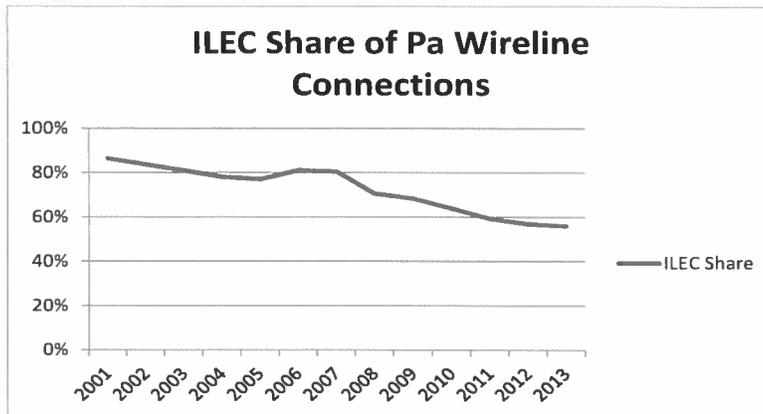
Figure 1



¹³ FCC Local Competition Report. Year end reports for the years 2001 – 2012 and mid year report for 2013. <http://transition.fcc.gov/wcb/iatd/comp.html>.

1
2

Figure 2



3

4 **Q. ARE THERE BARRIERS TO ENTERING THE MARKET FOR TELEPHONE**
5 **SERVICE CUSTOMERS IN PENNSYLVANIA?**

6 A. No. This is conclusively demonstrated by the fact that existing competitors have been
7 very successful at entering the market; expanding the scope of services they offer; and
8 increasing the scale of their business. A multitude of CLECs, cable companies, wireless
9 carriers, and VoIP providers have entered the Pennsylvania market, and millions of
10 former Verizon customers have chosen to substitute services provided by these other
11 providers.

12 **Q. HAVE POLICY DEVELOPMENTS PROMOTED ENTRY INTO THE MARKET?**

13 A. Yes. The enactment and implementation of the 1996 amendments to the federal
14 Communications Act ("1996 Act") eliminated legal, regulatory and economic barriers to
15 competitive entry into the local exchange market and opened up new intramodal entry
16 paths – notably use of UNEs and resale. These options facilitated local
17 telecommunications competition in Pennsylvania because they permitted any new entrant
18 to use essential parts of the incumbent's network to provide competing local service, or
19 simply to purchase the incumbent's services at a discount and resell them. The effect of

1 these options was to greatly reduce the barriers to entry into the local telecommunications
2 market and to allow rapid expansion by firms once they enter the market. The 1996 Act
3 also required interconnection of intermodal competing networks, such as ILEC and cable
4 networks.

5 **Q. DO VERIZON'S MOUNTING LINE LOSSES AND CORRESPONDING GAINS**
6 **BY COMPETITORS DEMONSTRATE EASE OF MARKET EXPANSION AND**
7 **ENTRY?**

8 A. Yes. Verizon's line losses and the corresponding gains by competitors provide insight
9 into competitors' ability to enter a market and compete, especially in a market that had
10 historically been characterized by regulatory barriers to entry. Firms do not casually
11 choose to invest large amounts to upgrade their networks to enter new markets. And,
12 once they do enter and expand, their increased presence suggests that they have
13 considered the future consequences of their pricing and marketing decisions and have
14 determined that they can compete by marketing their services at competitive prices.
15 Having incurred fixed costs to upgrade and expand their networks, competitors then face
16 low incremental costs to add customers. Analysis of competitors' expansion and
17 Verizon's corresponding declines, therefore, demonstrates that entry and expansion
18 discipline the Pennsylvania market and prove there are no substantial entry or expansion
19 barriers.

20 **Q. HAS TECHNOLOGICAL CHANGE MADE IT EASIER TO ENTER THE**
21 **MARKET?**

22 A. Yes. Advancements in the wireless industry have made wireless services an attractive –
23 even preferable for some – alternative to ILEC services, and VoIP technology has
24 allowed cable providers and others to compete for ILEC customers using existing cable

1 facilities or broadband services. As a result, services provided over intermodal
2 technologies, such as cable, wireless and VoIP, now exert intense and increasing
3 competitive pressure on ILECs.

4 **Q. WHAT IS VOIP?**

5 A. VoIP allows customers to make and receive local and long distance calls over broadband
6 connections using adapters with ordinary telephone equipment and ordinary dialing
7 patterns. Here is how the FCC describes VoIP:

8 Voice over Internet Protocol (VoIP), is a technology that allows you to make
9 voice calls using a broadband Internet connection instead of a regular (or analog)
10 phone line. Some VoIP services may only allow you to call other people using
11 the same service, but others may allow you to call anyone who has a telephone
12 number - including local, long distance, mobile, and international numbers. Also,
13 while some VoIP services only work over your computer or a special VoIP
14 phone, other services allow you to use a traditional phone connected to a VoIP
15 adapter.¹⁴

16 **Q. ARE STAND ALONE VOIP SERVICES WIDELY AVAILABLE IN**
17 **PENNSYLVANIA?**

18 A. Yes, because broadband service makes countless VoIP options available to consumers,
19 and Pennsylvania is among the nation's leaders in broadband adoption. Pennsylvania's
20 broadband subscribership ratio (connections with at least 200kbps in at least one
21 direction/households) of 74 percent is above the national average.¹⁵ And Chapter 30's
22 network modernization provisions will make broadband service available to 100 percent
23 of Verizon's ILEC customers by December 31, 2015.

24 **Q. WHAT IS THE IMPLICATION OF THE WIDESPREAD USE OF BROADBAND**
25 **INTERNET ACCESS IN PENNSYLVANIA?**

¹⁴ <http://www.fcc.gov/encyclopedia/voice-over-internet-protocol-voip>.

¹⁵ Federal Communications Commission, Industry Analysis and Technology Division, Wireline Competition Bureau, *Internet Access Services: Status as of June 30, 2013*, Table 14.

1 A. Subscribers to broadband in Pennsylvania need only compare the incremental cost of
2 VoIP to the cost of Verizon local and long distance service when purchasing local
3 service, and there are many ways for customers to obtain VoIP services over both
4 wireline and wireless networks.

5 **Q. PLEASE PROVIDE SOME EXAMPLES OF VOIP SERVICES.**

6 A. There are numerous application VoIP providers, including Vonage, Skype (which is now
7 a part of Microsoft), and magicJack. These providers offer services that are direct
8 replacements for home phone service. Vonage advertises that “With Vonage, you only
9 need three things to enjoy unlimited calling worldwide: a high-speed Internet connection,
10 a home phone and the easy-to-set-up Vonage Box™.”¹⁶

11 In addition, there are web-based VoIP providers, such as Google Voice and Apple’s
12 FaceTime, that are increasingly being used in place of traditional phone service.

13 **Q. HOW DO INTERNET AND BROADBAND TECHNOLOGIES AFFECT**
14 **COMPETITION?**

15 A. These technologies have spurred an irreversible, fundamental change in the
16 communications industry. Broadband is more than just a separate service, as the FCC
17 noted in its National Broadband Plan:

18 Increasingly, broadband is not a discrete, complementary communications
19 service. Instead, it is a platform over which multiple IP-based services—
20 including voice, data and video—converge. As this plan outlines, convergence in
21 communications services and technologies creates extraordinary opportunities to
22 improve American life and benefit consumers.¹⁷

23 **Q. IS BROADBAND SERVICE AVAILABLE THROUGHOUT PENNSYLVANIA?**

¹⁶ http://www.vonage.com/how_vonage_works/?refer_id=WEBHO0706010001W&lid=sub_nav_how_works.
Footnote omitted.

¹⁷ National Broadband Plan at 59.

1 A. Yes. It is widely available, and, as noted earlier, it has been adopted by 74 percent of
2 households in Pennsylvania, higher than the national average. The National Broadband
3 Map shows that wired broadband service with a download speed of at least 3 Mbps is
4 available to 97.6% of the state's population, also higher than the national average.¹⁸

5 **Q. WHAT TECHNOLOGIES ARE BEING USED FOR BROADBAND SERVICE?**

6 A. FCC broadband data show that a number of different technologies are used for broadband
7 access, including cable modems, DSL, fiber, fixed wireless, and mobile wireless.¹⁹

8 Mobile wireless broadband added more than three times as many broadband lines than all
9 other categories combined from June 2005 to June 2013, and grew by over 48,000
10 percent in that time. And such trends may accelerate: Cisco recently estimated that
11 wireless and mobile data traffic will exceed traffic from wired devices by 2018.²⁰ Cisco
12 also predicted recently that mobile data traffic in 2018 will be 64 times the size of the
13 entire global Internet in 2005.²¹ The following table summarizes the most recently
14 available FCC data on broadband Internet access lines and their growth since June 2005.

15

¹⁸ <http://www.broadbandmap.gov/summarize/state/pennsylvania>.

¹⁹ Federal Communications Commission, Industry Analysis and Technology Division, Wireline Competition Bureau, *Internet Access Services: Status as of June 30, 2013*, Table 5.

²⁰ Cisco Visual Networking Index: Forecast and Methodology, 2013-2018, at 1.

²¹ *Id.* at 2.

1

Growth of US High Speed Internet Access Lines: June 2005 to June 2013				
Technology	June 2005	June 2013	Change from June 2005 to June 2013	Percent Change
ADSL	16,316,309	30,892,000	14,575,691	89.33%
SDSL and Other Wireline	898,468	897,000	-1,468	-0.16%
Cable Modem	24,017,442	52,760,000	28,742,558	119.67%
Fiber	315,651	7,261,000	6,945,349	2200.33%
Satellite	376,837	1,623,000	1,246,163	330.69%
Fixed Wireless	208,695	810,000	601,305	288.13%
Mobile Wireless	379,536	181,365,000	180,985,464	47685.98%
Power Line and Other	4,872	*	NA	NA
Total	42,517,810	275,608,000	233,090,190	548.22%

2

3 * The FCC now includes "Power Line and Other" with "Other Wireline."

4 **Q. HAVE PENNSYLVANIA CONSUMERS RAPIDLY ADOPTED BROADBAND**
5 **SERVICES?**

6 A. Yes. By June 2013, there were about 3.74 million residential fixed broadband lines in
7 service in Pennsylvania, and 3.2 million of these are subscribed to residential fixed
8 broadband services that provide download speeds greater than 3Mbps.²² When
9 residential wireless broadband connections are included, the total is over 9 million.²³

10 **Q. ARE TRADITIONAL CLECS (I.E., CLECS OTHER THAN CABLE**
11 **COMPANIES) STILL OFFERING COMPETITIVE ALTERNATIVES IN**
12 **PENNSYLVANIA?**

²² For this discussion the "broadband" subscribed to by 3.74 million Pennsylvania residents refers to the definition used in the FCC Internet Access Services Report, which is a speed of at least 200 kbps in one direction. But as noted, 3.2 million of these are connections with at least 3 Mbps downstream/768 kbps upstream. FCC, Internet Access Services: Status as of June 30, 2013, Tables 13 and 14.

²³ *Id.*, at Table 15.

1 A. Yes. In one or both of Verizon's service areas in Pennsylvania, there are currently 164
2 CLECs listed as offering services, according to the Commission's web site.²⁴ Based on
3 Verizon's own records of CLECs that purchased or reported wholesale services to
4 Verizon as of the end of 2013, there are [BEGIN VERIZON PROPRIETARY]
5 [END VERIZON PROPRIETARY] traditional CLECs in Verizon's service areas,
6 including AT&T, Commonwealth Telecom, Choice One Communications, Level 3
7 Communications, and Windstream, among many others. These CLECs primarily serve
8 business customers; they do not count for much of competitive impact for residential
9 customers.

10 Many of these CLECs serve substantial numbers of lines. As of the end of 2013,
11 [BEGIN VERIZON PROPRIETARY]
12 [END VERIZON
13 PROPRIETARY] (as measured by the sum of resold lines, Platform/Wholesale
14 Advantage lines, and an estimate of facilities-based lines derived from the E-911
15 database). This data does not include large cable companies, which do not buy wholesale
16 services from Verizon and no longer report to Verizon's E-911 database.

17 **Q. IS THERE ADDITIONAL EVIDENCE THAT CLECS HAVE BEEN A SOURCE**
18 **OF COMPETITION IN PENNSYLVANIA?**

19 A. Yes. The evidence of competition and substitution is unambiguous. Competition among
20 wireline service providers is evidenced by the ILEC line loss, and corresponding

²⁴ See [http://www.puc.state.pa.us/consumer_info/telecommunications/telephone_companies/consumer_contact_informat
ion.aspx](http://www.puc.state.pa.us/consumer_info/telecommunications/telephone_companies/consumer_contact_information.aspx).

1 competitor line gains in the State. According to the FCC's older and latest Local
2 Competition Reports,²⁵ from June 2000 to June 2013:

- 3 • ILEC retail lines in the state decreased by more than four million lines
4 or around 55 percent, from 8.2 million to 3.7 million.
- 5 • Retail lines of wireline competitors increased by more than two
6 million lines, from 671 thousand to 2.9 million.
- 7 • The competitors' share of wireline access lines increased rapidly—
8 from only 8 percent in mid 2000 to 44 percent in mid 2013.

9 These data provide a conservative measure of competition since FCC data do not capture
10 scenarios where the customer has opted out of its wireline telephone service for
11 application VoIP (e.g., Skype) or wireless service.

12 **Q. DOES INFORMATION REGARDING VERIZON'S LINE LOSSES PROVIDE**
13 **FURTHER EVIDENCE THAT SUBSTITUTES FOR VERIZON'S SERVICES**
14 **ARE READILY AVAILABLE?**

15 A. Yes. Verizon's dramatic decline in wireline subscription proves that it faces increasing
16 competition for traditional voice services. Verizon's retail lines have been declining for a
17 number of years. Despite population and economic growth in Pennsylvania, Verizon lost
18 more than [BEGIN VERIZON PROPRIETARY] [END VERIZON
19 PROPRIETARY], or around [BEGIN VERIZON PROPRIETARY] [END
20 VERIZON PROPRIETARY] percent, of its retail lines just in the last five years from
21 year end 2009 to year end 2013, and these numbers are net of growth in lines for FiOS
22 Digital Voice service, which was just introduced around the start of this time period.

23 **Q. HOW MANY RESIDENTIAL LINES HAS VERIZON LOST SINCE YEAR END**
24 **2009?**

²⁵ FCC, "Local Telephone Competition: Status as of June 30, 2013," rel. June 2014; and "Local Telephone Competition: Status as of June 30, 2000," rel. December 2000.

1 A. Verizon data show that it lost about [BEGIN VERIZON PROPRIETARY]
2 [END VERIZON PROPRIETARY] retail residential lines in Pennsylvania from year
3 end 2009 to year end 2013, again net of growth in FiOS Digital Voice lines.²⁶

4 **Q. ARE VERIZON'S LINE LOSSES IN PENNSYLVANIA DUE PRIMARILY TO A**
5 **REDUCTION IN SECOND LINES FOR CONSUMERS?**

6 A. No. From December 2009 through December 2013, Verizon's primary residential line
7 count decreased by [BEGIN VERIZON PROPRIETARY]
8 x [END VERIZON PROPRIETARY]. Therefore, primary lines account for
9 [BEGIN VERIZON PROPRIETARY] [END VERIZON PROPRIETARY]
10 percent of the residential lines lost in that time period.

11 **Q. ARE VERIZON'S LINE LOSSES IN PENNSYLVANIA DUE PRIMARILY TO**
12 **COMPETITION?**

13 A. Yes. The volume of telephone numbers ported from Verizon to its facilities-based
14 competitors demonstrates that Verizon line losses are due to competition. Verizon's local
15 number portability ("LNP") data for Pennsylvania demonstrates that around [BEGIN
16 VERIZON PROPRIETARY] [END VERIZON PROPRIETARY]
17 numbers have been ported completely off Verizon's network, with almost [BEGIN
18 VERIZON PROPRIETARY] [END VERIZON PROPRIETARY] in the
19 past five years, 2009 to 2013, to companies that are not affiliated with Verizon, and net of
20 numbers ported in. The volumes of ported numbers for the past five years are as follows:
21

²⁶ The loss of residential lines in the past four years does not represent the majority of line loss in the past decade. Verizon lost [BEGIN VERIZON PROPRIETARY] [END VERIZON PROPRIETARY] retail residential lines from year end 2003 to year end 2013.

1

[BEGIN VERIZON PROPRIETARY]

	27	

2

3

[END VERIZON PROPRIETARY]

4

5

IV. There is Widespread Availability of Like or Substitute Services or Other Business Activities Provided or Offered by Alternative Service Providers.

6

7

8

Q. WHY IS VERIZON PROPOSING RECLASSIFICATION OF THESE PARTICULAR WIRE CENTERS?

9

10

A. For this docket, we are focused on specific urban and suburban areas because the presence of competition in these areas is without question.

11

12

Q. HOW DOES VERIZON KNOW WHICH PROVIDERS ARE OFFERING ALTERNATIVE SERVICES IN PARTICULAR WIRE CENTERS?

13

14

A. It has become increasingly difficult to identify the alternative providers and substitute services that customers are using, especially at the level of particular wire centers. As discussed above, customers are using a wide variety of services and providers for their communications needs, and many of these alternatives are not reported to regulatory or

15

16

17

27

1 other government agencies. Publicly-available data generally are limited to regulated
2 firms, and Verizon does not have data on unregulated companies, such as wireless
3 providers and over-the-top VoIP companies. FCC data on market share are limited to
4 those providers that are required to report their data to the FCC, and thus do not capture
5 the totality of the market. Also, FCC data are provided for the entire state.

6 In the past, Verizon could get a fairly accurate look at the shape of the market in
7 particular wire centers just by evaluating its own data, because competition primarily
8 came from intramodal providers who were reselling Verizon services or using Verizon
9 network elements, and from facilities-based wireline providers who were reporting their
10 lines to the E-911 database that was administered by Verizon. That information is still
11 relevant for business services, but, today, intramodal competition for residential services
12 has become a less prevalent method for competition, and the largest wireline facilities-
13 based competitors for residential customers – cable companies – no longer report their
14 lines to the Verizon-administered E-911 database. Therefore, to demonstrate that
15 residential customers have access to substitute services and alternative providers, Verizon
16 has to turn to other sources of information, such as industry publications and data
17 maintained by the FCC and the NTIA.

18 **Q. DOES THE DIFFICULTY IN GATHERING COMPREHENSIVE**
19 **INFORMATION ABOUT THE SHAPE OF THE MARKET MEAN THAT THE**
20 **COMMISSION SHOULD BE LESS CONFIDENT IN THE EVIDENCE OF**
21 **COMPETITION?**

22 **A.** Not at all; just the opposite conclusion should be reached. In the early days of
23 competition, all competitive activity ran through Verizon and other ILECs in one form or
24 another (i.e., intramodal competition, E-911 data, etc.), but now the market is so varied
25 and so robust that no one industry player can have all of the information about what is

1 happening in the market. This is a feature of robust competitive markets, where there are
2 few, if any, centralized points of control and market outcomes are instead the product of
3 uncoordinated decisions of many sellers and consumers. The evidence presented by
4 Verizon with this petition is more than sufficient to give the Commission confidence that
5 Verizon's (and every other provider's) actions are disciplined by the marketplace, and
6 therefore do not require the discipline of economic regulation.

7 **Q. WHAT IS YOUR SOURCE FOR INFORMATION ON THE AVAILABILITY OF**
8 **CABLE TELEPHONY IN PARTICULAR WIRE CENTERS?**

9 A. The Warren Communications News Advanced TVFactBook , for which Verizon has a
10 paid subscription. This resource allows for customized searches by state to determine
11 which communities do not have cable telephony available, among many other industry
12 statistics.

13 **Q. WHAT DOES THIS INFORMATION SHOW?**

14 A. All of the wire centers for which Verizon is seeking reclassification are in communities
15 with cable telephony available.

16 **Q. WHAT IS YOUR SOURCE FOR INFORMATION ON THE AVAILABILITY OF**
17 **AT LEAST ONE UNAFFILIATED WIRELESS PROVIDER IN THE**
18 **PARTICULAR WIRE CENTERS?**

19 A. There are several sources for this information: the FCC's reports on wireless
20 competition; carriers' own web-sites; and the FCC's National Broadband Map. I have
21 reviewed all three of these sources of information, but I am attaching information from
22 the National Broadband Map for AT&T to demonstrate compliance with the criterion
23 because AT&T has the most coverage in Pennsylvania for a wireless provider other than
24 Verizon Wireless. Attachment B is from the FCC's National Broadband Map and shows

1 AT&T's wireless broadband coverage for the state, and in the urban and suburban areas
2 subject to this petition, AT&T's broadband data and voice coverage is the same.
3 Attachment C is a map showing the wire centers subject to this petition, and a
4 comparison of these two maps clearly demonstrates that AT&T has wireless service
5 coverage across all of the wire centers for which Verizon proposes reclassification.

6 The AT&T information is provided to show that service is available from at least
7 one unaffiliated wireless provider in all of the areas covered by this petition. But these
8 areas likely have coverage from multiple wireless providers. For example, the National
9 Broadband Map reports that over 99% of the population in counties such as Philadelphia,
10 Montgomery, Bucks, Chester, Delaware, Allegheny, York, Northampton, and
11 Westmoreland have access to 4, 5 or in some areas even 6 broadband wireless providers.
12 Both Sprint and T-Mobile also have good coverage in the regions subject to this petition.

13 **Q. HOW DOES THE PRESENCE OF TWO OR MORE UNAFFILIATED**
14 **ALTERNATIVE NETWORK PROVIDERS DEMONSTRATE THAT**
15 **PARTICULAR WIRE CENTERS ARE COMPETITIVE?**

16 A. First, as a general matter, using this criterion as a method for assessing competition
17 certainly understates the level of competition because it does not include an analysis of
18 other factors that demonstrate the availability of like or substitute services, such as
19 intramodal competition, other network providers, and VoIP provided by non-cable
20 providers. But this criterion is a common sense and easily-understood and verifiable way
21 of indicating that customers have at least two additional choices for telephone services. It
22 is also a standard used in other states to recognize the competitive nature of services,
23 often resulting in regulatory reform that is far more sweeping than that allowed under

1 Section 3016 and therefore under consideration with this petition. In fact, some states use
2 a less stringent standard of just one other competitor.²⁸

3 **Q. CABLE COMPANIES AND WIRELESS PROVIDERS OFFER SERVICE**
4 **PRIMARILY TO RESIDENTIAL CUSTOMERS. HOW CAN YOU BE SURE**
5 **THAT THE CRITERIA YOU’VE USED MEETS THE STANDARD FOR**
6 **BUSINESS SERVICES?**

7 A. Cable companies offer services to business customers, as I will discuss later, but the
8 market share and line loss evidence makes it clear that business competition is much
9 more advanced than residential competition. Also, the evidence on the use of intramodal
10 resale and wholesale advantage services, as well as E-911 data on facilities-based
11 business lines, further demonstrates that competition for business services is present
12 anywhere there are alternative networks serving residential customers.

13 **Q. WHAT IS INTRAMODAL COMPETITION?**

14 A. Intramodal competition refers to modes of entry and competition where a CLEC provides
15 services through facilities provided by their ILEC competitor, such as resale or the use of
16 unbundled network elements. These modes of entry and competition are facilitated by
17 the Commission’s implementation of the requirements of the federal 1996 Act.

18 **Q. YOU SAID THAT INTRAMODAL COMPETITION FOR RESIDENTIAL**
19 **SERVICES HAS BECOME A LESS PREVALENT METHOD FOR**
20 **COMPETITION. IS THIS ALSO TRUE FOR BUSINESS SERVICES IN**
21 **PENNSYLVANIA?**

22 A. No. Intramodal competition is still significant for business customers. As illustrated in
23 the following chart, business intramodal competition has declined, but to a lesser extent
24 than Verizon’s retail business lines, and facilities-based competition has slightly

²⁸ See, e.g., Lichtenberg, Sherry, “Characterizing Competition: A Look at State Processes,” National Regulatory Research Institute, Report No. 14-01, February 2014, at 15-18.

1 increased (and this chart understates the amount of facilities-based competition for
2 business customers because it does not include customers served by large cable
3 companies, such as Comcast):

4 **[BEGIN VERIZON PROPRIETARY]**

5

6 **[END VERIZON PROPRIETARY]**

7

8 **Q. WHAT DOES THIS CHART SHOW FOR MARKET SHARE FOR BUSINESS CUSTOMERS?**

9

10 A. This chart shows that, even without counting business customers served by large cable
11 companies, such as Comcast, Verizon's share of business lines in Pennsylvania has
12 declined from **[BEGIN VERIZON PROPRIETARY]**

13

14 **[END VERIZON PROPRIETARY]** at the end of 2009, to only **[BEGIN VERIZON PROPRIETARY]**
15 **[END VERIZON PROPRIETARY]**

16

17 at the end of 2013. This clearly demonstrates that business customers have found
adequate substitutes for Verizon services.

18

19 **Q. YOU NOTED HERE THAT YOU USE A "CONVERSION FACTOR" FOR BUSINESS E-911 LISTINGS. CAN YOU PLEASE EXPLAIN THAT?**

20

1 A. Yes. For multiline business customers, there is not an exact one-to-one correspondence
2 between the number of E-911 listings, which are associated with customer stations, and
3 the number of access lines that serve these stations. For business applications that
4 employ trunk arrangements, a number of stations with corresponding E-911 listings may
5 be served by a relatively small number of lines. CLECs serving customers through PBX
6 arrangements would certainly be a common example of a serving arrangement that would
7 contribute to a mismatch between listings and lines. Verizon has employed an
8 adjustment factor to account for this fact. Business E-911 listings were adjusted by a
9 factor of .45 to convert business E-911 listings to an estimate of business facilities-based
10 lines. This factor is based on an analysis of Verizon's E-911 listings for retail, resold
11 (including former MCI), and Wholesale Advantage service (including former MCI) for
12 business end users, which shows a 2.22:1 ratio between listings and lines as of the end of
13 December 2013, or a conversion factor of 45 percent.

14 **Q. HOW DO CABLE COMPANIES COMPETE WITH INCUMBENT LOCAL**
15 **EXCHANGE CARRIERS?**

16 A. Cable companies have made substantial investments to upgrade their infrastructure so
17 they can provide two-way digital services. These upgrades have enabled cable
18 companies to provide voice telephony and broadband services that compete directly with
19 services provided by ILECs. In fact, Comcast is now the third-largest landline voice
20 provider in the country, and Time Warner Cable is the fifth largest. As of the first quarter
21 2014, Comcast has only a slightly smaller national voice market share (11.9 percent) than

1 Verizon does (12.1 percent).²⁹ These upgrades also provide a ubiquitous broadband
2 platform in Pennsylvania for other VoIP suppliers to offer their voice services.

3 **Q. PLEASE DESCRIBE THE CABLE INDUSTRY INVESTMENTS THAT YOU**
4 **JUST MENTIONED.**

5 A. The National Cable & Telecommunications Association (“NCTA”) reports that cable
6 companies have invested more than \$213 billion since 1996 rebuilding and upgrading
7 their networks nationwide.³⁰ The Broadband Cable Association of Pennsylvania reports
8 that cable companies in Pennsylvania have made infrastructure investments in the state
9 totaling more than \$8 billion in the same timeframe.³¹

10 **Q. WHAT TYPES OF CABLE COMPANIES HAVE UPGRADED THEIR**
11 **NETWORKS IN PENNSYLVANIA?**

12 A. Both major multi-system operators (“MSOs”) and smaller cable companies have invested
13 to provide advanced services. Comcast and Time Warner are the two largest cable
14 providers that provide service in Pennsylvania. Other providers include Service Electric,
15 Armstrong, and Atlantic Broadband, among others.

16 **Q. HAVE CABLE COMPANIES BEEN COMPETING SUCCESSFULLY WITH**
17 **ILECS?**

18 A. Yes. The cable industry for many years now has said that telephone consumers are
19 benefiting from “true competition”:

20 A quarter century after the initial breakup of the original AT&T
21 telephone monopoly, true competition has come to the market for
22 phone service, thanks to cable’s facilities-based offering.
23 Gaining both powerful features and cost efficiency by utilizing
24 digital Voice over Internet Protocol (VoIP) technology on the

²⁹ North American Primary Line Voice Tracker: First Quarter 2014, Frost and Sullivan, July 2014, at 12.

³⁰ <https://www.ncta.com/industry-data>.

³¹ See <http://www.pcta.com/about/cable-today.php> (accessed July 24, 2014).

1 same hybrid fiber-coaxial network that carries video and Internet
2 data signals, cable telephone service is high in both quality and
3 affordability.³²
4

5 The Broadband Cable Association of Pennsylvania reports that:

6 Cable has fostered true competition in local telephone service, capturing roughly
7 26 million customers by the end of 2012. Cable operators now make up five of
8 the top 10 residential phone companies in the country. *More than one million*
9 *Pennsylvanians enjoy residential telephone service from their cable company.*³³
10

11 and

12
13 Broadband cable digital voice provides to Pennsylvanians a low-cost, high-
14 quality alternative to traditional local and long distance voice service utilizing
15 the superior quality offered by broadband cable companies.³⁴
16

17 Comcast, the largest cable provider in Pennsylvania, reported that it had 11 million
18 digital voice subscribers nationally at the end of the second quarter of 2014, with a
19 market penetration of 20 percent.³⁵ According to the National Broadband Map, Comcast
20 offers (i.e., its services are available for purchase) cable broadband service to a
21 population of 8.8 million in Pennsylvania, out of a total population of 12.8 million.
22 Service Electric offers service to a population of 1.2 million, Armstrong offers service to
23 half a million, and Time Warner and Atlantic Broadband each offer service to almost
24 400,000.

25 **Q. ARE CABLE COMPANIES WELL POSITIONED TO OFFER TELEPHONE**
26 **SERVICES TO PENNSYLVANIA CONSUMERS IN THE WIRE CENTERS**
27 **SUBJECT TO THIS PETITION?**

³² NCTA 2007 Industry Overview at 13.

³³ See <http://www.pcta.com/about/cable-today.php> (accessed July 24, 2014) (italics added).

³⁴ See <http://www.pcta.com/broadband-technology/voice.php> (accessed July 24, 2014).

³⁵ See Comcast 2nd Quarter 2014 Results Presentation, July 22, 2014, at slide 5.

1 A. Yes. According to the Warren Communications News Advanced TVFactBook, cable
2 telephony is available to customers in every wire center subject to this petition.
3 Therefore, there can be no question that cable companies are well-positioned to continue
4 offering telephone services to customers in these areas. Information reported in the
5 FCC's Local Competition Report indicates that the number of lines served by cable
6 telephony in Pennsylvania is substantial. The FCC reports a total of 2.9 million non-
7 ILEC wireline voice lines, 1.6 million of which are "VoIP subscriptions," presumably
8 mostly cable lines.³⁶

9 **Q. DO CABLE COMPANIES CLAIM THAT THEIR SERVICES SUBSTITUTE FOR**
10 **ILEC SERVICES?**

11 A. Yes. Comcast advises consumers that, "XFINITY Voice from Comcast gives you more
12 ways to connect and more ways to save. Not only do you get reliable home phone
13 service with the best call clarity, but you also get unlimited nationwide talk and text – so
14 you can save on your wireless bill too. It's easy to switch – you can even keep your
15 current home phone number."³⁷ Similarly, "Time Warner Cable's Home Phone service
16 features unlimited calling anywhere, anytime in the U.S., Canada, Mexico and U.S.
17 territories (Puerto Rico, U.S. Virgin Islands, North Marianas/Guam and American
18 Samoa) for one, low monthly price."³⁸

19 **Q. DO CABLE COMPANIES COMPETE FOR SMALL BUSINESS CUSTOMERS**
20 **IN PENNSYLVANIA?**

³⁶ FCC, "Local Telephone Competition: Status as of June 30, 2013," (released June 2014), at Table 9.

³⁷ <http://www.comcast.com/home-phone-service.html> (accessed August 14, 2014)

³⁸ <http://www.timewarnercable.com/en/phone/domestic-international-calling-plans.html> (accessed July 25, 2014)

1 A. Yes. Comcast Business bundles include full-featured voice and internet services
2 including speeds of 16 Mbps downstream and 3 Mbps upstream, Web Hosting, and email
3 boxes. Prices for these bundles start at \$89.90 monthly. Comcast also offers PRI
4 services and Ethernet services to its business customers.³⁹ Service Electric's Business
5 Essential Package includes a phone line, internet service (35 Mbps downstream/2 Mbps
6 upstream), free modem rental, five email addresses and free spam blocking.⁴⁰

7 **Q. IS WIRELESS SERVICE WIDELY AVAILABLE THROUGHOUT**
8 **PENNSYLVANIA?**

9 A. Yes. Most of the state by geography has coverage from two or more wireless providers,
10 and the more densely populated counties are served by at least four wireless carriers.⁴¹
11 Wireless carriers serving Pennsylvania include AT&T, Sprint, T-Mobile, and Verizon
12 Wireless, among others. These four named carriers are the largest wireless carriers in the
13 country. In fact, according to the FCC's interactive map that shows US Census blocks
14 that lack 3G or better mobile coverage at the centroid of the block according to January
15 2012 Mosaik Solutions data, for Pennsylvania, the map shows widespread coverage, with
16 an unserved population of only 135,784 out of a total population of about 12.8 million,
17 which means that only one percent of Pennsylvanians do not have 3G or better mobile
18 coverage.⁴²

³⁹ <http://business.comcast.com/offers-bundles> Accessed July 25, 2014.

⁴⁰ <http://www.sectv.com/Web/aspBusinessPackages.aspx?strSystem=LV> Accessed July 25, 2014

⁴¹ Federal Communications Commission, *Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, Sixteenth Report*, March 21, 2013, at 27 and Map C-18.

⁴² <http://www.fcc.gov/maps/mobility-fund-phase-1-eligible-areas>.

1 Wireless carriers are experiencing tremendous growth in lines and usage, and a
2 significant number of customers subscribe exclusively to wireless service, i.e., no
3 wireline in the household.

4 **Q. IS WIRELESS SERVICE A VIABLE SUBSTITUTE FOR WIRELINE SERVICES**
5 **IN PENNSYLVANIA?**

6 A. Yes. Customer usage data demonstrates that wireless services compete with wireline
7 services and that consumers frequently choose wireless service over wireline alternatives.
8 FCC and industry data show that wireless subscription and minutes of use have grown
9 dramatically while wireline has continued to decline. As of June 2013, there were more
10 than 12 million wireless subscribers in Pennsylvania, a state with a population of about
11 12.8 million.⁴³ This number of wireless subscribers far exceeds the approximately 6.6
12 million (about 3.7 million ILEC and 2.9 million CLEC) wireline access connections in
13 the state. Further, as of December 2013, there were more than 336 million US wireless
14 lines. The number of wireless connections actually exceeds the country's population. In
15 addition to the increase in lines, the increase in wireless voice minutes and especially text
16 messages is staggering. CTIA The Wireless Association reports that annual wireless
17 voice minutes of use was 2.62 trillion, and the annual number of text messages was 1.91
18 trillion.⁴⁴

19 **Q. IS THERE EVIDENCE THAT SOME CUSTOMERS ARE REPLACING**
20 **WIRELINE ENTIRELY WITH WIRELESS SERVICE?**

⁴³ <http://quickfacts.census.gov/qfd/states/42000.html>.

⁴⁴ <http://www.ctia.org/your-wireless-life/how-wireless-works/annual-wireless-industry-survey> (accessed August 15, 2014).

1 A. Yes. The United States Centers for Disease Control and Prevention (“CDC”) conducts
2 surveys to determine the level of wireless substitution.⁴⁵ The latest CDC survey
3 determined that, as of July-December 2013, 41 percent of households had only wireless
4 phones, and an additional 16 percent of American homes received all or almost all calls
5 on wireless telephones. In other words, in 57 percent of American households, wireless
6 phones are either the exclusive or predominant form of voice communication.

7 The CDC survey also demonstrated that wireless substitution is more pronounced
8 among those below the age of 30 and those living in poverty, and that the number of
9 wireless-only adults is increasing for all measured age groups, including adults over 65:⁴⁶

- 10 • Nearly two-thirds of adults aged 25-29 (65.7%) lived in households with only
11 wireless telephones, and even 13.6% of those aged 65 and over lived in
12 households with only wireless telephones.
- 13
- 14 • Adults living in poverty (56.2%) and adults living near poverty (46.1%) were
15 more likely than higher income adults (36.6%) to be living in households with
16 only wireless telephones.
- 17

18 **Q. WHAT ARE THE IMPLICATIONS OF THE WIDESPREAD AVAILABILITY**
19 **AND USE OF MOBILE WIRELESS SERVICES IN PENNSYLVANIA?**

20 A. The millions of consumers that already have wireless service can readily switch all or a
21 substantial part of their wireline usage to wireless services for a small or non-existent
22 incremental cost. For example, AT&T offers Mobile Share Value plans with unlimited
23 talk and text plus shared data. Prices start as low as \$20/month for 300 MB of data.⁴⁷ T-
24 Mobile offers a plan with 1 GB of data and unlimited talk and text for \$50.00 per

⁴⁵ Blumberg SJ, Luke JV. Wireless substitution: Early release of estimates from the National Health Interview Survey, July–December 2013. National Center for Health Statistics. July 2014, at 1 and 4. Available from: <http://www.cdc.gov/nchs/nhis.htm>.

⁴⁶ *Id.* at 2-3.

⁴⁷ <http://www.att.com/shop/wireless/plans/mobileshare.html> (Accessed August 15, 2014)

1 month.⁴⁸ Republic Wireless, created in 2010, is offering a plan that includes unlimited
2 minutes, data, and text for \$10.00 per month. Republic's service is called "Hybrid
3 Calling," and relies on a Wi-Fi connection as the primary means of placing voice calls as
4 well as data. Only when a Wi-Fi connection is not available does the call switch to a
5 cellular network.⁴⁹

6 And while for most consumers mobility is one of the primary benefits of wireless
7 service, some providers are marketing products that use the wireless network in a fixed
8 manner to replace the experience of the wired landline home telephone service offered by
9 the local ILEC. AT&T, for example, offers "AT&T Wireless Home Service," with a
10 voice-only option (with unlimited nationwide calling) priced at \$20 per month. This
11 service keeps the customer's existing phone number and handsets, and includes unlimited
12 nationwide calling, voicemail, Caller ID, Call Waiting and other features. A voice and
13 data option is priced at \$80.⁵⁰

14 AARP also promotes a wireless home telephone replacement product from
15 Consumer Cellular with voice plans starting at \$10 a month.⁵¹ Consumer Cellular's
16 coverage maps show widespread coverage in Pennsylvania, including all of the areas that
17 are the subject of this petition. Similar wireless products aimed at replacing the wireline
18 landline are offered by other providers, including Wal-Mart's StraightTalk.

19 As a result of these diverse offerings, wireline prices are constrained by the low
20 incremental cost of adding wireless minutes or another wireless phone.

⁴⁸ <http://www.t0mobile.com/cell-phone-plans/family.html> (Accessed August 15, 2014).

⁴⁹ <http://republicwireless.com/info/plans> (Accessed August 15, 2014)

⁵⁰ <http://www.att.com/shop/wireless/devices/wirelesshomephone.html#fbid=4cqa1cpDSkn>

⁵¹ <https://www.consumercellular.com/AARP/>

1 **Q. DO VOIP PROVIDERS OFFER SUBSTITUTES FOR VERIZON’S SERVICES?**

2 A. Yes. VoIP service is widely available throughout Verizon’s service area, and VoIP
3 providers offer a panoply of voice services that compete directly with Verizon’s
4 residence and small business services. The table below lists a sampling of VoIP
5 providers and their residence and small businesses offerings. All of the providers listed
6 offer vertical features and unlimited local and long distance calling plans priced under
7 \$30/month for residential customers, excluding the cost of the broadband connection
8 (which has already been incurred for 74 percent of households statewide).

Pennsylvania VoIP Plans					
Provider	Plan	Monthly Price	Anytime Minutes	Additional Minutes	Long Distance
Vonage	U.S. and Canada 400	\$12.99	400	\$0.05	Included
Vonage	U.S. and Canada 800	\$21.99	800	\$0.039	Included
Vonage	U.S. and Canada Unlimited	\$24.99	Unlimited	NA	Included
Vonage	Business Metered Extensions	\$14.99	NA	\$0.03	Included
Vonage	Business Unlimited Extensions	\$39.99	Unlimited	NA	Included
Lingo	Essential	\$9.95	500	\$0.04	Included
Lingo	Unlimited (1-year term)	\$14.95	Unlimited	NA	Included
Lingo	Unlimited (no contract)	\$19.95	Unlimited	NA	Included
Net2Phone	Voiceline Broadband	\$24.00	Unlimited	N/A	Included
magicJack	magicJackGO	See note below	Unlimited	N/A	Included
Skype	Pay As You Go	\$0.00	NA	\$0.023	Included
Skype	Unlimited U.S. and Canada	\$2.99	Unlimited	N/A	Included
Sources: Provider Websites					
Note: magicJack charges \$59.95, which includes the magicJack device and one year of unlimited usage. Additional years of service can be purchased for \$35 per year, or \$120 for a five year plan.					

9

10 VoIP services are also marketed as less expensive replacements for the traditional
11 landline from the local ILEC, and can even be used with existing handsets, as this article
12 demonstrates:

1 If you're ready to cut the cord to your traditional landline telephone and use your
2 broadband internet connection as your phone line, you have plenty of options,
3 especially if you're interested in continuing to use the phones you already have in
4 your home for VoIP calling.⁵²

5 According to Forbes magazine, "VoIP, or Voice over Internet Protocol, is probably the
6 most widely used landline alternative, especially among businesses."⁵³

7 **Q. DOES INTERMODAL COMPETITION, PARTICULARLY FROM CABLE AND**
8 **WIRELESS PROVIDERS, CONSTRAIN PRICING FOR VERIZON'S**
9 **SERVICES?**

10 A. Yes. The widespread availability of cable telephony, wireless, broadband, and VoIP
11 alternatives constrains Verizon's pricing.

12 Depending on the services purchased and the provider, the incremental cost of
13 voice service for a cable subscriber can range from no additional cost (adding voice to a
14 video and data package at Time Warner) to an additional cost of \$35.00 per month
15 (adding voice to just video, no data, at Comcast).

16 The following table presents the rates and the implied incremental charges for
17 voice services offered by Comcast, Service Electric, Time Warner, and Atlantic
18 Broadband for a variety of packages:

19

⁵² "Five Best Ways to Use a Regular Phone for Internet Calls," Lifestacker.com, posted October 9, 2011. Found at: <http://lifestacker.com/5848002/five-best-ways-to-use-a-regular-phone-for-internet-calls>.

⁵³ "How to Break Up with your Landline," www.forbes.com, August 8, 2012. Found at: <http://www.forbes.com/sites/kateharrison/2012/08/08/how-to-break-up-with-your-landline/>

1

Service	Comcast	Service Electric	Time Warner	Atlantic Broadband
Stand Alone Video	\$49.99	\$72.95	\$39.99	\$49.99
Stand Alone Data	\$39.99	\$29.95	\$29.99	\$29.99
Double Play (video & voice)	\$84.99	\$89.95	NA	NA
Double Play (data & voice)	\$49.99	NA	NA	NA
Double Play (video & data)	\$79.99	\$90.49	\$89.99	\$99.99
Triple Play (video, data, & voice)	\$89.99	\$122.95	\$89.99	\$109.99
Incremental Charges for Voice as Part of:				
Double Play (data & voice)	\$10.00	NA	NA	NA
Double Play (video & voice)	\$35.00	\$17.00	NA	NA
Triple Play (video, data, & voice)	\$10.00	\$32.46	\$0.00	\$10.00

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For existing wireless customers, the incremental cost of “cutting the cord” or substituting wireless minutes for wireline minutes is relatively low (*e.g.*, the added charges for a larger calling plan or adding another phone). Because of the current ubiquity of wireless subscribers, Verizon must compete with wireless on the basis of the lower incremental cost of adding more usage or another wireless phone, as opposed to the charges for the entire wireless plan.

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Likewise, because so many customers in Pennsylvania subscribe to broadband service (74 percent of households), when considering VoIP service, these consumers will compare only the incremental charges for VoIP with the costs that they will avoid if they cancel their Verizon landline service. Thus, Verizon’s prices must compete with the incremental charges (if any) for VoIP, not the full cost of broadband plus VoIP.

1 **V. Impact of the Petition**

2 **Q. WHAT WOULD BE THE RESULT OF RECLASSIFICATION IF GRANTED BY**
3 **THE COMMISSION?**

4 A. For competitive services, Chapter 30 provides that “[t]he commission may not fix or
5 prescribe the rates, tolls, charges, rate structures, rate base, rate of return or earnings of
6 competitive services or otherwise regulate competitive services except as set forth in this
7 chapter.” 66 Pa. C.S. § 3019(g). Therefore, there would not be Commission rate
8 regulation of Verizon’s services in the wire centers subject to this petition. In addition,
9 Verizon is requesting a waiver from certain service quality and customer interaction
10 regulations found in Chapters 63 and 64 of the Commission’s rules. But there would be
11 no change to the statutory requirements applicable to competitive services, including the
12 Commission’s ability to take and resolve consumer complaints about any alleged
13 violation of these requirements. There would also be no change to E-911, Lifeline,
14 Verizon’s Chapter 30 broadband deployment requirements, and wholesale obligations of
15 Verizon as an ILEC.

16 **Q. WHY IS VERIZON SEEKING A WAIVER FROM CERTAIN SECTIONS OF**
17 **CHAPTER 63 AND ALL OF THE SECTIONS IN CHAPTER 64 FOR**
18 **COMPETITIVE SERVICES?**

19 A. Verizon is requesting a waiver for a period ending December 31, 2025 of the following
20 regulations, as applied to competitive services: Chapter 63, Subchapters B (Services and
21 Facilities); C (Accounts and Records); G (Public Coin Services); E (Quality of Service);
22 F (Extended Area Service); and the entirety of Chapter 64.

23 Many of the requirements in these subsections were adopted and developed as far
24 back as the 1940’s. And while there have been some updates and amendments since, the

1 majority of these rules and regulations have sat untouched for decades, and are not
2 reflective of today's competitive marketplace.

3 Chapter 63 B focuses largely on services that no longer exist, such as obligations
4 for multiparty lines and traffic measurements, and record-keeping that was largely
5 manual in nature before computers were used. While there are subsections that reference
6 the customer service relationship that are arguably still relevant, these items are
7 reasonably accounted for with section 1501 of the statute, which this petition would not
8 alter.

9 Chapter 63 C references accounting and reporting related requirements, much of
10 which is applicable only for rate of return carriers. Verizon has not been rate of return
11 regulated in Pennsylvania for more than 20 years. Verizon maintains the appropriate
12 reporting requirements pursuant to its Chapter 30 requirements.

13 Chapter 63 G references the need to "to promote competition in the coin
14 telephone market." Verizon no longer provides pay phone service in Pennsylvania. In
15 addition, the payphone market was deregulated many years ago, and has been rendered
16 obsolete by the proliferation of multiple competitive alternatives, especially wireless
17 phones.

18 Chapter 63 E (Quality of Service) references standards of telephone service that
19 are no longer needed in today's marketplace, such as "dial tone speed" and "efficient and
20 pleasing" operator-dialed services. While there are subsections that reference other
21 aspects of the customer service relationship, these items are reasonably accounted for
22 with section 1501 of the statute, which this petition would not alter. As Verizon has

1 stated in its petition, and as recognized in Verizon PA’s alternative regulation plans, even
2 with a waiver of the Commission’s traditional regulations, “[a]ll services provided by the
3 Company and under the jurisdiction of the Commission,” including competitive services
4 “are still subject to all provisions of Title 66 regarding the safety, adequacy, and
5 reliability of telecommunication services or business activities. 66 Pa. C.S.A. Section
6 1501.” (Verizon PA Alternative Regulation Plan at 33). Similarly, Verizon North’s plan
7 provides that “[c]ompetitive services are not to be regulated on any basis, including rates,
8 rate structures, rate base, rate of return or earnings. The Commission retains its existing
9 general authority over competitive services for the purpose of safety, adequacy and
10 reliability under 66 Pa. C.S. §1501, et seq.” (Verizon North Alternative Regulation Plan
11 at 10). Therefore, the Commission will retain its oversight for Verizon’s provision of
12 jurisdictional competitive services.

13 Chapter 63F (Extended Area Service) was developed prior to the proliferation of
14 competition in the local market. It focuses primarily on the utilization of usage studies
15 for the purpose of enhancing local calling areas, the value of which has been greatly
16 diminished by the proliferation of multiple competitive alternatives for local calling that
17 are not measurable, such as usage from wireless and VoIP providers, and the popularity
18 of flat-rate calling plans.

19 Chapter 64 was developed to “establish and enforce uniform, fair and equitable
20 residential telephone service standards governing account payment and billing, credit and
21 deposit practices, suspension, termination and customer complaint procedures.” Robust
22 competition itself is the best “regulator” of service standards for consumers. As
23 described earlier in this testimony, the communications industry is facing

1 transformational — and constantly evolving — changes, and this should compel the
2 Commission to fundamentally reform its approach to service standard regulation. The
3 Commission should eschew outdated mandates designed for the landline-only world of
4 the past and instead rely on the powerful forces of competition to deliver high quality
5 service and billing practices for consumers. However, as referenced above, if the
6 Commission believes that the standards of Chapter 64 remain relevant, they may be
7 reasonably accounted for with section 1501 of the statute, which this petition would not
8 alter.

9 **Q. WHAT IMPACT IS THERE FOR VERIZON'S PRICE CHANGE**
10 **OPPORTUNITY PLANS?**

11 A. If the petition is granted, Verizon will no longer include the exchanges and associated
12 revenues as part of the calculations for annual rate changes filed by November each year
13 to take effect January 1 for Verizon PA and February 15 for Verizon North.

14 **Q. WHAT EFFECT WILL THERE BE ON VERIZON'S CONTRIBUTION TO THE**
15 **PENNSYLVANIA UNIVERSAL SERVICE FUND?**

16 A. The Pennsylvania Universal Service Fund appears in Chapter 63.161 of the
17 Commission's rules, and Verizon has not included this section in its petition. Therefore,
18 there will be no effect. The revenue from the services Verizon seeks to reclassify as
19 competitive will continue to be included as "intrastate end-user telecommunications retail
20 revenue" for purposes of the calculation of the assessment under these regulations.

21 **Q. IF THE COMMISSION APPROVES VERIZON'S FILING, WHAT WILL**
22 **HAPPEN IN THESE WIRE CENTERS IF A CUSTOMER HAS A PROBLEM**
23 **WITH VERIZON SERVICE?**

1 A. Even with a waiver of the Commission’s regulations in Chapters 63 and 64, “[a]ll
2 services provided by the Company and under the jurisdiction of the Commission,”
3 including competitive services “are still subject to all provisions of Title 66 regarding the
4 safety, adequacy, and reliability of telecommunication services or business activities. 66
5 Pa. C.S.A. Section 1501.” (Verizon PA Alternative Regulation Plan at 33; *see also*
6 Verizon North Alternative Regulation Plan at 10: “The Commission retains its existing
7 general authority over competitive services for the purpose of safety, adequacy and
8 reliability under 66 Pa. C.S. §1501, *et seq.*”) The retained authority will include the
9 jurisdiction to hear and resolve formal complaints filed by customers. 66 Pa. C.S. § 701.

10 Although the Commission’s ability to hear and resolve formal customer
11 complaints is not changing, the downward trend in complaints filed with the Commission
12 regarding Verizon’s service demonstrates that providing customers with a quality service
13 experience is a critical component to retaining and growing our customer base. For
14 example, in 2013 (the Commission’s most recently available report containing annual
15 data), there were only 556 “justified” complaints involving Verizon, representing only
16 .026% of customers; in the first 8 months of 2014, that number has continued to drop and
17 is down 44% compared to the same period in 2013.

18 Q. **IF THE PETITION IS GRANTED, WILL THERE BE ANY CHANGE TO**
19 **LIFELINE SERVICE OFFERED BY VERIZON?**

20 A. No. Incidentally, Lifeline service is another example of the widespread competition in
21 Pennsylvania. The overwhelming majority of low income customers in Pennsylvania
22 receiving Lifeline credits have migrated to competitive alternatives. Based on 2013 data,
23 only 8 percent of the 576,000 Lifeline customers in Pennsylvania subscribed to landline

1 services offered by ILECs. The remaining 529,000 customers (92 percent) receive their
2 service from other providers.

3 **VI. Conclusion**

4 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

5 A. I have shown that Verizon’s retail services not currently classified as competitive meet
6 the statutory standard for reclassification in the 194 Pennsylvania wire centers subject to
7 this petition, and that waivers of certain regulations for competitive services are
8 appropriate. Therefore, Verizon respectfully submits that the Commission should
9 reclassify Verizon’s services in these wire centers and approve the requested waivers to
10 reform the level of regulatory oversight applied to competitive services to facilitate the
11 competitive benefits of efficiency, productivity and innovation.

12 **Q. PLEASE EXPLAIN WHY APPROVAL OF VERIZON’S REQUEST WILL**
13 **BENEFIT CONSUMERS.**

14 A. It is generally accepted that a competitive, unregulated market structure maximizes
15 consumer welfare and thus is in the best interest of consumers. Regulation arose in
16 certain markets to replicate—to the extent possible—the effects of a competitive
17 market.⁵⁴ It follows, then, that the level of regulation should be tailored to competitive
18 conditions. Simply put, *less regulation* is warranted where competitive forces are
19 sufficient to discipline firms to produce the products and services customers want at
20 reasonable prices. The Legislature concluded that less regulation is preferable in areas

⁵⁴ See, e.g., Kahn, Alfred E., *The Economics of Regulation: Principles and Institutions, Vol. I*, MIT Press, 1988, p. 17, where Dr. Kahn observes that “The main body of microeconomic theory can be interpreted as describing how, under proper conditions—for example, of economic rationality, competition, and laissez-faire—an unregulated market economy will produce optimum economic results,” and “the single most widely accepted rule for the governance of the regulated industries is regulate them in such a way as to produce the same results as would be produced by effective competition, if it were feasible.”

1 with demonstrated competition when it established the competitive reclassification
2 process in section 3016. With the conclusive demonstration that Verizon's retail services
3 meet the statutory criteria for reclassification in the listed wire centers, the Commission
4 should move quickly to approve Verizon's request in this case, for the benefit of
5 Pennsylvania consumers.

6 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7 **A. Yes.**

ATTACHMENT A
to Statement 1.0

ATTACHMENT A

	WIRE CENTER NAME	CLLI Codes
1	ALQUIPPA PA	ALQPPAAL
2	ALLENTOWN PA	ALTWPAAL
3	ALLENTOWN-PITT PA	PITBPAAL
4	AMBLER PA	AMBLPAAM
5	AMBRIDGE PA	AMBRPAAM
6	ANNVILLE PA	ANVLPAAN
7	ARDMORE PA	ARMRPAAR
8	AVONDALE PA	AVDLPAAV
9	BADEN PA	BADNPABA
10	BALA CYNWYD PA	BCYNPABC
11	BALDWIN PA	PHLAPABA
12	BEAR CREEK PA	BRCKPAES
13	BEDMINSTER PA	BMNSPABM
14	BELLEVUE PA	BLLVPABE
15	BETHAYRES PA	BTHYPABH
16	BETHEL PARK PA	BTPKPABP
17	BETHLEHEM PA	BHLHPABE
18	BRADDOCK PA	BRDDPABR
19	BRIDGEVILLE PA	BGVLPAABR
20	BRISTOL PA	BRSTPABR
21	BRYN MAWR PA	BRYMPABM
22	BUCKINGHAM PA	BCHMPABU
23	CAMP HILL PA	CPHLPACH
24	CARNEGIE PA	CARNPACA
25	CARRICK PA	PITBPACA
26	CARVERSVILLE PA	CRVVPACA
27	CATASAUQUA PA	CTSQPACT
28	CENTER POINT PA	CNPNPACE
29	CHESTER A PA	CHESPACA
30	CHESTER B PA	CHESPACB
31	CHESTER HEIGHTS PA	CHTTPACT
32	CHESTER SPRINGS PA	CSSPPACS
33	CHESTNUT HILL PA	PHLAPACH
34	CHURCHVILLE PA	CHVLPACH
35	CLAIRTON PA	CLRTPACL
36	COATESVILLE PA	CTVLPACV
37	COLLEGEVILLE PA	CGVLPACL
38	CONSHOHOCKEN PA	CNSHPACN
39	CORAOPOLIS PA	CRPLPACO
40	CRAFTON PA	CRAFPACR
41	DAUPHIN PA	DAPHPADA
42	DAVENPORT PA	PHLAPADB

ATTACHMENT A

	WIRE CENTER NAME	CLLI Codes
43	DEWEY PA	PHLAPADE
44	DORMONT PA	DRMTPADO
45	DORSEYVILLE PA	DRVLPADO
46	DOVER	DOVRPAXD
47	DOWNINGTOWN PA	DWTWPADT
48	DOWNTOWN PA	PITBPADT
49	DOYLESTOWN PA	DYTWPADB
50	EAGLE PA	EAGLPAEG
51	EAST LIBERTY PA	PITBPAEL
52	EASTON PA	ESTNPAEA
53	EASTWICK PA	PHLAPAEW
54	EDDINGTON PA	EDTNPAED
55	ELIZABETH TOWNSHIP PA	ELZTPAET
56	EMMAUS	EMMSPAXE
57	ENOLA PA	ENOLPAEN
58	ERIE EAST	ERIEPAXE
59	ERIE MAIN	ERIEPAXM
60	ERIE SOUTH	ERIEPAXS
61	ERIE SOUTHEAST	ERIEPAXT
62	ERIE WEST	ERIEPAXW
63	EVERGREEN PA	PHLAPAEV
64	EXTON PA	EXTNPAXE
65	FAIRVIEW	FRERPAXF
66	FISHING CREEK PA	FSCKPAFC
67	GERMANTOWN PA	PHLAPAGE
68	GLENMOORE PA	GLNMPAGL
69	GLENOLDEN PA	GLLDPAGN
70	GLENSHAW PA	GLNSPAGL
71	GREEN LANE PA	GRLAPAGL
72	GREENSBURG PA	GNBGPAGR
73	HARLEYSVILLE PA	HRLVPAHV
74	HARRISBURG PA	HRBGPAHA
75	HATBORO PA	HTBOPAHB
76	HELLERTOWN PA	HLTWPAHE
77	HERSHEY	HRSHPAXH
78	HOMESTEAD PA	HMSTPAHO
79	HUMMELSTOWN PA	HUMLPAHM
80	IMPERIAL PA	IMPRPAIM
81	IRWIN PA	IRWNPAIR
82	IVYRIDGE PA	PHLAPAIV
83	JEANNETTE PA	JNNTPAJE
84	JEFFERSON PA	PHLAPAJE

ATTACHMENT A

	WIRE CENTER NAME	CLLI Codes
85	JENKINTOWN PA	JENKPAJK
86	KEMBLESVILLE PA	KMVLPAKV
87	KENNETT SQUARE PA	KNSQPAKS
88	KING OF PRUSSIA PA	KGPRPAKP
89	KINGSTON PA	KGTNPAES
90	KIRKLYN PA	KRLNPAKL
91	KNIGHTS ROAD PA	PHLAPAKR
92	KUHNSVILLE PA	KHVLPAKU
93	LANDENBERG PA	LDNBPALB
94	LANGHORNE PA	LANGPALA
95	LANSDALE PA	LNDLPALD
96	LANSDOWNE PA	LNSDPALD
97	LARCHMONT PA	LARCPALM
98	LEBANON PA	LBNNPAES
99	LINE LEXINGTON PA	LNLXPALN
100	LOCUST PA	PHLAPALO
101	MARKET PA	PHLAPAMK
102	MAYFAIR PA	PHLAPAMY
103	MCKEES ROCKS PA	MCRKPAMR
104	MCKEESPORT PA	MCPTPAMK
105	MCMURRAY PA	MCMRPAMC
106	MECHANICSBURG PA	MBRGPAME
107	MEDIA PA	MEDIPAME
108	MENDENHALL PA	MNDNPAMH
109	MIDDLETOWN PA	MDTNPAMI
110	MIDLAND PA	MDLDPAMI
111	MILLVALE PA	MLVAPAMI
112	MONROEVILLE PA	MOVLPA MO
113	MOOSIC PA	MOSCPAMC
114	MORRISVILLE PA	MRSLPAMV
115	MOUNT GRETNA PA	MTGRPAMG
116	MOUNTAINVILLE PA	ALTWPAMT
117	NEW CUMBERLAND PA	NCLDPANC
118	NEW HOPE PA	NWHPPANH
119	NEW KENSINGTON PA	NWKNPANK
120	NEWTOWN PA	NWTWPANW
121	NORRISTOWN PA	NRTWPANR
122	NORTH SIDE PA	PITBPANS
123	NORTH WALES PA	NWLSPANW
124	OAKDALE PA	OKDLPAOA
125	OAKLAND PA	PITBPAOK
126	OAKMONT PA	OKMTPAOA

ATTACHMENT A

	WIRE CENTER NAME	CLLI Codes
127	OLYPHANT PA	OLYPPAOL
128	ORCHARD PA	PHLAPAOR
129	PALMYRA PA	PLMYPAPA
130	PAOLI PA	PAOLPAPA
131	PARKERFORD PA	PRFDPAPF
132	PARKESBURG PA	PRBGPAPB
133	PAXTANG PA	PXTGPAPG
134	PAXTONIA PA	PXTNPAPA
135	PENN HILLS PA	PEHLPAPH
136	PENNSBURG PA	PNBGPAPB
137	PENNYPACKER PA	PHLAPAPE
138	PERKASIE PA	PRKSPAPE
139	PERRYSVILLE PA	PYVLPAPE
140	PHOENIXVILLE PA	PXVLPAPV
141	PILGRIM PA	PHLAPAPI
142	PINEVILLE PA	PIVLPAPV
143	PITTSTON PA	PTTNPAPI
144	PLEASANT HILLS PA	PLHSPAPH
145	PLUMSTEADVILLE PA	PSVLPAPV
146	PLYMOUTH PA	PLMOPAPL
147	POPLAR PA	PHLAPAPO
148	POTTSTOWN PA	PTTWPAPT
149	PUGHTOWN PA	PGTWPAPT
150	QUAKERTOWN PA	QKTWPAQT
151	RED LION	RDLNPAXR
152	REGENT PA	PHLAPARE
153	REIGELSVILLE PA	RGVLPARI
154	RIDLEY PARK PA	RDPKPARP
155	ROBINSON TWP PA	RBTPPART
156	ROCHESTER PA	ROCHPARC
157	ROYERSFORD PA	RYFRPARF
158	SARATOGA PA	PHLAPASA
159	SCHWENKSVILLE PA	SCHWPASV
160	SCRANTON PA	SCTNPASC
161	SEWICKLEY PA	SWKYPASE
162	SHARPSBURG PA	SHSAPASH
163	SHERWOOD PA	PHLAPASH
164	SOUDERTON PA	SDTNPASD
165	SPRING GROVE	SPGVPAXS
166	SPRINGDALE PA	SPDLPASP
167	SPRINGFIELD PA	SPFDPASF
168	SPRINGTOWN PA	SPTWPASP

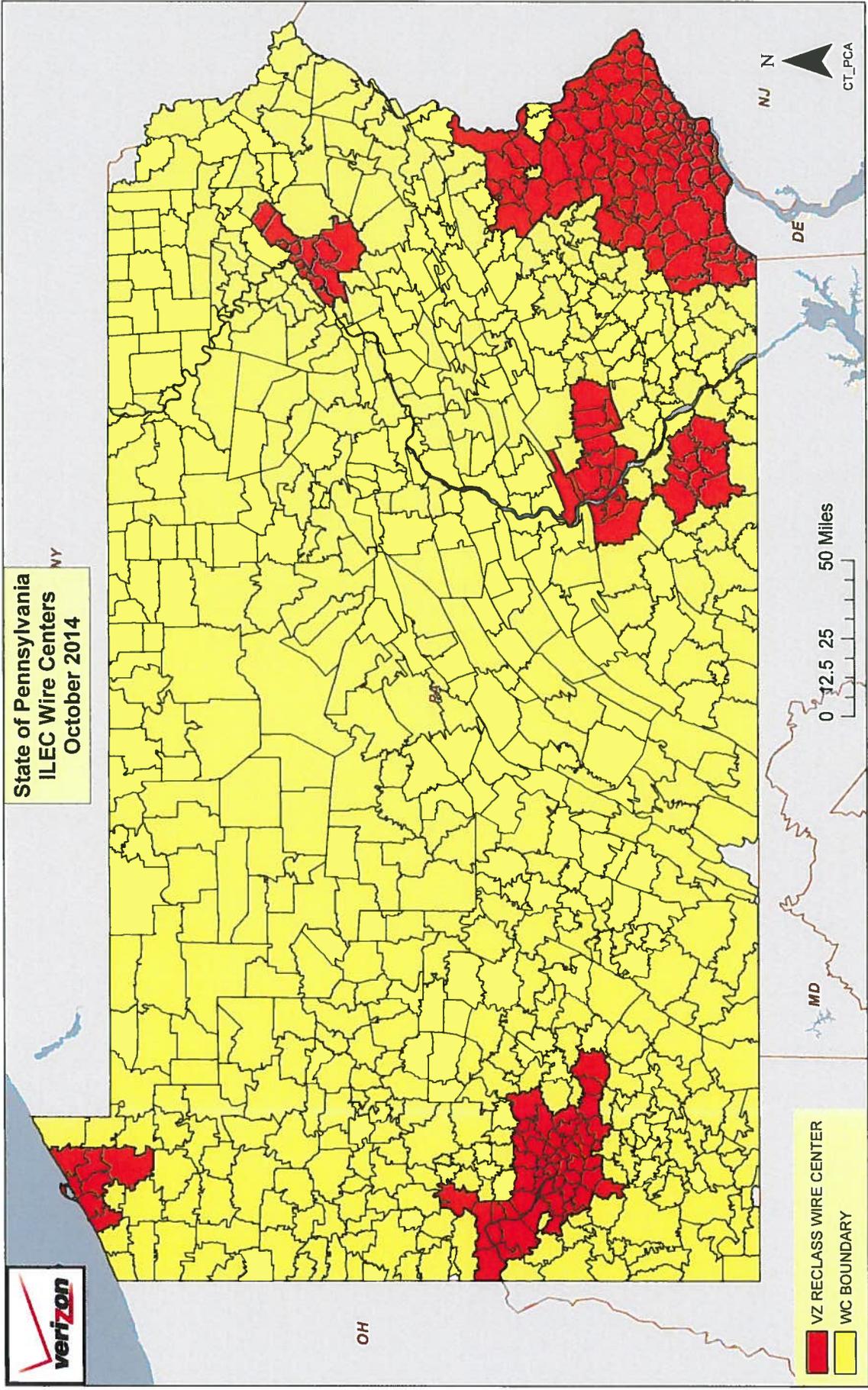
ATTACHMENT A

	WIRE CENTER NAME	CLLI Codes
169	SQUIRREL HILL PA	PITBPASQ
170	STEELTON PA	SLTNPAST
171	TAYLOR PA	TAYLPATA
172	TRINITY PA	PHLAPATR
173	TROOPER PA	TRPRPATR
174	TULLYTOWN PA	TULYPATU
175	TURTLE CREEK PA	TRCKPATC
176	WARRINGTON PA	WGTPPAWR
177	WATERFORD	WTFRPAXW
178	WAVERLY PA	PHLAPAWV
179	WAYNE PA	WAYNPAWY
180	WEST CHESTER PA	WCHSPAWC
181	WEST GROVE PA	WGRVPAWG
182	WEST MIFFLIN PA	WMFLPAWM
183	WEST VIEW PA	WSVWPAWE
184	WILKES BARRE PA	WLBRPAWB
185	WILKINSBURG PA	WKBGPAWK
186	WILLOW GROVE PA	WLGRPAWG
187	WYOMING PA	WYNGPAWY
188	YARDLEY PA	YRDLPAYL
189	YORK EAST	YORKPAXE
190	YORK MAIN	YORKPAXM
191	YORK NORTH	YORKPAXN
192	YORK SOUTH/LOGANVILLE	YORKPAXS
193	YORK WEST	YORKPAXW
194	ZELIENOPLE PA	ZLNPPAZE

ATTACHMENT B
to Statement 1.0



State of Pennsylvania
ILEC Wire Centers
October 2014



VZ RECLASS WIRE CENTER
WC BOUNDARY



ATTACHMENT C
to Statement 1.0



National Broadband Map

How connected is my community?

Permalink



Short URL »

Broadband Provider Service Area

Data as of 12/31/13

Tweet

Like 1.7k

AT&T Inc.

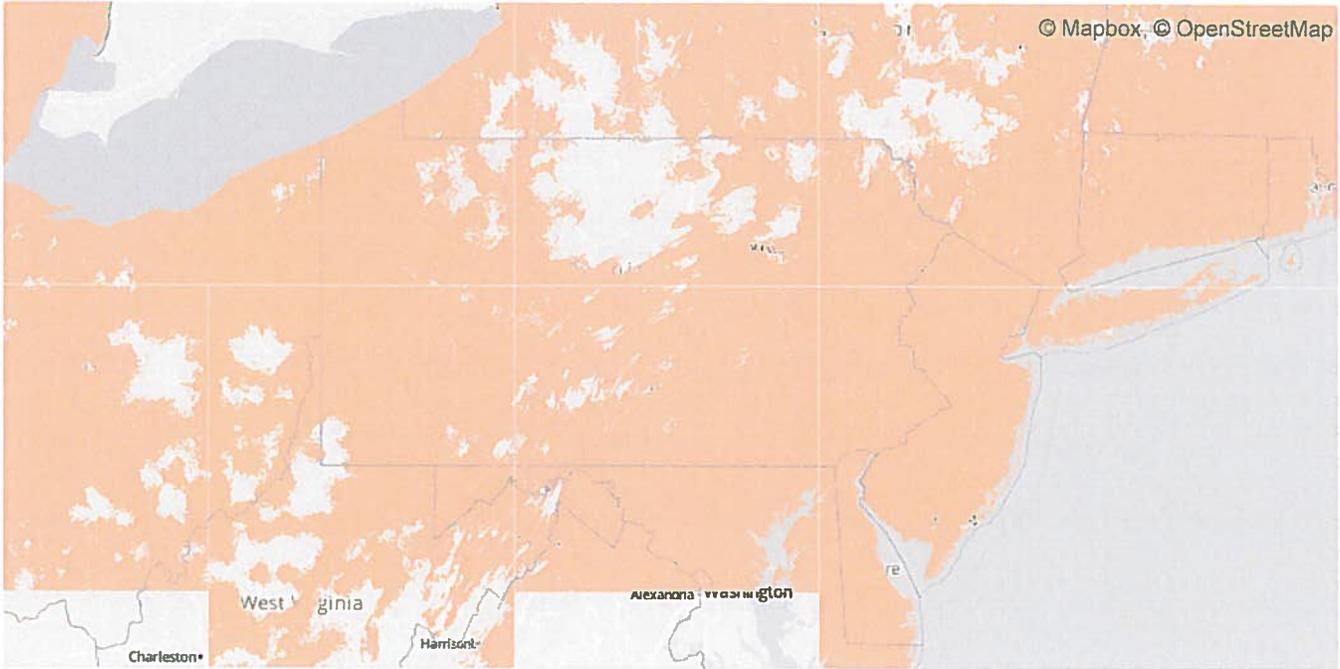
Refresh Map

WIRELINE

WIRELESS

Enter a provider name, then click **Refresh Map**.

Note: Some providers may only offer either wireline or wireless technologies



The **National Broadband Map** is a tool to search, analyze and map broadband availability across the United States. Created and maintained by the **NTIA**, in collaboration with the **FCC**, and in partnership with 50 states, five territories and the District of Columbia.



VERIFICATION

I, Paul B. Vasington, state that I am Director-State Public Policy for Verizon, and that as such I am authorized to make this verification on behalf of Verizon Pennsylvania LLC and Verizon North LLC (“Verizon”). I have reviewed Verizon’s Joint Petition for Competitive Classification of all Retail Services in Certain Geographic Areas, and for a Waiver of Regulations for Competitive Services, and my Direct Testimony in support thereof, and verify that the facts contained therein are true to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa. C. S. § 4904, relating to unsworn falsification to authorities.

Date: October 6, 2014


Paul B. Vasington