

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS
89 JEFFERSON BOULEVARD
WARWICK, RHODE ISLAND 02888**

IN RE: Application for Compliance Order :
 Certificates by Verizon New England, Inc. : Docket No. 2007-C-3

REPORT AND ORDER

1. INTRODUCTION

A. The Instant Application Filing

On September 28, 2007, Verizon New England, Inc. ("Verizon") filed an application with the Rhode Island Division of Public Utilities and Carriers ("Division") seeking Compliance Order Certificates for Rhode Island CATV Service Areas 1 and 4. Through this application filing, Verizon seeks the first of three licensing certificates (for each Service Area), which if the Division granted all, would enable Verizon to provide cable television services in the following communities:

Service Area 1: Burrillville, North Smithfield, Smithfield, Woonsocket, Cumberland, Gloucester, Lincoln and Central Falls.

Service Area 4: Pawtucket and East Providence.

The application was filed in conformance with the requirements of Section 3.3 of the Division's "Rules Governing Community Antenna Television Systems" ("Cable Rules").¹

In furtherance of starting the process of adjudicating Verizon's application, the Division established a filing deadline of November 6, 2007 for all motions to intervene in the docket. Notification of Verizon's application filing and the

¹ Verizon Exhibit 1.

prescribed deadline for intervention was published in the Providence Journal on October 23, 2007. The Division indicated in the notice that all motions would be considered in accordance with the requirements contained in Rule 17 of the Division's "*Rules of Practice and Procedure.*" The notice also directed that responsive pleadings be submitted by November 12, 2007. The notice additionally indicated that the Division would conduct a motion hearing, if required, to hear all intervention-related issues and arguments at 10:00AM on Monday, November 19, 2007 in the Division's Hearing Room, located at 89 Jefferson Boulevard in Warwick, Rhode Island.

In response to the published notice of deadline to intervene, the Division received timely motions to intervene from CoxCom, Inc., d/b/a Cox Communications ("Cox") 9 J.P. Murphy Highway, West Warwick, Rhode Island; and Full Channel TV, Inc. ("Full Channel") 57 Everett Street, Warren, Rhode Island. As Verizon never objected to Cox's or Full Channel's motions to intervene, the motions were granted by operation of law² and the pre-scheduled November 19, 2007 motion hearing was cancelled.

The Division's Advocacy Section ("Advocacy Section"), an indispensable party, entered an appearance in the instant docket during a scheduling conference, during which time the parties of record agreed to a comprehensive procedural and hearing schedule for this case.

² See Rule 17(e) of the Division's Rules of Practice and Procedure.

B. Verizon's Recent Approvals in Service Areas 2, 3, 6 and 8

As part of this introductory section, the Division takes administrative notice that it recently completed similar application evaluations relative to Verizon applications to provide cable television services in CATV Service Areas 2, 3, 6 and 8. After comprehensive evaluations of Verizon's applications for Service Areas 2, 3, 6 and 8 the Division approved the applications and issued the appropriate certificates. A brief chronology of Verizon's application filings and the Division's approvals are reflected below:

Service Area 6

- Verizon initiated the three-phase licensing protocol for Service Area 6 on February 7, 2006. Service Area 6 is comprised of the communities of Coventry, East Greenwich, Exeter, North Kingstown, Warwick, West Warwick and West Greenwich.³
- The Division completed and approved the first regulatory phase, the "*Compliance Order Certificate*" phase, on December 20, 2006.⁴
- The second regulatory phase, called the "*Construction Certificate*" phase, was initiated by Verizon with an application filing on January 26, 2007.
- The Division completed and approved this second regulatory phase on April 5, 2007.⁵

³ See Docket 2006-C-4.

⁴ See Order Nos. 18789 and 18801.

⁵ See Order No. 18916

- The final regulatory phase, referred to as the “*Certificate of Authority to Operate*” phase, was initiated by Verizon with an application filing on April 6, 2007.
- The Division completed and approved this final regulatory phase on May 21, 2007 and in a final written decision authorized Verizon to begin providing cable television services in Service Area 6 on June 5, 2007.⁶

Service Areas 2, 3 and 8

- Verizon initiated the three-phase licensing protocol for Service Areas 2, 3 and 8 on March 8, 2007. Service Area 2 is comprised of the communities of Providence and North Providence; Service Area 3 is comprised of the communities of Cranston, Foster, Scituate and Johnston; and Service Area 8 is comprised of the communities of Hopkinton, Richmond, Charlestown, Westerly, South Kingstown and Narragansett.⁷
- The Division completed and approved the first regulatory phase, the “*Compliance Order Certificate*” phase, on August 21, 2007.⁸
- The second regulatory phase (the “*Construction Certificate*” phase) was initiated by Verizon with an application filing on August 22, 2007.

⁶ See Order No. 18962.

⁷ See Docket 2007-C-1.

⁸ See Order No. 19021.

- The Division completed and approved this second regulatory phase on November 7, 2007.⁹
- The final regulatory phase (the “*Certificate of Authority to Operate*” phase) was initiated by Verizon with an application filing on November 7, 2007.
- The Division completed and approved this final regulatory phase on December 20, 2007 and in a final written decision authorized Verizon to begin providing cable television services in Service Areas 2, 3 and 8 on January 6, 2008.¹⁰

The Division finds the contemporaneousness of Verizon’s Service Areas 2, 3, 6, and 8 applications, the Division’s decisions related thereto and the settlement agreement (“*Settlement Agreement*”, *infra*) approved by the Division in the Service Area 6 docket (Docket No. 2006-C-4) to all be relevant and instructive in the instant docket proceeding.

2. SUMMARY OF VERIZON’S APPLICATION

The instant application provides introductory comments wherein Verizon asserts that its technical, financial, and managerial qualifications to own and operate a cable system in Rhode Island have already been established. Relying on the Division’s recent decisions to award Verizon Compliance Order Certificates for Service Areas 2, 3, 6, and 8, Verizon asserted that it is “well qualified to own and operate a cable system in Rhode Island.”¹¹

⁹ See Order No. 19116.

¹⁰ See Order No. 19148.

¹¹ Verizon Exhibit 1, p. 1.

To buttress its claim of financial strength, Verizon added that its parent company (Verizon Communications) is a Fortune 15 company with over \$88 billion in annual revenues and over 242,000 employees worldwide. Verizon also noted that it has *“over 100 years of experience providing high quality services and unparalleled customer care to the residents of Rhode Island.”* Verizon stated that it currently employs approximately 1,400 people in Rhode Island, with an annual payroll of more than \$75 million. Verizon further stated that it has located its new regional “FiOS” Solution Center in Providence, to provide customer service for video services for customers throughout the Northeast. Verizon stated that its new FiOS Solution Center *“has already brought more than 270 new jobs to Rhode Island and expects to generate even more jobs as Verizon expands its video services.”*¹²

Verizon’s application also includes twelve sections of information, which directly parallel the informational filing requirements set forth in Section 3.3(c) of the Division’s Cable Rules. A summary of this information, along with a corresponding reference to the specific Cable Rule is provided below:

A. Section 3.3(c)(1) – Channel Capacity

According to Verizon’s application, the channel capacity of its “FTTP” (fiber-to-the-premises) network in Rhode Island is 860 MHz. Verizon expects to offer more than 330 channels upon launch of its proposed video services in Service Areas 1 and 4, which it notes is similar to the number of channels it currently offers to its subscribers in Service Area 6, and the number of channels it

¹² Id.

currently offers to customers in Massachusetts, New York, Pennsylvania, Texas, Virginia, Florida, California, Delaware, Indiana, New Jersey and Maryland. A sample list of channels and content packages from Verizon's service offering in Service Area 6 was proffered as an exhibit.¹³

Verizon also indicated that it currently offers an all-digital "premier" package as well as several premium service packages. The application also reflects that Verizon will carry PEG (Public, Educational and Government) programming in its Basic Service. The application additionally reflected that Verizon will provide the Division with updated information on the specific channels and content packages that it will offer in Service Areas 1 and 4 before it begins offering video services to the general public in those service areas.¹⁴

B. Section 3.3(c)(2) - Programming Services

According to its application, Verizon plans to offer the residents of Service Areas 1 and 4 a channel lineup that is "substantially similar" to the one currently offered in Service Area 6. Verizon indicates that the "programming packages" will also be comparable. Copies of the Service Area 6 channel lineup and programming packages were proffered as an exhibit.¹⁵

C. Section 3.3(c)(3) - Description of Proposed System and Operations

Verizon provided an exhibit that generally describes its proposed FTTP System Architecture.¹⁶ This exhibit provides details regarding the FTTP System's "end-to-end" and "full build and overlay" architectures, and also Verizon's

¹³ Id., p. 2 and "Exhibit 2".

¹⁴ Id.

¹⁵ Id., p. 2 and "Exhibit 2".

¹⁶ Id. and "Exhibit 3".

planned construction of a “super headend” a “video hub office” and a “video serving office & passive optical network.”¹⁷ In further conformance with Section 3.3(c)(3), Verizon also provided information on the following topics:

1. General Area for Location of Headend and Antennas - Section 3.3(c)(3)(i).

In describing the location of its headends and antennas, Verizon explained that it would rely on two “Super Head Ends” (“SHE”), located in Florida and Indiana, that will serve as national points for content aggregation. Verizon stated that the SHEs are completely redundant to ensure that there are no interruptions in the national broadcast feeds. Verizon explained that national content travels from the SHE to a regional “Video Hub Office” (VHO) where it is off loaded and integrated with local and regional content. Content is then transported to local “Video Serving Offices” (VSO) for transport to the end users.¹⁸

2. Extent and Type of Information Services to be Offered on Both the Residential and Institutional Networks - Section 3.3(c)(3)(ii).

Verizon states that it also plans to offer “*advanced high speed data capabilities over its Title II FTTP [FiOS] network*” to its subscribers in Service Areas 1 and 4. Verizon explains that the FiOS data product provides consumers with upstream and downstream data capacity that far exceeds anything currently offered in Rhode Island. Verizon also notes that because Title I of the Telecommunications Act governs the FiOS data product, providing the service does not require a cable license.¹⁹

¹⁷ Id., “Exhibit 3”.

¹⁸ Id., p. 3.

¹⁹ Id.

3. Extent and Type of Automated Services to be Provided – Section 3(c)(3)(iii).

Verizon indicated that it currently has no plans to provide automated services related to PEG access facilities or programming.

4. Location of Origination Points and Origination Facilities – Section 3(c)(3)(iv).

Verizon stated that it has no plans to operate such facilities.

5. The Number of Channels, Facilities, Equipment, and Staff to be Made Available for Access Use - Section 3.3(c)(3)(v).

Verizon stated that it plans to carry all Public, Education, and Government (PEG) access channel capacity currently offered by the Rhode Island Public Telecommunications Authority (“RIPTA”) in Service Areas 1 and 4.²⁰

Verizon added that it recognizes its obligation to provide support for a PEG Access studio in Service Areas 1 and 4. Verizon related that pursuant to the terms and conditions of the *Settlement Agreement* filed in Docket No. 2006-C-4, Verizon would provide RIPTA with a grant of \$50,000 plus \$2 per household for each Service Area.²¹ Verizon observed that according to “Exhibit 1 of the *Settlement Agreement*” (included with Verizon’s application as “Exhibit 4”) Service Area 1 has 65,153 households and Service Area 4 has 50,577 households. Based on these totals, Verizon calculated that it would provide RIPTA with grants of \$180,306 for Service Area 1 and \$151,154 for Service Area 4. Verizon further

²⁰ Id.

²¹ The “Settlement Agreement” referred to by Verizon in the instant application was approved by the Division in Docket No. 2006-C-4. Docket No. 2006-C-4 was established in response to Verizon’s February 7, 2006 application filing seeking a Compliance Order Certificate for Service Area 6. The Division granted Verizon’s application and adopted the Settlement Agreement in a report an order issued on December 20, 2006 (See Order No. 18789).

declares that it will also provide Eligible Institutional Users (as that term is defined in the *Settlement Agreement*) with access to its FiOS data product.²²

6. Provisions for Expansion of Channel Capacity and Other Upgrading as Technological Improvements Become Available - Section 3.3(c)(3)(vi).

Verizon explained that its FTTP network is a “state of the art” all fiber upgrade to its existing telecommunications network. Verizon stated that this network, constructed under authority granted by Title II of the Communications Act, will be used to provide high quality voice, and advanced data services, and is also capable of providing video services.²³

D. Section 3.3(c)(4) – Timetable for Completion of Construction

According to its application, Verizon will activate cable service in Service Areas 1 and 4 in accordance with the timetable set forth in Section 8.2 of the Cable Rules. Verizon adds that service will also be provided to subscribers in accordance with all applicable Cable Rule requirements, including Density Standards (Section 10.2 of the Cable Rules) and Verizon’s Line Extension Policy (Section 10.3 of the Cable Rules).²⁴

Verizon states that its VHO facilities serving Rhode Island “are already up and running.” Verizon also relates that it plans to install and activate its VSO facilities within its wire centers during the final stages of its Title II network upgrade. The application further reflects that Verizon will make cable service available to customers served by any given central office in Service Areas 1 and 4

²² Verizon Exhibit 1, p. 3.

²³ *Id.*, p. 4.

²⁴ Verizon attached a copy of its Line Extension Policy to the instant application, as “Exhibit 5”.

when it completes upgrades of that central office area and makes the central office video capable. Verizon expects that it will be able to provide service to portions of Service Areas 1 and 4 shortly after the Division grants the requisite Certificates of Authority to Operate pursuant to Section 3.5 of the Cable Rules.²⁵

E. Section 3.3(c)(5) – Tariff

Verizon stated that its entry into the cable television market of Service Areas 1 and 4 “*will be subject to effective competition as defined in 47 U.S.C. §543 (l)(1),*” and consequently its rates will not be subject to federal or state regulation. Accordingly, Verizon filed a tariff for informational purposes only.²⁶

F. Section 3.3(c)(6) – Terms and Conditions Under Which Service is to be Provided to Educational, Charitable, and Governmental Entities

Verizon stated that it will provide standard video installation and Basic Service at no charge to fire stations, police stations, municipal buildings, hospitals, public and private universities, public libraries, public and private schools, and religious institutions throughout Service Areas 1 and 4 as required under Section 7.3 of the Cable Rules.²⁷

G. Section 3.3(c)(7) – Qualifications and Experience

Verizon identified the following individuals as its cable television leadership personnel, and provided a brief description of their educational and work experience backgrounds:

²⁵ Verizon Exhibit 1, p. 4.

²⁶ Id., p. 4. Verizon attached an exhibit to its application (“Exhibit 6”) that depicts the rates it currently intends to charge its customers in Service Areas 1 and 4.

²⁷ Id., p. 5.

<u>Name</u>	<u>Title</u>
Donna Cupelo	Region President (Massachusetts and Rhode Island)
Terry K. Denson	Vice President – FiOS TV Content Strategy and Acquisition
Shawn M. Strickland	Vice President - FIOS TV Product Management
Mr. James Ho	Video Services Architecture

H. Section 3.3(c)(8) – Current Cable Television and Other Media Holdings

Verizon stated that it currently holds Compliance Order Certificates in Rhode Island Service Areas 2, 3, 6 and 8, and also holds cable franchises in 57 communities in Massachusetts.²⁸

Verizon also indicated that affiliated Verizon companies in California, Texas, Florida, Pennsylvania, Delaware, Maryland, Virginia, Indiana, New Jersey, Oregon and New York have been providing cable services to consumers since the third quarter of 2005.²⁹

I. Section 3.3(c)(9) – Officers, Directors and Ownership Interests

Verizon identified itself as a corporation, incorporated in New York on October 19, 1883. Verizon stated that it is 100% owned by NYNEX Corporation, and that NYNEX Corporation is 100% owned by Verizon Communications, Inc., which is a Fortune 15 company that is publicly traded on the New York Stock Exchange and other stock exchanges.³⁰

²⁸ Id., p. 6. Verizon also proffered an exhibit (“Exhibit 7”) showing the 57 franchising authorities that have granted licenses to Verizon in Massachusetts.

²⁹ Id., p. 6.

³⁰ Id.

Verizon's application also provided the names of five directors and nineteen current officers.³¹

J. Section 3.3(c)(10) – Financial Plan

Verizon stated that it intends to finance the provision of cable television service within Rhode Island from a variety of internally and externally generated funds. The Company noted that its parent company had 2006 revenues in excess of \$88 billion. To further demonstrate the financial strength and stability of the company, Verizon proffered a copy of Verizon Communications, Inc.'s "2006 Annual Report to Shareholders."³² The Annual Report includes the Company's 2006 Income Statement, Balance Sheet, and Cash Flow Report, along with the Auditor's Letter and the Statement of Management. Verizon also provided copies of its most recent financial reports, and its most recent Automated Report Management Information System (ARMIS) report, and the Company's 2006 Form 10-K Report to the Securities and Exchange Commission.³³

K. Section 3.3 (c)(11) – Pro Forma Income Statements and Balance Sheets

Verizon's application indicates that due to the confidential nature of information contained in its pro forma income statements and balance sheets, the Company is submitting the requisite filings under separate cover. Verizon's submittals have been shared with all the parties, pursuant to a confidentiality agreement, and are currently under protective seal.

³¹ Id., pp. 7-8.

³² Id., p. 8 and "Exhibit 8".

³³ Id., and Exhibits 9-11, respectively.

L. Section 3.3(c)(12) – Statement that Public Interest is Served by the Application

Verizon made the following assertion regarding “public interest” and its application filing:

“Granting the application would allow Verizon to bring competition and all its attendant benefits to the cable television market in Service Areas One and Four, which is not currently subject to effective competition. Service Areas One and Four are currently served by a single cable operator (Cox Communications, Inc.), and recent national studies have shown that areas with more than one cable operator have cable rates that are on average 15% lower than areas with a single provider (See Exhibits 12 and 13). We expect that, as it has in other industries, competition will bring greater innovation in products, services and options to cable subscribers in these areas. The issuance of a competitive cable certificate will provide choice to Rhode Island subscribers where none currently exists and therefore is in the public interest.”³⁴

At the conclusion of its application, Verizon additionally indicated that it would maintain a local business office in accordance with the requirements of Sections 13.1 (a)-(c) of the Cable Rules. Verizon related that it has yet to determine the exact locations of the business offices but would provide the specific information to the Division when such information becomes available.³⁵

Verizon also asked the Division for “expedited consideration” of its application. Verizon noted that it has already demonstrated in the recently completed proceedings on its application for a Compliance Order Certificate for Service Area 6, in Docket No. 2006-C-4, and its applications for Compliance Order Certificates for Service Areas 2, 3 and 8, in Docket No. 2007-C-1, “...that it

³⁴ Id., p. 9.

³⁵ Id., p. 8.

*is fit, willing, and technically qualified and financially able to provide cable television service in Rhode Island and to conform to the laws of the state and the requirements, orders, rules and regulations of the Division". Verizon further noted that it "...has also demonstrated to the satisfaction of the Division that Verizon's operation of a cable television system in the state will bring real competition and its attendant customer benefits to the cable television market and thereby serve the public interest". Verizon also observes that the Settlement Agreement that it executed with the Advocacy Section in Docket No. 2006-C-4 "...provides the financial and related terms on which Verizon will support PEG access programming and studios, including in Service Areas One and Four". In closing, Verizon asserts that "[w]ith these factors in mind, ...[it] suggests that there are few, if any, substantive issues to be addressed in this proceeding and that this Application is therefore appropriate for expedited consideration."*³⁶

3. REGULATORY RESPONSE TO VERIZON'S APPLICATION FILING

In Rhode Island, prospective cable television companies must satisfy a three-phase regulatory process before CATV services may actually be provided to subscribers. Each time an applicant successfully completes one of the three regulatory phases, it receives a particular type of "certificate", issued by the Division. The three certificate types are identified and defined below:

- *"Compliance Order Certificate":* a Certificate issued by the Administrator designating a particular applicant as grantee and holder of franchise and ownership rights to a CATV System within a specified Service Area. Such Certificate does not constitute authority to construct or operate a CATV System.

³⁶ *Id.*, p. 9.

- “*Construction Certificate*”: a Certificate issued by the Administrator to a holder of a valid Compliance Order Certificate, authorizing construction of a CATV System which will meet specific design and operational criteria set forth in these rules and orders of the Administrator. Such Certificate shall specify the information required by these rules and the laws of this State. Issuance of a Construction Certificate does not confer authority to operate a CATV System.
- “*Certificate of Authority to Operate*”: a Certificate issued by the Administrator to a holder of a valid Construction Certificate and a valid Compliance Order Certificate, authorizing the operation of a CATV System in compliance with applicable laws, regulations, and orders of the Administrator. Such Certificate shall authorize the holder to begin provision of actual service to the public.³⁷

The instant application seeks issuance of a Compliance Order Certificate, in order to complete the first phase of the regulatory process.

A. Compliance Order Certificate

Procedurally, applicants seeking a Compliance Order Certificate must file an application that, inter alia, provides complete responses to twelve informational questions contained in Section 3.3(c)(1-12) of the Division’s Cable Rules, supra. Applicants are also encouraged to submit supporting documents with their applications.

Based on the information provided in the application, and, if after public hearing and investigation, the Division finds that the applicant is fit, willing, technically qualified, and financially able to perform the service for which it has applied, and is willing and able to comply with the Cable Rules and the laws of

³⁷ See Section 1.2 (h), (l) and (m) of the Cable Rules.

the State of Rhode Island, then the Division is required to issue a Compliance Order Certificate to the applicant.³⁸

Once a Compliance Order Certificate has been issued, the applicant must notify the Division within thirty (30) days to indicate whether it will accept or decline the certificate.³⁹ Acceptance of a Compliance Order Certificate thereafter authorizes and obligates the applicant to meet all requirements set forth in the Cable Rules regarding the second phase of the process, the prerequisite requirements for a Construction Certificate.⁴⁰

B. Construction Certificate

Procedurally, applicants who possess a Compliance Order Certificate, who are seeking a Construction Certificate, must submit the following information and documentation to the Division to satisfy the requirements of the second phase of the regulatory process:

- (1) A map and metes and bounds description of the certified Service Area, showing the planned phases of construction for the entire CATV System, and complete strand mapping showing the routes of all aerial and underground trunk and feeder cables in the distribution system of the initial phase of construction. Upon the request of the Division, the applicant shall submit complete strand maps detailing all aerial and underground trunk and feeder cables of all subsequent construction phases. Such map and description shall also indicate those parts of the Service Area that the applicant anticipates would receive service only through application of the proposed line extension policy;

³⁸ See Section 3.3(d) of the Cable Rules.

³⁹ See Section 3.3(e) of the Cable Rules.

⁴⁰ See Section 3.3(g) of the Cable Rules.

- (2) A complete technical and narrative description of the system design, including system and equipment specifications;
- (3) Proof of conformance with the technical, engineering, and safety standards and codes set forth in these rules;
- (4) Location of towers and headend facilities;
- (5) Proof that the applicant has obtained or applied for all known licenses, and other forms of permission required by State and local government bodies prior to commencement of construction;
- (6) Copies of applications and/or consummated pole attachment, conduit occupancy, and right-of-way agreements;
- (7) Copies of all arrangements with common carrier communications companies or services;
- (8) Proof of a satisfactory method of maintenance and continuing records of operations to show adequacy of service and performance and continuing financial responsibility;
- (9) Satisfactory evidence of liability insurance coverage in amounts specified by Chapter 12 of these rules; and
- (10) Any corrections, updates or amplifications, to items filed at the time of application for a Compliance Order, including especially system design parameters required to be filed by Section 3.3(c)(3) of these rules.⁴¹

If upon receipt and after consideration the Division finds that the applicant for a Construction Certificate has met all of the conditions, terms, and requirements for the Compliance Order Certificate, and the Cable Rules, then the Division must grant a Construction Certificate to the applicant.⁴² An applicant in

⁴¹ See Section 3.4(b)(1-10) of the Cable Rules.

⁴² See Section 3.4(c) of the Cable Rules.

possession of a Construction Certificate is then authorized to commence actual construction of a CATV system in Rhode Island.⁴³

C. Certificate of Authority to Operate

The holder of a Construction Certificate must give the Division sixty (60) days prior written notice before the anticipated date when the CATV system (or initial segment thereof) will be ready for commencement of delivery of services to the public.⁴⁴ Upon receipt of such notice, the Division is required to conduct a duly noticed public hearing.⁴⁵

Applicants for a Certificate of Authority to Operate are required to file a complete copy of the proposed customer contracts; rules and regulations; and any and all changes, corrections, additions and clarifications to documents previously filed with the Division.⁴⁶

After the Division has had an opportunity to conduct a hearing, and upon the Division's determination that the applicant has complied with applicable statutes, the Cable Rules, and any additional terms, conditions, and requirements that may be imposed upon the applicant by the Division, the Division shall issue a Certificate of Authority to Operate to the applicant.⁴⁷

⁴³ See Section 3.4(d) of the Cable Rules.

⁴⁴ See Section 3.5 (b) of the Cable Rules.

⁴⁵ See Sections 3.5(a) and (b) of the Cable Rules.

⁴⁶ See Section 3.5(c) of the Cable Rules.

⁴⁷ See Section 3.5(d) of the Cable Rules.

D. Timetable

Section 8 of the Cable Rules establishes a mandatory timetable for the completion of the above-described three-phase regulatory process. The timetable is reproduced below:

- (a) All known necessary governmental permits, licenses, authorizations, and certificates (except a Construction Certificate) shall be applied for within ninety (90) days of the date of acceptance of a Compliance Order Certificate.
- (b) The holder of a Compliance Order Certificate shall meet all requirements for granting of a Construction Certificate (as set forth in Section 3.4 of these rules) within two hundred seventy (270) days from and after the applicant's acceptance of a Compliance Order Certificate.
- (c) Construction of a CATV system shall begin within ninety (90) days of completion of contiguous make-ready work for the first phase of construction; provided further that applications for such make-ready work shall be made within thirty (30) days of receipt of a Construction Certificate.
- (d) The Certificate holder shall maintain current duplicate copies of all as-built design maps for its system at its local business offices, one of which shall be deemed to be the Division's copy.
- (e) The Certificate holder shall give the Division at least sixty (60) days written notice of the date on which the CATV System or portion thereof is expected to be ready for commencement of service to the public.
- (f) Subscriber service shall commence as soon as practicable following receipt of a Certificate of Authority to Operate.
- (g) The CATV Company's complaint department, in compliance with Section 13.2 of these rules, shall begin operation at the same time as service commences.
- (h) Within one year after receipt of a Construction Certificate, the holder thereof shall have completed

sufficient construction to make service available to both potential residential Subscribers and institutional Subscribers and/or users in at least twenty percent (20%) of the Service Area, or have completed construction of at least one hundred (100) plant miles of Residential Network cable, whichever is greater. Thereafter, service on both the Residential and Institutional Networks shall be made available to potential Subscribers and users at the rate of twenty (20%) percent of the Service Area per year.

- (i) Unless the Administrator shall have waived the requirement, within five years from the receipt of the Construction Certificate the holder thereof shall have made service available to all potential residential Subscribers and designated institutions in those portions of its service area meeting the density tests described in section 10.2 of these rules.
- (j) For the purposes of this section, "to make service available" shall mean to pass homes or designated institutions with energized Residential Network or Institutional Network trunk cable (as appropriate) so that those homes or institutions may be connected to the system.⁴⁸

4. PUBLIC HEARING AND APPEARANCES

The Division conducted a duly noticed public hearing in this phase of the docket in the Division's hearing room, located at 89 Jefferson Boulevard in Warwick, on January 7, 2008. The following counsel entered appearances at the hearings:

For Verizon:	Joseph DeAngelis, Esq., and Alexander W. Moore, Esq.
For Cox:	Alan D. Mandl, Esq.
For the Division's Advocacy Section:	Leo Wold, Esq. Special Assistant Attorney General

⁴⁸ See Section 8.2(a-j) of the Cable Rules.

For Full Channel:

William C. Maaia, Esq.

5. VERIZON'S DIRECT CASE

Verizon presented three witnesses in support of its application. The witnesses were identified as Mr. Paul Trane, the Principal Consultant at Telecommunications Insight Group (TIG), 38 Union Square, Somerville, Massachusetts; Ms. Theresa L. O'Brien, Vice President of Regulatory Affairs at Verizon, 234 Washington Street, Providence, Rhode Island; and Mr. Edward J. Gee, Director in Network Engineering for Verizon, 251 Locke Drive, Malborough, Massachusetts.

Verizon's three witnesses, presented as a panel, began their direct testimony by providing an introductory discussion regarding their individual work experiences and educational backgrounds. The panel initially discussed Verizon's business structure and the telecommunications services that Verizon currently offers in Rhode Island; and also the qualifications and experience of Verizon's video management team in Rhode Island.⁴⁹

The panel additionally described the type of video services that Verizon plans to offer in Service Areas 1 and 4 and the proposed pricing for its services.⁵⁰ The panel also discussed the terms and conditions under which Verizon will offer free service to educational and governmental entities.⁵¹ The panel also provided details regarding Verizon's ownership in other cable television systems.⁵² The panel also briefly confirmed that Verizon plans to fully comply with all Division

⁴⁹ Verizon Exhibit 2, pp. 1-4.

⁵⁰ Id., p. 5.

⁵¹ Id., pp. 5-6.

⁵² Id., p. 6.

requirements related to the maintenance of a local business office, emergency communications services, line extension policies, and construction timetables.⁵³

The panel next discussed Verizon's proposed system architecture. The following description was offered:

"A national Super Head End (SHE) serves as a single point to aggregate national content. The content is encoded into MPEG2 streams and transported over a SONET ring to a VHO. The VHO serves as a point where local or metro content is collected. Content from the SHE is combined with local content and Interactive Program Guides are created before being sent out to the end user subscribers. Cable television traffic is converted to optical data signals at the VHO and transported over Verizon's metro area, inter-office facilities (IOF) to VSOs. At the VSO, voice and high-speed data signals may be combined with cable television data before its final transport to end user subscribers over Verizon's FTTP Passive Optical Network (PON). Once the signal reaches the end user subscriber, the optical cable television signal is converted to an electrical signal which is distributed to cable ready TVs and standard set top boxes (STBs) through standard coaxial cables. Verizon will monitor and control the cable television platform from a remote Network Operations Center (NOS) location twenty-four hours per day, seven days a week."⁵⁴

The panel next explained how the SHE (super headend), VHO (video hub office) and VSO (video service office) function together and how the optical signal ultimately reaches the customer.⁵⁵ The panel also compared Verizon's proposed CATV system to the CATV system currently used by Cox in Service Areas 1 and 4, as follows:

"The current system in use in Service Areas One and Four uses a combination of fiber optic cable and

⁵³ Id., pp. 6-7.

⁵⁴ Id., pp. 7-8.

⁵⁵ Id., pp. 8-10.

standard copper coaxial cable to reach customers' premises. Fiber cable is extended from a cable head-end location to optical nodes typically serving 250-400 customers. The optical signal is converted to electrical at these node locations and coax cable is used to transport the signal from the node to the customer's premise [sic]. This coax cable is shared by the customers served from the node and therefor limits the amount of bandwidth available to each customer. Verizon New England's system brings fiber optic cable all the way from the central office to the customers' premises. The advantage to Verizon New England's system is that there is no loss of speed or capabilities as when using copper. Additionally, the current copper wire system in use has limited capabilities, while Verizon's FIOS system is limited only by the technology itself; as the technology develops the capabilities of the FIOS system will increase. The fiber essentially has unlimited bandwidth; it is the equipment/technology on the ends that limit the bandwidth. As services requiring more bandwidth are offered, the equipment on the ends of the fiber can be modified to provide the additional bandwidth. The FIOS system, unlike standard wire, is able to handle multiple upstream and downstream transmissions at a much faster speed and will allow greater capabilities for video on demand services than the old-fashioned copper wire system."⁵⁶

In their closing remarks the panel discussed the advantages of competition and why the granting of Verizon's application would be in the public interest. The panel related that Verizon is seeking to bring competition and its attendant benefits to the cable television market in Service Areas 1 and 4. The panel reiterated that recent national studies have shown that areas with more than one cable operator have cable rates that are on average 15% lower than areas with a single provider. The panel related that they "...expect that, as it has in other industries, competition will bring greater innovation in products, services and

⁵⁶ Id., p. 10.

options to cable subscribers in the Area.”⁵⁷ The panel also alluded to the *Settlement Agreement* entered into between Verizon and the Advocacy Section in Docket No. 2006-C-4, wherein Verizon agreed to provide substantial grants to the Division to support PEG access programming and provide eligible institutional users with access to Verizon’s high speed FiOS business data product. The panel related that Verizon would honor that agreement in Service Areas 1 and 4 as well. The panel also opined that “*the issuance of competitive cable certificates will provide choice to Rhode Island subscribers where none currently exists, additional resources for PEG Access programming, and access by institutional users to services that are not currently available to them...*”⁵⁸ The panel subsequently contended that this competition will “*serve the public interest.*”⁵⁹

6. COX’S DIRECT CASE

Cox did not proffer any witnesses in this docket. However, Cox did file a “Position Statement” on December 20, 2007, prior to the commencement of the scheduled public hearing. In its Position Statement, Cox stated that it “does not oppose Verizon’s Application, but believes that there are issues that should be further investigated by the Advocacy Section and Division.”⁶⁰

As its first issue, Cox asserted that Verizon’s adherence to its obligations in Service Area 6 is relevant to the Division’s decision in this proceeding and should be examined by the Advocacy Section. In support of this request, Cox observed that when it applied for a Compliance Order Certificate for Service Area 5 in 2000,

⁵⁷ *Id.*, p. 10.

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ Cox Exhibit 1, p. 1.

the Division “took into account in determining Cox’s fitness, willingness and technical qualifications to perform the service for which it had applied Cox’s successful construction and operation of cable systems in other Rhode Island service areas.”⁶¹ Cox asserted that the Division should apply the same standards to Verizon.⁶²

Cox also contended that the Division must ensure that Rhode Island’s level playing field requirements under R.I.G.L. §39-19-3 will be satisfied, “including but not limited to public access obligations.”⁶³ Toward this end, Cox urged the Division to “take evidence” on Verizon’s satisfaction of level playing field requirements as to Service Areas 1 and 4.⁶⁴

Cox also urged the Division to reject that portion of Verizon’s “Public Interest Statement” that “insinuates that the entry of a second cable operator (e.g., Verizon) into Service Areas 1 and 4 will result in cable rates that are on average fifteen percent (15%) below the cable rates that apply today in Service Areas 1 and 4.”⁶⁵ Cox maintains that the studies cited by Verizon are outdated and flawed. Specifically, Cox argues that the GAO study (Exhibit 12 to Verizon’s application) and the FCC Report (Exhibit 13 to Verizon’s application) on which Verizon relies are based upon 2001 and 2005 data, respectively. Cox argues that the foregoing study and report “did not take into account more recent information that price increases of wireline competitors of cable are outpacing those of

⁶¹ Id., pp. 1-2 (referring to Docket No. D-00-C-5 and Order No. 16646 issued on June 26, 2001).

⁶² Id., p. 2.

⁶³ Id.

⁶⁴ Id.

⁶⁵ Id.

cable...”⁶⁶ Cox claims that the “FCC’s snapshot completely ignores marketplace developments that have more recently occurred, including the efforts of telephone companies to provide cable service.”⁶⁷ Cox added that the “FCC’s approach as well as that taken by the GAO ignore the pricing of bundled service offering[s] that include cable, voice and high speed Internet access.”⁶⁸

In further support of its argument, Cox observed that Verizon has already increased cable rates by 7.6% to \$42.99 in November 2006 in franchise areas where it provided cable service.⁶⁹ Regarding this increase, Cox requested that the Advocacy Section should inquire of Verizon during the public hearings whether it has provided notice of the rate increases to subscribers in Service Area 6 and submitted informational rates to the Division that reflects rate increases applicable in Service Area 6 and anywhere else in Rhode Island.⁷⁰

In its closing comments on this issue, Cox maintained that because Verizon has stated that “it is not claiming that its rates would bear any particular relationship to the existing rates of Cox, the above portion of its public interest statement...is irrelevant to the Division’s decision and should not be used as a basis for the Division’s finding that the award of Compliance Order Certificates is in the public interest.”⁷¹

⁶⁶ Id., footnote 3.

⁶⁷ Id.

⁶⁸ Id.

⁶⁹ Id., p. 3.

⁷⁰ Id.

⁷¹ Id. Cox’s observation that Verizon “is not claiming that its rates would bear any particular relationship to the existing rates of Cox” is based upon arguments made by Verizon during a discovery dispute that was decided by the hearing officer prior to Cox’s submission of its Position Statement.

7. FULL CHANNEL'S POSITION

Full Channel also did not proffer any witnesses in this docket. Instead, Full Channel filed a "Position Memorandum" on December 21, 2007.⁷²

In its Position Memorandum, Full Channel initially opined that the instant application process "is too aggressive and ignores the practicality of providing intervenors, especially the small independent cable operator like Full Channel, adequate time to prepare, to participate and to pose a relevant challenge toward the applicant." Full Channel also opined that the "Administrator in the current Verizon application sets a new tone, creates a different hearing environment and brakes from the historical past and past practice." However, Full Channel subsequently changed course on its claim that the application process has been unfairly aggressive and proffered the following declaration:

"This is **not necessarily** a complaint. Full Channel stated that it "and apparently Cox... do not find the Administrator's less protracted procedure a bad procedure. Full Channel agrees with certain aspects of the changed hearing process. Perhaps in the near future, Full Channel will benefit from the changes as well and should be afforded a more expedited entry into the same market service area. More emphasis on allowing competition rather than unnecessary scrutiny is a good thing. Full Channel, a known operator with a proven record of operating cable for over twenty-five (25) years should not face an antiquated procedure developed back in the beginning for inexperienced unproven applicant(s). The intent of the statute(s), encouraging competition and ordering a level playing field, is designed to foster and assist all applicants, particularly for the local independent company, not to be so rigid as to stifle or eliminate any qualified applicant from the market. The public interest is better served with more choice and

⁷² Full Channel Exhibit 1.

choice(s) that particularly include locally owned operators.”⁷³

After making the above statement, Full Channel emphasized that it currently has an application for a Compliance Order Certificate for Service Area 4 (East Providence only) pending before the Division.⁷⁴ It thereupon expressed concern that “Verizon may now be allowed to move forward before Full Channel.” Full Channel contends that the public interest would benefit by allowing small cable operators, like Full Channel, to compete with the larger cable operators, like Cox and Verizon. To ensure that “the public has a choice” Full Channel suggests that the Division “would better serve the public interest by halting or curtailing the approval of Verizon and not allow Verizon rapid entry into East Providence.”⁷⁵ Full Channel also argues that Verizon should first prove itself in the other service areas it is authorized to operate in Rhode Island before the Division authorizes an expansion into Service Areas 1 and 4.⁷⁶ Regarding Full Channel’s hopes to enter the East Providence market before Verizon, Full Channel states that it “clearly seeks the regulator’s consideration, assistance and protection.”⁷⁷

Full Channel next focused upon Verizon’s line extension policy, which Full Channel described as “confusing and contradictory.” As an example, Full Channel compared two references in the policy, one that states that the customer will be responsible for “all costs” and another that states that the customer will be

⁷³ Id., pp. 1-2.

⁷⁴ See Docket No. D-2003-C-2. This docket had been stayed by the Division, on August 12, 2005, until a recent lifting of the stay on October 16, 2007. The details behind the stay are contained in Order Nos. 18317, 18399 and 19104.

⁷⁵ Id., pp. 2-3.

⁷⁶ Id., p. 3.

⁷⁷ Id., p. 3.

responsible for only the “incremental costs”. Full Channel relates that it “does not understand what incremental or additional costs they [sic] [there] would be above the normal costs associated with the construction of a line extension.” Full Channel reasoned as follows:

“In theory, the cost to construct a line extension passing one home would be less than the same line extension passing 50 homes. Because there are fewer homes, less equipment is required. There would be no incremental cost.”⁷⁸

Full Channel also raised concerns regarding some of Verizon’s statements relative to “channel capacity”. On the issue of channel capacity, Full Channel opines that Verizon improperly describes its channel capacity “as up 860 MHz.” Full Channel maintains that channel capacity refers only to the maximum number of channels to be carried on the proposed system, while 860 MHz refers to the bandwidth on the proposed system.

Full Channel also posed a number of questions relative to Verizon’s repeated references to “Title II of the Communications Act,” to wit:

- Does Title II of the Communications Act pertain to telecommunications services or video services?
- Did Verizon receive universal service support in accordance with the Communications Act? How much?
- Does Title II make any reference to providing video services to subscribers?
- What is the incremental cost between the Title II upgrade and the Title II upgrade with the capacity of providing video services?
- With the Title II upgrade, how many homes in Service Area 1 or Service Area 4 have been connected using fiber optic cable and optical

⁷⁸ *Id.*, p. 4.

electronics to directly link homes' who did not subscribe to Verizon's video or internet services?⁷⁹

Full Channel next discussed its perceived inconsistency regarding Verizon's promise that it will activate cable services in accordance with the timetable set forth in Section 8.2 of the Cable Rules. Full Channel questions how Verizon can say it will comply with the timetable prescribed in Section 8.2 and then later state that: "[s]cheduling of such activity is based on multiple factors, including budget considerations, availability of sufficient workforce, permitting issues and equipment availability... [and] [f]or these reasons, the schedule stated here may shift or be altered."⁸⁰

Full Channel next questioned Verizon's understanding of Section 7.3 of the Cable Rules. Of particular interest to Full Channel, was Verizon's statement that it would, pursuant to Section 7.3 of the Cable Rules, "provide standard video installation and Basic Service at no charge to fire stations, police stations, municipal buildings, hospitals, public and private universities, public libraries, public and private schools, and religious institutions through Service Areas One and Four." In response to this claim, Full Channel observed that Section 7.3 of the Cable Rules "makes no reference to providing Basic Services" and therefore questioned why Verizon plans to provide the services "at no charge...even though it is not required under Section 7.3 of the Rules?"⁸¹ Finally, Full Channel

⁷⁹ Id., pp. 5-6.

⁸⁰ Id., p. 6.

⁸¹ Id., p. 7.

questioned “under what conditions will Verizon provide free high-speed data service to institutional users?”⁸²

Additionally, Full Channel also questions why Verizon claims that it ‘has been providing services to residents, businesses and governments within the State of Rhode Island for some one hundred years’ when “cable service has not been around for 100 years.”⁸³

In its concluding comments, Full Channel argued that Verizon’s video cable experience is far less than the many years Verizon claims. Full Channel thereafter reiterated that:

“The more prudent course of action would be to contain Verizon’s rapid expansion and require a ‘test of time’ to determine how well Verizon provides video cable services in the already approved service areas it now is authorized to operate. What’s the risk? Cox...and Full Channel clearly have cable television track records. A temporary halt to allow Verizon time to prove itself does not at all appear unreasonable.”⁸⁴

8. PUBLIC COMMENTS

Four individuals, including two elected public officials offered public comment during the hearings conducted in this docket. All the comments were in support of Verizon’s application. These individuals included the Honorable Senator John J. Tassoni, Jr., representing Senate District 22 (Smithfield and North Smithfield); the Honorable Representative Raymond Church, representing House District 48 (Burrillville and North Smithfield); Mr. Michael Cassidy, the Director of Planning and Redevelopment for the City of Pawtucket; and Mr.

⁸² Id.

⁸³ Id., pp. 7-8.

⁸⁴ Id., p. 8

Edward Tetzner, representing the Mayor of Pawtucket's Government Affairs Office.

The Division additionally received letters of support from the Honorable Senator Daniel DaPonte, representing Senate District 14 (Providence, East Providence and Pawtucket), and the Honorable Representative Roger A. Picard, representing House District 51 (Woonsocket). These letters were identified and added to the record.

None of the public comments received in this docket reflected any expressed opposition toward Verizon's application. Generally speaking, the tenor of the comments indicated support for the "choice" and "competition" that Verizon's proposed cable television services would bring consumers in Service Areas 1 and 4.

9. ADVOCACY SECTION'S POSITION

The Advocacy Section also decided not to proffer any witnesses in this proceeding. At the January 7, 2008 hearing the Advocacy Section declared that it "supports the application of Verizon." The Advocacy Section added that there were "no outstanding issues, in our opinion, that need to be brought forth before the hearing officer..."⁸⁵

10. COX'S FINAL POSITION

Cox proffered its final position in this docket through a post-hearing memorandum submitted on January 28, 2008. Through this memorandum, Cox

⁸⁵ The Advocacy Section additionally submitted a final position letter on January 30, 2008 wherein it briefly reiterated its earlier position taken at the January 7, 2008 hearing.

reiterated the concerns it initially raised in its December 20, 2007 “Position Statement,” supra.

Cox again urges the Division to reject Verizon’s “public interest statement” based on Cox’s perception that the statement “insinuates that entry of a second cable operator (e.g., Verizon) into Service Areas 1 and 4 will result in cable rates that are on average fifteen percent (15%) below the cable rates that apply today in Service Areas 1 and 4.” Cox argues that Verizon has not claimed that “its” cable rates are or will be 15% less than those charged by Cox; or that its entry into a Service Area now served by Cox alone will result in 15% reductions in cable rates. Accordingly, Cox asserts that Verizon’s public interest statement is “irrelevant to the Division’s decision and should not be used as a basis for the Division’s finding that the award of Compliance Order Certificates is in the public interest.”⁸⁶

Cox also asserted that the Division must apply the same substantive standards to Verizon as have been applied to other applicants for a Compliance Order Certificate. As an example, Cox suggested that Verizon ought to be compelled to provide “strand maps” with its application, and be required to “know the mileage that must be built out” in Service Areas 1 and 4.⁸⁷

Cox further asserted that “at some point” the Division must consider Verizon’s track record in other Service Areas where it is providing cable service. As contended in its direct case, Cox repeated its observation that when it applied for a Compliance Order Certificate for Service Area 5 in 2000, the Division “closely

⁸⁶ Cox’s Post-Hearing Memorandum, pp. 2-3.

⁸⁷ Id., p. 4.

examined Cox's successful construction and operation of cable systems in other Rhode Island service areas in determining Cox's fitness, willingness and technical qualifications to perform the service for which it had applied."⁸⁸ Cox again asserted that the Division should apply the same standards to Verizon.⁸⁹

Cox also reiterated that the Division must ensure that Rhode Island's level playing field requirements under R.I.G.L. §39-19-3 will be satisfied, "including but not limited to public access obligations."⁹⁰ Cox maintained that the Division "should make findings that Verizon will meet the obligations imposed on Cox pursuant to the Division's Cable Rules and otherwise comply with applicable laws and orders of the Division."⁹¹

11. FULL CHANNEL'S FINAL POSITION

Full Channel similarly proffered its final position in this docket through a post-hearing memorandum submitted on January 28, 2008. In its initial comments, Full Channel adopted the contents and arguments of its previously submitted "Position Statement" in this docket, supra. Full Channel contends that the issues it raised in its Position Statement "should be weighed and considered before approval of Verizon's application."⁹²

Full Channel next discussed the "theoretical intent of competition," which it characterized as being synonymous with "lower prices."⁹³ Whereupon Full

⁸⁸ Id. (referring to Docket No. D-00-C-5 and Order No. 16646 issued on June 26, 2001).

⁸⁹ Id., pp. 4-5.

⁹⁰ Id., p. 5.

⁹¹ Id.

⁹² Full Channel Post-Hearing Memorandum, p. 2.

⁹³ Id., p. 3.

Channel faulted Verizon for failing to produce any evidence to show that its entry into Service Areas 1 and 4 would lead to lower cable prices for consumers.

Full Channel next requests that the Division consider Verizon's inability to presently quantify the number of miles it will be required to build out in Service Areas 1 and 4; and the fact that Verizon's witnesses were unable to provide data on the number of miles built out to date in Service Area 6. Full Channel asserts that the Division should "have the benefit of this information" before approving the instant application. Full Channel then reiterated its previous suggestion that the Division "evaluate how successful Verizon is doing 'cable television wise' before allowing them into additional service areas."⁹⁴

Full Channel also criticized Verizon for not being able to provide details during the hearing (during cross-examination) about the Company's rates for its "leased channel" services or whether the Company's website provided accurate channel designations for such services. Full Channel also criticized Verizon for a policy that suggests that its customers' viewing habits are being "monitored" by Verizon.

12. DISCUSSIONS AND CONCLUSIONS

A. Burden of Proof - Compliance Order Certificate

In considering applications for Compliance Order Certificates, the Division is charged with the responsibility of determining whether the applicant has satisfied the specific burden of proof established in Section 3.3 of the Cable Rules, supra, and Rhode Island General Laws, Section 39-19-4 ("R.I.G.L. §39-19-

⁹⁴ Id., p. 4.

4"). If the applicant has satisfied the requisite burden of proof the Division must grant the application.

Section 3.3 of the Cable Rules sets forth minimum filing requirements that a prospective CATV company must incorporate into its application for a Compliance Order Certificate (See Section 3.3(c)(1-12), supra). Specifically, all applications must include information on twelve categories of detail relative to the proposed CATV system. In addition to the minimum filing requirements, applicants may proffer whatever other additional relevant information they desire, in furtherance of buttressing the application.

Upon receipt of the application and the requisite quantum of supporting documents and information, the application is officially assigned a docket number and a public hearing is noticed and conducted. During the hearing the applicant may present witness testimony and other relevant and admissible evidence in support of the application.

In this docket, Verizon filed its application with the Division on March 8, 2007. Upon receipt and review by the Division, Verizon's application was determined to be in compliance with the minimum filing requirements noted above, and was officially docketed on March 15, 2007. Thereafter the Division bifurcated itself into advocacy and adjudicative components and the Administrator appointed a hearing officer. Subsequently, a procedural schedule was adopted and a public hearing was noticed and conducted.

Predicated on the totality of the record evidence compiled during the hearing held in this docket, the Division must now decide whether Verizon:

“... is fit, willing, technically qualified, and financially able to perform the service for which it has applied, and to conform to the requirements, orders, rules, and regulations of the Division and the laws of Rhode Island and that the proposed operation will be consistent with the public interest”⁹⁵

The aforementioned language, from the Cable Rules and statute, constitutes the precise burden of proof that Verizon must satisfy in order to be granted a Compliance Order Certificate in this docket. Notwithstanding the burdens of proof that exist in the subsequent CATV certificate application phases and the so-called “level playing field” issues raised by the Intervenors, the issuance of a Compliance Order Certificate must hinge exclusively upon the burden of proof described above.

B. Level Playing Field

With respect to “level playing field” issues, the concomitant burden is on the Division and not the applicant. In short, the Division must ensure that fair competition between CATV companies is fostered and preserved. An otherwise qualified applicant cannot be denied a Compliance Order Certificate on the basis of “level playing field” deficiencies. If potential deficiencies are identified, the Division is charged with the regulatory responsibility of correcting them.

13. FINDINGS

A. Verizon’s Fitness, Willingness and Technical Qualifications to Perform the Service for Which It has Applied.

The question of Verizon’s “willingness” to perform the service for which it has applied is obvious. Clearly, the time and resources expended by Verizon in

⁹⁵ See Section 3.3(d) of the Cable Rules and R.I.G.L. §39-19-4.

furtherance of its application for a Compliance Order Certificate is sufficient proof of its willingness to perform the proposed services.

With regard to the issue of Verizon's fitness and technical qualifications, the Division observes that the related evidence offered by Verizon in this docket is indistinguishable from the evidence the Company proffered in its earlier February 7, 2006 and March 8, 2007 applications for authority to operate as a cable television service provider in Service Area 6 (Docket No. 2006-C-4) and Services Areas 2, 3 and 8 (Docket No. 2007-C-1), respectively, supra.

However, unlike in the prior Service Area 2, 3, 6 and 8 proceedings, the Intervenors have now questioned Verizon's fitness and technical qualifications. Both Cox and Full Channel assert that the Division must evaluate Verizon's construction activities and operations in Service Area 6 before approving the instant application. In support of this assertion, Cox argues that the Division performed a similar evaluation on Cox's statewide construction activities and operations when Cox was seeking a Compliance Order Certificate in Service Area 5 in 2001. Full Channel further questioned Verizon's fitness and technical qualifications by emphasizing that Verizon's witnesses did not know the exact number of miles to be built out in Service Areas 1, 4 and 6 or the channel designations for Verizon's leased access channels. Full Channel additionally questioned whether Verizon was improperly "monitoring" the viewing patterns of its customers, presumably, another "fitness" issue to be considered by the Division. Full Channel next piled-on with a laundry-list of claims and disparagements that Verizon's line extension policy is "confusing and

contradictory;" that Verizon has improperly described its channel capacity in terms of "bandwidth" capacity; that Verizon has improperly blurred the regulatory line between cable and telecommunications services by repeated references to Title II of the Communications Act; that Verizon's proposed timeline for activating cable services in Service Areas 1 and 4 is inconsistent with Section 8.2 of the Cable Rules; that Verizon has incorrectly interpreted the requirements of Section 7.3 of the Cable Rules with respect to providing standard video installation and Basic Service at no charge to fire stations, police stations, municipal buildings, hospitals, public and private universities, public libraries, public and private schools, and religious institutions, and for providing high-speed data service to institutional users; and finally that Verizon has intentionally misled the Division by declaring that it has been providing services to residents, businesses and governments within the State of Rhode Island for over 100 years.

Notwithstanding the Intervenor's aforementioned fitness and qualifications-related attacks, for the same reasons the Division concluded that Verizon had satisfied this requisite burden of proof in its Service Area 6 and Service Areas 2, 3 and 8 cases, the Division finds that Verizon has met its burden of proving that it is fit and technically qualified in the instant docket. The Division notes that Verizon is currently operating successful CATV systems in Rhode Island and Massachusetts, and that Verizon-affiliated companies also operate successful CATV systems in California, Texas, Florida, Pennsylvania, Delaware, Maryland, Virginia, Indiana, New Jersey, Oregon and New York. The Division also finds that

Verizon's 860 MHz FTTP network design constitutes state-of-the-art broadband technology.

The Division also predicates its decision on a finding that the Intervenor's arguments against Verizon's fitness and technical qualifications are utterly baseless, as explained below:

- Regarding the assertion that the Division must evaluate Verizon's construction activities and operations in Service Area 6 (and arguably Service Areas 2, 3 and 8 as well) before approving the instant application, the Division finds neither evidence on the record to suggest that Verizon's Service Area 6 (or Service Areas 2, 3 and 8) construction and operations practices have violated any Cable Rules, nor a requirement in the Cable Rules that mandates such an evaluation as a precondition to the issuance of additional Compliance Order Certificates.

Furthermore, the Division disagrees with Cox's characterization of what its burden of proof was in its Service Area 5 Compliance Order Certificate proceeding in Docket No. D-00-C-5. In its final report and order in that case, Order No. 16646, the Division simply made a comparison between the scrutiny required to evaluate Cox's "fitness" and "technical qualifications" and the scrutiny that was required to evaluate the "fitness" and "technical qualifications" of American Broadband of Rhode Island, Inc. ("ABI"), a company who had previously filed an application for a Compliance Order Certificate with the Division in 2000, a company who the Division described as "a neophyte to the Rhode Island CATV

market.”⁹⁶ In Order No. 16646 the Division contrasted Cox from ABI, by finding that the Division “needed to carefully scrutinize...[ABI’s] principals and officers and their individual and collective abilities to construct and operate the state-of-the-art CATV system that ABI claimed it would build” and that “this type of analysis...[was] not required in the case of Cox.” In making this distinction, the Division relied on the fact that Cox had been operating a CATV system in Rhode Island since 1981, and that over the previous twenty years, Cox had expanded its operations into ten of the State’s [then] thirteen CATV Service Areas. The Division also recognized that Cox [then] served 288,072 subscribers and that its full service network (FSN) was already fully tested and operational.⁹⁷ In the final analysis, the Division determined that a detailed evaluation of Cox’s fitness and technical qualifications (i.e, an examination of construction and operations practices) was unnecessary because Cox’s principals and network were already in place and known to the Division.

Contrary to Cox’s claim in this docket, the Division never required it to submit to a detailed evaluation of its construction and operation practices in its Service Area 5 Compliance Order Certificate proceeding in Docket No. D-00-C-5. Indeed, the opposite is true. By virtue of its known principals and existing network, Cox was spared from the type of scrutiny that ABI faced and that the Division reserves for unknown and untested applicants. The same finding is appropriate in this docket. Verizon’s principals and FiOS network are similarly

⁹⁶ ABI’s application for a Compliance Order Certificate had been adjudicated in Docket No. D-00-C-3.

⁹⁷ See Order No. 16646, pp. 43-44.

already in place and known to the Division and that further detailed scrutiny of Verizon's construction and operations practices are also unnecessary. The Division finds that Verizon has more than adequately demonstrated its fitness and technical qualifications to build and operate a CATV system in Service Areas 1 and 4.

- The Division finds Full Channel's suggestion that Verizon is somehow unfit and/or not technically qualified because its witnesses did not know the exact number of miles to be built out in Service Areas 1, 4 and 6 or the channel designations for Verizon's leased access channels, to be unreasonable. Not knowing the number of linear miles of public roadways in Service Areas 1 and 4 is not a crucial element to a determination of Verizon's fitness and technical qualifications. What is important is that Verizon remains committed to build out the Service Areas in conformance with the time requirements and density standards prescribed in the Cable Rules.⁹⁸

On the issue of leased access channels, the Division finds that Verizon has adequately addressed Full Channel's concern in its post-hearing data response.⁹⁹

- The Division finds no merit in Full Channel's assertion that Verizon may be improperly "monitoring" the viewing patterns of its customers. Based on the testimony elicited during the hearing, the Division is satisfied that Verizon

⁹⁸ Tr. 34. Verizon agrees to "build 100 percent of the service area consistent with the rules."

⁹⁹ Tr. 44-47. Verizon responded to Full Channel's inquiry about the channel designations for leased access in a response dated January 17, 2008.

does not monitor individual subscriber viewing patterns in a way that is inconsistent with State and federal law.¹⁰⁰

- The Division finds no merit in Full Channel's assertion that Verizon's line extension policy is "confusing and contradictory." Verizon's line extension policy was thoroughly vetted in the last two dockets (Docket Nos. 2006-C-4 and 2007-C-1). Despite Full Channel's assertions, the Division finds that Verizon's line extension policy is neither confusing nor contradictory.

- The Division finds no material issue for consideration in Full Channel's criticisms that Verizon improperly described its channel capacity in terms of "bandwidth" capacity, and has improperly blurred the regulatory line between cable and telecommunications services by repeated references to Title II of the Communications Act.

- The Division finds no material issue for consideration in Full Channel's assertion that Verizon's proposed timeline for activating cable services in Service Areas 1 and 4 is inconsistent with Section 8.2 of the Cable Rules. The Division finds that Verizon's statement that its timeline for completing construction is based upon "budget considerations" the "availability of sufficient workforce" and "permitting issues and equipment availability" is not inconsistent with Section 8.2 of the Cable Rules. Section 8.2 prescribes deadlines. Verizon's statement of limitations relates to how soon it believes it could complete the build out of Service Areas 1 and 4. No conflict is present.

¹⁰⁰ Tr. 54-62.

- The Division disagrees with Full Channel's assertion that Verizon has incorrectly interpreted the requirements of Section 7.3 of the Cable Rules with respect to providing standard video installation and Basic Service at no charge to fire stations, police stations, municipal buildings, hospitals, public and private universities, public libraries, public and private schools, and religious institutions, and for providing high-speed data service to institutional users.

Full Channel contends that Section 7.3 "makes no reference" to these services. While it is true that there is no specific reference or mandate for providing these services, Section 7.3(c) provides that "[a]ll existing or to be negotiated settlement agreements with respect to Information Services provided over Institutional Networks shall remain in full force and effect." In the case of Verizon, the data services that it proposes to offer institutional users is required under the settlement agreement it executed with the Advocacy Section, and which was approved by the Division, in Docket No. 2006-C-4, supra. Verizon is also bound to that agreement in Service Areas 1 and 4 as well. Verizon's proposal to provide standard video installation and Basic Service at no charge to fire stations, police stations, municipal buildings, hospitals, public and private universities, public libraries, public and private schools, and religious institutions also has its origins in the aforementioned settlement agreement.

Additionally, "the written commitments and representations made...through...[Verizon's] representatives...as contained in the Company's written application and supporting documents, which were made part of the record..." are restated and incorporated as terms and conditions of the certificate

and are hereby binding on Verizon..."¹⁰¹ In effect, Verizon remains bound to its previous commitments and representations in this docket, as well as the previous commitments and representations made in prior licensing dockets. Verizon's past and present proposal to provide standard video installation and Basic Service at no charge to the institutions identified above is a commitment that Verizon is bound to accept as a condition of licensing. The Division notes that Full Channel's and Cox's certificates contain similar terms and conditions that are binding on them as well.

- Lastly, the Division finds no material issue for consideration in Full Channel's assertion that Verizon has misled the Division by declaring that it has been providing services to residents, businesses and governments within the State of Rhode Island for over 100 years. The declaration was merely offered as evidence of Verizon's historical presence in Rhode Island as a regulated public utility.

B. Verizon's Financial Ability to Perform the Service for Which It Has Applied?

The record in this docket reflects the following undisputed facts:

- That Verizon's parent company, Verizon Communications, is a Fortune 15 company with over \$88 billion in annual revenues and over 242,000 employees worldwide. Additionally, in 2004 the Company became one of the 30 companies that comprise the Dow Jones Industrial Average;

¹⁰¹ See Order No. 19148, p. 14.

- That Verizon New England, Inc. (the Applicant) has provided telephone services in Rhode Island for over 100 years, employs approximately 1400 people in the State, and has an annual payroll of over \$75 million; and
- That Verizon and its affiliated companies have successfully financed and constructed cable television operations in several states, including Rhode Island and neighboring Massachusetts.

In addition to the foregoing evidence of the Applicant's financial strength, the record also reveals no question from the other parties that the Applicant possesses the financial wherewithal to construct and operate a cable television system in Service Areas 1 and 4.

In determining whether Verizon has the financial strength to carry out its plans in Service Areas 1 and 4, the Division considered Verizon's current presence in Rhode Island, the breadth of its national infrastructure, and the financial data it has provided to the Division. The Division also recognizes that Verizon has successfully financed the expansion of its cable television business in Massachusetts and elsewhere in the country. From an examination of the record evidence, the Division finds that Verizon is financially able to perform the services for which it has applied.

C. Verizon's Willingness and Ability to Comply with the Division's Rules and the Laws of Rhode Island?

Based on the instant record, and also upon Verizon's enduring presence in Rhode Island as a regulated public utility, the Division must find that Verizon is

unconditionally willing and able to comply with the Division's Cable Rules and all applicable statutory laws.

D. Is the Proposed Operation Consistent with the Public Interest?

When Verizon was before the Division in 2006 seeking a Compliance Order Certificate for Service Area 6, the parties addressed the question of whether Verizon's proposed CATV operation would be "consistent with the public interest" at length. The reason, Cox and Full Channel had both combined the "consistent with the public interest" licensing criterion contained in R.I.G.L. §39-19-4 and the "level playing field" mandate contained in R.I.G.L. §39-19-3 into a single unified legal argument. However, in its final decision on the matter, the Division concluded that the question of whether the proposed operation is "consistent with the public interest" must be evaluated on its own merit, apart from "level playing field" considerations.

Recognizing that the law in Rhode Island has yet to be developed regarding this question, the Division ultimately found that the plain meaning of the words making up the phrase "consistent with the public interest" must be controlling¹⁰² and consequently concluded that the proper test must simply be whether the proposed transaction "would not unfavorably impact the general public."¹⁰³ The Division determined that a "net benefit" is not a prerequisite for approval.

In the instant case, Cox (joined by Full Channel) has again attempted to expand the meaning of this licensing criterion by arguing that "the Division should not accept Verizon's public interest statement" because Verizon's

¹⁰² Citing Bristol County Water Company v. PUC, 363 A.2d 444 (R.I. 1976).

¹⁰³ Order No. 18676, pp. 51-52.

statement “insinuates that the entry of a second cable operator (e.g., Verizon) into Service Areas 1 and 4 will result in cable rates that are on average fifteen percent (15%) below the cable rates that apply today in Service Areas 1 and 4.”¹⁰⁴ The Division must reject this position for several reasons.

First, on the issue of determining whether “the proposed operation [is] consistent with the public interest,” the Division has already made it clear that it will limit its review to evaluate only whether the proposed entry “would not unfavorably impact the general public,” supra. Additionally, the Division finds that Verizon’s statement does not constitute a prediction of or commitment to lower cable rates in Service Areas 1 and 4. Indeed, in view of the “effective competition” that would exist in these Service Areas, the issue of rates is truly irrelevant in this licensing docket. Finally, the Division rejects Cox’s cryptic assertion that unless Verizon can promise lower rates than Cox’s existing rates in Service Areas 1 and 4 its entry into those cable markets is not in the public interest. To demand such a result as a condition of licensing would be a violation of both State and federal law.

In conclusion, relying on the narrow interpretation identified above, the Division finds that the record abundantly supports a conclusion that Verizon’s proposed operation will not, if approved, unfavorably impact the ratepayers and/or members of the general public in Service Areas 1 and 4.

¹⁰⁴ Cox’s Post-hearing Memorandum, pp. 1-2.

E. “Level Playing Field” Statute

As noted in Verizon’s last two licensing dockets, historically, prior to 2006, most level playing field issues revolved around PEG access and institutional network (I-Net)-related disputes. However, in 2006, the General Assembly enacted legislation that authorized existing cable television operators to transfer their PEG access functions to the Rhode Island Public Telecommunications Authority (a/k/a “RIPTA” and “RIPBS”). This change in the law occurred at the same time the Division was adjudicating Verizon’s Service Area 6 application. Due to this change in the State’s PEG access cable television laws, Verizon was able to negotiate a settlement agreement with the Advocacy Section in the Service Area 6 docket on October 2, 2006 (amended on October 4, 2006) that contained several level playing field-related PEG access financial commitments, infra. This development was later followed, on November 2, 2006, by an announcement by the Division that it would be amending its Cable Rules and changing the PEG access and I-Net obligations of existing and new cable operators. The new Cable Rules, which became effective on January 1, 2007, provided the regulatory details on how cable operators were to effectuate a transfer of their PEG access studios to RIPTA, and their prospective financial support obligations thereunder. The new Cable Rules also dramatically altered previous institutional network obligations (Section 7.3), providing that “*due to the advent of facilities-based*

competition for Cable Services in Rhode Island... CATV Operators shall not be required to construct, operate or maintain Institutional Networks in this state.”¹⁰⁵

The Division believes that these recent developments have effectively ended the likelihood of level playing field disputes between competing cable service providers regarding their respective obligations to provide PEG access and I-Net facilities. Interestingly, despite the sea change that has dramatically altered the legal obligations of cable providers to construct and maintain PEG studios and I-Nets, and the concomitant reduction in associated level playing field disputes, three level playing issues have surprisingly surfaced in this docket, as identified and discussed below:

1. The Division should make findings that Verizon will meet the obligations imposed on Cox

In its post-hearing memorandum, and presented as a level-playing-field argument, Cox asserts that “the Division should make findings that Verizon will meet the obligations imposed on Cox pursuant to the Division’s Cable Rules and otherwise comply with applicable laws and orders of the Division.”¹⁰⁶ However, Cox offers no specifics on the obligations, laws and orders it seeks to similarly impose on Verizon. Without more details, the Division cannot address Cox’s request as a level-playing-field issue. In fact, the Division is inclined to conclude that Cox is again, albeit indistinctly, requesting that the Division order Verizon to (1) share in the costs of maintaining the 16 remote video feeds or return paths

¹⁰⁵ The new I-Net rules also provide that “[n]othing in this section shall be construed to preclude a CATV Operator from voluntarily constructing, operating or maintaining an Institutional Network in this state”; and that physically separate Institutional Networks existing as of December 31, 2006 shall be preserved, unless otherwise authorized by the Division.

¹⁰⁶ Cox’s Post-hearing Memorandum, p. 5.

that Cox has historically owned, operated and maintained in the State; and (2) comply with certain FCC signal leakage reporting requirements, which Cox has claimed apply to both Cox and Verizon. The Division notes that it previously and dispositively addressed these issues in Verizon's Service Area 2, 3, 6 and 8 proceedings and that additional findings in this docket are unnecessary.

2. Strand Maps

Both Cox and Full Channel have argued that in the interest of ensuring a level-playing-field, the Division must demand that Verizon provide "strand maps" with its application. The Division disagrees.

To start, there is absolutely no mention of "strand maps" in the filing requirements for a Compliance Order Certificate. Therefore, it would be improper to mandate such a filing requirement in this first phase of the CATV licensing process. Strand maps are only discussed in the context of Construction Certificate-related submissions, and then, the submission only becomes a filing requirement if requested by the Division.¹⁰⁷

The Division's Advocacy Section, the public advocate party in this docket, did not support this request. If the Advocacy Section agrees that there is a need for Verizon to submit strand maps during the Construction Certificate phase of this docket the Division will revisit the matter.

3. Full Channel should be allowed to enter the Service Area 4 market before Verizon

Full Channel has suggested that level-playing-field considerations dictate that it be allowed to enter the Service Area 4 market in advance of Verizon. In

¹⁰⁷ See Section 3.4(b)(1) of the Cable Rules.

support of this position, Full Channel emphasizes that its application for a Service Area 4 Compliance Order Certificate has been pending before the Division since 2003.

Without getting into the details and travel chronology related to Full Channel's pending Service Area 4 Compliance Order Certificate application filing, the Division observes that Full Channel was provided a fair opportunity to prosecute its application on a relatively parallel track to Verizon's application.¹⁰⁸ Full Channel, however, has apparently opted to take no action over the last four months to pursue a final resolution to its pending application filing. That said, the Division finds Full Channel's level-playing-field concern to be baseless.

F. The Settlement Agreement

As noted above, the Division previously approved and adopted most of the provisions in the *Settlement Agreement* submitted by Verizon and the Advocacy Section in Docket No. 2006-C-4 (Verizon's Service Area 6 Docket). The approved provisions, described as the "PEG Grant" and "Verizon FiOS Business Service for Eligible Institutional Users" provisions were found to be reasonable and in the public interest.¹⁰⁹ The applicable provisions are reproduced below:

PEG Grants

1. Verizon shall provide the following grants to support PEG Access programming in Rhode Island and the purchase of PEG Access equipment.

2. Verizon will provide the Division with a grant in the amount of \$400,000 (the "Initial PEG Equipment Grant").

¹⁰⁸ See Order No. 19104, issued on October 16, 2007.

¹⁰⁹ Order No. 18789, pp. 69-70.

3. In addition, for each service area for which Verizon receives a Certificate of Authority to Operate, Verizon will provide the Division with a PEG Equipment Grant of fifty thousand dollars (\$50,000) and a PEG Access Support Grant. Each PEG Access Support Grant shall be in an amount equal to two dollars (\$2) for each household in the service area. For purposes of this Agreement, the numbers of households in each service area are stated in Exhibit 1 hereto, which shows the most recent figures published by the United States Census Bureau.

4. Verizon shall pay the \$400,000 Initial PEG Equipment Grant, the \$50,000 PEG Equipment Grant for Service Area Six and the PEG Access Support Grant for Service Area Six (in the amount of \$159,118, representing two dollars (\$2) per household for each of the 79,559 households in Service Area Six) as follows: three hundred sixty thousand dollars (\$360,000) within 30 days after the Division grants Verizon a Certificate of Authority to Operate in Service Area Six and two hundred forty nine thousand one hundred eighteen dollars (\$249,118) on the first anniversary of the initial payment.

5. The PEG Equipment Grant and the PEG Access Support Grant for any service area other than Service Area Six will be paid in one lump sum within 30 days after the Certificate of Authority to Operate is awarded for that service area.

6. All grants provided to the Division pursuant to this Settlement Agreement shall be allocated by the Division in its sole discretion to best provide for the PEG Access needs of the residents of Rhode Island.

7. In addition, Verizon acknowledges that the Division intends to promulgate rules requiring all CATV carriers providing service in Rhode Island to assess a monthly surcharge of approximately \$0.50 on each video customer as a means of supporting ongoing PEG operations of the Rhode Island Public Television Authority under R.I.G.L. 16-61(21) [sic]. Verizon intends to comply with any such applicable rule validly enacted.

Verizon FiOS Business Service for Eligible Institutional Users

1. FiOS Business Service – Verizon will provide the Eligible Users designated below with access to high speed data service via Verizon’s Business Service. The products, rates and charges referenced in this Section III (B) are subject to change but only in the event that, and only in the manner and extent to which, Verizon changes the products, rates or charges generally available to other customers of Verizon’s FiOS Business Service, and any change in the products, rates and charges made available hereunder shall be consistent with such broader changes.

2. Eligible Users – Eligible Institutional Users in a given service area shall include all State and municipal buildings, including but not limited to all police and fire stations, all public libraries, and all public primary and secondary schools. Within each municipality in a Service Area, a Designee shall be responsible for applying for FiOS Business Service installation and activation from Verizon on behalf of one or more eligible users, purchasing equipment and time and materials services, and managing use of the FiOS Business Service. The Designees shall be: 1) the school Superintendent or his/her designee having responsibility for coordinating all public school buildings in the municipality; and 2) the Town Manager, Mayor or other town official or his/her designee, having coordination responsibility for all other municipal buildings, including city and town halls, police and fire stations, and all public libraries. On a statewide basis, there shall be one authorized representative with overall coordination responsibility for state-owned buildings.

3. Product Specifics – Verizon will make available its FiOS Business Service to eligible institutional users at one of the 2 speeds below:

- 5 Mbps downstream/2 Mbps Upstream for \$39.95/month per location

Or

- 15 Mbps downstream/2 Mbps Upstream for \$59.95/month per location.

Both speeds include 1 Dynamic address and 10 Verizon.net e-mail boxes per location. The primary e-mail box has a capacity of thirty (30) megabytes of memory

allotment, and each of the remaining nine mail boxes have ten (10) megabytes of memory allotment. In addition, Verizon will waive the normal onsite installation cost of ninety nine dollars (\$99). This includes the installation of an Optical Network Terminal, a Battery Backup Unit, a data jack (RJ45), and the configuration of one PC. Additional data work, such as an installation of a second data jack, will be billed on a time and materials basis. Any additional PC configuration after the primary PC will be billed at the flat rate of seventy five dollars (\$75) per computer. A subsequent premises visit for any additional PC configuration will also incur a fifty dollar (\$50) visit charge. Verizon will also waive the cost of a 4-port wired router to support one dynamic IP address.

4. Time Frames – Within six (6) months of the commencement of FiOS TV service to a community, Verizon will begin offering the FiOS Business Service to Eligible Users within that community. Verizon commits to performing a minimum of twenty (20) installations per month, if requested by designated authorized representatives, to FiOS – enabled buildings.

5. Outreach – Within 180 days of the receipt of a Certificate of Authority to Operate for a designated Service Area, a representative of Verizon will contact each of the authorized representatives of the eligible users in the municipalities of that Service Area to arrange for a meeting to inform the eligible users of the availability of services under the terms of this proposal. Verizon will provide such representatives with materials such as instruction manuals, forms and promotional information setting forth the rates, terms and conditions of use of Verizon's FiOS Business Service and ordering and customer service information.

6. Reporting – Verizon shall maintain a written log of its Outreach efforts. The log shall contain: the identity of each Designee Verizon has contacted pursuant to paragraph III.B.5 above; the date of such contact; the date (if any) on which the Designee ordered any Verizon FiOS Business Service offered pursuant to this Agreement; the type of service ordered; and the date on which Verizon completed installation of that service. Verizon shall provide a copy of the log to the Division within nine months of receipt of its initial Certificate of Authority to

Operate and quarterly thereafter for a period of two years from receipt of such Certificate.

7. Technical Support – the Verizon Fiber Solutions Center provides live technical support 7 days a week, 24 hours a day. An online tutorial, user guides, frequently asked questions (FAQs), and Verizon’s extensive online help site are also available. In addition, Verizon shall appoint an employee to serve as a single point of contact between Verizon and the Designees of eligible users (as described in paragraph III.B.2 above) to address questions, issues or complaints regarding Verizon’s FiOS Business Services provided pursuant to this Agreement.

8. Discontinuance of Service for Non-Payment – Service may be denied or discontinued at any time in the event that payment is not made when due.

9. Compliance with Law – In making its FiOS Business Service available to Eligible Users pursuant to this Agreement, Verizon will remain subject to, and comply with, applicable state and federal law, and all valid and applicable: Orders of the Division, the Division’s Rules of Practice and Procedures; and the Division’s Cable Rules. Verizon reserves all rights and remedies afforded to it under state and federal law, Orders of the Division, the Division’s Rules of Practice and Procedure and the Division’s Cable Rules.

The parties in this docket have repeatedly referred to Verizon’s obligations under the Docket No. 2006-C-4 *Settlement Agreement*, contending that the commitments made in that docket extend to the instant docket as well. To be clear, the Division agrees that Verizon’s duties and obligations under its Service Area 6 *Settlement Agreement* commitments are inextricably linked to any other Service Area approvals, including the Service Areas 1 and 4 approvals in issue.

14. CONCLUSION

In conclusion, the Division finds that Verizon has substantially satisfied the burden of proof required pursuant to Section 3.3 of the Cable Rules for the

issuance of a Compliance Order Certificate. With respect to the miscellaneous issues and concerns raised by the parties that were not specifically addressed in this decision, the Division found these concerns and ancillary issues to be immaterial or lacking in sufficient evidence to warrant any additional action. The Division has prepared appropriate Compliance Order Certificates, which shall be issued as appendices to this report and order.

Now, Accordingly, it is

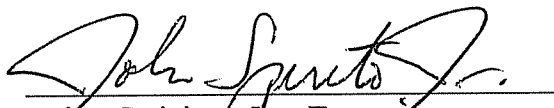
(19229) ORDERED:

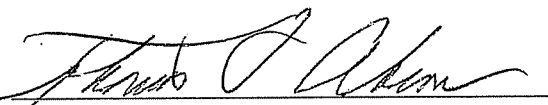
1. That the September 28, 2007 application filing of Verizon New England, Inc., seeking Compliance Order Certificates for authority to construct and operate a competitive Community Antenna Television System in Rhode Island's CATV Service Areas 1 and 4 is hereby granted.
2. The Compliance Order Certificates approved herein for CATV Service Areas 1 and 4 are attached to this Report and Order as "Appendix 1", and "Appendix 2", respectively, and are incorporated by reference.
3. That Verizon's duties and obligations under the Settlement Agreement approved and adopted by the Division in Docket No. 2006-C-4, as identified and discussed herein, shall also be binding on Verizon with respect to the Service Areas 1 and 4 Compliance Order Certificates approved herein.
4. Pursuant to Section 3.3(e) of the Rules, Verizon New England, Inc. shall indicate in writing to the Administrator of the Division whether it will accept or decline the award of these Compliance Order Certificates within thirty (30) days. In the event that Verizon New England, Inc. fails to accept

the Compliance Order Certificates within the required time, Verizon New England, Inc. shall be deemed to have rejected and repudiated the award and thereafter shall have no rights, remedies or redress to said authority.

5. Verizon New England, Inc. shall also comply with all applicable provisions contained in the Division's Cable Rules, especially the timetable mandated in Section 8 of the Cable Rules; and the data-related I-Net obligations mandated in Section 7.3 of the Cable Rules.

Dated and Effective at Warwick, Rhode Island on March 7, 2008.


John Spirito, Jr., Esq.
Hearing Officer

APPROVED: 
Thomas F. Ahern
Administrator

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

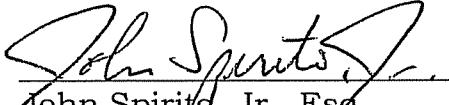
DIVISION OF PUBLIC UTILITIES AND CARRIERS

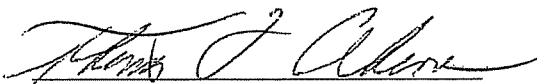
COMPLIANCE ORDER CERTIFICATE

(For Service Area 1, Consisting Of Burrillville, North Smithfield, Smithfield,
Woonsocket, Cumberland, Glocester, Lincoln and Central Falls)

This Compliance Order Certificate is issued to Verizon New England, Inc., d/b/a Verizon Rhode Island ("Verizon") by the Division of Public Utilities and Carriers ("Division") pursuant to Order No. 19229 in Docket No. 2007-C-3. This Compliance Order Certificate authorizes Verizon to own a community antenna television ("CATV") system in Service Area 1, and is issued upon, and subject to, Verizon's compliance with the following findings, terms and conditions:

1. Verizon is, and continues to be of, good character, fit, willing, financially and technically able properly to provide cable service to the residents of the Service Area.
2. Verizon's ownership of the CATV system in the Service Area is, and remains, consistent with the public interest.
3. Verizon's complies with, and continues to comply with, federal law, the Rhode Island General Laws, the Division's Rules Governing Community Antenna Television Systems, and all Orders of the Division.


John Spirito, Jr., Esq.
Hearing Officer


Thomas F. Ahern
Administrator

Dated this 7th day of March 2008.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

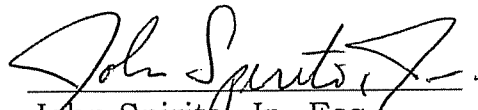
DIVISION OF PUBLIC UTILITIES AND CARRIERS

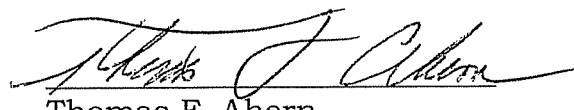
COMPLIANCE ORDER CERTIFICATE

(For Service Area 4, Consisting Of Pawtucket and East Providence)

This Compliance Order Certificate is issued to Verizon New England, Inc., d/b/a Verizon Rhode Island ("Verizon") by the Division of Public Utilities and Carriers ("Division") pursuant to Order No. 19229 in Docket No. 2007-C-3. This Compliance Order Certificate authorizes Verizon to own a community antenna television ("CATV") system in Service Area 4, and is issued upon, and subject to, Verizon's compliance with the following findings, terms and conditions:

1. Verizon is, and continues to be of, good character, fit, willing, financially and technically able properly to provide cable service to the residents of the Service Area.
2. Verizon's ownership of the CATV system in the Service Area is, and remains, consistent with the public interest.
3. Verizon's complies with, and continues to comply with, federal law, the Rhode Island General Laws, the Division's Rules Governing Community Antenna Television Systems, and all Orders of the Division.


 John Spirito, Jr., Esq.
 Hearing Officer


 Thomas F. Ahern
 Administrator

Dated this 7th day of March 2008.