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April 18, 2013

Honorable Jeffrey Cohen
Acting Secretary, Public Service Commission
State of New York
Three Empire State Plaza
Albany, New York 12223

Re: Business Service Connection Charges – Price Increase

Dear Acting Secretary Cohen:

The following tariff schedule, issued by Verizon New York Inc., is transmitted for filing in accordance with the requirements of the Public Service Commission, State of New York, to be effective May 18, 2013:

PSC NY No. 1--COMMUNICATIONS
Section 30
7th Revised Page 338
Rate Attachment
2nd Revised Page 77.1

The proposed revisions increase the non-recurring Service Charge and the Central Office Line or Port Charge for business customers.

As demonstrated in Verizon's February 25, 2013 filing in Case 10-C-0202, competitive alternatives exist for business customers in New York State. Verizon's major cable competitors in the state advertise their business offerings and have achieved significant success in that market. The competitive nature of the business market is confirmed by Verizon's declining business line-counts. As reported in Schedule 61 to Verizon's Annual Reports to the Commission, overall business line counts declined by a total of 30.7% from the year-end 2006 figure to the year-end 2011 figure. This decline in the number of business customers cannot plausibly be attributed to any decline in the size of the business telecommunications market overall.

Moreover, the loss of access lines and revenues, coupled with the high fixed costs associated with maintaining a ubiquitous network within its service area and the heavy capital investments that Verizon has made in order to modernize that network, have had an extremely

detrimental effect on the company's financial position in the State. This is demonstrated by the following financial metrics, derived from Verizon's Annual Report to the Commission for 2011.

- Net operating income: *negative* \$1.74 billion
- Net income: *negative* \$2.06 billion (net of earnings in affiliated companies)
- Cash flow from investment activities (*i.e.*, net capital investments): *negative* \$1.11 billion
- Cash flow from investment activities plus cash flow from operations: *negative* \$1.23 billion (dividends from affiliates excluded)

In short, Verizon is sustaining substantial net losses in the State, even while continuing to make significant capital investments in its network. The Commission has recognized on a number of occasions that these financial challenges warrant increased flexibility to seek additional revenues, where feasible, through retail rate increases,¹ as does the robust competitive environment that exists in this State. By the same rationale, these compelling policy considerations warrant the increase in the rates identified in this filing.

Customers were notified of the price increases for these services via bill messages in April 2013. Therefore, we respectfully request waiver of any newspaper publication requirements associated with this filing.

Very truly yours,



Attachment

¹ See, e.g., Cases 06-C-0897 and 07-C-0610, "Order Denying Request for 25% Pricing Flexibility and Allowing for a 10% Increase to Certain Business Rates" (issued and effective January 17, 2008), at 13-14; Case 12-C-0382, Memorandum to the Commission from the Office of Telecommunications (October 3, 2012), approved as recommended and so-ordered by the Commission (issued and effective October 22, 2012), at 5.

RATES AND CHARGES

30.14 CONNECTION, RESTORAL AND CONSTRUCTION CHARGES

A. SERVICE CONNECTION CHARGES

3. Schedule of Charges *

	Current Rates		Maximum	
	Residence**	Business@	Business Rate#	
(1) Service Charge	\$16.00	\$70.00	-	(C)
Record Order Charge	10.00	#	39.49	
(2) Premises Visit Charge	12.25	\$19.00		
(3) Central Office Line or Port Charge	39.00	-		
Business				
- 1 to 99 Lines or Ports Connected, each Line or Port:	-	63.00	-	(C)
- Each Line or Port over 99 Lines or Ports, each	-	#	39.49##	
Line or Port Change Charge	26.05	#	28.66	
(4) Network Interface Jack Installation Charge	See Section 30.8, Para. D. of this Tariff			
Standard Network Interface	See Section 30.1, Para. B.2. of this Tariff			
Network Interface	See Section 30.1, Para. B.2. of this Tariff			
4.a. Connection Charge Assistance Plan@@				
- No Premises Visit Required	5.00	-		
- Premises Visit Required	5.00	-		

* See Tariff NY PSC No. 1--COMMUNICATIONS, Section 14, Paragraphs A.4.a., and A.5.

** The residence service connection charge schedule applies for the connection of intercept lines to Answering Bureaus.

@ The rates for this service are subject to the Flexible Pricing regulations set forth in Tariff PSC NY No. 1--COMMUNICATIONS, Section 1, Paragraph A.10.

For business rates currently in effect, see corresponding Rate Attachment following all pages that are a part of this Section.

This discount applies for lines ordered to be connected at one time on the same premises for the same customer, and when such lines terminate in different buildings.

@@ Effective June 16, 2012, the Connection Charge Assistant Plan is provided only to subscribers living on tribal lands.

RATE SCHEDULE
(Effective May 18, 2013)

SECTION 14 – CONNECTION, RESTORAL AND CONTRUCTION CHARGES

A. SERVICE CONNECTION CHARGES

3. Schedule of Charges

	<u>Business Rate</u>	
(1) Service Charge	*	(C)
Record Order Charge	38.00	
(2) Premises Visit Charge	See Page 338 of this Section	
(3) Central Office Line or Port Charge		
Business		
- 1 to 99 Lines or Ports		
Connected, each Line or Port	*	(C)
- Each Line or Port over		
99 Lines or Ports, each	38.00	
Line or Port Change Charge	27.50	

D. RESTORAL CHARGES

Business	84.00
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* For rate currently in effect, see Section 30.14.A.3. preceding.

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