

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed Adoption of New Rule)	Docket No. 060512-EU
25-6.0343, F.A.C., Standards of Construction -)	Filed: September 8, 2006
Municipal Electric Utilities and Rural Electric)	
Cooperatives)	
_____)	

AFFIDAVIT OF STEVEN R. LINDSAY

The undersigned, being duly sworn, states as follows:

1. I am employed by Verizon as a Staff Consultant – Network Engineering with responsibility for the negotiation and administration of joint use contracts with electric power companies, competitive local exchange carriers, cable TV companies, railroads, and governmental entities in the states of Florida, North Carolina, and South Carolina. My background in the telephone industry spans 26 years. I have worked as a cable splicer and an outside plant construction supervisor, and have held various other positions in outside plant engineering, most recently as a staff consultant negotiating joint use contracts. I was a Director on the Oregon Joint Use Association (OJUA) in 2005-06 prior to coming to Florida. I represented both Verizon and the OJUA in the Oregon joint use workshops and Commission formal and informal hearings concerning safety and joint use rule making. I have a Bachelors degree in Business Management

CMP _____ from Nova University in Florida.

COM _____

2. Verizon Florida Inc. ("Verizon") owns 107,863 poles in Florida, about

CTR _____

ECR _____ 29,632 of which bear electric utility attachments. Verizon attaches to approximately

GCL _____ 381,000 electric utility poles in Florida, almost four times the number of poles that it

OPC _____ owns. In addition, Verizon's affiliates, MCImetro Access Transmission Services LLC

RCA _____

SCR _____

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d/b/a Verizon Access Transmission Services and MCI Communications Services, Inc., are attached to approximately 3,000 power poles under separate agreements.

3. Verizon actively maintains its network and invests heavily to ensure network reliability. A substantial portion of Verizon's Florida network already has been placed underground and through its FiOS project, Verizon is aggressively spending hundreds of millions of dollars to install its new, storm-hardened, fiber network, 99.9% of which is underground. This new passive optical (PON) network is virtually impervious to storm damage, flooding, and lightning strikes, and improves the survivability and recovery of the network. Unlike copper networks, a PON network does not employ live electronic signals; instead, fiber emits refracted light waves from point A to point B. Moreover, there are significant operational benefits with fiber that enables faster recovery and restoration. Verizon has passed 600,000 Florida households to date and has placed more than 26 million feet of fiber in the state. Verizon has made a \$550 million investment in Florida so far and the project is moving ahead full speed. As the FiOS project is further deployed, it is Verizon's intention to migrate existing customers served by copper facilities to fiber facilities.

4. Proposed Rule 25-6.0343 threatens significant harm to Verizon, both financially and operationally. Below I address three of the potential problems that implementation of these rules could pose.

5. First, proposed Rule 25-6.0343, as drafted, could lead to dramatically increased costs for pole attachers. For example, if electric utilities increase the number of poles in service, move their facilities to new poles or relocate facilities underground,

third-party attachers will be affected.¹ Not only must they pay engineering and transfer expenses when poles are added or replaced with stronger poles, but under their joint use agreements they may be required to pay increased attachment fees.² And when an electric utility elects to move or relocate facilities Verizon may have to pay to acquire the abandoned facilities and pay for easement rights. While the proposed rules provide for the compensation of the electric utilities making these changes, they do not provide for the compensation of third-party attachers, and the electric utilities would have no incentive to take the carriers' costs into account.

6. Appendix 1 to my affidavit projects estimated costs associated with proposed storm hardening requirements.³ Assuming that Verizon is required to place 10% more poles in its network to comply with the electric companies' yet-to-be-defined standards, the additional cost experienced during the first year after installation would be approximately \$20 million, most of which would be from one-time engineering and transfer costs. This figure assumes an increase to attachment fees, which would continue after the first year, raising Verizon's costs further still. Making another equally valid assumption that 50% more poles would be required,⁴ Verizon's first-year cost would be \$100 million.

7. The relocation of aerial facilities underground brings additional complexities and costs to the forefront that affect industry participants as well as customers. For example, Verizon participated in a multiple-phase project to investigate

¹ Proposed Rule 25-6.0343(1)(e), which concerns extreme wind loading and is discussed in the Affidavit of Dr. Lawrence M. Slavin, could have this kind of cost impact, by resulting in an increased number of poles to shorten span lengths or an increase in pole sizes.

² Whether Verizon must pay electric utilities additional attachment fees in a particular case will depend on the applicable joint use agreement.

³ The number of poles used represents 4% budgeted over actual number of poles placed.

⁴ This assumption becomes more probable when the extreme wind loading standards addressed in proposed Rule 25-6.0343(1)(e) are taken into account.

the feasibility of converting overhead utilities to underground facilities on Davis Islands located in Tampa, Florida. The project identified several benefits, including disaster preparedness and recovery. Verizon estimated that it would cost approximately \$10 million or \$4,000 per household to relocate its facilities in a scenario that included close coordination and cooperation with other utilities. The effort made it clear that undergrounding brings physical and legal complexities, including damage and disruptions caused by excavation, high costs associated with relocation, cost recovery issues, right-of-way issues, and negotiation of easements.

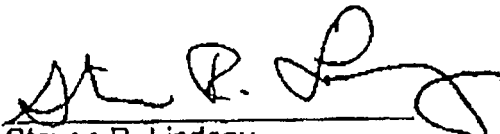
8. Second, proposed Rule 25-6.0343 threatens to divert Verizon's resources from its capital-intensive FiOS project, which Verizon is rolling out to meet the heated competition it faces in its Florida market. FiOS brings fiber to customers' homes, providing them with telephone, broadband and television services, and enabling Verizon to compete head to head with cable companies and other service providers. To the extent Verizon is forced to expend resources coordinating with electric utilities' projects undertaken under the proposed rules, the FiOS rollout will be impeded, to the detriment of Florida consumers.

9. Third, if Rule 25-6.0343 were adopted as currently proposed, Verizon would have to comply with the construction and maintenance standards set by the electric utilities. Because these new standards may differ from the existing, uniform national NESC standards, they could require Verizon to upgrade or rearrange its attachments to electric utility facilities, or even to remove them. To the extent new standards are imposed on Verizon through the proposed rule, they may also conflict with Verizon's joint use and license agreements that govern Verizon's attachments to

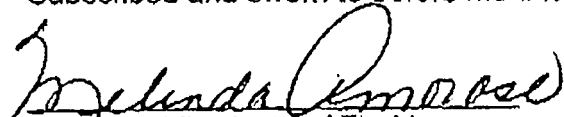
electric facilities. Among other things, the new standards could dramatically affect Verizon's rental rates (depending of the terms of applicable joint use agreements) and impose additional financial and operational burdens that are not contemplated under the existing contracts.

10. Verizon's pole attachment rates are already increasing at an alarming rate and proposed Rule 25-6.0343 as currently drafted would accelerate this pace. Florida pole attachments rates are the highest of any other operating company in the Verizon West (former GTE) foot print. As an example, Verizon received a proposed attachment rate increase of 21% covering 2005 to 2006 from one electric utility. This proposed increase equals \$781,986 per year. The reason cited for the larger than anticipated increase is the utility's rising pole and maintenance costs, including costs from the 2004 storm season not recoverable from its rate payers. This utility also indicated that as a result of Florida legislation additional improvements will be made and costs will be reflected for the first time in the 2006 FERC data used to calculate charges.

Further Affiant sayeth naught.


Steven R. Lindsay

Subscribed and sworn to before me this 7 day of SEPTEMBER, 2006 ^(MWH)


Notary Public, State of Florida

My commission expires: 12/8/2007



Appendix 1



PARTIAL COST IMPACT ANALYSIS

Verizon 3rd Party Projected Attachment Costs Due to Storm Hardening Requirements by Florida PSC

Based on Current Florida Attachments of:						397,246
Percent New Poles	Number of New Poles	Attachment Costs	Engineering Costs	Transfer Costs	Totals	
10%	39,725	\$1,231,463	\$8,342,166	\$10,328,396	\$19,902,025	
15%	59,587	\$1,847,194	\$12,513,249	\$15,492,594	\$29,853,037	
20%	79,449	\$2,462,925	\$16,684,332	\$20,656,792	\$39,804,049	
25%	99,312	\$3,078,657	\$20,855,415	\$25,820,990	\$49,755,062	
30%	119,174	\$3,694,388	\$25,026,498	\$30,985,188	\$59,706,074	
35%	139,036	\$4,310,119	\$29,197,581	\$36,149,388	\$69,657,086	
40%	158,598	\$4,925,850	\$33,368,664	\$41,313,584	\$79,608,098	
45%	178,761	\$5,541,582	\$37,539,747	\$46,477,782	\$89,559,111	
50%	198,623	\$6,157,313	\$41,710,830	\$51,641,980	\$99,510,123	

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