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The Pennsylvania Public Utility Commission moved Thursday to deregulate prices for Verizon's landline phone service in Philadelphia, Pittsburgh, and three other regions - a decision that could lead to sizable price jumps for customers, who pay about $22 a month for traditional local phone service.

By a 3-2 vote that drew sharp dissents from the commission's two Democratic appointees, the PUC partly backed Verizon's October petition, which asked that its service be declared "competitive" in the five markets under a 2004 state law that sought to promote phone and Internet competition. The commission declined to deregulate 41 of the 194 wire centers Verizon sought to reclassify, largely in suburban areas such as Ardmore, Chester, Jenkintown, and Langhorne, where testimony showed that at least 3 percent of households lacked access to cable companies' phone service as an alternative.

PUC Chairman Robert F. Powelson called the decision "an important step towards modernizing how we regulate telecommunications in Pennsylvania." "With the proliferation of service bundles and the rising popularity of both wire-line and wireless providers offering competing products and services, consumers now have an array of options to meet their communications needs," Powelson said in a joint motion with Vice Chairman John F. Coleman Jr. Verizon spokesman Lee Gierczynski said the PUC recognized how consumers in large markets "have benefited from the healthy competition for telecommunications services." He said freeing the company from rate regulation and other traditional utility obligations would enable it to compete more effectively with cable and wireless companies.

Dissenting commissioners and consumer advocates predicted the decision would lead to large price increases for customers, many elderly and living on modest incomes, who maintain traditional service. In addition to Philadelphia and Pittsburgh, the ruling affects customers in Erie, the Harrisburg-York area, the Lehigh Valley, and the Wilkes-Barre and Scranton region.

Commissioner James H. Cawley said in a dissent that the ruling, which also waives a

in state government finds $109 million in savings	variety of consumer protections previously enforced by the PUC, "visits unrestrained market forces upon unsuspecting and unprepared basic local telephone subscribers." Cawley said that the decision would likely affect 100,000 to 200,000 customers but that Verizon declines to disclose exact numbers for competitive reasons. "If history is any guide, they're going to get a rate increase," he said in an interview. "They have been successful with similar petitions in other states, and they have immediately raised rates afterward." Gierczynski said the change was unlikely to have widespread impact because a majority of Verizon's customers subscribe to bundles already classified as competitive, such as packages that include long-distance or Internet service. "You can't predict what's going to happen in the future," he said. "There's a lot of competition out there, so the competitive market will dictate prices for our services." Tanya J. McCloskey, the state's acting consumer advocate, said Verizon raised rates sharply after similar rulings elsewhere - including by 134 percent in California. "In most areas, it's gone up from 5 to 40 percent," she said. Cawley said those results belied Verizon's assertions that competition would constrain its prices. "It's a little bit counterintuitive," he said. "You get permission to be declared competitive because there's so much fierce competition, and then you immediately raise the rates? Come on." Critics also objected to the process, in which they said Verizon pushed for a quick ruling just a year after it failed to win the General Assembly's backing for legislation to free it statewide from key regulatory obligations. "This was an end run around the legislature," said Elizabeth Marx, an attorney with the Pennsylvania Utility Law Project. Cawley said the agency conducted "a very hurried proceeding" that drew little public attention and failed to consider whether customers truly had reasonable alternatives. "We didn't even have time for public-input hearings - or at least none were held," he said. He also called it striking that the PUC was voting to loosen regulation of Verizon at the same time the Federal Communications Commission was invoking tighter rules over broadband Internet service. "On a day when our federal counterpart imposes regulation, a state commission like ours abandons regulation. That really is ironic," he said. – ***Philadelphia Inquirer*** _____ The Federal Communications Commission on Thursday approved regulating the Internet as a utility in a 3-2 partisan vote, handing a big victory to Net neutrality proponents who lobbied for a decade for tough rules to protect consumers. The FCC's action forbids telecom companies from blocking websites, and slowing or speeding up some Internet traffic. This means that all Internet streams should be treated the same, or neutrally, without preferences. The FCC also voted to make it easier for municipally run Internet providers to expand and compete with Comcast and other private telecom companies, a move lauded by activist groups. "Some states have created thickets of red tape to limit competition," said FCC Chairman Thomas Wheeler, who spearheaded the changes. "What we're doing today is cutting away the red tape." The fight, however, may be just beginning. Telecommunications companies are expected to challenge the new rules in federal court, and Republicans are promising to take up the issue in Congress. Three of the five members of the commission are Democrats, with Republicans holding the two other positions. Comcast, one of the nation's largest broadband providers, blasted the FCC's action. The Philadelphia company's chief lobbyist, David L. Cohen, said Thursday in a blog posting: "After today, the only 'certainty' in the open Internet space is that we all face inevitable litigation and years of regulatory uncertainty challenging an order that puts in place rules that most of us agree with. We believe that the best way to avoid this would be for

Congress to act." Comcast would like Congress to pass legislation that better defines the FCC's legal authority over the Internet and narrows Internet regulations.

Meanwhile, Sen. John Thune (R., S.D.), chairman of the Committee Commerce, Science, and Transportation, which oversees communications, said the FCC's action was a "317-page power grab over the Internet" and announced an oversight hearing March 18 with the five FCC commissioners, including Wheeler. While telecom companies have voluntarily agreed to abide by open Internet rules in recent years, Net neutrality activists believed more had to be done legally.

Activists feared that the companies could change their thinking and over time create a slow-paced, second-tier Internet for consumers and small businesses - or close off parts of the Internet. "The engaged Internet community is now a political force to be reckoned with," said Craig Aaron, president of the advocacy group Free Press. "It's one that will no longer sit quietly by as politicians and lobbyists attempt to take away our rights to connect and communicate. Today's win is momentous for us, but we've only scratched the surface of what a well-organized Internet constituency can accomplish." Four million Americans contacted the federal agency during its rule-making process for the Internet rules, the FCC said. Opponents say the section of federal law the FCC used Thursday to implement the Internet rules - Title II of the Federal Communications Act of 1934 - was overly broad and could lead to new Internet-related taxes, rate regulation on telecom companies, and slower investment into Internet infrastructure.

"The commission has breathed new life into the decayed telephone regulatory model and applied it to the most dynamic, freewheeling, and innovative platform in history," complained Michael Powell, a former head of the FCC who leads the National Cable and Telecommunications Association. Powell, a Republican, was the architect of the prior "light-touch" Internet regulation regime at the FCC over the last decade. After he left the commission, the cable industry's lobbying association hired him as its top official.

For most of the last year, the FCC appeared intent on only lightly regulating the Internet with the new rules. But that changed in the November elections, when Democrats lost control of the Senate and President Obama realized he could not push a political agenda through a gridlocked Congress. Instead, political observers say, Obama focused on tough Internet regulations that were popular with his political base and that he could push through the FCC, an independent regulatory agency controlled by Democrats. Wheeler, a former cable-industry lobbyist, was an Obama fund-raiser and is close with the president.

Republicans have said that the FCC was compromised in the process. Ajit Pai, one of the Republican FCC commissioners, said Thursday during the commission meeting, "We shouldn't be a rubber stamp for decisions made in the White House." "The jump in the regulatory category is significant," said Ellen P. Goodman, a professor and codirector of the Rutgers-Camden School of Law and codirector of the Rutgers Institute for Information Policy and Law. "It says we now look at the Internet as a utility. It's all about potential regulation, not today's regulation." She said she thought Thursday's action could be upheld in federal court. **– *Philadelphia Inquirer*; also see *Christian Science Monitor* Net neutrality rules pass FCC. Why Comcast shouldn't worry; *Fox News* Telecom industry slams FCC net neutrality move; *Washington Post* After net neutrality vote, an uncertain future for the Internet**

U.S. Sen. Pat Toomey (R-Pa.) on Thursday joined the roll call of GOP lawmakers who warned that new sweeping federal oversight over the Internet would have unintended consequences. The Federal Communications Commission on Thursday voted to impose tough rules on broadband service to prevent companies like Comcast, Verizon and AT&T from creating paid fast lanes and slowing or blocking web traffic.

"The last thing the Internet needs is a massive government takeover that threatens innovation, economic freedom, and jobs. Yet the FCC's decision today to impose heavy-

handed regulations on broadband providers would do just that. The FCC's decision is a big government, legally suspect solution in search of a problem that doesn't exist," Toomey said.

The plan, which puts the Internet in the same regulatory camp as the telephone and bans business practices that are "unjust or unreasonable," represents the biggest regulatory shakeup to the industry in almost two decades. The goal is to prevent providers from slowing or blocking web traffic, or creating paid fast lanes on the Internet, said FCC Chairman Tom Wheeler.

Said Toomey: "One of the main reasons why the Internet has thrived, created jobs, and provided exciting innovations is because it has never been subject to political control. That is why I intend to fight against this unwise FCC action and keep our Internet free from more government restrictions." The Internet industry has seen relatively little government oversight. The 3-2 vote represents the biggest regulatory shake-up to telecommunications providers in almost two decades.

Industry officials and congressional Republicans fought bitterly to stave off the new regulations, which they said constitutes dangerous overreach and would eventually raise costs for consumers. The broadband industry was expected to sue. GOP lawmakers said they would push for legislation, although it was unlikely President Obama would sign such a bill. "Only action by Congress can fix the damage and uncertainty this FCC order has inflicted on the Internet," Sen. John Thune, R-S.D., chairman of the Senate Commerce Committee, said in a statement. – ***Associated Press***

Aereo Inc., the defunct TV-streaming service that once promised to revolutionize the way consumers watch network television, was sold for parts this week to TiVo Inc. and other buyers at a bankruptcy auction. TiVo, the pioneering live-TV-recording company, bought Aereo's trademark and customer lists. Patent-holding company RPX Corp. took home Aereo's patent portfolio, and Alliance Technology Solutions bought the company's equipment. The entire sale brought in less than $2 million, half as much as the minimum Aereo expected to raise through the auction. "We are very disappointed with the results of the auction," said William Baldiga, an attorney for Aereo. "This has been a very difficult sales process and the results reflect that."

Aereo, which shut down its service in June following a landmark U.S. Supreme Court loss, still needs to secure the approval of a bankruptcy-court judge before using the money to pay back creditors. Until June, Aereo charged customers a monthly fee to watch and record broadcast TV through the Internet, without paying broadcasters any license fees. That business model faltered after a U.S. Supreme Court ruling found that Aereo violated copyright laws.

The litigation with the broadcasters—including the Walt Disney Co.'s ABC, CBS Corp. , Fox Television Stations Inc. and Comcast Corp. 's NBC—is now back in a lower court to determine how much money Aereo owes in damages, a number that could be in the tens of millions of dollars. Fox Television Stations Inc. is a part of 21st Century Fox . Until mid-2013, 21st Century Fox was part of the same company as News Corp, owner of The Wall Street Journal.

The broadcasters have fought Aereo in every step of its bankruptcy proceeding. The pushback has prompted a fair share of chiding from the bankruptcy judge overseeing the case, whose job is to make sure Aereo's debts are repaid and not to settle past grievances. Early on in the bankruptcy, Mr. Baldiga said the company was talking with at least 17 potential bidders for its technology. The sale to RPX likely means the patents won't get used to create new technology. RPX, which bills itself as a "defensive patent aggregator," is a patent clearinghouse that helps companies protect themselves from patent lawsuits.

Last week, the broadcasters fought the proposed sale of 8,200 hard drives that still

contain programs recorded by Aereo's onetime customers. Judge Sean Lane in U.S. Bankruptcy Court in New York gave Aereo clearance to sell the devices—which will bring in $300,000—after the company assured him they will wipe the drives clean before a sale. At the time of its shutdown, Aereo had a little more than 108,000 subscribers in 14 cities, according to filings with the U.S. Copyright Office. While small, the company was on an upswing, increasing subscriptions by 40% in its final six months.

During its 3½ years of existence, Aereo raised $97 million in venture funding, including investments from Barry Diller 's IAC and funds managed by Highland Capital. Much of that money went toward litigation expenses, and the company was down to $2.8 million in cash at the end of January. Judge Lane is scheduled to weigh in on the sale at a March 11 hearing. – ***Wall Street Journal***

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