Third Quarter 2013

VERIZON SERVICE QUALITY

Summary

In December 2010, the Commission approved a revised framework for service quality reporting for Verizon New York Inc. (Verizon or the company),[1] the Service Quality Improvement Plan (SQIP). The SQIP provides additional focus on "core" customers (i.e., customers who lack competitive wireline alternatives to Verizon, who are Lifeline customers, or who are special needs customers, e.g., those who are elderly, blind, disabled, or who have medical conditions) and eliminates several reporting requirements. The revised reporting requirements commenced in January 2011. This is the Department of Public Service staff's (staff) eleventh report on Verizon's performance under the new framework; it provides the results for the third quarter of 2013.

The company's performance for network reliability, as measured by the companywide Customer Trouble Report Rate (CTRR) metric, missed the threshold for this metric every month in the third quarter of 2013. The 2-year trend of this companywide metric (which includes both core and non-core customers) has continued to decline, indicating an erosion of network reliability over this period. The company met the Commission's two timeliness of repair metrics for core customers in each of five geographic areas during each month in the third quarter of this year, with the exception of the OOS>24 threshold being missed in the New York City area in July. The company's repair service answer bureau missed the threshold for the call center answer time metric every month in the third quarter of 2013, but the two-year trend is improving. Consumer complaints to the Department were slightly worse during the third quarter of 2013 as compared to one year earlier, however, the two-year trend shows slight improvement. Staff meets monthly with the company concerning service quality and consumer complaints and will continue to monitor the company's performance in these regards and report back to the Commission.

Background

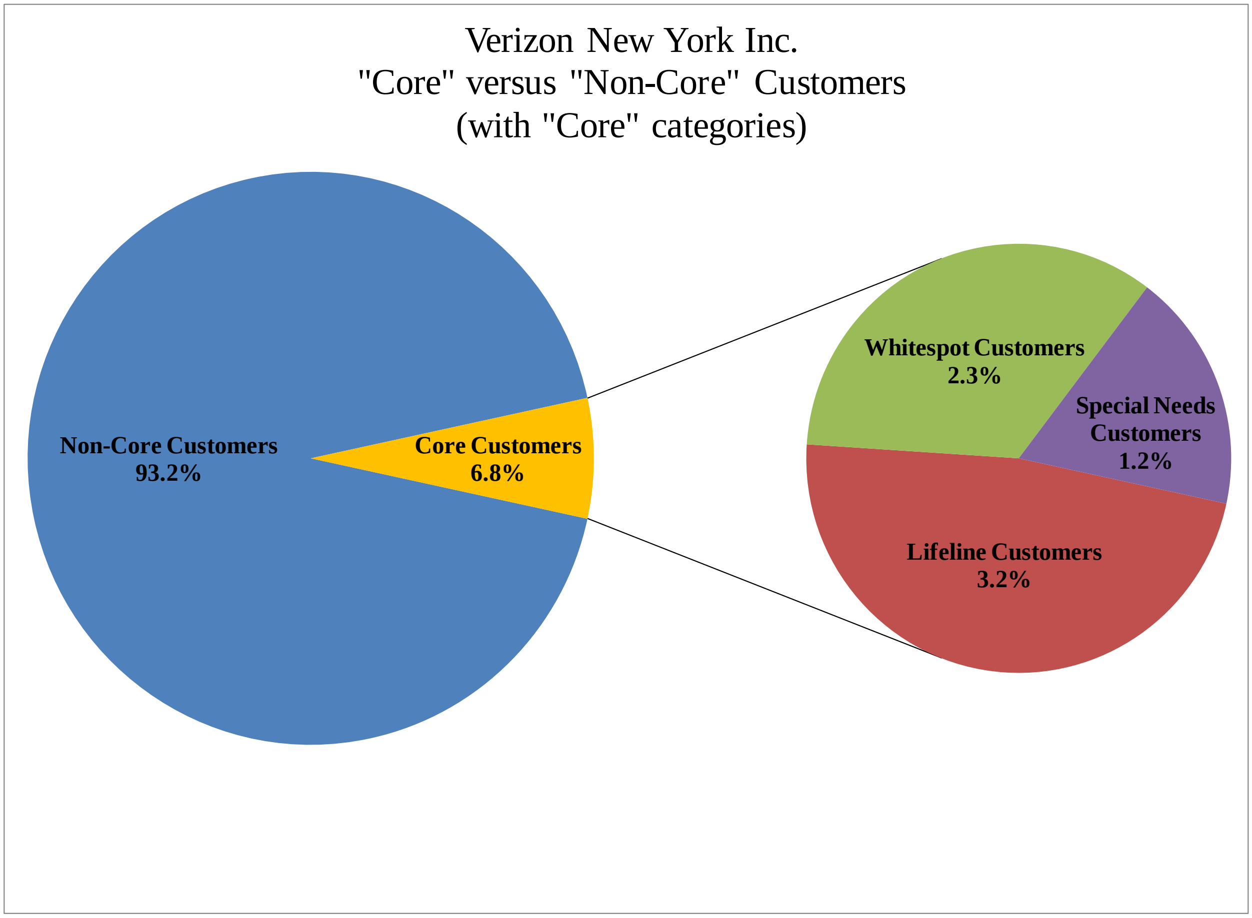
Verizon is the largest incumbent local exchange carrier in New York State serving approximately 3.5 million access lines (i.e., about 40% of the access lines it maintained ten years ago) from 539 central office switches. Verizon's traditional

---

[1] Case 10-C-0202, Verizon Service Quality Improvement Plan, Order Adopting Verizon New York Inc.'s Revised Service Quality Improvement Plan with Modifications (issued December 17, 2010).

wireline customer base continues to decline in large part due to migration to competitive alternatives, including wireless, voice services provided by cable companies, and other substitutes (including Voice over Internet Protocol or VoIP). For the twelve months ending September 30, 2013, Verizon lost about 522,000 (13.0%) of its access lines.

According to the Commission's Telephone Service Standards[2] (Service Standards), all local exchange carriers are required to report CTRR data. Because Verizon serves more than 500,000 access lines, it was formerly required to report on eight other metrics, addressing such things as timeliness of repairs and installations,



responsiveness of customer call centers, and network call completion performance. Under the SQIP, however, Verizon was allowed to discontinue reporting on installation metrics and on the marketing offices' answer time performance. Further, reporting on the timeliness of repair metrics will now be done at the "area" level (instead of at the Repair Service Bureau level) and will be limited to core customers. When the SQIP commenced, core customers made up about 8% of Verizon's overall customers. However, as of September 2013, the core customer base has declined to approximately 6.8% of overall customer base. As can be seen from the accompanying chart, core customers are comprised primarily of Lifeline service recipients.

---

[2] 16 NYCRR Part 603: Service Standards Applicable to Telephone Corporations.

The underlying premise behind the Commission's adoption of the SQIP was that service quality regulation should focus on protecting customers who either lack competitive choice or who have other special needs that render them in need of government protection. The Commission's Order directed Verizon to focus on core customers precisely because these customers have limited recourse, other than regulatory protection. Therefore, the Order established firm standards for evaluating Verizon's performance and subjected Verizon to a penalty action under Public Service Law (PSL) §25 if it failed to comply with the Commission's directives to meet the timeliness of repair thresholds for its core customers.

Discussion

This report summarizes Verizon's performance results for the third quarter of 2013 and compares them to the Commission's Service Standards in the areas of Network Reliability, Repair Performance, Answer Time Performance, and Service Inquiry Reports (SIRs).[3] In addition, this report discusses Major Outages, Special Services' performance, and Consumer Complaints to the Department.

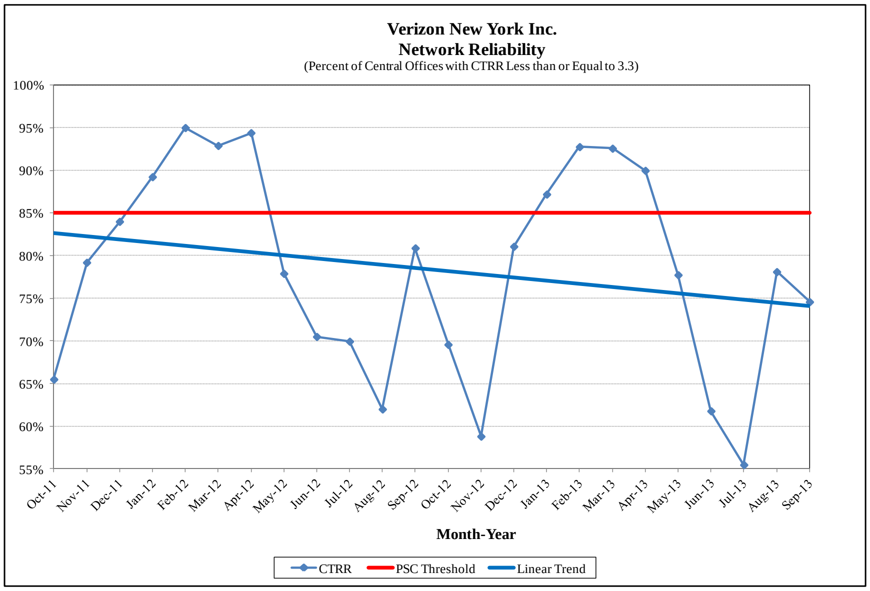
Network Reliability

Network reliability reflects the frequency of network problems identified by customers, and performance is reported in terms of the Service Standards' two CTRR metrics which measure aggregate and individual central office entity (COE) performance.

---

[3] SIRs are reports that identify specific entities (e.g., central office switches, answer bureaus, geographic areas) where improvements are required, detail the reasons for poor performance, describe the corrective action being taken, and identify an expected improvement date. SIRs are required under 16 NYCRR §603.4 whenever an entity's performance on a given metric of the Commission's Service Standards is not at or better than the threshold of that metric for the current month and any two of the previous four months.

With regard to aggregate network reliability, 85% or more of all 539 COEs (i.e., central office switches) are expected to achieve a CTRR of 3.3 or less customer trouble reports per hundred access lines (RPHL) per month. The results shown in the accompanying graph are the percentage of central offices with a CTRR of 3.3 or less RPHL per month. While the 85% threshold for this metric is typically not achieved during the stormy summer months, the two-year trend is negative, indicating a continued decline in overall network reliability.



The second CTRR metric addresses individual COE performance. Each switch is expected to achieve a CTRR of 5.5 or less RPHL per month. Oftentimes, Verizon COEs that tend to fail this metric are typically smaller, utilize copper-based cable infrastructure, and primarily serve more rural or seasonal areas. The reasons provided by Verizon for missing the threshold of 5.5 RPHL per month for these COEs relate primarily to inclement weather, although electronic equipment failure and cable cuts are also cited.

Service Inquiry Reports

There were 44 SIRs related to COEs exceeding a CTRR of 5.5 RPHL per month for the third quarter of 2013. By comparison, there were 34 SIRs for this same metric in the third quarter of 2012, i.e., one year earlier. This negative movement parallels that shown in the graph above. With regard to this metric, the following COEs had at least one SIR failure in the third quarter of 2013 as well as having had at least one SIR failure one year earlier; Bolivar, Byron, Castleton, Cherry Valley, Clinton Corners, Granville, Hartford, Livingston Manor, and Saint Regis Falls. Further, some COEs with SIR failures this quarter, such as Byron and Clinton Corners, have had five SIR failures over the past twelve-month period, indicating sustained network reliability infirmities in the long-term.

In many of the SIRs submitted, Verizon states that it employs a “Proactive Cable Maintenance” program and a “Proactive Preventative Maintenance” program, along with additional workforce from other departments and areas, in an effort to help achieve this metric. The company also states it utilizes a high level of oversight, including daily conference calls, to address cable failures and repairs. These programs and corrective actions are similar to those actions that have been stated in the past, but which have not materially resulted in sustained improvement in these metrics.

Repair Performance

Repair performance is gauged by examining the results of the Service Standards' two maintenance metrics, i.e., Percent Out-Of-Service Troubles Lasting Over 24 Hours (OOS>24) and Percent Service-Affecting Troubles Lasting Over 48 Hours (SA>48). Out-of-service troubles occur when customers cannot make or receive telephone calls and service-affecting troubles include noise or static on the line, cross-talk, false ring, etc.

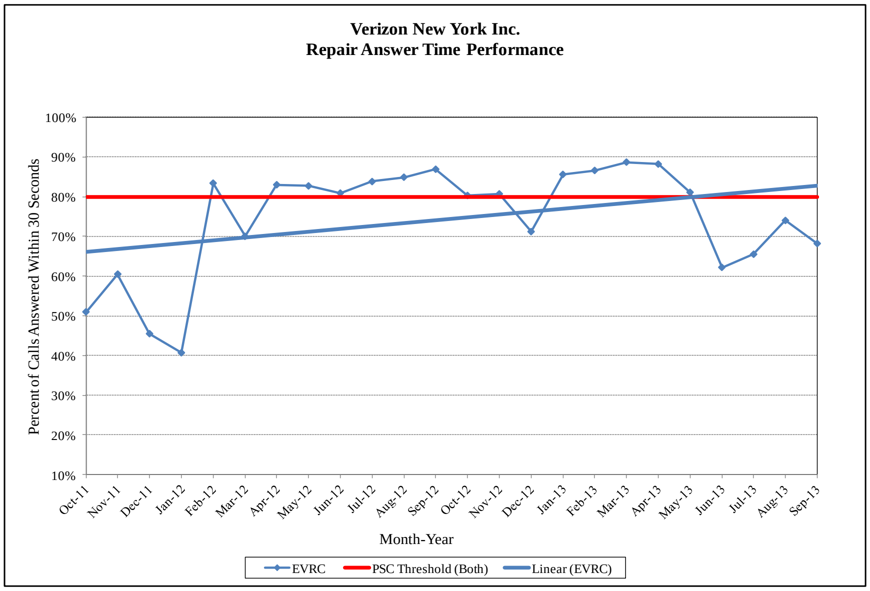
To align maintenance service quality reporting with current operational functionalities and responsibilities, the company adopted an area reporting methodology for the Commission's timeliness of repair metrics. The company is divided into five operating areas, i.e., New York City, Long Island**,** Midstate, Upstate East, and Upstate West. For OOS>24 and SA>48, the SQIP established performance for core customers at less than or equal to 20%. As shown in the following table, all five areas bettered the threshold of these two metrics in every month this quarter except for OOS>24 in the New York City area in July.

"CORE" PERFORMANCE	July		August		September	
	%OOS>24	%SA>48	%OOS>24	%SA>48	%OOS>24	%SA>48
NYC	**25.74**	9.50	15.68	7.97	19.01	7.74
LONG ISLAND	18.21	12.04	15.63	10.48	15.54	9.43
MIDSTATE	16.27	9.79	11.61	4.21	14.06	4.82
UPSTATE EAST	14.34	6.39	12.94	6.81	16.71	10.83
UPSTATE WEST	16.58	8.16	17.21	12.61	15.74	11.65

Answer Time Performance

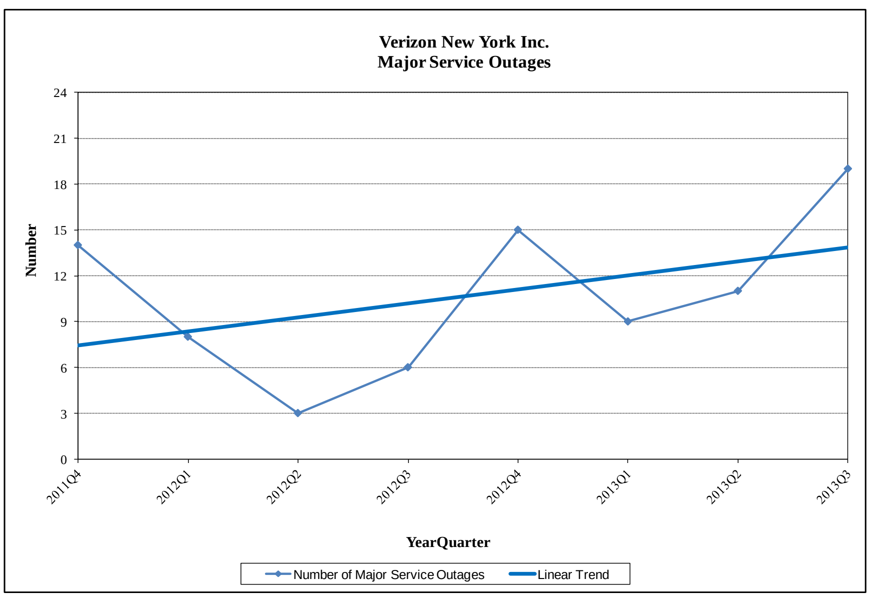
Under the SQIP, Verizon was allowed to discontinue reporting on the marketing offices' answer time performance. The Service Standards specify that, each month, 80% or more of the calls to an answer center should be answered within 30 seconds.

The repair service answer bureau that had handled trouble reports from customers who are served by the legacy copper outside wire network has been combined recently with the call center that had resolved trouble reports from customers served via the company's new fiber optic cabling (over which Verizon's FiOS service is provided). The answer time service quality for the new Enhanced Verizon Resolution Center (EVRC) is illustrated in the accompanying graph. While the EVRC did not meet the 80% threshold of the answer time metric in any month in the third quarter of 2013, the two-year trend is positive and is approaching that threshold.



Major Outages

Carrier adherence to the Service Standards helps sustain reliable and resilient networks and potentially mitigates or prevents major outages. When major outages impact telecommunications networks, carriers are required to report such events to staff. Staff closely monitors network outages and investigates outage events with Verizon and other service providers on a routine basis. As shown on the accompanying graph, major service outages increased in the third quarter of this year and were more than three times worse than a year earlier. The substantial increase in major service outages in Verizon service territory is coincident with overall negative trending for CTRR performance.



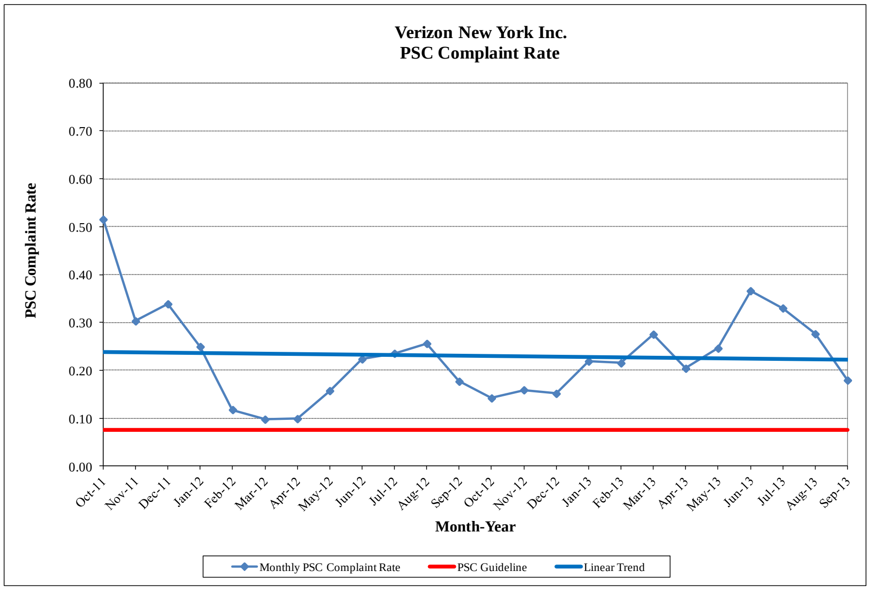
Special Services

Staff tracks the service quality performance of the company under the Commission's Special Services Guidelines. The specific data submitted is proprietary and addresses non-basic services, i.e., services provided mostly to business customers or other service providers, generally on a wholesale basis, usually on circuits that require special engineering (e.g., high-speed data circuits). The following general summary does not include proprietary information; it is intended to provide an overall picture of the quality of service provided by Verizon on these services.

Special Services maintenance performance was generally acceptable during the third quarter of 2013. With regard to installation performance, delay days on missed installation appointments for retail customers worsened throughout the quarter. Also, wholesale special services' customers (both affiliates and non-affiliates) have been experiencing a somewhat elevated level of faulty installations.

Complaints

While complaints to the Department from customers are not a part of the Service Standards and, therefore, do not generate SIRs, they serve as an independent measure of service quality, apart from performance reported by the carriers under the Service Standards. As shown on the accompanying graph, the complaint rate improved during the third quarter of 2013 and the two-year trend shows slight improvement.



Performance on a complaint rate basis during the third quarter of 2013 (2.62) was worse than that of the same quarter one year ago (2.21). Complaints for this quarter averaged about 77 per month as compared with 74 per month for the comparable timeframe last year**.** A significant number, and percentage, of consumers who file complaints are core customers. In the third quarter of 2013, about 10.6% of PSC complaints were from core customers, versus about 7% in the third quarter of 2012. Under the SQIP, these core customers are expected to benefit from the improved focus on timeliness of repair performance.

Conclusion

The Commission's approval of Verizon's revised SQIP in December 2010 established a new reporting paradigm for the company. The revised SQIP was intended to provide focus on repairs for Lifeline customers, special needs customers, or customers who do not have competitive wireline options. It eliminated reporting on certain service quality performance to more closely reflect the realities of competition by moving closer to comparable treatment for competing providers, thereby allowing the market to dictate service quality.

The company's performance for network reliability, as measured by the companywide CTRR metric, missed the threshold for this metric every month in the third quarter of 2013 and the two-year trend continues to decline. . The company met the Commission's two timeliness of repair metrics for core customers in each of five geographic areas during each month in the third quarter of this year, with the exception of the OOS>24 threshold being missed in the New York City area in July. The company's repair service answer bureau missed the threshold for the call center answer time metric every month in the third quarter of 2013, however, the two-year trend is improving. Consumer complaints to the Department were slightly worse during the third quarter of 2013 as compared to one year earlier, despite having lost over 500,000 lines, over that same period. However, the two-year trend shows slight improvement. Staff meets monthly with the company concerning service quality and consumer complaints and will continue to monitor the company's performance in these regards and report back to the Commission.