

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.*, elderly, blind, or disabled) and eliminated several reporting requirements. The revised reporting requirements commenced in January 2011. This is the Department of Public Service staff's (staff's) ninth report on Verizon's performance under the new framework; it provides the results for the first quarter of 2013.

The company's performance for network reliability, as measured by the companywide Customer Trouble Report Rate (CTRR) metric, met the threshold for this metric each month during the first quarter of 2013. Both repair call answer centers met the threshold of the answer time performance standard during the first quarter of 2013. 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 first quarter of 2013, with the exception of the Percent Out-of-Service Trouble Reports Lasting Greater than 24 Hours (OOS>24) threshold being missed in the New York City area each month. Also, the trend for consumer complaints to the Department worsened slightly in the first quarter of 2013.

Background

Verizon is the largest incumbent local exchange carrier in New York State serving approximately 3.7 million access lines (*i.e.*, about 40% of the access lines it maintained ten years ago) from 539 central office switches. Verizon's wireline customer base continues to decline in large part due to competitive alternatives such as voice services provided by cable companies, wireless, and other substitutes (including Voice over Internet Protocol). For the twelve months ending March 31, 2013, Verizon lost about 547,000 (12.7%) of its access lines.

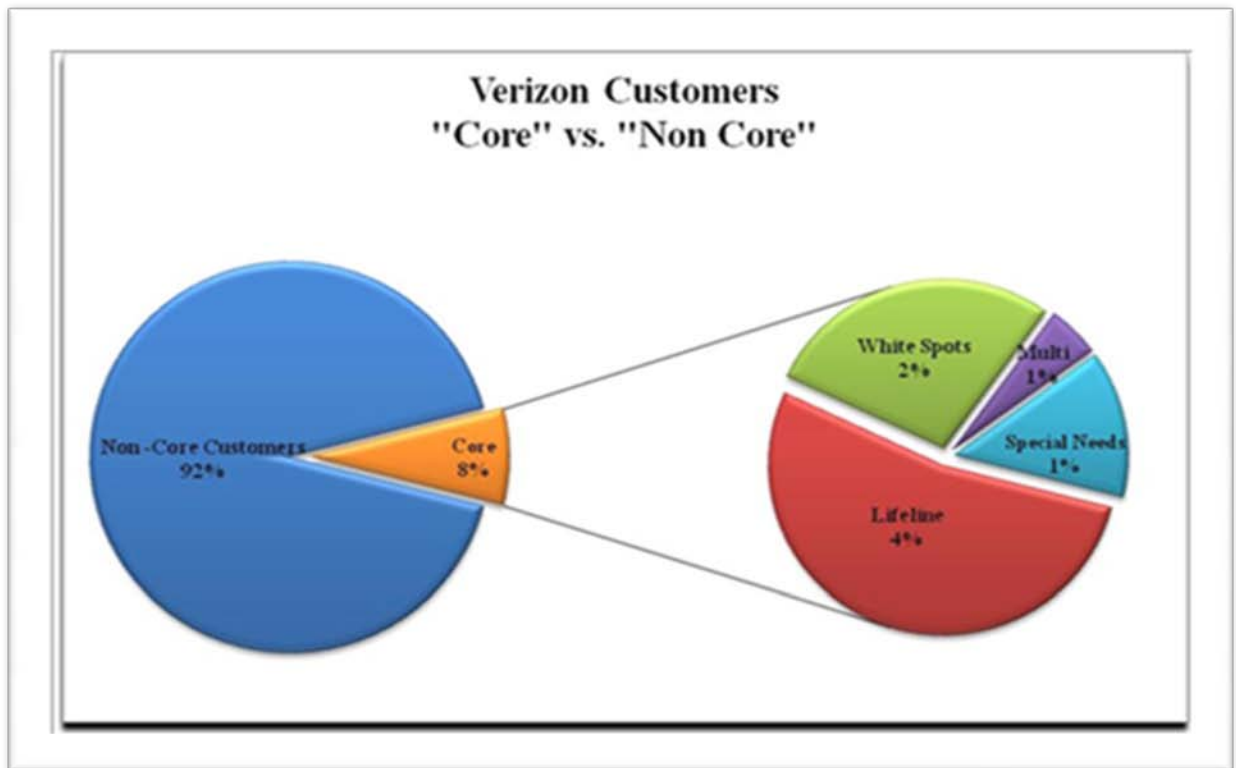
According to the Commission's Telephone Service Standards² (Service Standards), all local exchange carriers are required to report CTRR data. Because Verizon serves more than 500,000 access lines, it was formerly required to report on

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).

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

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, 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 the "core" customers. "Core" customers make up about 8% of Verizon's customers and, as can be seen from the accompanying chart, are comprised primarily of Lifeline customers.

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 §25 if it failed to comply with the Commission's directives to meet the timeliness of repair thresholds for its core customers.

Discussion

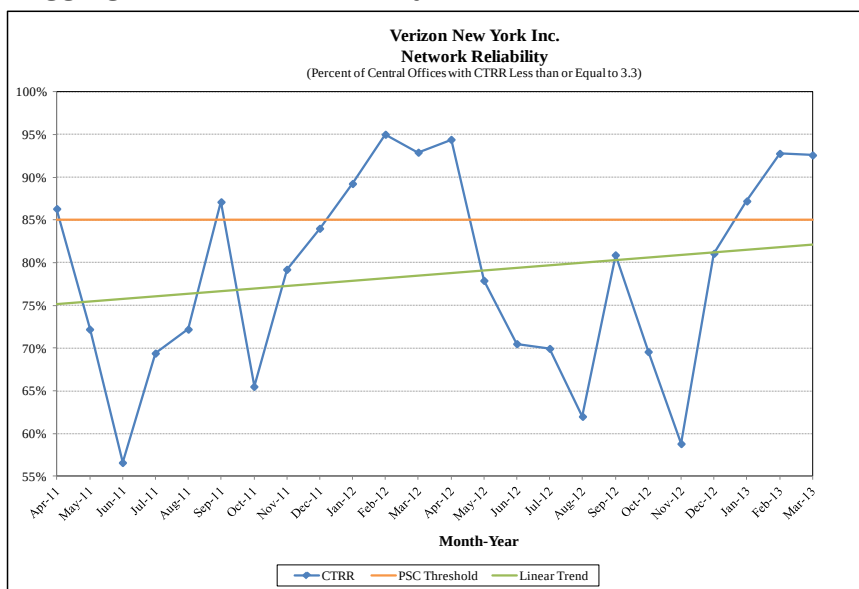
This report summarizes Verizon's performance results for the first quarter of 2013 and compares them to the Commission's Service Standards in the areas of

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.

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.

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. The 85% threshold for this metric was achieved each of the three months in the first quarter of 2013.



The second CTRR metric addresses individual COE performance. Each switch is expected to achieve a CTRR of 5.5 or less RPHL per month. Central offices that have a problem meeting this metric are typically smaller 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 equipment failure and cable cuts are also cited.

There were twelve SIRs related to COEs exceeding a CTRR of 5.5 RPHL per month during the first quarter of 2013. Verizon says it uses its Proactive Cable Maintenance program and its Proactive Preventative Maintenance program, along with

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.

additional workforce from other departments, to achieve this metric. The company also states that it utilizes a high level of oversight, including daily conference calls, to address cable failures and repairs. These corrective actions are similar to corrective actions that have been stated in the past; however, they have not resulted in sustained improvement in some of these COEs.

Repair Performance

Repair performance is gauged by examining the results of the Service Standards' two maintenance metrics, *i.e.*, OOS>24 and Percent Service-Affecting Trouble Reports Lasting Greater than 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.

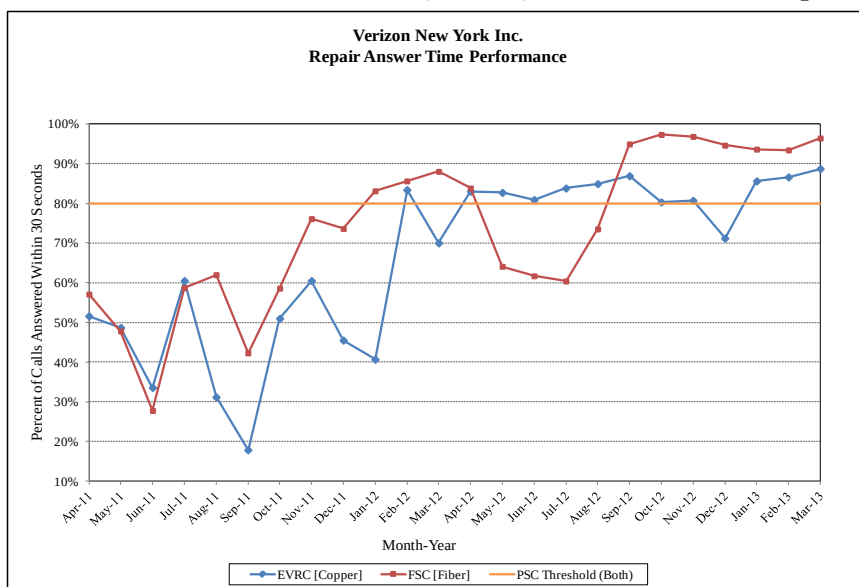
To align maintenance service quality reporting with current operational functionalities and responsibilities, the company adopted an area reporting methodology for the Commission's timeliness of repair metrics. The company is divided into five operating areas, *i.e.*, New York City, Long Island, Midstate, 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.

"CORE" PERFORMANCE	January 2013		February 2013		March 2013	
	%OOS>24	%SA>48	%OOS>24	%SA>48	%OOS>24	%SA>48
NYC	32.67	11.13	29.59	11.32	33.09	14.56
LONG ISLAND	18.10	6.41	19.03	5.88	17.25	6.19
MIDSTATE	15.27	6.62	13.13	7.86	12.44	6.72
UPSTATE EAST	6.08	1.58	9.54	5.21	9.79	3.68
UPSTATE WEST	8.05	3.55	10.01	3.63	12.70	4.15

Answer Time Performance

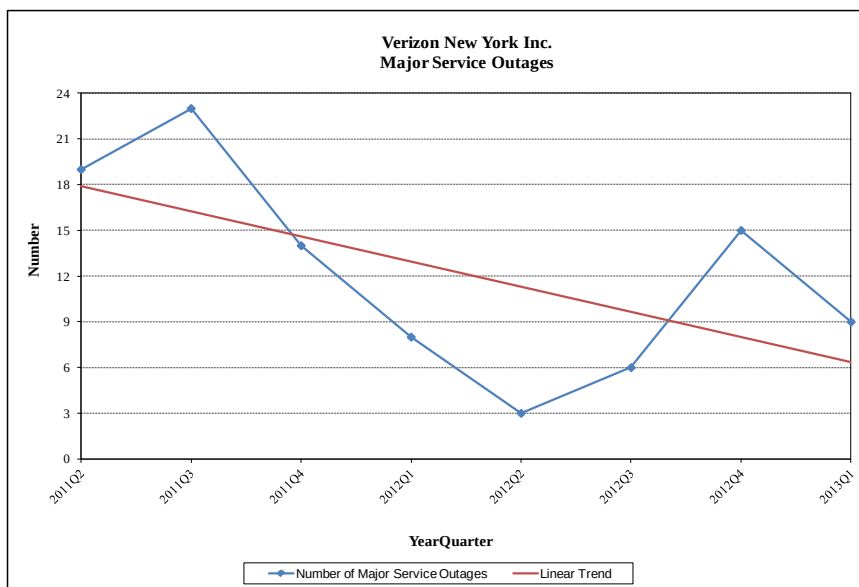
Under the SQIP, Verizon was allowed to discontinue reporting on the marketing offices' answer time performance. Answer time is now reported for only the two repair call answer centers. The Service Standards specify that, each month, 80% or more of the calls to an answer center should be answered within 30 seconds.

The Enhanced Verizon Resolution Center (EVRC) handles trouble reports from customers who are served by the legacy copper, outside wire network. Verizon's Fiber Solution Center (FSC) resolves trouble reports from customers served via the company's new fiber optic cabling (over which Verizon's FiOS service is provided). As illustrated in the accompanying graph, both the EVRC and FSC met the 80% threshold of the answer time metric every month in the first quarter of 2013. Further, the long term trend is one of significant improvement for both answer centers.



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 decreased in the first quarter of this year and were about the same as a year earlier.



Special Services

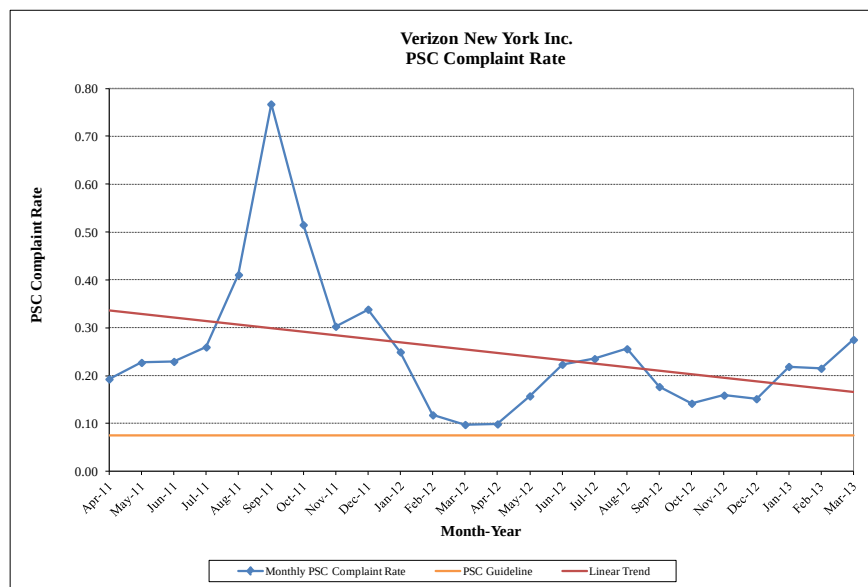
Staff tracks the service quality performance of the company under the Commission's Special Services Guidelines. The specific data submitted is proprietary

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 and 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 first quarter of 2013. Installation performance was generally good for Verizon's Special Services, with the exception of delays on missed installation appointments. Also, wholesale special services' customers (both affiliates and non-affiliates) have been experiencing a somewhat elevated level of faulty installations since October 2012.

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 rose slightly during the first quarter of 2013.



Performance on a complaint rate basis during the first quarter of 2013 (2.36) was worse than that of the same quarter one year ago (1.55). Complaints for this quarter averaged about 75 per month as compared with 56 per month for the comparable timeframe last year. It is important to recognize that a significant number of consumers who file complaints are “non-core” and have competitive options.

Conclusion

The Commission’s approval of Verizon’s revised SQIP established a new reporting paradigm for the company. The revised SQIP provides 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, met the threshold for this metric each month during the first quarter of 2013. Both repair call answer centers met the threshold of the answer time performance standard during the first quarter of 2013. 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 first quarter of 2013, with the exception of the OOS>24 threshold being missed in the New York City area each month. The trend for consumer complaints to the Department worsened slightly in the first quarter of 2013. 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.