STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 10-C-0202 - Proceeding on Motion
of the Commission to Consider the Adequacy
of Verizon New York Inc.'s Verizon Service
Quality Improvement Program

Petition of Attorney General
Eric T. Schneiderman
to Modify the Verizon Service Quality Improvement Plan

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April 25, 2012

CONTENTS

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I. SUMMARY

In 2010, the Public Service Commission ("PSC" or "Commission") recognized the inadequacy of Verizon's telephone service quality, noting:

> Beginning in the summer of 2008, Verizon's timeliness of repair performance fell short of the threshold levels defined in the Commission's service standards. While over time there have been fewer out of service conditions in the aggregate, the percentage of customers who are out of service for more than 24 hours has increased over time.[1]

After directing Verizon to submit a revised Service Quality Improvement Plan ("SQIP"), the PSC adopted a modified Plan that drastically relaxed the service standards applied to the company. Despite receiving this substantial deregulation of its service quality requirements, Verizon nevertheless failed to meet four repair service measurements in 2011, the first year of the plan. Moreover, by limiting the scope of Verizon's performance measurements to the 8% of all New York customers defined as Core, the Commission allowed the company to provide below standard service to 92% of its customers with impunity.

The Attorney General's Office submits that the basis for the Commission's deregulatory decision relieving Verizon of providing adequate service to most of its customers was deeply flawed and has resulted in seriously diminished service quality for Verizon customers. Commission assumptions made about the effect of market

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[1] CASE 10-C-0202 - Proceeding on Motion of the Commission to Consider the Adequacy of Verizon New York Inc.'s Service Quality Improvement Plan, ORDER DIRECTING VERIZON NEW YORK INC. TO FILE A REVISED SERVICE QUALITY IMPROVEMENT PLAN, June 22, 2010, at 3-4 ("June 22, 2010 SQIP Order").

competition ignored the fact that, at best, New York's telephone service market is a duopoly, and contrary to theoretical expectations of market controls, the presence of a single competitor has not in fact prevented Verizon from allowing customer service to continue to degrade. Rather than meet its obligations to provide wireline telephone customers with minimally adequate telephone service, Verizon is continuing to drastically reduce its workforce with the result that the company cannot meet its customers' repair needs in a timely manner. Verizon's management has demonstrated that it is unwilling to compete to retain its wireline customer base, and instead is entirely focused on expanding its wireless business affiliate. It is incumbent on the Commission to take appropriate regulatory action to ensure that customers receive reliable telephone service with adequate repair performance. Therefore, the Commission should modify Verizon's service plan to ensure customers receive adequate service quality in the future.

II. INTEREST OF THE ATTORNEY GENERAL'S OFFICE

The Attorney General is the chief law enforcement officer in the State and is both obligated and empowered to protect the interests of the residents and businesses of New York. The Attorney General 's Office ("OAG") has participated in numerous PSC proceedings advocating for residential and small business customers.[2] In particular, OAG has long advocated for Commission enforcement of effective telephone service quality standards to ensure that New York customers receive fair value for their monthly charges, that public health and safety is protected through reliable telephone service, and

[2] *See, e.g.,* OAG filings in PSC Cases 08-V-0835, 06-C-0481, 05-C-0616, 03-C-0971, 00-C-1945,99-C-1573, 98-C-0063, 97-C-1297, 96-C-0603, 96-C-0599, 96-C-0821, 90-C-0191, and 90-C-0164.

that New York's economy can thrive for the benefit of all residents and businesses in the state.

III. BACKGROUND FACTS

Since 1973, the Public Service Commission ("PSC" or "Commission") has set minimum expected telephone service standards by regulation. *See* 16 *NYCRR* Part 603.[3] The Commission's authority to adopt minimum telephone service requirements is provided by Public Service law ("PSL") Section 94.2, which provides, *inter alia*:

> The commission shall have general supervision of all . . . telephone corporations . . . and telephone lines within its jurisdiction . . . and shall have power to and shall examine the same and keep informed as to their general condition, . . . the manner in which their lines and property are . . . operated or managed, conducted and operated with respect to the adequacy of and accommodation afforded by their service and also with respect to the safety and security of their lines . . .

These service standards measure, *inter alia*, how many customers request repair service ("Customer Trouble Reports" or "CTRs") by tracing the number of reports per 100 lines served at each of Verizon's 539 central switching offices ("COEs"). The resulting measurement is called the "Customer Trouble Report Rate" (or "CTRR") is measured for each COE monthly.

The PSC divides Customer Trouble Reports into two groups: 1) those that are Out of Service ("OOS") and involve a loss of dial tone so calls cannot be placed or received and 2) those that Affect Service ("SA")- such as noise or extraneous voices interfering with customers' ability to hold conversations when calls are connected. The PSC's expected minimum repair service performance level is that at least 80% of OOS

[3] These regulations have been revised and amended several times.

customer trouble reports are repaired within 24 hours ("OOS>24"), and 80% of SA trouble reports are repaired within 48 Hours ("SA>48").

Other significant service performance measurements track whether 80% of customer calls to the company's repair bureaus are answered within 30 seconds, how frequently major outages (trunk cable failures) occur and how many customers lodge complaints to the Commission's Office of Consumer Services.[4]

Since at least 2008, Verizon has frequently failed to meet these PSC telephone service standards essential to safe and reliable telephone service. Even as the number of telephone lines needing to be maintained has dwindled to half those of a decade ago (as customers choose to rely instead on wireless and/or cable telephony), Verizon's continues to fail to meet the PSC's service standard.

On December 19, 2009, in response to the PSC's expressed concerns with declining service to customers,[5] Verizon proposed a Service Quality Improvement Plan ("SQIP) that committed the company to increase its telephone network[6] preventive maintenance, and assign repair workers to locations where the need is greatest. At the same time, Verizon asked the PSC to revise the service standards in certain respects. The Commission found that Verizon's proposals to address its network maintenance were

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[4] The number of customer complaints to the PSC per 10,000 telephone lines, ("PSC Complaint Rate") independently measures customer satisfaction or dissatisfaction with a telephone company's performance of repairs, billing, and other activities. The PSC set an expected threshold of less than 0.075 complaints per 10,000 lines as indicating adequate performance. *See e.g.*, Fourth Quarter 2011 Verizon Service Quality Report by DPS Staff to the Commission, released February 15, 2012, at 7.

[5] The Commission stated: "Over the last two years, Verizon New York Inc. (Verizon or the company) has experienced difficulty in responding to requests for out-of-service repairs within 24 hours. In response to Department staff's (staff) concerns, Verizon submitted a Service Quality Improvement Plan (SQIP) to the Director of the Office of Telecommunications (Director) in December 2009 seeking to improve timeliness of repair performance." June 22, 2010 SQIP Order, at 1.

[6] The fiber, cables, and local loop copper wires connecting customer's homes and offices with Verizon's central switching offices is known as the outside plant network.

inadequate and directed Verizon to revise its SQIP while also granting many of the company's requests to relax service quality performance standards.[7] For a subset of Verizon’s customers, the PSC lowered certain standards while imposing monetary sanctions if these standards were not met, but noted that "[p]roviding increased focus on vulnerable or core customers and less emphasis on customers with competitive alternatives does not remove our concern (or responsibility) for ensuring the health of the network."[8]

The PSC made certain concessions and lowered many of Verizon’s requirements. For example, the PSC carved out approximately 8% of Verizon's customers and labeled them as "Core," meaning they are either unable to switch providers (lack a cable telephony alternative) or are vulnerable (elderly, blind, disabled, have medical problems, or are low income and receiving the LifeLine rate subsidy). The Commission determined that non-Core customers "are not in need of additional protections and have the option to change service providers if they so desire."[9] Thus, the PSC determined that SQIP's repair service performance requirements only applied to Core customers.

The PSC also relieved Verizon from meeting service standards measuring missed installation appointments and installations completed within five days as well as its speed in answering non-repair customer calls. Verizon was also permitted to exclude from its repair timeliness performance measurements all instances where customers were offered a repair appointment within the 24 or 48-hour interval, but the customer requested or

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[7] June 22, SQIP Order, *supra*.

[8] *Id* at 8.

[9] *Id* at 9.

accepted an appointment outside the window period -- making it significantly easier for the company to meet the 80% OOS>24 and SA>48 service standards. The Commission further modified Verizon's OOS>24 and SA>48 metrics by counting only customer trouble reports from Verizon's Core customers when determining if monetary sanctions under the SQIP should be applied. Finally, the revised SQIP further lessened the service quality performance requirements applied to Verizon by aggregating repair service measurements into five Regions instead of 28 Repair Service Bureaus ("RSB").[10] By measuring multiple RSB repair performance results within each Region as a single entity, below-standard service in a few RSBs can be offset by above-standard service in other RSBs in the same Region, enabling Verizon to more easily meet its OOS>24 and SA>48 performance metrics.

The PSC adopted the revised SQIP proposal on December 17, 2010, modifying in part the proposals submitted by Verizon.[11] In exchange, the revised SQIP provided that if Verizon failed to meet the greatly lowered service standards[12] for its 8% Core customers,[13] the PSC would require Verizon to show cause why a penalty of $100,000

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[10] Each RSB dispatches repair technicians to respond to Customer Trouble Reports and installation requests within a defined territory. The 28 RSBs are now grouped into the NYC, Long Island, Upstate East, Upstate West and Midstate Regions. The PSC noted that this consolidation gives Verizon managers greater flexibility in assigning repair staff where they are most needed. However, it also allows the company to provide customers in some RSBs consistently sub-standard repair service while officially meeting the aggregated regional measurements.

[11] Case 10-C-0202 - *supra*, ORDER ADOPTING VERIZON NEW YORK INC.'S REVISED SERVICE QUALITY IMPROVEMENT PLAN, issued and effective Dec. 17, 2010 (herein "December SQIP Order").

[12] The remaining service standards include: restoring dial tone to 80% of customers within 24 hours; completing repair of other CTRs affecting service to 80% of customers within 48 hours; and answering customers' repair calls within 30 seconds for 80% of such calls. *See* 16 *NYCRR* § 603.3.

[13] In December 2010, the PSC estimated the total number of Core customer lines at 400,000 (in December 2011, the total number of Verizon lines in New York was 4.4 million).

for each failed repair service measurement[14] should not be imposed pursuant to Public Service Law ("PSL") § 25.

Despite the PSC's decision significantly lowering the expected level of service performance and excluding sanctions for inadequate Verizon repair service performance provided to 92% of its customers, the company still failed to provide adequate service during the first year of the SQIP. In October 2011, Verizon exceeded the limit of OOS Core customers forced to wait beyond twenty-four hours to have their service restored in both the New York City and Upstate East regions. The company also failed to meet its SA>48 standard in the Upstate East region that month and the OOS>24 standard in the same region again in December.[15] This deplorable Core customer repair performance triggered a PSC response that resulted in Verizon paying a $400,000 penalty.[16] Unfortunately, because Verizon is not required to report the average time it takes to repair CTRs, there is no data indicating how much longer than 24 hours OOS customers typically wait for telephone service restoration.

[14] The Commission did not require a similar sanction for failing to meet the average speed of answer standard for customers' repair-related calls.

[15] Although the PSC's service standards allowed Verizon to exceed 24 hours in repairing OOS conditions and 48 hours to repair SA conditions in 20% of its Core Customer Trouble Reports, Verizon missed even this threshold. In October Verizon's OOS>24 score for the NYC Region score was 29.24%, and 28.34% for the Upstate East Region. The Upstate East SA>48 performance was 29.14%. Indeed, the company's state-wide average OOS>24 rate was 23.98% for that month. In December, Verizon's Upstate East Region's OOS>24 rate was 24.73% (the November performance for this Region barely passed with a 20.00% result).

[16] Case 10-C-0202, *supra*, ORDER TO SHOW CAUSE, issued and effective February 16, 2012. Although Verizon disagreed with the PSC's findings, it chose to pay the penalty rather than engage in a disputed litigation. *See* March 6, 2012 letter from Verizon-New York President James G. Gerace to PSC Secretary Jaclyn A. Brilling.

IV. VERIZON'S SQIP IS NOT ENSURING ADEQUATE SERVICE TO NEW YORK CUSTOMERS AS A WHOLE

In adopting the 2010 SQIP, the Commission observed that, "Verizon's service quality with respect to timeliness of repair performance has fallen consistently short of the threshold levels defined in the Commission's service standards."[17] In addition, the Commission made clear that it expected the company to raise its repair performance for Core customers to threshold levels:

> We fully expect Verizon to provide enough administrative focus and resources in every one of its measurement entities, to ensure that the company meets our 20% threshold for both OOS>24 and SA>48 metrics. Further, the company needs to be held to a firm standard in evaluating whether the company has in fact met our directive . . .[18]

Verizon's service quality performance, however, did not meet the limited Core customer standards and, for customers as a whole, worsened during the first year of the SQIP. This is demonstrated by the company's performance measurements as reported to the PSC, as detailed below.[19]

A. Verizon's Deteriorating Network Reliability

The Commission measures Verizon's service reliability by the number of CTRs per hundred telephone lines it receives each month from each of the Company's COEs. To meet the PSC's expected threshold, each COE's CTRR should be less than 5.5.[20] This is not an especially stringent standard, as a Verizon COE experiencing trouble reports

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[17] Case 10-C-0202 - ORDER ADOPTING VERIZON NEW YORK INC.'S REVISED SERVICE QUALITY IMPROVEMENT PLAN, *supra*, at 2.

[18] *Id.* at 18.

[19] The service quality data cited herein is extracted from the monthly reports Verizon submits to the PSC.

[20] *See* 16 *NYCRR* § 603.3(b)(1).

totaling 66% of the lines being served over a year's time would still pass this test.[21] However, as shown in Table 1 below, the number of monthly COEs reporting in excess of the 5.5 CTRR threshold during 2011 greatly exceeded each of the two prior years (2011 was nearly equal to the total of 2009 and 2010 combined). This increase occurred despite the total number of lines Verizon maintained shrinking by 20% during the same three-year period.[22] Even excluding August and September 2011, months for which the PSC granted Verizon repair measurement waivers, Verizon's remaining ten-month CTRR score exceeded 5.5 in 328 COEs, 83% more than the entire previous year.

Even though Verizon has substantially fewer telephone lines to maintain in 2011 than in prior years, the company's network reliability performance has gotten much worse. Not only did Verizon report far more monthly CTRR scores in excess of the PSC threshold in 2011 than in prior years, but its network reliability around the state has deteriorated each year: spreading from 137 different COEs in 2009 to 194 in 2010 and a whopping 266 individual COEs in 2011 -- or from 25% of Verizon's network in 2009 to 49% in 2011. This confirms that the network reliability conditions causing excessive customer trouble reports were not the result of isolated or localized circumstances, but were widespread and becoming more pervasive each year.

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[21] For example, a COE with 10,000 lines in service would be able to meet the 5.5 CTRR standard for the year even though a total of 6,600 CTRs were reported , or 66% of the lines having trouble reports in a single year (5.5% of 10,000 lines times twelve months). Thus, up to two-thirds of the company's lines can require repair each year without exceeding this reliability standard.

[22] Verizon served an average of only 4,676,641lines during 2011, down from 5,860,377 lines during 2009.

Table 1
Verizon Central Offices Over 5.5 CTRR 2009 - 2011

Year	Total COEs > 5.5 CTRR	Monthly Average COEs > 5.5 CTRR	Individual COEs > 5.5 CTRR	Average Lines[23]
2009	190	15.8	137	5,860,377
2010	179	14.9	194	5,231,566
2011	364	30.3	266	4,676,641
2011 w/o Aug & Sept.	328	32.8	n/a	

The PSC also measures Verizon's network reliability by a second standard. At least 85% of Verizon's COEs must score below 3.34 CTRR each month.[24] When the company's annual aggregated state-wide performance is tallied for each year, the performance data summarized in Table 2 below shows that in 2011 Verizon failed to meet this standard substantially, compared to 2009 when it exceeded the standard and 2010 when it only barely missed it.[25]

Table 2
Percentage of Verizon Central Offices Under 3.34 CTRR 2009 - 2011

	% COEs < 3.34	**# Months Failed**
2009	86.7%	3
2010	84.4%	4
2011	78.7%	8

[23] Average annual line counts are computed from the number of lines Verizon reported to the PSC during each month to take into account the progressively declining number of customer lines in service over the three-year period analyzed.

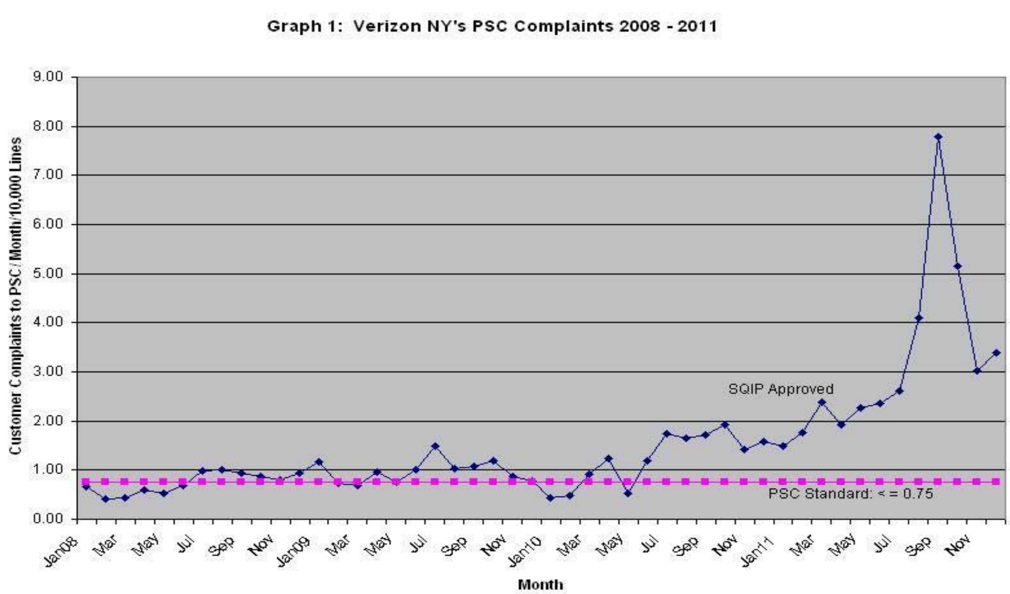
[24] 16 *NYCRR* § 603.3(b)(1). The performance Reports Verizon submits to the PSC compile this data for the whole state as well as for the North/West Region (Upstate New York, comprising 414 COEs) and the South East Region (Downstate New York, comprising 125 COEs).

[25] Even excluding August and September 2011, Verizon failed to meet this PSC standard during seven of the remaining ten months during the year.

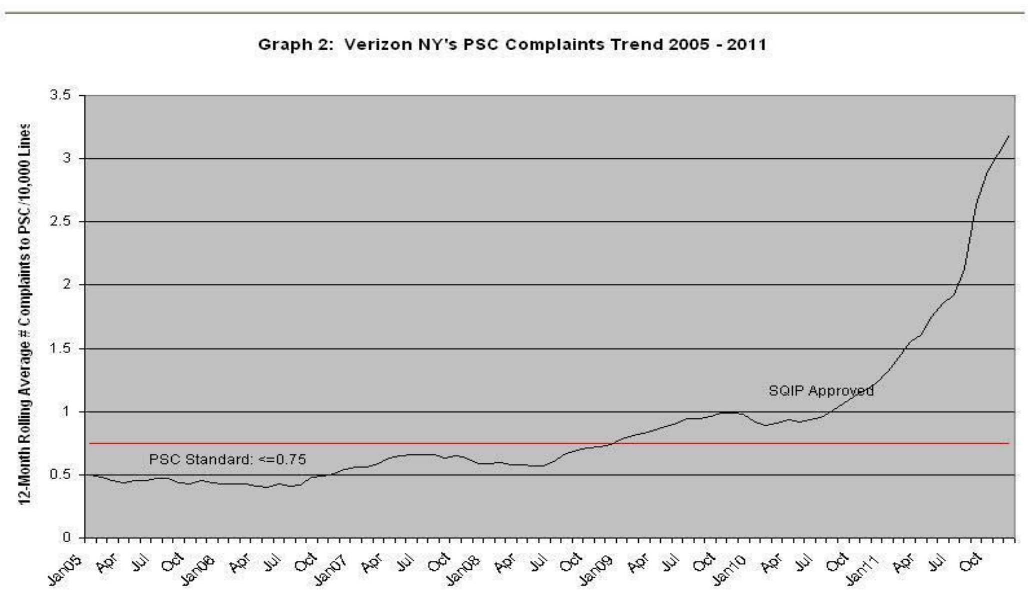
B. Verizon's Rapidly Increasing Complaint Rates

The effect of Verizon's seriously deteriorated network reliability in 2011 is most dramatically shown by the resulting levels of customer complaints to the PSC. The PSC gauges a company's success in meeting customers' service expectations by tracking how many complaints are filed at the Commission per 10,000 lines in service. The "PSC Complaint Rate" threshold for good service performance is 0.75 complaints per 10,000 lines.

As illustrated in Graph 1 below, Verizon's PSC Complaint rate consistently hovered near the 0.75 threshold level from January 2008 through June 2010. However, since mid-2010, the rate of customer complaints to the PSC has increased steadily, and has continued climbing through 2011, despite the December 2010 adoption of Verizon's SQIP.



Verizon's PSC Complaint Rate trend[26] (as illustrated in Graph 2 below) is no less alarming. From the beginning of 2005 through late 2006, Verizon's twelve-month average rate of complaints hovered around 0.5, well below the PSC's 0.75 threshold. The complaint trend began to climb in 2007 and exceeded the threshold at the start of 2009. Since adoption of the SQIP in December 2010, Verizon's complaint rate has increased rapidly, such that the twelve-month moving average at the end of 2011 was 3.19 or 4.25 times higher than the 0.75 threshold set by the PSC.



As displayed in Table 3 below, Verizon's PSC Complaint rate for the entire state has worsened each year since 2009 despite serving 20% fewer telephone lines, and during 2011, exceeded the PSC threshold of .075 in every month.

[26] By plotting the company's 12-month moving average of customer complaints to the PSC, this trend line smoothes out monthly variations to portray Verizon's longer range performance trend.

Table 3

Verizon's PSC Complaint Rate 2009-2011

	State-wide	Months > 0.75
2009	0.97	9
2010	1.22	9
2011	3.16	12

Even before the August-September strike and storms, most of these customers' complaints during 2011 were about Verizon's deteriorating service quality, especially delayed repairs:

Table 4

Analysis of 2011 Customer Complaints About Verizon to PSC

Quarter	% Service-Related	% Delayed Repairs
Jan-March[27]	83%	43%
April-June[28]	75%	38%
July-September[29]	90%	46%
October-December[30]	92%	59%

C. Consolidating Repair Performance Into Only Five Regions Conceals Verizon's Poor Service.

Although Verizon's customers complain to the PSC about delayed repairs more than any other issue, it is difficult to directly evaluate the company's repair performance since adoption of the SQIP in 2010. Until 2011, Verizon's OOS>24 and SA>48 performance was measured monthly for each of its 28 RSBs to determine if at least 80% of each RSB's repair jobs were completed within the 24-hour and 48-hour time intervals.

[27] *See* Case 11-C-0173 - In the Matter of Quality of Service provided by Local Exchange Companies in New York State, *Verizon New York, Inc. First Quarter2011 Service Quality Report*, issued May 5, 2011,at 6-7.

[28] *Id.*, Second Quarter Service Quality Report, issued September 15, 2011, at 6-7.

[29] *Id.*, Third Quarter Service Quality Report, issued November 17, 2011, at 7.

[30] *Id.*, Fourth Quarter Service Quality Report, issued December 15, 2012, at 7.

Thus, each year until the SQIP took effect in 2011, Verizon's repair service had 336 opportunities (28 RSBs x 12 months) to meet both the 80% OOS>24 and SA>48service standards.

However, by consolidating Verizon's repair performance measures into five regions (each comprising multiple RSBs) and requiring reporting only of repairs performed on Core customers' lines, Verizon's SQIP Order conceals the company's continued poor repair service during 2011. Aggregation of 28 RSBs' repair performance into only five Regions allows better performing Bureaus to mask worse-performers. Moreover, by requiring Verizon to report only repairs to Core customers who use a mere 8% of the company's telephone lines, the Commission is ignoring how promptly the company responds to repair requests from 92% of its customers. This is demonstrated by Table 5 below, which compares how many times Verizon missed the PSC service standard for OOS>24 repairs in 2009 and 2010 with the company's 2011 score under the SQIP.

Table 5

Verizon Out Of Service Over 24 Hours Analysis

	2009	2010	2011
Months	12	12	12
Measurements	28	28	5
Opportunities	336	336	60
Missed OOS>24	178	280	12
% Missed OOS>24	53%	83%	20%

Looking only at the SQIP report Verizon submitted to the Commission, it appears that the company's timely repair of out of service calls improved dramatically, from missing 83% of its measurement opportunities in 2010 to meeting 80% in 2011. This

2011 OOS>24 repair performance score that Verizon reports under the SQIP, however, paints a misleading picture.

Because the SQIP only addresses Core customer repairs and relieves the company of reporting its repair performance for the 92% of its customers who are non-Core, regardless of how poor their service may be, the Commission's service plan ignores the company's performance on all but 125,215 OOS repairs. It is therefore impossible from the data the PSC received from Verizon in 2011 to make a direct comparison with the prior years' RSB-specific performance. However, it is reasonable to assume that Core customers experience lost dial tone with the same frequency as customers over all.

Verizon's 2011 aggregated state-wide OOS>24 performance for its Core customers barely met the service standard by the smallest margin possible (19.9% of Core OOS customer repairs exceeded 24 hours, with the limit being 20%). Extrapolating from Verizon's performance data for its 8% Core customers to estimate performance for all customers indicates the company's timely repair of OOS CTRs in the first year of the SQIP was not nearly as good as the 2011 results in Table 5 suggest. As reflected in Table 6, below, extrapolating from Verizon's 2011 reported Core customer OOS data, the OAG estimates that there were more than 1.5 million total OOS repair requests for this period, a 69% increase over Verizon's state-wide 2010 out of service total.[31]

[31] In Table 6, Verizon's 2011 OOS Count has been extrapolated by dividing the reported data for Core customers by 0.08. Thus, since Verizon reported 24,027 Core customer OOS CTRs, and these comprise about 8% of total customer lines, it is likely that at least 1,565,188 OOS CTRs were repaired in 2011 state-wide, including both Core and non-Core customers. Verizon does not report to the PSC how many of these total OOS CTRs were repaired within 24 hours or if the company met the service standard for all customers.

Table 6
<u>Analysis of Verizon's Repair Service Performance</u>

	Avg. Lines	OOS	OOS>24	% OOS>24
2009	5,860,377	985,863	272,433	27.63%
2010	5,231,566	925,875	405,344	43.78%
2011 Core only	374,131[32]	24,027	24,027	19.9%
Estimated 2011 All Customers	4,676,641	1,565,188	>308,232	>19.9%

Because the SQIP requires Verizon to give priority to Core customers' repair requests,[33] it is a virtual certainty that more than 20% of the projected 1.54 million non-Core OOS repairs exceeded 24-hours (*i.e.*, the more than 308,232 OOS>24 CTRs ignored by Verizon's SQIP). Yet, the SQIP as it is designed does not require Verizon to report its repair performance for non-Core customers to the PSC. Nor do the PSC's quarterly public service quality reports on Verizon's performance disclose this important information.

D. Verizon's Deteriorating Complaint Response Time

The SQIP also ignores other aspects of Verizon's service quality performance, even though they are still being reported to the Commission. The PSC service standards require that Verizon's two repair call centers answer customers' calls within 30 seconds 80% of the time each month.[34] Yet, in 2011, Verizon's Syracuse Fiber Solutions Center failed this standard every month (averaging 58.9% of calls answered within 30 seconds for the whole year), and the Repair Resolution Center missed the standard during eleven

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[32] Estimated Core customer lines is 8% of average 2011 lines for Verizon-New York.

[33] In the SQIP Order, the PSC said, "the focus on core customers is freeing the company from significant timeliness of repair service reporting requirements on about 90% of its access lines." Case 10-C-0202 - Order Adopting Verizon New York Inc's Revised Service Quality Improvement Plan, *supra*, at 2.

[34] 16 *NYCRR* § 603.3(j)(2).

of twelve months (with an average performance of only 50% of calls being answered within 30 seconds). Indeed, some of Verizon's call centers have consistently failed to meet the PSC standard every month for years. Yet the PSC has failed to impose any consequences on Verizon for these failures, and, in fact, has stopped collecting Verizon's answer performance data from more than two call centers.[35] Given the fact that so many customers are unable to get through to Verizon's repair call centers in a timely manner, it is no surprise that Verizon's PSC Complaint Rate has steadily risen over recent years.

E. Verizon's Increase in Network Outages

The rise in major network outages is also indicative of Verizon's worsening service quality. In its latest Verizon Quarterly Service Report, PSC Staff reported to the Commissioners, "Carrier adherence to the Service Standards helps sustain reliable and resilient networks and potentially mitigates or prevents major outages. . . . [T]he two-year outage trend [for Verizon] is increasing."[36] Graph 3, below, shows that improved outage frequency in 2009 and 2010 was erased during 2011, when the number of major outages climbed steadily back to 2008 levels. By allowing Verizon to ignore long-established service quality standards, the SQIP has permitted an increasing number of major outages affecting service to large numbers of customers.

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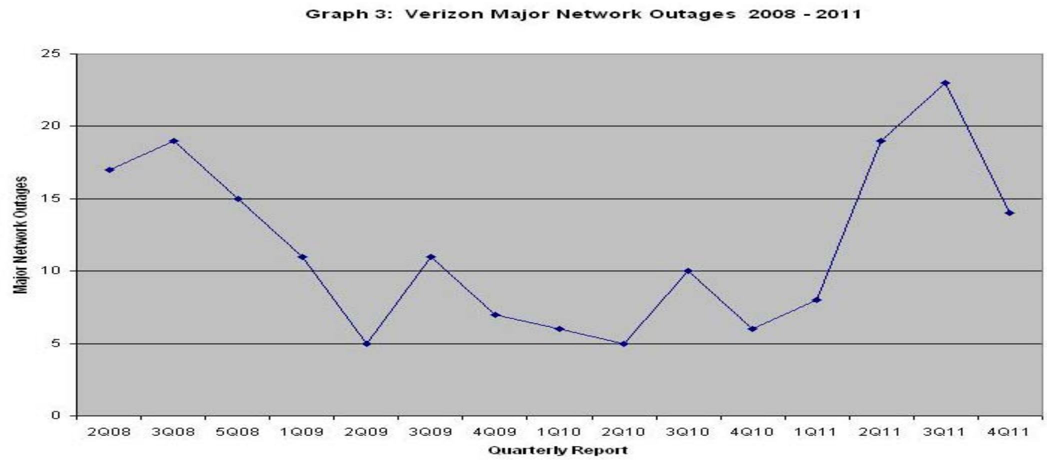
[35] Prior to 2011, Verizon reported answer response performance for eleven separate call centers.

[36] "The leading causes for the increased number of outages in the fourth quarter of 2011 were electronic equipment problems, damage to underground cable facilities, and human error." Fourth Quarter 2011 Verizon Service Report, *supra*, at 6.



F. Verizon's Poor Service Has Caused Hardship for Residential, Small Business and Local Government Customers.

The Commission's policy of deregulating Verizon's service quality for 92% of the company's New York non-Core customers has caused serious hardship for these customers. Over the past several years, Verizon's declining repair and installation service has harmed customers across New York. Consumers have been forced to wait inordinate periods for restoration of their Verizon telephone service, and customers relocating within New York have been told they could not get new telephone service installed for many weeks. In the interim, consumers went without the home telephone service for which they subscribed and were forced to use alternate means to keep in touch with family, employers, businesses, government offices and emergency services.

Verizon's poor service has impacted local governments across the state as well as consumers. As reported by eleven members of the Westchester County Board of Legislators, Verizon's service outages caused "prolonged and unexplained service disruption to police, municipal courts and elderly residents."[37] State Senator David J. Valesky reported that Verizon took "an inordinate amount of time" to repair telephone outages for residents of the 49th District, "or [the outages] are not being addressed at all. After the [August and September 2011] hurricanes, . . . repairs took far too long and Verizon did not convey ample information about network problems to those who were affected. It has been brought to my attention that constituents in my district may still be without full service [in November]."[38]

In addition to the adverse impact on residential and governmental customers from Verizon's high trouble reports, major outage frequencies, delayed repairs, and untimely call center answer performance, Verizon's poor service has caused significant hardship for small business customers. In the current recession, the fragile economic condition of many small businesses puts them at risk of financial disaster if they suddenly lose telephone service, and their provider is unable to restore service promptly. Each day that these businesses are without service they lose significant revenues that many simply cannot survive without.

Small businesses depend on functional telephone service to meet the needs of their customers in numerous ways. When customers are unable to reach a business by telephone, they may assume the business is closed and purchase the goods or services they want elsewhere. Restaurants are prevented from giving reservations to prospective customers who call. Many types of businesses depend on working telephone lines for processing credit card charges, and may lose substantial sales by limiting transactions to

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[37] October 4, 2011 letter to Attorney General Schneiderman from members of the Westchester County Board of Legislators.

[38] November 1, 2011 letter to Attorney General Schneiderman from Senator Valesky.

cash or checks. Professional offices can be prevented from providing medical, legal or accounting services to their clients without working telephone service.

Verizon's business customers continued to suffer unacceptably poor repair service for months after the strike and storms ended, even in midtown Manhattan, where the August and September storms caused far less damage than in Upstate New York:[39]

> At Bistro Chat Noir, an upscale French restaurant on Manhattan's Upper East Side . . ., the phone and Internet service is often out, so credit cards cannot be processed. ... [The] manager . . . Suzanne Latapie ... asks customers to fill out forms with their credit card information, so she can process payments later, sometimes using a neighbor's Internet line. "When people can't get through, I tell them it's Verizon. And if they live in this area, they know — because they have the same problem.". . .
>
> "We are in the highest rent district in North America and we don't have communication,".... Ms. Wright said she was losing clients daily [at her spa on 66th Street]. . . .
>
> The service failures have affected dozens of businesses, primarily in the East 60s along Madison Avenue. The scope of the problem varies, with some businesses having no phone or Internet service at all for the past several weeks and others experiencing blackouts that last days or a few hours. . . . The situation has become so irritating that a neighborhood organization, the Madison Avenue Business Improvement District, convened a meeting in September between Verizon representatives and local business operators. . . . According to those who attended the meeting with Verizon, several larger stores, including Chanel, Valentino and Roberto Cavalli, as well as a hotel, the Plaza Athénée, have also been affected by the service failures.

Dan Constantine, the general manager of Amaranth, a Mediterranean restaurant on East 62nd Street whose monthly Verizon bill varies from $500 to $900, said he had been

39 *Is Verizon Out Again? Madison Ave. Can't Connect*, New York Times Oct. 14, 2011. http://cityroom.blogs.nytimes.com/2011/10/14/is-verizon-out-again-madison-ave-cant-connect/?scp=3&sq=Verizon%20phone%20repair&st=cse. *See also* November 10, 2011 letter to Attorney General Schneiderman from State Senator Gustavo Rivera stating: "Verizon's inadequacies have been particularly tough on small business owners who do not have the same capital cushions like larger businesses have to absorb deep money hits all while losing customers do to inefficiencies created by Verizon."

stunned by the blackouts. “It’s like a third world country,” Mr. Constantine said, with frustration and a hint of irony. “Madison Avenue is like a third world country.”[40]

In sum, the 2011 service performance data Verizon reported to the Commission proves that the SQIP has not ensured adequate repair service for Core customers and that Verizon provided even worse telephone service to residential and small business customers as a whole after its adoption.

V. THE COMMISSION'S RATIONALE FOR ADOPTING THE SQIP IS FLAWED

In its June 22, 2010 Order directing Verizon to file a revised SQIP, the Commission stated its rationale for reducing its oversight of Verizon as adopting a policy that would: "allow competition to set the level of service quality wherever possible" while "protect[ing] core customers who cannot rely on competition to establish the appropriate level of service quality" (citation omitted).[41] The Commission expressed its view that the availability of choice diminished the importance of some service quality metrics because "customers not satisfied with how quickly their calls are answered or how long it may take to get service installed may choose another provider." The Commission sought to reassure the public that its "increased focus on vulnerable or core customers and less emphasis on customers with competitive alternatives does not remove

[40] *Id*.

[41] Case 10-C-0202 - ORDER DIRECTING VERIZON NEW YORK INC. TO FILE A REVISED SERVICE QUALITY IMPROVEMENT PLAN, *supra,* at 2.

our concern (or responsibility) for ensuring the health and safety of the network [citation omitted]."[42]

As the facts have not borne out the theory, the PSC's regulatory policy is seriously flawed. For competition to benefit customers with improved service, lower prices, and more innovation, there has to first be a willingness to compete, which is significantly absent from Verizon-New York's policies and practices. Rather than robust competition, New York's telephone market is at best a duopoly,[43] with as many indicators of cooperation between the two providers as robust contest for customers. Furthermore, the actual behavior of consumers in the real world is markedly different from the PSC's theoretical assumptions about the telephone market. When a Verizon customer experiences a prolonged service outage or installation delay, the option to switch carriers to a cable provider is of no immediate use. Finally, even if consumers wanted to compare Verizon's service performance with cable provider alternatives, the lack of available information prevents consumers from making educated choices.

A. There Is No Competition If Opponents Don't Actually Compete.

The record is clear that in Verizon's case, its corporate strategy is not to compete for wireline telephone customers, but to rid it self of as many of these customers as possible. Verizon has demonstrated in myriad ways that it is effectively indifferent to

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[42] *Id* at 7-8. The Commission also took into consideration the impact of wireless telephone service on customers' need for reliable telephone access during emergencies, concluding: [B]ecause of the existence of competitive discipline and the diminishing need for timely repairs with the prevalence of backup communications, consideration should be extended to focus service quality improvements on “core customers.” *id* at 12.

[43] Despite the Commission's efforts to bring local service competition to New York following the Telecommunications Act of 1996, the last significant non-cable competitors vying for mass market customers were eliminated when Verizon acquired MCI Communications and SBC acquired AT&T in 2006.

loss of wireline customers, whether these customers drop the company's wireline service in favor of either cable competitors or its own wireless affiliate. For example, in recent years, Verizon has sold its wireline franchises in Vermont, New Hampshire, Maine, Missouri, Alabama, Hawaii, Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin, as well parts of California.[44] Moreover, at one point a few years ago, Verizon tried to sell all of its Upstate New York network facilities and customers as well, but was unable to find a buyer at its desired price.[45] Instead of competing to retain or expand its wireline business, the company's well-documented policy is to focus instead on competing for wireless customers, even at the expense of its own traditional wireline business.

Moreover, the competitive threat from the cable providers has not induced Verizon to maintain good service to retain customers and their revenues. Where a company is disinterested in retaining its wireline customers, the PSC's theoretical competition justification for deregulating service quality becomes irrelevant. Because Verizon is willing (and seemingly eager) to shed itself of much of its wireline business, the risk that customers might abandon the company for a cable provider does not deter the company from allowing service quality and network maintenance to degrade.

[44] *See CenturyTel To Buy All Verizon Local Telephone Properties in Alabama and Missouri for $2.159 Billion*, Verizon Release, October 21, 2001, http://newscenter.verizon.com/press-releases/Verizon /2001/page-29745172.html; *Verizon sells off phone lines to Frontier Communications,* USA Today, May 13, 2009, http://www.usatoday.com/money/ industries/telecom/2009-05-13-verizon-wireline-frontier_N.htm; *Verizon to Sell Phone Assets to FairPoint in 3 States*, New York Times, January 17, 2007, http://www.nytimes.com/2007/01/17/ business/17verizon.html?_r=1; and *Verizon Sells Hawaiian Unit For $1.6 Billion,* New York Times, May 22, 2004, http://w ww.nytimes.com/2004/05/22/business/company-news-verizon-sells-hawaiian-unit-for-1.6-billion.html.

[45] Although Verizon-New York ventured into direct competition with cable providers by offering voice, video and Internet access packages in limited areas through its FiOS service, the number of fiber-serviced customers it has enrolled is tiny compared to its traditional wireline base. Verizon never built out this fiber network to all of the areas it initially said it planned to serve, and has all but ceased expanding this service.

Maintaining a reliable telephone network and performing timely repairs to customers' telephones requires both preventive maintenance of the outside plant and an adequate workforce to respond to trouble reports as they are received. Verizon has chosen instead to spend the bulk of its investment and manpower on expanding its wireless business. Left to its own choice, there is every reason to expect that Verizon's service quality and network reliability will continue its downward slide to even greater depths. Rather than invest in the workforce and network improvements to maintain reliable telephone service and perform timely repairs, the company has relentlessly downsized and avoided upgrading its wireline network.

Indeed, the Commission found that even in the face of a service crisis caused by the combined effects of a work stoppage, a hurricane, and a tropical storm, all within a month's time, the company put profits before customers' repair needs.[46] Verizon knew in September 2011 that the customer trouble report backlog from the storms and strike would not be resolved in a timely manner without devoting maximum resources to the task. Instead of using as much overtime for its repair crews as needed, or hiring temporary contractors to supplemental repair crews during this crisis, the company apparently chose to return its workforce to normal shifts long before the repair backlog was eliminated. This voluntary choice by Verizon management reduced significantly the workers who were available to restore customers' telephone service during October 2011. The PSC's Order To Show Cause finds that for the month beginning in early September,

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[46] *See* Case 10-C-0202 - Order To Show Cause, *supra,* at 10.

2011, Verizon's reduced manpower commitment resulted in fewer repair jobs being completed each day of the crisis.[47]

The aftermath of the late summer storms strained Verizon's capacity to cope with such repair demands because of the company's multi-year aggressive program of downsizing its workforce, including the size of its repair crews. Nationally, Verizon used retirement incentives to shed 11,900 non-management workers in the second quarter of 2010, and announced plans to eliminate another 2,500 in 2011.[48] Within New York, the company eliminated 68 craft positions in its 2011 incentive offer, most of whom were repair-related employees.[49] As disclosed in Verizon's annual Form 10-K Reports, this downsizing of repair work force has continued apace over the past decade, with a 39.75% reduction in workers between 2006 and 2010.[50] And Verizon's workforce cuts are not over yet, despite the company's failure to meet customers' repair needs last Fall. Verizon recently told its New York workers that the company will offer 900 employees retirement incentives this Spring.[51]

The PSC correctly found that Verizon voluntarily reduced its manpower in the face of a service crisis despite knowing that the company could not possibly meet its SQIP service measurements in October:

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[47] *Id*, at 11.

[48] *See* Verizon Communications, Inc. Second Quarter 2011 Form 10-Q filed with the Securities and Exchange Commission, at 14.

[49] Verizon's March 5, 2012 response to Interrogatory AG-4.

[50] Before the company ceased reporting its New York head counts in these SEC filings, it cut union work force 24.5% between 2001 and 2003.

[51] Source: Communications Workers of America, District 1. *See also* Verizon's March 5, 2012 Confidential response to OAG's interrogatories, Attachment 1B (March 4, 2011 description of "surplus" positions listing the number of jobs to be shed by each title).

> [I]t is fair to infer that, had the Company maintained the number of repair personnel at its highest level (i.e., the peak level that was achieved in early September) Verizon would have completed substantially more repair jobs (including core) during September than it actually completed and, therefore, the backlog of troubles going into October (the basis for Verizon's reasoning) would have cleared more quickly and Verizon would have been in a much better position to be able to comply with the Commission's performance standard for October 2011.[52]

The Commission even quantified the direct impact this reduction in workforce commitment had on Core customers' waiting period for restoration of their telephone service. "In September 2011, core customers experiencing an out-of-service condition were without service for an average of 118 hours and, more troubling, core customers were without service for an average of 151 hours [over six workdays] in October 2011."[53] Verizon's disregard for its Core customers' unreasonably long waiting periods to have telephone service restored was the cause for its $400,000 penalty. Yet, the salary and benefits Verizon estimated it would save from the 68 positions eliminated in 2011 alone amounted to many times the amount of the penalty it paid.[54] So long as the company's bottom-line reward from cutting service quality vastly exceeds its risk from regulatory penalties under the SQIP, the PSC and New York customers can expect more years of poor telephone service from Verizon in years to come. Under the current SQIP, any potential sanctions facing Verizon amount to nothing more than the cost of doing

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[52] Case 10-C-0202 - Order To Show Cause, *supra,* at 11. This is corroborated by Verizon's Confidential response to Interrogatory AG-1 documenting a reduction in repair-related workers between January 2010 and January 2012 of nearly 11%, and a more than 65% reduction in average worker overtime from September to October 2011.

[53] *Id.* at 12.

[54] *See* Verizon's Confidential responses to Interrogatories AG-2 and AG-4. Due to Verizon's trade secrecy claims regarding this workforce salary, benefits, and overtime data, OAG is not providing in this public document the specific figures set forth in the company's Confidential responses, which are available to the Commission.

business and will not deter the company from continuing to fatten its bottom line at the expense of customer service needs.

Verizon's handling of the Fall 2011 service crisis demonstrates a management preference to restrict employee overtime wages and avoid using supplemental workers without regard for the consequences suffered by customers forced to wait a week or more to get a working telephone. Given that the company willfully ignored Core customers' repair waiting periods notwithstanding the SQIP penalty provisions, it is certain that, having no regulatory incentive for adequate service, Verizon caused its non-Core customers to suffer even longer repair delays.

B. In Place of Competition, We Have at Most A Duopoly.

The Commission's analysis is grounded on a belief that competitive markets provide maximum benefits to society, including customers' interests in good service quality at low prices. But telephone customers in New York do not enjoy a fully competitive market. At best, non-Core customers have a duopoly, with choice limited to either their incumbent telephone provider[55] (Verizon in most of the state) or a cable telephony provider (for most New York Verizon customers, either Time Warner Cable or Cablevision, depending on which cable company's exclusive territory each customer resides in).[56] Such two-provider markets do not give rise to fully competitive conditions. Particularly where neither alternative provider chooses to provide good service quality as

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[55] Following passage of the Telecommunications Act of 1996, there was hope that landline telephone competition would begin to flourish, but meaningful Competitive Local Exchange Carrier competition was effectively snuffed out by regulatory and judicial policy rulings. With the acquisition of MCI by Verizon and AT&T by SBC Communications in 2006, local telephone competition died for residential customers.

[56] Only a limited number of customers also have the option to obtain service from cable overbuilder RCN, which is available in only certain apartment buildings in a small portion of Verizon's territory.

a means of attracting customers, consumers have no viable options for obtaining reliable telephone service.[57]

C. The Commission's Expectation That Non-Core Customers Will Switch Providers for Better Service Is Not Supported by Reality.

The Commission also wrongly presumes that customers receiving poor service will leave Verizon for the cable provider.[58] Given the degraded service received from Verizon (customers requested repair to 24% of the company's lines during 2011),[59] if consumers believed they had a better alternative, the company would have no non-Core customers left. The Commission's logic that customers will switch to a cable provider if Verizon provides poor service is inconsistent with consumers' actual behavior. Instead, Verizon continues to provide over four million telephone lines to non-Core customers who have the option to switch to a cable telephony alternative. This demonstrates that the mere availability of a single cable alternative provider has been insufficient to ensure that these customers will receive adequate telephone service through the force of market competition alone. It is apparent that for a substantial number of customers using Verizon wireline service, any cable alternative is not sufficiently attractive to get them to switch, for reasons that have not been clearly evaluated.

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[57] Since the PSC does not require cable providers to measure and report comparable telephone service quality they provide to their customers, there is no way to determine whether the Commission's theory that these competitors compete on the basis of reliable networks and timely repair service is accurate.

[58] The Commission has recognized that wireless service itself is not a satisfactory substitute for wireline telephone service: "We do not accept Verizon's proposal to expand the definition of non-core customers to include customers with access to wireless service. Although wireless service continues to expand in New York and in some instances is a viable substitute for wire line service, wireless is not yet directly and seamlessly substitutable for all wireline service. The unsatisfactory reliability of wireless signals in certain areas of the state and the infirmities of wireless 911 emergency service … render the service as still not an adequate substitute for wireline service for all customers at this time. December 2010 SQIP Order, at 15-16.

[59] Verizon's 2011 CTRR data reported 1,074,35 CTRs for line counts that averaged 4.47 million lines in service.

The traditional pricing of wireline service, including Verizon's FiOS packages of Internet access, video and voice service is not demonstrably cheaper than the cable companies' alternative offerings. As a result, customers' market choice is not one controlled by price without regard to service.[60] Instead, it appears that Verizon still has as many wireline customers as it does because, for many customers, neither wireless nor cable telephony are satisfactory substitutes for wireline service. There are real differences between these services that are significant to consumers. For example, during power outages, cable telephony does not function, but traditional wireline telephones often continue to work because the telephone network carries its own electric power, providing greater reliability and safety to customers. Similarly, during major disasters, wireless networks commonly are overloaded while wireline telephones still work. Indeed, for the PSC to assume that it need not protect wireline customer's service quality because they have the option to buy backup wireless service is analogous to disregarding electricity customers' need for reliable power because they can always buy candles, lantern batteries and back-up generators to use when their power goes out. The PSC has

[60] One cannot compare directly Verizon's plain voice telephone service prices with those offered by Cablevision or Time Warner Cable because multiple services are bundled together differently by each provider. For example, The Verizon's Freedom Essentials Plan including unlimited local, regional and long distance calling costs between $55 and $65 per month (depending on which taxing district one resides in). Although both cable providers offer unlimited voice service with national coverage for $29.95, consumers cannot obtain this as a stand alone service, but instead must also purchase at least a video channel package. Both Verizon and the two cable companies offer "Triple Play" bundles of voice, Internet access and video, but either Verizon or one of the cable providers can be the lower priced service, depending on which video package, bandwidth, and other options one may choose. However, one must also factor in connection fees and the fact that Verizon requires a two-year contract with early termination fees while the cable providers require no service contract, making Verizon's FiOS option less attractive than cable's triple-play offers for some customers, but this market comparison does not directly apply to a matchup of traditional wireline service against cable telephony. To make direct comparison more difficult, Verizon does not disclose specific all-inclusive price quotes including various fees and tax surcharges in advance of purchase, and the cable companies offer introductory proportional discounts that last for the initial year's service, after which prices increase approximately 40%.

not abandoned electricity customers' expectations for reliability and should not afford any lesser protection to wireline telephone customers.

D. During A Telephone Outage, Choice Is Irrelevant.

Whether customers rationally weigh price and service quality when choosing their provider (as the PSC's economist-oriented competition theory assumes) or not, when dial tone is lost, the availability of an alternate provider is irrelevant. Once a provider has been chosen, and one's telephone service ceases functioning, what customers need most is timely repair service. At that point in time, the availability of an alternate provider is of no use. Even if customers seek to replace Verizon with a cable provider, they would have to wait days or weeks for substitute service installation, so competitive options are unavailing to customers who need repair service.

E. Meaningful Choice Requires Transparency.

For consumers to rationally weigh their provider options when choosing a telephone service provider, they have to be able to readily access meaningful information on each provider's service quality for this factor to be evaluated in reaching a decision. However, there is no readily available information on cable telephony service quality for customers to review. Nor is there transparency of Verizon's customer service quality performance, as most consumers are unlikely to find the company's service quality quarterly reports on the Commission's website when selecting their provider. Moreover, the Commission's issuance of commendations to Verizon for meeting some service standards despite missing many others is more likely to confuse or mislead most consumers rather than provide them with useful information in making their choice of provider.

VI. THE COMMISSION SHOULD AMEND VERIZON'S SQIP TO ENSURE THAT ALL CUSTOMERS RECEIVE ADEQUATE REPAIR SERVICE

The Commission's decision to disregard its responsibility to ensure that all telephone customers receive adequate service is neither just nor reasonable. As discussed above, telephone competition in New York is not robust, and at best can be characterized as a duopoly. Moreover, Verizon's own actions have demonstrated a disinterest in continuing to compete for wireline customers or invest in traditional telephone service. Instead, the company's resources and management focus is concentrated on its wireless affiliate, to the detriment of Verizon's wireline customers. For too many years, Verizon has steadily reduced the workforce needed for outside plant maintenance and telephone repair service, until the company is no longer able to meet the demands that occur after labor disputes or harsh weather events. Rather than commit to improve its network and customer service, Verizon is continuing to offer early retirement incentives to ever more workers needed to provide adequate customer service.

Instead of allowing Verizon to continue its neglect of Core and non-Core customers, the PSC should protect the right of all customers to receive adequate service for the monthly fee they pay Verizon for their telephone service. Even before the PSC drastically lowered the bar with Verizon's SQIP, the Commission's service standards set the minimum level expected for delivery of adequate levels of service delivered consistently by the industry on average, not superior service. It is not enough for the PSC merely to set telephone service standards published in 16 *NYCRR* § 603.3, without making a reasonable effort to ensure that Verizon delivers this level of service consistently and to all customers. Nothing in PSL § 94.2 directs the Commission to apply the "adequacy of and accommodation afforded by" Verizon's service to only a small fraction of Core customers, while ignoring below standard service afforded to the vast majority. Indeed, PSL § 91.3 prohibits Verizon from "giv[ing] any undue or unreasonable preference or advantage to any person, corporation or locality, or subject any particular person, corporation or locality to any undue or unreasonable prejudice or disadvantage in any respect whatsoever." Because Verizon's SQIP requires preference for only 8% of New York customers identified as Core with priority repair service and performance incentives that exclude the service quality provided to the remaining 92% of Verizon's customers, the PSC's policy contradicts this statutory mandate. Because the Legislature has not authorized the Commission to permit, much less mandate such discriminatory treatment of Verizon's customers, the PSC is required to afford equal service quality incentives for the benefit of all Verizon's customers.

The Commission must not leave Verizon's SQIP unchanged, assuming that the imposition of a $400,000 penalty will effect meaningful change by Verizon management to improve the quality of customers' service. Instead, the PSC should effect meaningful reforms of the SQIP designed to force Verizon to stop neglecting its customers' repair needs. The SQIP should be modified in the following manner:

- To ensure that adequate service is afforded to all residential and small business customers, enforce the existing CTRR, OOS>24, SA>48 and repair call center answer performance standards adopted in 16 NYCRR § 603.3 with penalties and customer rebates each time a reporting entity (COE, RSB, or Call Center) fails to meet the measurement.

- To ensure that good customer service provided to a few does not enable the company to neglect the needs of the majority without consequence, performance measurements must be disaggregated. OOS>24 and SA>48 repair service should be measured monthly for each RSB. CTRR should be measured monthly for each COE (5.5 CTRR standard) and in the aggregate (85% of COEs below 3.34 CTRR standard). Finally, each repair call center should be required to meet the Commission's established monthly average speed of answer measurement (80% of repair calls answered within 30 seconds).
- Residential and small business customers do not have a choice of purchasing stand alone voice telephone service from the cable competitors; to choose an alternate provider, they must also subscribe to cable video service. Therefore, it is not sufficient to apply the new line installation service standard to Core customers only. All customers should be assured that Verizon's installation of new telephone service meets the § 603.3(e) standard requiring that at least 80% of new basic local service orders be completed by each RSB within five working days.[61]
- The Commission's regulatory history with Verizon and its predecessors (NYNEX and Bell Atlantic) has proven that only if substantial monetary sanctions are at stake and actually applied, will incentives be at all effective in inducing Verizon to improve service to meet the PSC's

[61] This standard applies to initial service installed to new accounts only (single line orders for residential customers and up to five lines for business customers) or existing customers relocating to a new address, and does not apply to installation of supplemental lines at existing customer locations. *See* 16 *NYCRR* § 603.3(e).

standards and maintain adequate performance.[62] To have any meaningful effect on the company's service performance, the size of potential penalties and/or customer rebates must be at least as large as or greater than the amounts Verizon can save[63] through inadequate workforce and network maintenance efforts that degrade network reliability and customer service.

- The Commission should restrict Verizon-New York's ability to reduce the size of its repair-related work force until, at a minimum, the company has demonstrated the ability to consistently meet all service standards.

By adopting these modifications to the SQIP, the Commission will have undertaken meaningful strides towards meeting its statutory duty to ensure that telephone companies in New York provide adequate service quality to their customers, including Verizon.

Dated: New York, New York
April 25, 2012

Respectfully submitted,
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by__________________________
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[62] *E.g.*, in Case 92-C-0665, Track II, when the PSC set specific annual improvement targets for key service measurements enforced by automatic customer bill credits whenever and wherever the company failed to make necessary progress towards meeting the standards of adequate telephone service, the Commission's sanctions produced significant improvements in performance by New York Telephone Company.

[63] For example, since the Commission concluded that Verizon's workforce downsizing and overtime restrictions contributed to the company's failure to meet the 2011 SQIP, the size of the penalty imposed should have been of a scale that matched or exceeded what Verizon saved from jettisoning 68 workers and cutting back repair crew overtime allotments during the September-October service crisis. Verizon's Confidential responses to OSG's discovery document that in fact, the company's budgetary savings far outweighed the PSC's $400,000 penalty, making the fine nothing more than a cost of doing business and not a meaningful deterrent to prevent future poor customer service.

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Certificate of Service

The undersigned hereby certifies that the foregoing Petition of Attorney General Eric T. Schneiderman to Modify The Verizon Service Quality Improvement Plan was served on the following parties electronically and by first class mail this 25th day of April, 2012.

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