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March 19, 2010

Ms. Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Docket No. 3692 – Verizon Rhode Island's Alternative Regulation Plan

Dear Ms. Massaro:

Enclosed are the original and nine copies of the Petition of Verizon New England, Inc. For Relief From Service Quality Reporting.

Should you have any questions, please contact me on 617-743-2265. Thank you for your attention to this matter.

Sincerely,

Alexander W. Moore

Alexander W. Moore

cc: Docket No. 3692 Service List (electronic copy)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

Verizon Rhode Island's Alternative Regulation Plan	)	Docket No. 3692

PETITION OF VERIZON NEW ENGLAND INC. FOR RELIEF FROM SERVICE QUALITY REPORTING

Pursuant to Paragraph F(ii) of the Alternative Regulation Plan ("the Plan"), Verizon New England Inc., d/b/a Verizon Rhode Island ("Verizon RI"), hereby petitions the Commission to relieve Verizon RI of the obligation under the Plan to file reports regarding service quality, as originally prescribed in Order No. 14003 issued by the Commission in Docket No. 1997 on August 4, 1992.

This reporting requirement, which was put in place years before the passage of the Telecommunications Act and applies only to Verizon RI, no longer provides the Commission with an accurate picture of the state of the local voice market. It is also unfair to impose the requirement on Verizon RI alone.

BACKGROUND

In its order approving the current Plan, issued in Docket No. 3692 on March 17, 2006 ("AFOR Order"), the Commission found that the telecommunications market in Rhode Island was increasingly competitive and accordingly freed Verizon RI's retail rates from government regulation, allowing them to fluctuate with the market. See AFOR Order at 27, (stating that, "[i]n residential markets, Verizon RI now has less than 70% percent (62.2 percent) of all local access residential lines. Thus, there is certainly no need to place price ceilings on residential features or packages."). The Commission concluded, however, that "since Rhode Island is still transitioning to a fully competitive market in local telecommunications, it is a prudent measure to monitor Verizon RI's service quality by continuing current reports on a quarterly basis."[1] As further basis for this decision, the Commission explained that, "Verizon RI is still the largest telephone provider in the State and, therefore, to some extent sets the pace for service quality of Rhode Island's local telecommunications."[2]

Three years later, at open meeting on January 15, 2009, the Commission approved the continuation of the Plan until further order of the Commission. The Commission found that the Plan "has demonstrated that it has worked as intended and therefore, there is no longer a need for a specific term."[3] Further, the Commission opined, "This does not preclude any party from petitioning the Commission for review at any time and does not preclude the Commission from reviewing the plan *sua sponte* at any time it feels necessary."[4] More specifically, Paragraph F of the Plan provides in part that: "Verizon RI may petition the Commission to modify any of the terms or conditions of the Plan ... (ii) to seek a less structured form of regulation or deregulation of its operations based upon changes in market conditions."

1. The Rhode Island Telecommunications Marketplace Is Vastly Different Today Than In 2006, And The Service Quality Reporting Requirement Imposed On Verizon RI Alone Is Unnecessary And Unfair.

Since the Commission's AFOR Order in 2006, competition has come to dominate the marketplace for telecommunications services in Rhode Island, and the time is ripe for the Commission to eliminate the service quality reporting requirements imposed on Verizon RI over eighteen years ago when competition was just emerging. The market for retail

[1] Order No. 18550, at 32.
[2] Id., at 32.
[3] Order No. 19540, issued on January 21, 2009, at 4.
[4] Id., at 4.

telecommunications services in Rhode Island is now robustly competitive with numerous providers, including wireless carriers, cable telephone companies, and Voice over Internet Protocol ("VoIP") suppliers all providing stand-alone and bundled service offerings to Rhode Island customers. Verizon RI's share of that market has continued to decline in the past four years. In fact, the FCC's most recent Local Competition Report, which reflects data from June 30, 2008 and is now almost two years out-of-date, showed that in the landline sub-set of the market alone, CLECs had 50% of the switched access lines in Rhode Island. Almost two years later, competing carriers now have more than 50% of the Rhode Island market for landline access lines alone, and Verizon RI has less than half of that sub-market.

Given these indisputable facts, it is no longer necessary or fair for the Commission to impose service quality standards and reporting requirements upon Verizon RI. Competition not only disciplines the rates of Verizon RI and other carriers, but it also disciplines the service quality provided by the company and others as well. Under the Commission's regulatory policies, Rhode Island has had for some years a telecommunications market in which the great majority of telephone "connections" (landline, wireless and VoIP) services are not subject to any service quality regulations or reporting requirements. In that time period, there has been no groundswell or even material increase in consumer complaints concerning service quality issues, such as repair time or missed installation appointments. Verizon RI has not experienced any such increase and to its knowledge, the Division of Public Utilities and Carriers has not experienced or reported any such increase.

Further, whatever role Verizon RI may have once played to "set[] the pace for service quality" in Rhode Island, that role is substantially diminished if not eliminated entirely by the company's continued loss of market share and the proliferation of alternative means of voice communication over the past four years. In any event, it is patently unfair to impose on Verizon RI alone the burden of "setting the pace" for service quality for other carriers. Such arbitrary standards and requirements force Verizon RI to incur regulatory and reporting costs of compliance that are neither required of other competitors nor necessarily valued by customers. They thus put Verizon RI at a disadvantage in trying to compete for business and win customers in this era of robust competition. Furthermore, given that our competitors do not file service quality reports, it might create the inaccurate perception to the marketplace that our service is somehow inferior.

2. The Service Quality Metrics In Verizon RI's Quality Of Service Plan Are Outdated And Not Reflective Of Consumer Satisfaction.

The service quality metrics in Verizon RI's Quality of Service Plan are an ineffective and outdated means of measuring customer satisfaction. As an example, one metric that Verizon RI is required to report is Percent Out of Service Not Cleared Within 24 Hours. While that metric may have been meaningful in the monopolistic era of the past, it is certainly not indicative of conditions that exist today. Due to the proliferation of cell phones,[5] consumers depend less and less on their wireline voice service, and customers are less concerned with having their landline phone repaired within 24 hours than they are with establishing an appointment date and time that is convenient for them. Thus, it is no longer unusual for customers to request repair dates in excess of the twenty-four hour window. As such, when Verizon RI *agrees to the customer's request*, that action is inconsistent with the Plan's goal of maximizing the number of repairs addressed within 24 hours.

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[5] In the FCC's Local Telephone Competition Report issued in July 2009, there were 45% more wireless subscribers in the State of Rhode Island than end user switched access lines.

Also, the standard in the Plan requiring Verizon RI to ensure that customers reach repair service in less than 14 seconds now results in regulation of non-regulated services, since Verizon's repair offices (rightfully) assist customers of both regulated and non-regulated services. Capturing and measuring calls related only to regulated services is cost prohibitive, if not entirely unrealistic. It also ignores customer expectations of reasonable wait times in today's marketplace. For example, the 2004 Vermont State Telecom Plan survey revealed that most customers were willing to wait more than one minute for the Company to answer such calls. Specifically, the 2004 Vermont State Telecom Plan noted that 63.8% of the customers were willing to wait between 1.1 and 5 minutes, and 11.4% were willing to wait more than 5 minutes.[6] In addition, the metrics covering installation and repair appointments are flawed because they do not take into consideration external events that might warrant a re-negotiation of the due date with the customer. Further, managing to these metrics could lead to the artificial extension of commitment dates and needless inconvenience to customers.

Thus, the service quality standards from years past do not adequately measure consumer satisfaction in today's marketplace. It is also important to note that these standards in no way reflect the overall health of Verizon RI's network, which is excellent. When measured against Verizon RI's total lines in service, the percentage of customers who experience out of service conditions in any given month is extremely low. Furthermore, to the extent that the standards do not reflect customer expectation in the marketplace, they serve only to increase Verizon RI's costs and undermine its ability to compete on a level playing field. Of note, in the five years that Verizon RI has been filing quarterly service quality reports subsequent to the elimination of performance penalties, Verizon RI has received fewer than a half dozen inquiries from either the

[6] 2004 Vermont Telecommunications Plan at 4-16.

Commission or the Division regarding the company's performance, and in all cases, the company's response proved satisfactory and required no further follow-up.

The Commission should let consumers define their expectations for Verizon RI's service quality as they do today for all other carriers in the state. Customers who are unhappy with their current carrier in a competitive market rarely turn to the regulator for resolution; instead, they take their business to another carrier. Providing customers with high quality service as defined by the customer is critical to Verizon RI's ability to compete, both today and in the future. While perhaps well-intentioned, Commission-mandated service quality metrics no longer ensure, nor do they reflect, customer satisfaction in today's environment. Retaining our current customers and attracting new customers are more than sufficient incentives for Verizon RI to continue to provide high quality service.

3. Service Quality Standards And Reporting Requirements Are Harmful To The Public Interest.

In today's intensively competitive intermodal market, it is not in the public interest for regulators to establish service quality standards for *any* carrier. It would be virtually impossible for regulators to determine and set effective service quality metrics applicable to all providers and of benefit to all customers. Service quality standards in the competitive telecommunications market are not fixed variables as they may have been in the past when the only service available was basic local service. Today, consumers evaluate a wide array of variables related to price and quality when they make their decisions to purchase communications services. Thus, any attempt by the Commission to create prescriptive service quality standards would necessarily be arbitrary and would result in regulator mandate supplanting consumer choices. Competition is the best regulator of service quality in today's market.

4. The Commission And Division Have Existing Authority And Mechanisms To Remedy Circumstances Where Carriers Provide Inadequate Service.

Granting this petition will in no way affect the Commission's or the Division's statutory authority under R.I.G.L. §39-1-1, which provides the agencies with:

> *exclusive power and authority to supervise, regulate, and make orders governing the conduct of companies offering to the public in intrastate commerce energy, communication, and transportation services and water supplies for the purpose of increasing and maintaining the efficiency of the companies, according desirable safeguards and convenience to their employees and to the public, and protecting them and the public against improper and unreasonable rates, tolls and charges.*

Nor will granting this petition affect the Commission's or Division's authority to investigate problems and take corrective action for telecommunications providers, just as it does today with respect to other utilities. Indeed, beyond the powerful incentives that competition provides for high quality service, the volume and types of customer complaints received by the Commission and the Division provide sufficient means to identify any service quality trends, problems or market failures that may require investigation.

CONCLUSION

For the reasons stated above, Verizon RI respectfully requests that the Commission grant this petition and amend the Plan to relieve Verizon RI of the obligation to file quarterly service quality reports.

Respectfully submitted,

VERIZON RHODE ISLAND

By its attorney

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