

1 THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
2 PUBLIC UTILITIES COMMISSION

3
4 In re: Verizon – Rhode Island) Docket No. 3445
5 Alternative Regulation Plan)
6

7 Testimony of James E. Lanni
8 On behalf of the Division of Public Utilities and Carriers
9

10
11 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND PRESENT
12 POSITION.

13 A. My name is James E. Lanni and my business address is the Rhode Island Division
14 of Public Utilities and Carriers (“Division”), 89 Jefferson Boulevard,
15 Warwick, Rhode Island. I currently hold the position of Associate Public
16 Utilities Administrator for Operations and Consumer Affairs. I supervise the
17 consumer and engineering sections within the Rhode Island Division of Public
18 Utilities and Carriers.

19
20 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

21 A. I graduated from the University of Rhode Island with a Bachelor of Science
22 degree in Civil Engineering. I have also completed continuing educational one-
23 week courses at UCLA and George Washington University in utility-related
24 matters.

25
26 Q. PLEASE DESCRIBE YOUR EXPERIENCES AND REGULATORY
27 FUNCTIONS WITH THE DIVISION.

28 A. My primary regulatory duties consist of supervising consumer and engineering

1 personnel in the areas of consumer protection and billing/service matters. I
2 have participated and testified in rate proceedings before the Rhode Island Public
3 Utilities Commission (“PUC”) and evidentiary hearings before the Division. I
4 have also testified before legislative subcommittees in Rhode Island, the Federal
5 Communications Commission, and the Maine Public Utilities Commission on
6 utility-related subjects during my tenure with the Division. In addition, I have
7 actively participated as a regulatory staff member with the National Association
8 of Public Utility Commissioners (“NARUC”) Subcommittee on Communications,
9 the Federal-State Joint Board on Telephone Separations and the
10 Telecommunication Subcommittee of the New England Conference of Public
11 Utilities Commissions (“NECPUC”).

12

13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

14 A. The purpose of my testimony is to present a Division recommendation regarding
15 the issue of quality of service in the above docket.

16

17 Q. PLEASE PROVIDE A GENERAL OVERVIEW OF VERIZON’S CURRENT
18 QUALITY OF SERVICE PLAN.

19 A. The current Quality of Service Plan consists of three major components that are
20 reported. The monthly reports to the Commission and the Division include
21 Service Quality Standards, a Service Quality Index (“SQI”) and a Customer
22 Survey.

23

1 Verizon-RI's ("Verizon") monthly reports reflect statewide service performance
2 in four major categories of service – Installation, Maintenance, Operator Services
3 and Customer Troubles per 100 lines that are reported on an individual wire
4 center basis. Each standard consist of two quality performance levels,
5 Surveillance and Action (Attachment 1). These performance levels establish
6 ranges that can indicate the deterioration of telephone service. The only service
7 category that does not have applicable Surveillance or Action Levels is the
8 Customer Survey items. These survey items are not included in the monthly SQI.
9
10 The monthly SQI was developed using a point system based on the performance
11 levels to measure the overall service provided by Verizon to its telephone users.
12 It consists of eight (8) statewide service items and the ten (10) Customer Trouble
13 Reports per 100 lines. The monthly Customer Trouble Reports consist of groups
14 of ten alternating wire centers that are measured each month. Each of Rhode
15 Island's 30 wire centers is measured once per quarter and is included in the SQI.
16
17 Each month, the 18 items (the 8 statewide items and the 10 Customer Trouble
18 Report Rates) are compared to the Surveillance and Action Levels for each item.
19 If the performance level is better than the Surveillance Level, that item is assigned
20 full credit, which is either 2 or 4 points depending on the item. There are three
21 repair service standards, (1) Percent of Out of Service Customers for Greater than
22 24 Hours, (2) Percent of Repeat Repair Appointments and (3) Repair Service
23 Answer Time, that are weighted with maximums of four points. When the

1 performance level is between the Surveillance and Action Levels, then that item is
2 assigned partial credit of 1 or 2 points, depending on the item. When the
3 performance level is worse than the Action Level, then the item is assigned 0
4 points. Each month, the maximum value of the SQI is 42 [(15 items x 2 points) +
5 (3 items x 4 points)]. A passing monthly score is 28 out of a possible 42 points.
6 For each of the twelve months prior to each annual filing that Verizon has not
7 achieved a passing score, the Service Quality Adjustment Factor will be increased
8 by .0417%. In addition, the service quality plan has a requirement that if Verizon
9 receives 0 points in a least two (2) of the three repair service categories for
10 consecutive months, the service Quality Adjustment Factor will be increased by
11 .0417%. The penalty is assessed in addition to any incurred based on the
12 Company's overall performance in the SQI. However, the Annual Service
13 Quality Adjustment Factor cannot under any circumstances exceed .5% (.0417%
14 x 12 months) in an annual period.

15
16 The Service Quality Adjustment Factor is not cumulative and affects the PRI
17 only in the Plan year following the annual filing in which it was incurred. An
18 allowance is provided if Verizon receives 0 points in two of the three
19 maintenance/repair areas because of events beyond the control of the Company.
20 In the event of natural disasters, embargoes, requirements imposed by regulation
21 or other government entities or acts of public enemies, the allowance will be
22 excluded from the evaluation period.

23

1 Q. PLEASE EXPLAIN THE MAIN HIGHLIGHTS OF THE PROPOSED
2 QUALITY OF SERVICE PLAN.

3 A. The Division's proposal will institute higher performance thresholds that will
4 tighten the standards and provide an incentive to Verizon to provide continued
5 quality service. The Division's recommended service plan is an "across-the-
6 board" 10% reduction in Surveillance and Action Levels that will represent
7 appropriate indicators for deteriorating telephone service. The same Levels also
8 establish a higher level of service performance that telephone users have come to
9 expect. The improved service in Rhode Island is a result of advancements in
10 telecommunication technology, operational proficiencies and market demand.
11 Over the past five to eight years, the reported performance statistics reflect that
12 Verizon has become more efficient in the rendering of its services.

13
14 The proposed modifications to the Quality of Service Plan consist of an overall
15 10% reduction in the Surveillance and Action Levels in the Installation,
16 Maintenance and Customer Trouble Report service categories. The Operator
17 Service items (Repair Service Answer Time and Directory Assistance Answer
18 Time) are to be maintained at the current Surveillance and Action Levels. These
19 Operator Service items are measured by answer time in seconds. The Division
20 does not include these two service standards in its reduction proposal because the
21 diminution of fractions of seconds would not be significant, and more
22 importantly, the Division believes the existing standards are adequate.

23

1 The Division's proposal eliminates two service categories – (1) Customer Survey
2 poll and (2) Maintenance Service item. The customer survey poll consists of
3 seven service items that are a measure of customer satisfaction. The customer
4 approval percentages are for Call Completion Average Answer Time and
5 customer contact with Residence Repair, Residence Service Center, Residence
6 Installation, Business Repair, Business Marketing Operations and Business
7 Installation. The satisfaction percentages are the results of statistically random
8 calls to Rhode Island telephone users and are fundamentally used for internal
9 purposes within the telephone company. The customer survey poll results are
10 never included in the SQI and do not have any bearing on the Quality of Service
11 Plan.

12
13 The eliminated Maintenance Service item is the standard that measures the
14 average restoration time for Special Access 1.5 mbps Circuits. The measurement
15 is associated with the restoral of a special access circuit reported by an
16 interexchange carrier, alternate access provider or wireless carrier. The service
17 standard includes circuits provided under interstate exchange access tariffs. The
18 Division proposes to remove this standard since it is predominantly interstate in
19 nature, and should not be considered a retail service standard with wholesale
20 service performance being metrically measured within the Performance
21 Assurance Plan.

22

1 Verizon's position is the service quality plan should not be retained within their
2 alternative regulation proposal; the company, however, has offered modifications
3 in testimony if the Commission determines that such a plan is warranted. The
4 Division strongly believes, in any competitive regulated utility environment, that
5 service performance requirements must be maintained. Since the pricing formula
6 will be excluded pursuant to Verizon's alternative regulatory plan, the Company
7 proposes to substitute a service performance payment obligation. The Division
8 accepts the proposed payment obligation as an appropriate mechanism. Within
9 the framework of the payment obligation, Verizon will disburse in the form of
10 annual customer credits an amount equal to one twelfth of .5% of its total annual
11 retail revenue for each month a failure occurs in the Quality of Service Plan. The
12 maximum number of monthly points will be reduced by from 42 to 40 with the
13 elimination of the Special Access Circuit standard. The 28 points needed to meet
14 the appropriate level of service performance will be maintained. As a result, a
15 passing grade under the Plan will increase from 66.6% to 70%. The performance
16 payment will be in the form of an annual billing credit to each current residence
17 and business line in service.

18
19 A separate monitoring of the Verizon's performance in three maintenance service
20 areas: Out of Service for 24 Hours, Missed Repair Appointments, and Repair
21 Service Answer Time should continue as in the current service plan. If the
22 Company receives 0 points in at least 2 of these three service categories for
23 consecutive months, a penalty adjustment of $1/12^{\text{th}}$ of .5% of its total annual retail

1 revenues will become the Company's performance payment obligation.

2 Verizon's annual performance payment obligation cannot exceed .5%.

3

4 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

5 A. Yes.

REVISED QUALITY OF SERVICE STANDARDS FOR VERIZON

		<u>CURRENT</u>				<u>10% REDUCTION PROPOSAL</u>			
		<u>Surveillance Level</u>	<u>Action Level</u>	<u>Range</u>	<u>Points</u>	<u>Surveillance Level</u>	<u>Action Level</u>	<u>Range</u>	<u>Points</u>
<u>INSTALLATION ITEMS</u>									
1.	% of New Installation Orders Not Completed within 5 Working Days	12%	13.5%	Under 12% 12.0% - 13.49% 13.5% or >	2 1 0	10.8%	12.15%	Under 10.8% 10.8% – 12.14% 12.15% or >	2 1 0
2.	% of Installation Appointments Missed	2.0%	2.5%	Under 2.0% 2.0% – 2.49% 2.5% or >	2 1 0	1.8%	2.25%	Under 1.8% 1.8% – 2.24% 2.25 or >	2 1 0
<u>MAINTENANCE ITEMS</u>									
3.	% of Out of Service for Greater than 24 Hours	35%	38%	Under 35% 35% – 37.99% 38% or >	4 2 0	31.5%	34.2%	Under 31.5% 31.5% – 34.1% 34.2% or >	4 2 0
4.	% of Repeat Repair Reports received within 30 days of a cleared report	11%	14%	Under 11% 11.0% – 13.99% 14% or >	2 1 0	9.9%	12.6%	Under 9.9% 9.9% – 12.59% 12.6% or >	2 1 0
5.	% of Missed Repair Appointments	13%	16%	Under 13% 13.0%- 15.99% 16% or >	4 2 0	11.7%	14.4%	Under 11.7% 11.7% - 14.39% 14.4% or >	4 2 0
6.	Average Duration Time – Special Access 1.5 mbps Circuits	2.5 hours	4.50 hours	Under 2.5% 2.5% – 4.49% 4.50% or >	2 1 0	<i>Standard has been eliminated from the quality of service plan</i>			

7.	Repair Service Answer Time	14 sec.	17 sec.	Under 14.0 sec. 14.0 sec. – 16.99 sec. 17 sec. or >	4 2 0	<i>The Surveillance and Action Levels for this standard has remained the same</i>			4 2 0
8.	Directory Assistance Answer Time	4 sec.	5 sec.	Under 4.0 sec. 4.0 sec. – 4.99% 5.0% or >	2 1 0	<i>The Surveillance and Action Levels for this standard has remained the same</i>			2 1 0
	TOTAL POINTS FOR SQIs / MONTH				22 Points				20 Points
<u>CUSTOMER TROUBLE REPORTS</u>									
9.	Customer Trouble Reports per 100 Lines on an Individual Wire Center Basis (10 wire centers reviewed each month)	3.5%	4.5%	Under 4.0% 4.0%-4.49% 4.5% or >	2 1 0	3.15%	4.05%	Under 3.15% 3.15%-4.04% 4.05% or >	2 1 0
	TOTAL WIRE CENTER POINTS				20 Points				20 Points
	TOTAL POINTS PER MONTH				42 Points				40 Points
<u>CUSTOMER SURVEY</u> (Percent Satisfied)									
1.	Call Completion Average Answer Time								
2.	Residence Repair								

3.	Residence Service Center		<i>Standard has been eliminated from the quality of service plan</i>
4.	Residence Installation		
5.	Business Repair		
6.	Business Service Center		
7.	Business Installation		

DIVISION PROPOSAL

- (A) For each month when Verizon fails to achieve an overall point total of 28 out of a possible 40 points, the Verizon performance payment obligation will be 1/12th (or .0417%) of .5% of its total annual retail annual revenues for each failed month.
- (B) In addition, the proposed service plan will have a similar requirement to the previous Quality of Service Plan, in that, if Verizon receives 0 points in a least two (2) of three repair service standards (Percent of Out of Service Customers for Greater than 24 Hours, Percent of Repeat Repair Appointments and Repair Service Answer Time) for consecutive months, the Company's performance payment obligation will be 1/12th (or .0417%) of .5% of its total annual retail annual revenues.