



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

150 South Main Street • Providence, RI 02903

(401) 274-4400

TDD (401) 453-0410

*Patrick C. Lynch, Attorney General*

May 24, 2010

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

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

Dear Ms. Massaro:

On March 19, 2010 Verizon Rhode Island (“Verizon”) filed a petition with the Rhode Island Public Utilities Commission (“Commission”) seeking relief from the “Service Quality Reporting” requirement that was imposed by the Commission in Docket No. 3692.

Before addressing the merits of Verizon’s request however, a brief chronology of the recent travel of the service quality reporting in issue is instructive. Although the relevant history goes back to 1989, a review from 2003 is most helpful. In 2003 the Commission approved an Alternative Regulation Plan (“ARP”) for Verizon that gave Verizon pricing flexibility on business rates. This flexibility, however, was linked to a number of conditions. For example, Verizon was subject to price caps on residential services, a price floor, and service quality reporting requirements and associated penalties.<sup>1</sup>

Later, in a related 2005 proceeding before the Commission, Verizon contended that its market share of both business and residential customers had declined since 2002 and indicated that it no longer had market power in retail telephone service given the then current conditions of market share as

---

<sup>1</sup> See Order No. 14003, issued by the Commission on August 4, 1992.

Ms. Luly E. Massaro

May 24, 2010

Page 2

well as supply and demand elasticity. At that time, Verizon proposed eliminating the monthly service quality reports and associated penalties. In support of this position, Verizon pointed out that the other carriers are not subject to service quality standards and that the competitive market can discipline Verizon's service quality.

In response to Verizon's 2005 request to eliminate the monthly service quality reports and associated penalties, the Division acknowledged the increase of Competitive Local Exchange Carrier ("CLEC") market share in the residential market as well as the impact of wireless and Voice Over Internet Protocol ("VOIP") services on customers. However, the Division expressed opposition to Verizon's request to eliminate monthly service quality reports and associated penalties due to the Division's concern that Verizon would be able to increase its basic residential phone rates for those customers unable to avail themselves of the new technologies or justify a switch to another wire line provider. For this reason, the Division argued in support of maintaining the monthly service quality reports and associated penalty provisions.

The Commission subsequently issued a Report and Order on March 17, 2006 in which it undertook an evaluation of this issue by looking at "market share as the chief tool for assessing the competitive nature of a market."<sup>2</sup> In the final analysis, the Commission held that because Verizon controlled less than 70% of the local access residential lines market at the time (62.2%), and because there was no evidence present of any "negative duopolistic behavior" between Verizon and Cox Rhode Island Telecom ("Cox"), who the Commission recognized as the only other major full facilities-based carrier competing in Rhode Island at that time, it would be unnecessary to continue the requirement for "monthly" service quality reports and associated penalties. Nevertheless, the Commission also observed "since Rhode Island is still transitioning to a fully competitive market in local telecommunications, it is a prudent measure to monitor [Verizon's] service quality by continuing current reports on a quarterly basis." The Commission also concluded that although Verizon "may deem it unfair that it is the only telephone carrier which must file quarterly service reports, the reality is that [Verizon] is still the largest

---

<sup>2</sup> Order No. 18550.

telephone provider in the State and, therefore, to some extent sets the pace for [the] service quality of Rhode Island's local telecommunications." In short, in 2006, the Commission reduced the service quality reporting requirements from "monthly" to "quarterly" and lifted the associated penalties provisions that were contained in previous ARPs.<sup>3</sup>

Presently, Verizon again is requesting that the Commission relieve Verizon of the obligation under the ARP to file reports regarding service quality. In support of its petition, Verizon cites the following four reasons as the bases for its request to abolish the reporting requirement: (1) that the Rhode Island Telecommunications marketplace is vastly different today than in 2006, and that the service quality reporting requirement imposed on Verizon alone is unnecessary and unfair; (2) that the service quality metrics in Verizon's quality of service plan are outdated and not reflective of consumer satisfaction; (3) that the service quality standards and reporting requirements are harmful to the public interest; and (4) that the Commission and the Division have existing authority and mechanisms to remedy circumstances where carriers provide inadequate service.

The Division has carefully examined the arguments extended by Verizon in this matter and is prepared at this time to accept some of the arguments as valid. Primarily, the Division accepts that Verizon's share of the local access residential landline market has continued to decline in the past four years, from 62.2% to less than 50%. The Division is also willing to accept that many more consumers today are availing themselves of wireless and VIOP services, and thereby shrinking the population of potentially captured customers who would be subject to basic residential phone rate increases by Verizon. Further, in view of Verizon's current minority market share, the Division would also agree that imposing the reporting requirements on Verizon, while concurrently not on Cox, would be ostensibly unfair to Verizon. Lastly, the Division concurs with Verizon's observation that the Commission and Division possess ample jurisdiction, beyond the scope of this docket and the instant ARP, to investigate

---

<sup>3</sup> The Commission later extended its 2006 decision, in 2009, by approving the continuation of quarterly service quality reporting requirements (See Order No. 19540).

Ms. Luly E. Massaro  
May 24, 2010  
Page 4

and remedy any lapses in service quality manifested by any telecommunications carrier.

In closing, predicated on the evolution of this matter since 2003, and the state of the competitive residential telephone marketplace that exists in Rhode Island today, the Division has no objection to Verizon's current petition for relief from the "Service Quality Reporting" requirement that was imposed by the Commission in Docket No. 3692. The Division additionally wishes to make it abundantly clear that it will closely monitor the number and nature of all quality of service complaints received from telephone service ratepayers, and where appropriate, take whatever corrective regulatory action is necessary to remedy any unreasonable degradation of service quality.

Respectfully submitted,

Division of Public Utilities and Carriers

By its Attorney

A handwritten signature in black ink, appearing to read "Jon G. Hagopian". The signature is stylized and cursive, with a large initial "J" and "H".

Jon G. Hagopian, Esq.  
Special Assistant Attorney General