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May 6, 2010

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

Re: Docket No. 3692

Dear Ms. Massaro:

Enclosed please find the original and three copies of Verizon RI's responses to the Division's first set of data requests in the above referenced proceeding.

Thank you for your assistance in this matter.

Sincerely,

Alexander W. Moore 

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cc: Service List (Electronic Copy)

**Verizon New England Inc.
d/b/a Verizon Rhode Island**

State of Rhode Island

Docket No. 3692

Respondent: Theresa L. O'Brien
Title: Vice President – Regulatory
Affairs

REQUEST: Division of Public Utilities and Carriers Set 1

DATED: April 14, 2010

ITEM: DIV 1-1 Please provide the number of states in which Verizon is subject to filing service quality reports, including:

- The specific states in which Verizon is subject to reporting requirements; and
- The frequency of the reporting in each particular state.

REPLY: In the twenty-six jurisdictions where Verizon presently operates as an incumbent local exchange company (“ILEC”), the current service quality reporting requirements are as follows:

State	Reporting Requirement
AZ	None
CA	Quarterly
CT	Semi-annually (If a metric is missed in a given month, reporting is also required for that month.)
DC	Quarterly
DE	Monthly
FL	Quarterly, but only for customers subscribing to basic standalone residential services (i.e., no vertical features, long distance PIC, or bundled non-regulated services.)
ID	None (Required to report only if a metric is missed)
IL	Quarterly
IN	None
MA	Monthly
MD	Quarterly
MI	None (Required to report only if a metric is missed)
NC	Quarterly
NJ	Quarterly
NV	Quarterly

NY	Monthly
OH	None (Required to report only if a metric is missed)
OR	None (Required to report only if a metric is missed)
PA	None (Required to report only if a metric is missed)
RI	Quarterly
SC	Quarterly
TX	Quarterly (Reports are required only for exchanges deemed non-competitive by the PUC)
VA	None (If SCC opens a docketed service quality investigation, it can request reporting at that time.)
WA	Monthly
WI	Annually
WV	Monthly

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d/b/a Verizon Rhode Island**

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Docket No. 3692

Respondent: Theresa L. O'Brien
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REQUEST: Division of Public Utilities and Carriers Set 1

DATED: April 14, 2010

ITEM: DIV 1-2 Please state all facts which support Verizon's position that service quality standards and reporting requirements are harmful to the public interest as set forth on page 6 of its Petition.

REPLY: It is axiomatic that where effective competition exists, as it certainly does in Rhode Island, the market provides powerful incentives for achieving socially optimal service quality. In competitive markets, optimal service quality depends on individual consumer preferences, as well as varying costs and technologies. The optimal quality level for a particular customer is that which provides the highest value relative to cost for that customer. In order to satisfy customer demands, competitive markets will produce different levels of quality at different prices. For example, in the airline industry there are different classes of service (coach, business, first) available at different prices. Customers would be much worse off if all airplane seats were first class or if all were coach. Another example of competition driving optimal service quality is in the wireless industry, where consumer demand has dramatically lowered prices and increased service quality. Wireless subscriber usage increased from an average of 136 minutes per month in 1998 to 255 minutes per month in 2000. By the end of 2005, average subscriber usage had jumped over 400 percent from 1998 levels, to 740 minutes per month. RI is no exception to this trend, where wireless subscribership has increased by 117% from 2001 to 2008 with no artificial controls regulating service quality. In spite of these dramatic increases in usage, mobile wireless prices declined significantly during this time period, from \$61.49 per month in 1993 to \$49.98 in 2005. At the same time, wireless call quality continues to increase. A recent J.D. Power and Associates' study shows that the overall rate of customers experiencing a wireless call quality problem declined for a third

consecutive year, with reported problems per 100 calls reaching the lowest level since the first J.D. Power study in 2003.

The key point is that effective competition, which the Commission has already found exists in Rhode Island's voice communications market, should fundamentally transform the Commission's approach to service quality regulation. As explained in Verizon's Petition, service quality standards are not fixed variables as they once were, when the Commission could mandate to the sole provider of basic telephone service both the price it would charge consumers and the level of service quality to be delivered to its customers. In today's multifaceted communications marketplace, a "one-size fits all" solution to service quality standards that was employed in the monopolist era is simply not beneficial to consumers, as it discourages innovation and technological advancements. And it is particularly inappropriate where those standards would apply to only one of a number of competing providers of wireline and wireless voice services that consumers choose among.