

PUBLIC VERSION OF STAFF MEMORANDUM

**TO:** The Honorable Ruth Ann Price  
Senior Hearing Examiner

**FROM:** Andrea B. Maucher  
Public Utility Analyst

**DATE:** November 6, 2009

**SUBJECT:** IN THE MATTER OF THE INVESTIGATION ON THE MOTION OF THE COMMISSION INTO THE ADEQUACY OF BASIC TELECOMMUNICATIONS SERVICES PROVIDED BY VERIZON DELAWARE LLC (OPENED AUGUST 19, 2008) – **PSC DOCKET NO. 08-194**

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Attached, please find the *Report of Consultants to the Delaware Public Service Commission Staff on the Adequacy of Verizon's Service* ("Report") prepared in response to the investigation initiated by PSC Order No. 7433, entered on August 19, 2008. I have also attached Verizon's comments ("Comments") on this Report. This memo will discuss the Report, Verizon's Comments, and the proposed Settlement Agreement ("Settlement Agreement").

**Background on the Proceeding**

Since the Commission adopted *Regulations Governing the Minimum Service Requirements for the Provision of Telephone Service for Public Use within the State of Delaware* in 1991, Verizon Delaware LLC ("Verizon") - then Diamond State Telephone Company - has been filing monthly reports detailing its compliance with those rules and Staff has continually monitored these reports. During 2006 and 2007, Verizon's performance, as measured by the Commission's service quality metrics, began to deteriorate significantly and the Commission began to receive increasing numbers of customer complaints. Consequently, Staff began working informally with the Company to better understand and address the problems. At the request of Commissioner Clark, during the July 8, 2008 Commission meeting, Regulator Policy Administrator Kevin Neilson presented a status report to the Commissioners of Staff's on-going review, including a Staff Memorandum with related graphs. The conclusion of Staff's presentation, as well as Staff's Memo, was that "[Verizon's] service quality issues have improved on the whole, with few exceptions,"<sup>1</sup> and that "Verizon and Staff has been working together ... fairly well, over the last year to improve their quality [of] service ...."<sup>2</sup>

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<sup>1</sup> July 8, 2008 Memo from Kevin Neilson and David Bonar regarding Verizon Service Quality.

<sup>2</sup> July 8, 2008 Commission Meeting. Transcript p. 3 at lines 19-21.

Despite those findings, individual Commissioners continued to voice concerns about customer complaints (both the number of complaints and the subject and the handling of the complaints) and overall maintenance of Verizon's copper plant. Additionally, the Deputy Public Advocate made the following observation:

...it is bothersome, I think, especially now that I am with the Public Advocate's Office, to see the network trouble report rate trend appear to be going up. And so, that's a long-term trend. And as everybody who works in business knows, networks are not easy to break long term; nor are they easy to fix long term. And so, the concern that I think the Public Advocate's Office has with respect to this is, what appears to be some vacillation around the line, but a clear upward trend in network trouble report rates, which would suggest, to some degree, that either there is a balance between replacement and repair and new services and so forth and it is difficult proposition to juggle. But, I think, that to me, no matter where I am, if I saw that kind of trend, it would indicate to me a deterioration in the network to some degree. And that is something, if you're going to still have copper around for a number of years, needs to be addressed.<sup>3</sup>

There was further recognition during the meeting that Verizon had been actively expanding its fiber network in Delaware. All of these issues, cumulatively, lead the Commission to conclude that a formal inquiry was needed to resolve the concerns of the Commission, the Public Advocate ("DPA"), and ultimately Verizon's customers as voiced in their complaints. As Commissioner Clark stated in his motion, "I have a concern about the fact that service issues with regard to the old copper wire could be better and could be helped to be made better. And I don't have the knowledge, or I don't have the information necessary to make that judgment. The only way that I can do that is to go ahead and move that we open up a formal [docket] to examine the issue."<sup>4</sup> The Commission approved the motion unanimously.

Subsequently, Verizon filed with the Commission a letter requesting reconsideration of the matter. That request was heard by the Commission during its August 19, 2008 regular meeting at which Verizon again pointed to declining complaints received at the Commission since 2007. Verizon also expressed concerns that by opening a service quality investigation, Verizon would be harmed competitively due to a possible public perception that Verizon may be underperforming. After noting that service quality related investigations had been opened in several other jurisdictions - Maryland, West Virginia, New York and Vermont - with Verizon presenting no evidence of competitive harm, the Commission again unanimously voted to open the investigation.

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<sup>3</sup> July 8, 2008 Commission Meeting. Transcript p. 24 at 17-24, p. 25 at 1-23

<sup>4</sup> July 8, 2008 Commission Meeting. Transcript p31 at 19-24 and p32 at 1-2

## Key Questions and Findings

During this investigation, Staff and its consultants worked cooperatively with the Company and the DPA to respond to the key questions posed by the Commission in Order No. 7433:

1) *That the Commission, finding such action to be in the public interest, hereby establishes this docket for an investigation into the efficiency, sufficiency, and adequacy of basic services provided by Verizon Delaware LLC over its copper facilities and to consider whether or not the Commission should, pursuant to 26 Del. C. § 308, upon a finding that such facilities or services are inefficient, insufficient, or inadequate, impose upon Verizon such penalty deemed necessary to restore such facilities and services to a state of efficiency, sufficiency, and adequacy.*

2) *That the Commission, as a part of the proceedings in this Docket, will also investigate the extent to which Verizon Delaware LLC has met, and will in the future comply with, the objectives and reporting requirements set forth in the Commission's Regulations Governing the Minimum Service Requirements for the Provision of Telephone Service for Public Use within the State of Delaware, including (but not limited to) a review of customer service practices utilized by call center customer service representatives and, in particular, how Verizon "closes out" customer complaints.*

On the first issue, Staff has concluded that there are certain inadequacies in Verizon's copper service facilities. Staff's conclusion is based upon the Consultant's Report, Verizon's responses to formal and informal data requests, customer complaints, and photographs submitted by a Verizon employee and union official at a public comment session. Staff submits that there are geographic areas within the state receiving a degraded quality of service, as reflected, for example, by the existence of bypasses (a temporary facility used to bypass a defective section of cable). However, Verizon has been making meaningful improvements to its copper facilities, particularly over the past two years, and it has made a commitment to Staff and the DPA to continue to do so. In light of the progress that Verizon has made in meeting the Commission's service metrics, improving its physical plant, and given its agreement to continue those efforts while working with Staff and the DPA, Staff concludes that it is not in the public interest to recommend penalties against Verizon.

Key findings of Staff's consultants, highlighted in the first several pages of the report, as they relate to the second concern voiced by the Commission are:

- Verizon DE has significantly improved its performance on the Out-of-Service ("OOS") troubles cleared in 24 Hours metric over the last 18 months. Even with that improvement, however, the Company has failed to meet the requirement on a statewide average basis in seven of the past twelve months (5.10.3).
- Verizon-DE consistently fails to meet the Commission's service quality standard in the category of Business Office Answer Time (5.7.1.2).

- The Company's performance in one additional area – Repeated Trouble Reports (5.10.4) – has generally met Commission objectives, but is trending in the wrong direction, missing the objective in four of the past twelve months.

Both Staff and its consultants have recognized the progress Verizon has made in improving its quality of service, as measured by the Commission's metrics, over recent months. Much of that progress came about during a period when the Company and Staff were working cooperatively at resolving difficulties faced by the Company. While the Company is not fully complying with the three metrics identified above, there are an additional thirteen metrics which the Company has consistently met for significant periods of time. In making this observation, Staff is in no way excusing the Company's failure to comply with the Commission's service metrics in these important areas, but rather is attempting to take a balanced approach to the issues. Staff respectfully submits that the imposition of penalties is unnecessary as Verizon has already made the commitment to make necessary improvements to its copper facilities, and that Verizon's financial resources are better directed to improving the Company's copper plant.

Staff submits that this investigation has also provided Verizon with insights that will aid the Company in meeting its service quality objectives going forward. For example, when Staff initially requested metric information on a wire center basis, Verizon explained that it considers only the statewide metrics and has not examined its performance at the wire center level. Having now had the opportunity to compile and review the wire center data from 2006 through the present, the value of this more granular look is apparent. While results can vary in an individual wire center from month to month for a variety of reasons, sustained performance below the statewide metric may be indicative of a potential problem requiring additional analysis of the facilities serving that wire center. Staff believes that any tool that will allow the Company to be more proactive in its approach to the maintenance and repair of its facilities will be of benefit to the customers using those facilities.

Secondly, when Staff and its consultants requested information about Verizon's "bypass" conditions the Company indicated that it did not routinely keep track of such information. A "bypass", by definition, is generally intended to be a temporary condition allowing a customer to be restored as quickly as possible through a cable "bypass." Typically, these temporary conditions should be corrected within a reasonable period of time; however, Verizon was unable to determine when a "bypass" was placed, or if and when it was corrected. Verizon has since reconsidered its position, and has implemented procedures to identify, track, and correct "bypass" conditions in its network. Staff believes these new procedures will yield measurable improvements in Verizon's performance metrics and the service experiences of its customers.

Verizon appears to take issue with the contention that its quality of service in certain geographic areas is inadequate. Verizon argues in its Comments that the metrics are based upon a statewide average, and certain areas will necessarily be above average and other areas below average. Unfortunately, Verizon misses the point being made by Staff and its Consultants. Staff believes that there is information that indicates that certain geographic areas are not just receiving below average service, but service that is so far below the average that the areas are in need of prompt correction.

## **Summary of Settlement Agreement and Discussion**

To address the findings in the Report, Staff, its Consultants, the DPA, and Verizon worked together to develop a path forward that will require Verizon to identify and correct inadequate facilities, and thereby improve its quality of service. The path forward is contained in the Parties' Settlement Agreement, a copy of which is attached to this Memorandum.

The Settlement Agreement imposes four major requirements upon Verizon. First, Verizon must work with Staff and the DPA to develop a "detailed Performance Improvement Plan ("Plan") within 90 days of the Commission's approval of the settlement." The Plan will address specific areas which are in need of improvement, and will also focus upon employee training. Second, Verizon will continue to review and monitor its performance and is obligated to address any service quality issues identified by the monitoring process. Third, Verizon must undertake reviews and provide reports on service quality issues that were of concern to Staff, its Consultants, and the DPA, which were identified in the Report. Fourth, Verizon must report quarterly on its progress in dealing with certain service quality-related issues, for example, correcting bypasses, and must also meet quarterly with Staff to review the status of Verizon's infrastructure improvement projects. These requirements will remain in place until December 31, 2011.

Verizon will meet with Staff and the DPA quarterly to discuss its efforts regarding infrastructure improvement projects. Staff and the DPA intend to work with Verizon to identify copper service infrastructure that needs to be replaced or repaired. As the infrastructure improvements take place, Staff and the DPA will monitor whether the improvements are leading to improvements in service quality, for example, in reducing the length of time that customers are without phone service, or reducing "noise" and other service problems after rainstorms. In Staff's view, the increased oversight of Verizon's performance by the Commission will lead to better performance by the Company, and ultimately the experience of the customers served by Verizon's copper plant. This approach has been successful in the past with the Company. Staff submits that careful monitoring of Verizon's service quality and the condition of its copper facilities is necessary since a large percentage of Verizon's customers are currently served over copper. While that percentage will likely decline in the future due to Verizon's FiOS expansion, the percentage of customers served by copper will remain substantial.

As will be discussed in greater detail later, Staff does not share Verizon's view that the Parties' Settlement Agreement is "only an interim step towards the need for the Commission to re-evaluate and revise the Docket 20 rules." Verizon contends that a) Delaware's service quality standards are needlessly higher than in certain other states, and b) the quality of service that Verizon customers receive in Delaware is very good. Staff respectfully submits that the two points are not unrelated. Delaware customers receive better service because Delaware regulations require the Company to provide a higher level of service. Without prejudging any application that Verizon intends to file, Staff is concerned that any effort by Verizon to water-down the Commission's current standards will lead to more, not fewer, service quality issues. Further, Verizon has not yet provided any evidence to Staff that the principal service metrics in

the Commission's rules (established in Regulation Docket No. 20) are out-of-date. Verizon says, for example, that when its performance on the Out-of-Service metric exceeds 75%, service related complaints to the Commission drop significantly. Verizon contends that the Commission standard, which requires Verizon to restore service within 24 hours to 90% of customers who lose service, is "unnecessarily stringent" and suggests that the standard should be reduced to 75% restored within 24 hours. However, a review of the chart prepared by Verizon comparing its performance on the OOS metric to the number of complaints received by the Commission does not establish a correlation between a metric standard of 75% and the number of customer complaints. Verizon's chart does tend to show that when customers have their phone service restored promptly, as required by the Commission's existing regulations, the Commission receives fewer complaints. This is hardly surprising, because customers are unlikely to complain if their phones work. However, the Verizon chart also shows that when Verizon's performance on the OOS metric falls to 80 to 85% or lower, the number of customer complaints tend to spike upward. When Verizon's performance meets or exceeds the existing 90% standard, complaints tend to remain low. The chart actually supports maintaining the metric standard at 90%.

Verizon notes that it "routinely satisfies 14 of the 16 Docket 20 Service Quality Index metrics." One purpose of the parties' Settlement Agreement is to develop a detailed Performance Improvement Plan to address the areas where Verizon is in need of improvement, including OOS and Business Office Answer Time. The fact that Verizon is routinely meeting 14 of the 16 metrics, and is committed to working with Staff and the DPA to improve its performance in the areas where its performance fails to meet the metric, does not lead Staff to the conclusion that the Commission's metrics are antiquated and in need of change.

### **Verizon's Comments on the Consultant's Report**

Verizon's comments on the final Report, are attached thereto. Rather than go through Verizon's Comments page by page, Staff will offer commentary on several of the positions taken by Verizon.

### ***Commission Rules***

A frequent refrain from Verizon throughout this investigation and in its Comments - particularly regarding metrics not consistently met by the Company - is that the Commission's rules are archaic and do not recognize changing technology and competition in the market. Staff does recognize that there have been significant changes in the realm of telecommunications and that there are more options available to consumers when deciding how to communicate. However, Staff can not agree that competing modes of communications, including wireless, cable telephony, and VOIP, are functionally equivalent to traditional phone service, or that all alternatives are equally accessible to all residents of the state. Further, the Commission did not ask Staff in Order 7433 to examine the relationship of these changes to the quality of service that Verizon provides to its Delaware customers. The Commission established service quality metrics which Verizon is obligated to meet, and Staff is concerned that Verizon first raised questions about the propriety of the current standards during an on-going investigation into its compliance with the standards.

Verizon also recommends that the Report include discussion on “how other states and commissions are addressing the antiquated service quality regulations that were adopted long ago in the monopoly era.” In opening this docket, the Commission did not ask for such a study to be included as part of the investigation. Further, having not performed any study into the telecommunications landscape in other states or the metrics adopted in other jurisdictions, Staff is unable to confirm or refute Verizon’s assertion that “the Commission’s current service quality rules are some of the most stringent in the country.” Verizon has not yet provided to Staff any study to support its assertion.

### **Complaints**

Verizon takes issue with the consultant’s Report because the Report “fails to acknowledge that customer complaints to the PSC concerning Verizon had dropped significantly since 2007.” In response, Staff respectfully notes that the Commission was well aware of this trend when it voted unanimously to open this docket. Indeed, there was much discussion around this topic during both the July 8 and the August 19, 2008 meetings. Staff noted during the July 2008 meeting, that since a peak in 2007 improvements had been recognized in both the overall level of complaints as well as the level of service related complaints. Verizon also provided additional analysis of Commission complaints in its August 6, 2008 letter requesting reconsideration. Further, the Commission did not direct Staff to conduct a detailed analysis of the complaints to the Commission as part of this investigation; rather Staff was directed to look at Verizon’s compliance with established service quality metrics, and whether the service being provided over Verizon’s copper facilities is safe, adequate and reliable.

The graphs in Verizon’s Comments related to Commission complaints examine the period from 2005 to the present. At the July 2008 meeting, Staff presented evidence of the trends from 2002, which show a steady increase until 2007 before beginning to decline. It was further noted during that meeting that while complaints were beginning to trend downward, the number of these complaints were still higher than in 2002. In its Comments, Verizon attributes this to its increased service offerings; Verizon offers more services so there are more issues about which consumers may complain. Verizon fails to note, however, that it has far fewer lines now than in 2002-5, so there are fewer customers to complain. The build out of Verizon’s FiOS should have reduced significantly the number of out-of-service and other quality-related complaints. In short, Verizon has not established any justification for complaints in 2008 being higher than in 2002.<sup>5</sup>

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<sup>5</sup> It is difficult to compare the numbers of service related complaints compiled by Staff to the number depicted by Verizon in its Comments. When accepting a complaint at the Commission, the Investigator enters the details of caller’s complaint, attempts to categorize the complaint, and then forwards the complaint to Verizon for resolution. Verizon then investigates the complaint, determines the trouble, and responds to the customer. Staff is made aware of the Company’s resolution and will then follow-up with the customer to verify that their complaint has been resolved to the customers’ satisfaction. The difficulty in the comparison of numbers is where what appears to Staff to be a service complaint may not be so classified once it is investigated by Verizon, or the complaint may involve an unregulated service, or any other number of reasons. That said, Staff reports that according to its measure, there were 297 total complaints regarding Verizon in 2002, 121 of which were classified by Staff’s Complaint Investigator as service related. In 2007, Staff found 606 total complaints, with 403 being service related. In 2008,

### ***Public Comment Sessions***

As Verizon points out, few individuals chose to participate in the three public comment sessions held during March 2009. While the limited number of public complaints is a factor the Commission might consider, it is not a reliable indicator of the number of customers with complaints about Verizon's quality of service. The Commission may apply its experience to conclude that attendance at public comment sessions may be limited, even in cases where a utility has engaged in egregious conduct. For example, the Commission may take administrative notice of the Horizon Power & Light matter, PSC Docket No. 355-08, involving a retail electric supplier which conducted business in Delaware. Staff instituted a formal complaint proceeding against Horizon after Staff learned that Horizon had unlawfully overcharged thousands of Delaware customers for electric power, sometimes doubling a customer's electric rate without proper notice. The Hearing Examiner in that docket conducted four public comment sessions. Even though thousands of Delaware customers were affected and the utility's misconduct was relatively recent in time, very few customers appeared at the public comment sessions to complain.

To presume that low attendance at these public comment sessions somehow provides insight into the quality of service that Verizon routinely provides to its customers seems, to Staff, to be overreaching. While Staff commends Verizon for correcting the problems raised by its customers attending the public comment sessions,<sup>6</sup> Staff also wonders why, in at least one case, it took twelve years and an appearance at a public comment session before the Company could take the necessary steps to permanently resolve a customer's complaint (referring to the comments of Traci Eizember at the Public Comment Hearing in Wilmington on March 9, 2009. See Transcript pages 88-94 attached hereto as Exhibit A).

Although Staff supports the Settlement Agreement in this docket, Staff is concerned about the problems experienced by certain of Verizon's customers; for example, extended outages, repeated outages, multiple missed appointments, chronic problems with noise, and difficulties reaching a representative. Attached to this Memo as Exhibit "B" are examples of the kinds of complaints received by the Commission. Staff questions the degree to which Verizon has been proactive in the past in identifying neighborhoods with inadequate facilities, which have led to repeated and extended outages. At the institutional level, Staff cites as a relevant example Verizon's treatment of bypasses. In Staff's view, prior to this investigation, Verizon did not adequately track and correct bypasses. Bypasses are generally temporary fixes, which cannot be expected to provide adequate service over the long term, yet Verizon was not able to report how long its temporary facilities had been in place.

### ***Performance Measures***

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total complaints were 484, with 277 service related. Thus, when comparing 2002 to 2008, for instance, there is a 61% increase in the total number of complaints, and a more than 44% increase in the number of service related complaints.

<sup>6</sup> See letter from William Allan dated March 27, 2009 to Hearing Examiner Price.

### **Business Answer Time (5.7.12)**

A review of Verizon's data shows that the Company has met the performance objective just *one time* in the past 30 months. Verizon's response is that the metric was adopted in 1991 and "evidence suggests that customers do not expect their calls to be answered in 20 seconds." Verizon notes that it offers more services now than when the metric was adopted, calls are becoming more complex, representatives often spend more time on customer calls, and that technology is making the metric "increasingly irrelevant." Verizon has agreed as part of the Settlement to a) prepare an analysis and report about business office answer time, and b) to address business office answer time in the detailed Performance Improvement Plan to be developed with Staff and the Public Advocate.

### **Customer Trouble Reports (5.10, 5.10.1)**

Verizon's data shows that the Company has consistently met this performance objective, on a statewide basis since January 2000, and rarely approached the metric of not more than five troubles per 100 access lines. Also referred to as the Network Trouble Report Rate, Verizon contends that "of all the metrics included in the Commission's rules this metric is the best indicator of the health of Verizon's network since it is an indicator of the design, construction and maintenance of Verizon DE's outside plant." Verizon has approximately 348,000 access lines statewide, and using an average of 2.5 troubles per 100 lines per month, the Company would be experiencing 8,700 trouble reports per month - or over 104,000 network trouble reports per year.

### **Out-Of-Service Trouble Clearing Time (5.10.3)**

Most problematic to Staff are Verizon's comments regarding this metric:

Finally, numerous technological changes have had a profound effect on customer needs and service quality expectations. Among other things, the wireline telephone is no longer the exclusive lifeline for most households. For example, in 2000, few households relied exclusively on their wireless phones. Today, however, more than a fifth (20.2% as of December 2008) of the households in the country have "cut the cord" and rely exclusively on wireless service for their household needs.

More importantly, most wireline customers have access to one or more wireless phones in their households, which means that these customers would not be cut off from essential services, such as E-911, if they were to experience an outage on their landline phone. In fact, the widespread use of wireless phones has dramatically changed the nature of a customer's out-of-service experience. While an OOS condition is undoubtedly an inconvenience, it no longer creates the need for near-immediate restoration for the great majority of customers. The Revised

Draft Report should acknowledge these significant market and technological changes, which are driving the need to re-evaluate the service quality metrics.

There has been no formal examination of how many residents in this State have “cut the cord” and rely solely on a cell phone. There has been no study of the number of Delawareans with serious medical conditions who rely exclusively on a land line for phone service. Verizon’s position also fails to acknowledge that neither wireless nor cable telephony possess the same degree of reliability as traditional copper services. However, what is known is that close a significant number of Verizon’s customers in Delaware have copper landline service and a substantial percentage are likely to have such service for a long time. Therefore, it cannot be disputed that there are thousands of Delaware customers paying Verizon monthly for safe, adequate and reliable telephone services and who have the expectation of receiving what they pay for.

### ***Disaggregation Study***

The purpose of the Study is to identify specific neighborhoods where service could be insufficient or inadequate because the number of troubles and/or repeated trouble reports is significantly greater than the metric standard. Verizon makes every conceivable argument to discredit the Study. However, the Study correlates well with other data about Verizon’s quality of service.

According to the Study, the exchanges in New Castle County having high troubles and/or repeat troubles are [ REDACTED ]. The same three exchanges are also among those which most frequently failed to meet the metric for Out-of-Service Clearing Time (90% within 24 hours) during the twelve-month period from September 2008 through August 2009, with [REDACTED] meeting it in only three of twelve months, [REDACTED] in four, and [REDACTED] in three. They also are among the exchanges with the highest number of bypasses identified by Verizon, with [REDACTED] having seventeen, [REDACTED] four, and [REDACTED] six. Similarly, areas within the [REDACTED] exchange had a high incidence of troubles and repeat troubles. [REDACTED] has a comparatively high number of bypasses – six – none of which have been fixed as of Verizon’s last report on bypasses. [REDACTED] also was found to have a relatively high rate of troubles and repeat troubles. While Verizon reports only two bypasses in [REDACTED], they have not been fixed, and the exchange failed to meet the OOS Clearing Time metric in six of twelve months.

The Study is a tool to aid in locating areas within the state where service may be inadequate. If there are a large number of trouble reports or repeated troubles generating from within a discrete geographic area, there may be a potential issue with the facilities serving that area. Staff continues to believe in the value of this tool, and suggests that Verizon examine its data systems to determine if there could be opportunities to perform similar disaggregation studies going forward.

Verizon states that its reporting and operational systems – NORM and vRepair – were not designed to provide the type of address data that the Consultants sought for the Study (namely, a

street address, city/town, and zip code), nor will its systems routinely record/generate complete addresses for trouble and repeat trouble reports. Verizon states that complete customer addresses are not necessary to dispatch repair crews to resolve a trouble or repeat trouble report. When queried by Staff's Consultants in an effort to establish some other means of accessing more complete address information, Verizon indicated it could not cross reference its trouble and repeat trouble report data bases with other Verizon data bases containing complete customer addresses without engaging in an expensive and time-consuming special study. These responses were a surprise to Staff and its Consultants, especially considering the advances made in data management, even as far back as 2004 when Verizon created the reporting and operational systems it utilizes today.

Contrary to Verizon's impression, Staff and its Consultants have not suggested that Verizon manage its business by Census Block Group or Carrier Serving Area. The Consultants performed the Study in an effort to identify areas below even the exchange level where service might be inadequate. Just as the statewide metric averages wire center data, the wire center data too is an average. The Wilmington wire center, for example, may have many dozens of neighborhoods; Staff certainly would not believe that each and every neighborhood in that exchange was receiving inadequate service if the entire exchange was below a threshold. Rather, disaggregation studies, such as the one performed by Staff's consultants, could help point to where those neighborhoods are located thereby diminishing the time and expense that might be involved in checking every service in a wire center. Thus, the Study is simply one tool, among many, that can be used to identify areas with inadequate phone service. Staff has not suggested that the Study be employed in a vacuum, but instead believes that it should be used in conjunction with a) information from Verizon's field supervisors and workers, b) customer complaints, c) Verizon's performance on the service quality metrics on an exchange level, and d) other reliable sources of information.

### ***Prompting the Customer to Agree to a Change in the Commitment Time***

Verizon should recognize that this issue was raised by a Verizon employee during a public comment session. Staff and the DPA intend to work with Verizon to determine if changes are warranted.

### ***Restoral Time***

As Verizon explains in its comments regarding a technician prompt related to restoral time:

The purpose of the prompt is to permit Verizon to receive credit for restoring service within its commitment time when there is a delay between the restoral of service and the closing of the trouble ticket. Verizon does not suggest, imply, or train its technicians to enter anything other than the correct restoral time. And Verizon's technicians are not evaluated on whether or not they restore service within the commitment time and thus there would appear to be no incentive to the technician to enter anything other than the appropriate information.

Staff intends to explore this matter further with the DPA and Verizon as contemplated by the Settlement Agreement.

### ***Facility Construction***

Regarding Telephone Plant In Service (“TPIS”), Verizon comments “there is no evidence that states with higher TPIS per access line have better service quality performance than Verizon Delaware.” The consultant offered no such conclusion; rather the information was presented for informational purposes.

Data provided by Verizon and reproduced in Figure 19 of the Report shows that expenditures for “Service Improvement” have declined from 2003 to 2008. To this Verizon notes that “OSP expenditures for service improvements made in 2003-2004 continue to yield benefits to this day.” Verizon also points out that expenditures for “Asset Restoration” have increased since 2004; however, another look at Figure 19 shows that there has been a very substantial reduction in the total expenditures for the two categories combined.

While Verizon has built out its FiOS network in portions of Delaware, only a small percentage of Verizon’s customers are served by FiOS. Further, FiOS will likely never be available to a significant number of households in the state, meaning that a substantial number of Delawareans will be served by copper facilities for years to come.

### ***Employees in Delaware***

With regard to the number of employees in Delaware, Staff’s Consultants make the observation that “the Verizon-DE workforce in Delaware steadily declined from 2001 through 2004, as can be seen in Figure 21. The workforce generally rebounded from 2005 through mid-2007 due to increases in outside plant workers. The number has steadily declined again since mid-2007.”

Verizon contends that “the ratio of employees per access line is a significantly more important indicator of Verizon’s commitment to service quality than the absolute number of employees.” However, Staff has learned that Verizon is in the process of making a considerable reduction in the number of technicians who perform work in the field. With a declining workforce, Staff has concerns about the level of service that Verizon will be able to provide to its customers going forward; however, Verizon has assured Staff that it is committed to providing quality service to its customers.

### ***Conclusion***

Staff, the DPA and Verizon intend to submit their proposed Settlement Agreement to the Hearing Examiner at an evidentiary hearing on November 16, 2009. Staff intends to support the Settlement Agreement as being just and reasonable and in the public interest. It is expected that the Hearing Examiner will then issue a report and the matter will be presented to the Commission.