BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint petition to initiate rulemaking to adopt new rule in Chapter 25-24, F.A.C., amend and repeal Rules in Chapter 25-4, F.A.C., and amend rules in Chapter 25-9, F.A.C., by Verizon Florida LLC, BellSouth Telecommunications, Inc. d/b/a AT&T Florida, Embarq Florida, Inc., Quincy Telephone Company d/b/a TDS Telecom, and Windstream Florida, Inc.	Docket No. 080159-TP Filed: October 7, 2008

VERIZON FLORIDA LLC'S POST-WORKSHOP COMMENTS

Verizon Florida LLC ("Verizon") has joined in comments being filed today by the Petitioners in support of regulatory streamlining necessary to bring Florida's regulatory structure more in line with today's competitive marketplace. Verizon files these separate comments to provide more detailed information about Verizon and its Tampa Bay service territory and to respond to statements made about Verizon at the September 10, 2008 workshop. As discussed below, (i) by any measure competition in Verizon's service territory is intense; (ii) competition drives Verizon to satisfy its customers; (iii) Verizon complies with the Commission's service quality rules; and (iv) those rules no longer provide an accurate gauge of customer demands and expectations.

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SGA ____
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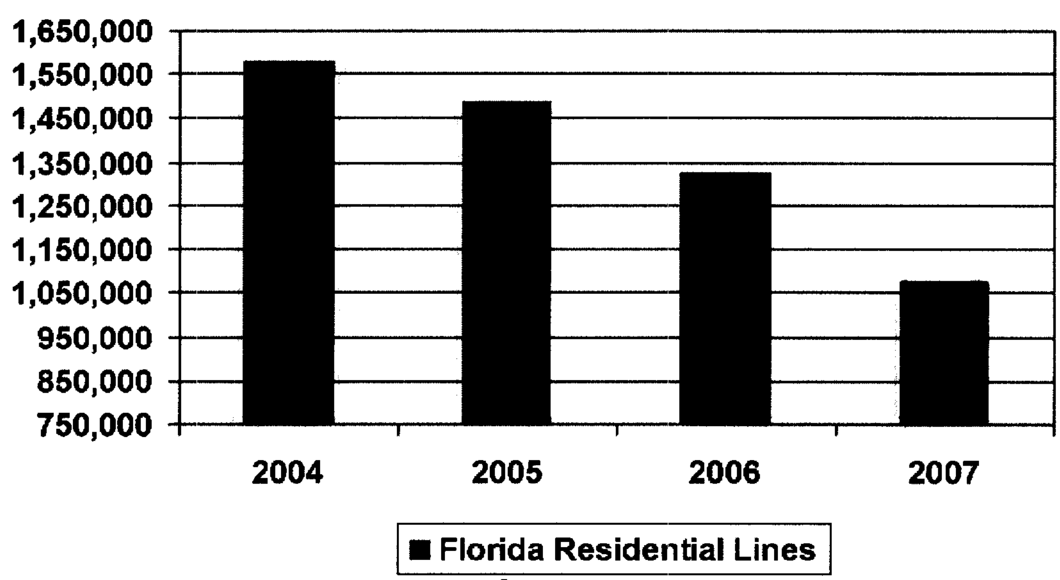
I. Competition Is Thriving in the Tampa Bay Region

Verizon's Tampa Bay service territory is among the most (if not the most) competitive consumer markets in Florida, which is obvious to anyone living there. Cable companies, VoIP providers and wireless carriers have all engaged in aggressive marketing campaigns in the Tampa Bay region, exposing consumers to a steady stream of print advertisements and television commercials. At the workshop, Verizon showed some of the commercials that have been aired, including a Bright House spot making fun of the Verizon's regulatory restraints that give Bright House a competitive advantage; a Vonage ad contrasting its VoIP service with bundled cable services; and a wireless commercial featuring a woman sawing down telephone poles and humorously encouraging wire line customers to switch to T-Mobile. Verizon is responding with commercials of its own, and is backing them up by investing more than $1 billion in its fiber-to-the-premises network that already passes more than 1 million homes in the Tampa Bay area.

Verizon's year-over-year line losses evidence the head-to-head competition that is taking place in neighborhoods throughout the region. As noted in the Commission's 2008 Local Competition Report, from 2004 to 2007, Verizon's residential switched access lines decreased from 1.58 million to 1.07 million, a decline of about 32%, as shown in the chart below:



Over the three-year period ending July 2007, the number of households in the Tampa Bay area increased by 7%, which means these line-loss figures understate the impact of competition in the region.

Several parties at the workshop sought to deny that significant residential competition is taking place. Those parties failed to back their claims with any evidence and their proposed theories are contrary to the facts.

- The Communications Workers of America ("CWA") and AARP suggested that a substantial portion of the ILECs' line losses result from customers disconnecting extra lines that have been used for purposes such as dial-up Internet connections and teenager lines.[1] Even if the CWA and AARP were correct, their argument would be pointless because such losses are caused by competition from broadband providers and wireless carriers. In any event, their assertion is factually untrue at to Verizon because the loss of secondary lines represents a relatively small portion of Verizon's residential access line losses.[2] Verizon's ARMIS reports show that for a three-year period from 2004 to 2007, the number of its primary access lines declined from 1,396,949 to 979,291, a decrease of 30%.[3] This rate of decline tracks the 32% loss rate reflected in the Commission's Local Competition Reports for a three-and-one-half year period from 2004 to 2007. Contrary to the CWA's and AARP's unsupported assertion,

[1] Transcript ("T.) 58, 66-67.
[2] Verizon's ARMIS reports show that nonprimary residential access lines decreased from 143,753 in 2004 to 76,403 in 2007, or about 14% of the total line losses during that period.
[3] Under FCC reporting requirements, there may be only one primary line per service location. Note that Lifeline access lines are excluded from the primary access line count in the ARMIS reports.

secondary line loss cannot be used to explain away residential competition in Verizon's service territory.

- The Office of Public Counsel ("OPC") suggested that although competition may exist at the upper end of the market, customers with basic local telecommunications service are not being offered competitive rates, terms and conditions that are comparable to bundled local service. Market evidence in the Tampa Bay region demonstrates, however, that competition for basic service customers is even greater than for residential customers as a whole. From August 2005 to August 2008, Verizon basic residential lines (without features or with a la carte features) fell from **BEGIN CONFIDENTIAL** [redacted] to [redacted] **END CONFIDENTIAL** a decrease of approximately **BEGIN CONFIDENTIAL** [redacted] **END CONFIDENTIAL**. Those rates of decline are greater than the overall rate for residential lines, which decreased from **BEGIN CONFIDENTIAL** [redacted] to [redacted], **END CONFIDENTIAL** a reduction of approximately **BEGIN CONFIDENTIAL** [redacted] **END CONFIDENTIAL** during the same period. Despite OPC's theory that basic customers do not find competitive offers "comparable" to ILEC offers, significant numbers of them are accepting those offers. This evidence undermines any claim that competition is limited to the upper end of the residential market.

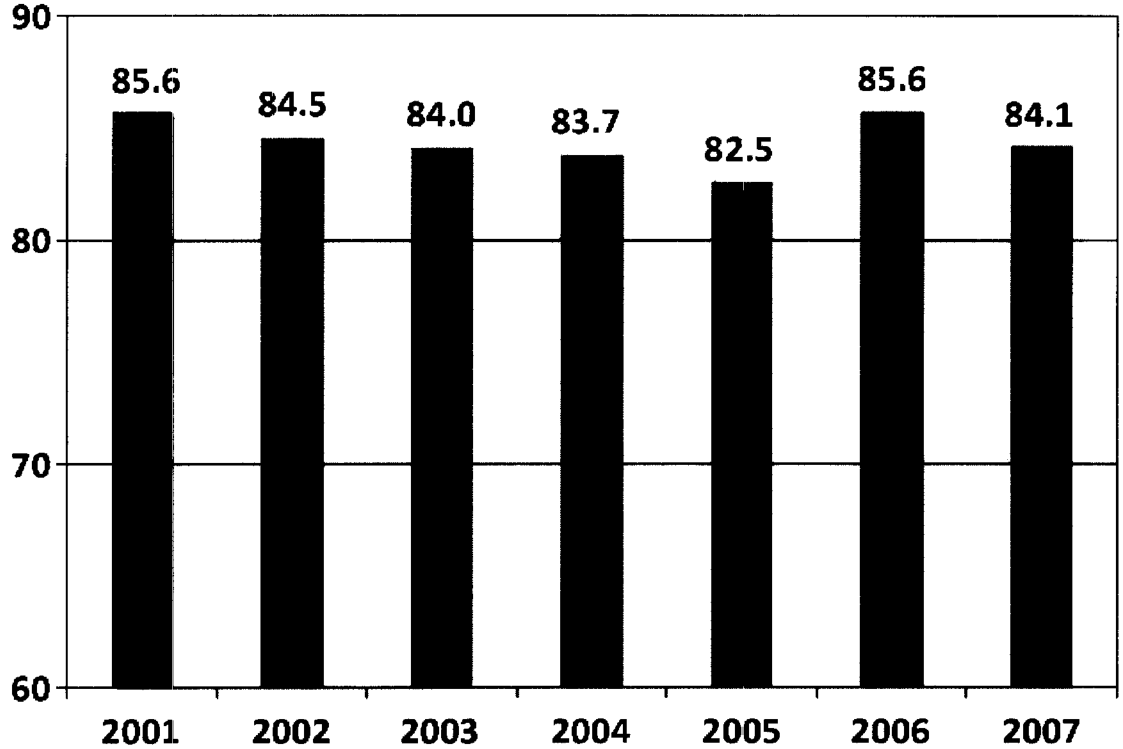
In short, the evidence of strong, facilities-based competition in the Tampa Bay region is overwhelming and uncontroverted. The Commission should adjust its regulatory policy – and its rules – accordingly.

II. Verizon Provides Good Customer Service that Meets Its Customers' Expectations

OPC claimed at the workshop that competition has not motivated Verizon to provide adequate service quality because its performance allegedly has been trending downward since 2001 and it has not been meeting the Commission's service objectives.[4] This claim is without merit for two reasons. First, as discussed in this section, Verizon's customer satisfaction ratings regarding repair service (the area on which OPC has focused) remained consistently high over the period 2001 to 2007. Second, as discussed in the next section, Verizon has not violated the Commission's service quality rules.

Verizon annually files ARMIS reports with the FCC that include objective data gathered by an independent third party concerning Verizon's customer satisfaction. The third party surveys a number of Florida customers each month who have received Verizon repair service, asks the customers to evaluate Verizon's performance, and then submits survey data annually to the FCC. The following chart shows the percentage of customers each year from 2001 to 2007 stating that they were satisfied or more than satisfied with Verizon's performance:

[4] T. 124.



This data demonstrates that Verizon's performance has remained remarkably consistent over time and belies any contention that Verizon's customers believe they are not receiving good repair service from Verizon. Counsel for OPC acknowledged at the workshop that in 2001 Verizon was "providing superb service according to [the Commission's] rules as far as repair times, out of service repair, affective service repair [and] answer times."[5] What OPC fails to recognize is that as far as customers are concerned, Verizon's repair performance in 2007 continued to be as strong as it was in 2001.

[5] *Id.*

III. <u>Verizon Has Not Violated the Commission's Service Rules</u>

OPC's assertion that Verizon has violated the Commission's service quality rules (in particular, Rule 25-4.070) arises from its misconception of what the rules require. Rule 25-4.070 does not establish absolute requirements for service restoration (often referred to as out-of-service or "OOS" performance) and clearing service-affecting troubles (often referred to as not-out-of-service or "NOOS" performance). Rather, it provides that ILECs must make "all reasonable efforts to minimize the extent and duration of trouble conditions that disrupt or affect customer telephone service"[6] and "every reasonable attempt to restore service on the same day that the interruption is reported to the serving repair center."[7] To enable the Commission to monitor the status of those efforts, it requires ILECs to report their OOS and NOOS performance and compare it to the Commission's "service objectives," which are defined as "[a] quality of service which is *desirable to be achieved under normal conditions.*"[8] The Commission's rules thus do not call for strict compliance with absolute requirements without regard to circumstances, but rather reasonable efforts to meet desirable goals under normal conditions.

The reporting process is designed to enable the Commission to monitor ILECs' efforts to meet the service objectives rather than to calibrate precisely whether ILECs have met the 95% service level under normal conditions. When ILECs report their results, they do not exclude performance "misses" when they

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[6] Rule 25-4.070(1).
[7] Rule 25-4.070(1)(a).
[8] Rule 25-4.003(45) (emphasis added). In comparison, "service standards" are defined as "[a] level of service that a telecommunications company, under normal conditions, is expected to meet in its certificated territory as representative of adequate services." Rule 25-4.003(46).

are caused by abnormal conditions except in extreme circumstances.[9] The percentages that ILECs report thus understate their performance and results below 95% do not mean that the service rules have been violated. Rather than having ILECs attempt to exclude "misses" when they are caused by conditions that are out of the ordinary, Rule 25-4.070 requires ILECs to provide an explanation for each exchange where service was not restored 95% of the time. Verizon provides such explanations to describe the conditions that lead to each "miss" and thus demonstrates that it is making reasonable efforts to meet the service objectives. OPC has presented no evidence to contradict Verizon's reports, in this docket or elsewhere, and its claim that Verizon has violated the Commission's rules is wrong.

IV. The Commission's Service Quality Rules Are Obsolete

Most of the service quality rules under consideration date back at least forty years, to a time when competition was prohibited by Florida law and most consumers received their telephone service from Ma Bell, used black rotary-dial phones and watched black-and-white television. Service quality rules that were developed then ensured that telephone monopolies facing no competitive pressure had an incentive to provide a certain level of performance. The Commission addressed service quality issues that it understood to be important to consumers at the time, such as the need for quick restoration of service after an outage. Service restoration was a far more important issue then than now because consumers did not have backup systems in their homes that would

[9] The primary exception is for outages that affect at least 10% of an exchange, requiring a truly catastrophic event. *See* Rule 25-4.070(6).

enable them to make emergency calls, and because consumers did not have competitive choices. Today cell phones are virtually ubiquitous and provide an alternative when a customer experiences a wire line service outage. As a result, consumers today are far less concerned about whether service is restored in 24-hours then they were forty years ago. If a customer becomes dissatisfied, he or she has many competitive alternatives to turn to and thus is the ultimate regulator. The Commission's service objectives – including the OOS and NOOS objectives discussed below – have failed to keep pace with technological advancement and competitive reality.

A. Service Restoration

Verizon endeavors to restore customers' service within 24 hours after an outage is reported. When a customer reports an outage, Verizon normally informs the customer that it will fix the problem within 24 hours, a goal Verizon achieves the great majority of the time. As the Commission is well aware, however, the Tampa area is subject to severe thunderstorms, can experience hundreds of thousands of lightning strikes in a month, and is sometimes called "the lightning capital of the world." Heavy rains can delay service restoration because certain equipment cannot be exposed to water without risking extensive outages to the customers it serves. Likewise, lightning storms can delay repairs because Verizon does not permit its employees to work in dangerous conditions. On a given day, Verizon can be on track to restore all outages within 24 hours when afternoon storms delay further repairs for the customers who had not yet been reached. When that happens, Verizon calls the customers whose service it did not restore that day and informs them when it will be able to restore service – typically the next day. Verizon's customers rarely complain when they experience such a delay, presumably because they can use their cell phones during the interim, Verizon has informed them of the situation, and they understand the circumstances.

The following chart shows the number of residential service outage reports Verizon received each quarter in 2007, the number of times Verizon did not restore service in 24 hours, and the number of complaints Verizon received – from any source and for whatever reason – from customers who experienced a service "miss."

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
■ OOS Reports	67156	64996	85337	63685	281174
□ Misses	5397	4942	15414	7807	33560
■ Complaints*	10	12	30	14	66

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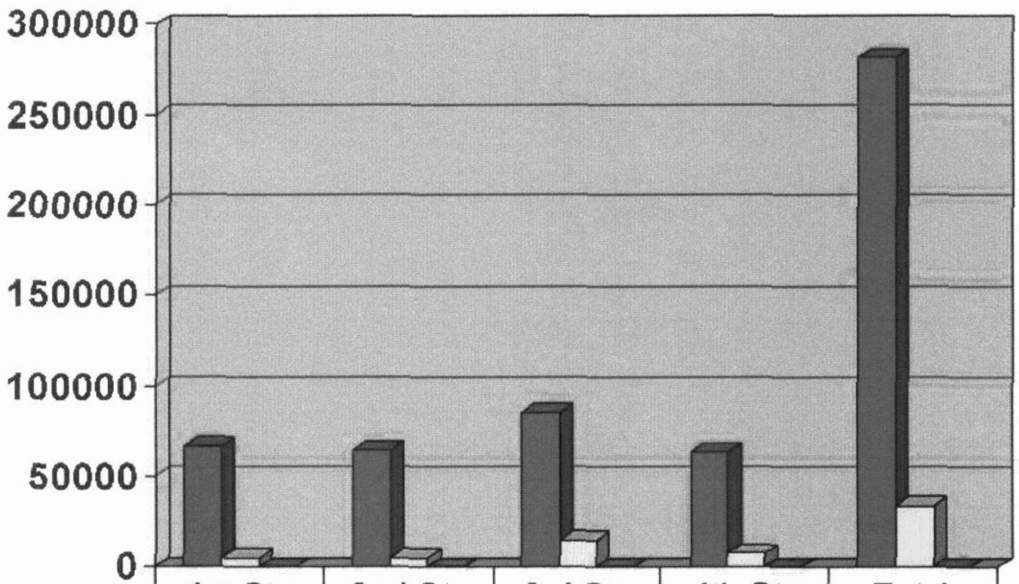

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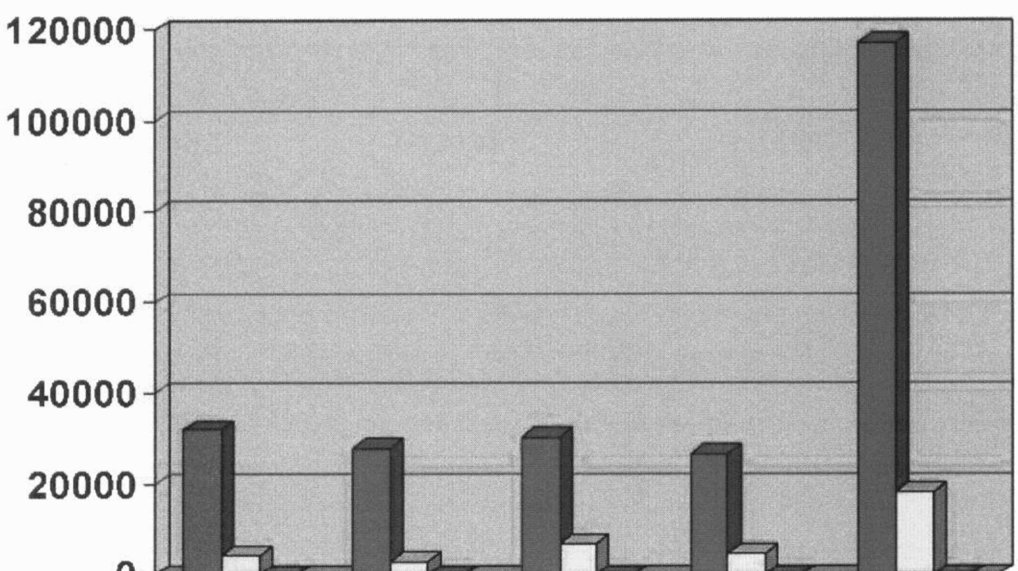
In total for the year, Verizon addressed more than 281,000 outage reports, most of which were resolved within 24 hours. Even when Verizon took longer than 24 hours to restore service, the number of complaints it received – 66 – was extremely low, just 0.20% of the total "misses." This complaint level demonstrates that restoring service within 24 hours is of much less importance to consumers than regulators determined it was 40 years ago. This service objective therefore is no longer necessary.

B. Service-Affecting Trouble Clearance

Verizon seeks to clear service-affecting troubles with 72 hours after the customer reports the trouble and usually meets that objective. As with service outages, however, consumers seldom complain when Verizon takes more than 72 hours to fix the problem. Indeed, as shown in the following chart, the NOOS complaint rate was even lower than the OOS rate:



	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
NOOS Reports	31798	28206	30341	26755	117100
Misses	4058	3013	6852	4510	18433
Complaints*	5	2	12	7	26