



Agenda Date: 3/12/12

Agenda Item: 4C

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE BOARD'S REVIEW OF)
VERIZON NEW JERSEY, INC.'S SERVICE QUALITY)
ISSUES

ORDER

DOCKET NO. TO12020156

Parties of Record:

Gregory M. Romano, Esq., for Verizon, Newark, NJ
Stefanie A. Brand, Director, Division of Rate Counsel, Newark, NJ

BY THE BOARD:

The New Jersey Board of Public Utilities (Board) is empowered to ensure that regulated public utilities provide safe, adequate and proper service to the citizens of New Jersey. N.J.S.A. 48:2-23. In addition, pursuant to N.J.S.A. 48:2-13, the Board has been vested by the Legislature with the general supervision and regulation of and jurisdiction and control over all public utilities, "so far as may be necessary for the purpose of carrying out the provisions of [Title 48]." The courts of this State have held that the grant of power by the Legislature to the Board is to be read broadly, and that the provisions of the statute governing public utilities are to be construed liberally. See, e.g., Township of Deptford v. Woodbury Terrace Sewerage Corp., 54 N.J. 418, 424 (1969); Bergen County v. Dep't of Public Utilities, 117 N.J. Super. 304 (App. Div. 1971); In re Public Service Electric and Gas Company, 35 N.J. 358, 371 (1961). The Board is also vested with the authority, pursuant to N.J.S.A. 48:2-19, to investigate any public utility, and, pursuant to N.J.S.A. 48:2-16 and 48:2-40, to issue orders to public utilities.

Verizon New Jersey (VNJ or Company) is a public utility that provides telecommunications services throughout the state and as such is subject to the jurisdiction of the Board. The company is the Incumbent Local Exchange Carrier (ILEC)¹ in 525 municipalities in all or part of all 21 counties in New Jersey, including all of Cumberland County. Verizon operates under a Plan for Alternative Regulation² which was approved by Board Order dated August 19, 2003.

¹ "Incumbent Local Exchange Carrier" means a facilities-based telecommunications carrier with a Board approved tariff in effect prior to February 8, 1996, which authorizes the carrier to provide telecommunications services in New Jersey.

² Pursuant to N.J.S.A. 48:2-21.17, "Alternative form of regulation" means a form of regulation of telecommunications services other than traditional rate base, rate of return regulation to be determined by the board and may include, but not be limited to, the use of an index, formula, price caps, or zone of rate freedom."

This plan, known as "PAR-2" replaced Verizon's initial plan for alternative regulation known as PAR-1 which supplanted traditional "rate base, rate-of-return" regulation. It is commonly referred to as "incentive" or "price-cap" regulation.

The PAR-2 is a comprehensive plan which, among other things, contains a set of 21 performance standards, agreed to by the company, which set forth the minimum service quality standards that the company must meet. Compliance with the service quality standards is an integral part of the success of the alternative regulation plan. The standards measure, among other things, out of service repair data, repair commitments negotiated with customers, installation intervals and customer contact information.

The PAR-2 includes these reporting requirements designed to provide indicia of compliance with the PAR-2. These data, along with input from actual users of Verizon's services, are reviewed by Board Staff. Based up information provided by the company through its quarterly reports, coupled with the number of complaints received by the Board, there is a concern that service quality problems exist in VNJ's service territory.

Statewide, the Board's Division of Customer Assistance data show that the number of Verizon service complaints received in 2010 was 19% higher than the number of Verizon service complaints it received in 2002, despite the fact that the number of monthly accounts reported by Verizon declined in those 9 years. In 2011, Verizon service declined even further. When compared to 2002, service complaints increased 28% while the number of accounts reported by Verizon further declined. The growing number of service complaints has reached levels that require the Board, *sua sponte*, to initiate an investigation into the magnitude and causes of the service related issues which are impacting consumers in New Jersey.

Specifically, this past month the Board was advised of significant service related issues prevalent in Verizon's service territory in Cumberland County. Board Staff has been made aware of serious issues concerning the provision of safe, adequate and proper landline service in at least two communities – Greenwich Township and Stow Creek. In addition to attending a Town Council Meeting where virtually every attendee indicated serious and repetitive service issues with their VNJ landline service, Staff was supplied with written questionnaires wherein the majority of residents in the two towns who provided responses indicated poor service quality.

Therefore, the number of complaints and the severity and frequency of service outages and the duration of the service related issues, lead the Board to conclude that there needs to be a review to determine if the complaints reflect systemic problems, and if so, what measures, should be taken by the Company to rectify the situation. In order to properly discharge its statutory responsibilities, as summarized above, and based on the recommendation of Board Staff, the Board has determined that Verizon needs to begin a thorough review of the issues raised in this Order, specifically, but not be limited to, those complaints described above.

Accordingly, the Board HEREBY DIRECTS VNJ to provide any and all information to Board Staff that is necessary to evaluate the design and condition of Verizon's infrastructure, and the operating, maintenance and performance levels of service provided in New Jersey. Relevant information should include, but not limited to, any and all maintenance records requested by Staff, the number of overall complaints received by the company, the nature of the complaint, and whether the complaint has been resolved or is pending resolution. Concerning Greenwich Township and Stow Creek, Cumberland County, Verizon shall provide Staff with the details of all construction, maintenance and repair data, including the dates and costs associated with

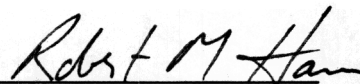
each as well as current plans for any network upgrade including specific timelines for the completion of such upgrades. The company shall furnish any information requested by Staff that Staff deems necessary to enable it to make recommendations on the appropriate courses of action necessary to ensure adequate reliability and safety in VNJ's network.

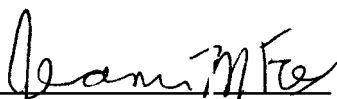
Finally, the Board will also hold a public hearing in Cumberland County to seek input from affected customers and to determine the scope of the service issues and whether the PAR-2 service requirements are being met and continue to serve the public interest. The Board HEREBY DESIGNATES Commissioner Nicholas Asselta as the presiding officer who is HEREBY AUTHORIZED to adopt and thereafter modify as necessary a schedule for written submissions and potential further public hearings; decide all motions and discovery issues and otherwise control the conduct of this case, without the need for full Board approval, subject to future ratification by the Board. Further, the Board DIRECTS Staff and the Board Secretary to issue proper notice of this proceeding and all public hearings.

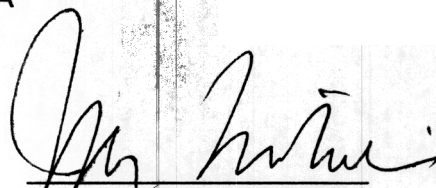
The Board HEREBY ORDERS VNJ, to assist the Board and its Staff in the resolution of this matter, and to provide its full cooperation in all aspects of this investigation.


DATED: 3/12/2012

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

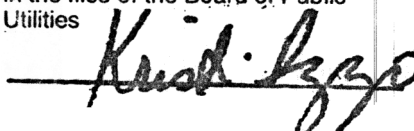

NICHOLAS ASSELTA
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



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