BEFORE THE
STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Application of : Verizon New Jersey Inc. For Approval (i) of a New Plan for an Alternative Form of Regulation and (ii) to Reclassify Multi-line Rate Regulated Business Service as Competitive Services, and Compliance Filing	**:**	BPU Docket No. TO01020095

Direct Testimony
of

BARBARA R. ALEXANDER

On Behalf of the
New Jersey Division of the
Ratepayer Advocate

NON-PROPRIETARY VERSION

May 15, 2001

Q) PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A) My name is Barbara R. Alexander. I use a business title of Consumer Affairs Consultant. I am a consultant on consumer protection, customer service, and universal service issues associated with the regulation of electric, natural gas, and telecommunications companies. My address is 15 Wedgewood Dr., Winthrop, ME 04364. I appear in this case as a witness on behalf of the Division of the Ratepayer Advocate.

Q) PLEASE DESCRIBE YOUR BACKGROUND AND QUALIFICATIONS FOR YOUR TESTIMONY IN THIS PROCEEDING.

A) I opened my consulting practice in March 1996, after nearly ten years as the Director of the Consumer Assistance Division of the Maine Public Utilities Board. While there, I testified as an expert witness on consumer protection, customer service and low-income issues in rate cases and other investigations before the Board. My current consulting practice is directed to consumer protection, customer service and low-income issues associated with the move to competition in the telephone, telecommunications and gas industries. My current clients include the Pennsylvania Office of Consumer Advocate, New Jersey Division of Ratepayer Advocate, Maine Office of Public Advocate, and AARP. Among my publications are: Retail Telecommunications Competition: A Blueprint for Consumer Protection, (U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, October, 1998)[1], "How to Construct a Service Quality Index in Performance Based Ratemaking," The Telecommunications Journal, April, 1996, and "The Transition to Local Telecommunications Competition: A New Challenge for Consumer Protection" (Public Counsel Section, Washington Attorney General, October, 1997).

[1]Available on the Internet: http://www.eren.doe.gov/telecommunications_restructuring.

I am also an attorney, and a graduate of the University of Michigan (1968) and the University of Maine School of Law (1976).

Recently, I have filed testimony on behalf of the Division of Ratepayer Advocate (Ratepayer Advocate) on service quality and customer service issues associated with the Application of GPU Energy and FirstEnergy for approval of a merger (BPU Docket No. EM00110870). Additionally, I have filed testimony or assisted in the negotiation of a stipulation in a variety of states concerning service quality by Regional Bell Operating Companies, including Maine, Vermont, Illinois, Canada, and Pennsylvania. My prior testimony and general background and experience are detailed in my resume, attached as BA-1 to this testimony.

Q) WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A) The purpose of my testimony is to respond to the filing by Verizon New Jersey (Verizon-NJ) that seeks the approval of a Plan for Alternative Form of Regulation (PAR) for an undetermined time period. On behalf of the Division of Ratepayer Advocate, I will address retail service quality and Code of Conduct issues that the Board should address in its review of this filing and propose specific conditions that should accompany the Board's approval of any PAR in this proceeding.

Q) PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

I. NEW JERSEY'S CUSTOMER SERVICE AND RELIABILITY POLICES

! New Jersey has not adopted specific statewide or generic customer service and reliability performance standards applicable to service quality and reliability provided to retail telecommunications customers.

! If there is no direct link between the earnings allowed under an alternative rate plan regime and the measurement and monitoring of service quality, the Board will have tied its own hands, severely limiting its ability to respond to a deterioration of service quality. This is due primarily to the replacement of more frequent revenue requirement proceedings with a multi-year rate plan environment whose hallmark is reduced regulatory oversight on earnings.

! The Board can, of course, initiate a separate investigation into service quality and issue orders or assess civil penalties or customer restitution, assuming there is proper delegation of authority from the Legislature. However, these separate proceedings are procedurally cumbersome and extremely litigious.

II. VERIZON-NJ'S SERVICE QUALITY AND RELIABILITY PERFORMANCE

! ****Begin Verizon Proprietary****

****End Verizon Proprietary****

III. PROPOSED SERVICE QUALITY INDEX FOR VERIZON-NEW JERSEY

! I recommend that the Board make several significant changes to the current service quality index (SQI).

Installation of Service: The SQI should continue to track installation timeliness and whether Verizon-NJ keeps installation appointments made with its customers. The ARMIS data correctly captures the Company's ability to install residential local exchange service and measures this performance in terms of the installation interval, measured in days. I recommend that the average installation interval be tracked and included in the SQI. I recommend that the Commitments Met performance area be continued if it measures the percentage of appointments for the installation of local exchange service that is met by the Company and not missed due to Company reasons.

Maintenance of Service: With only one change I recommend that the current three performance areas be included in the revised SQI and a fourth should be added. If my recommendations are adopted, this area will track Customer Trouble Report Rate, Out of Service (OOS) Cleared within 24 Hours, Average Local Service Repair Interval for Repeat Trouble Reports (residential), and Commitments Met to Clear Troubles.

Network Reliability: I recommend that the Board discontinue tracking the two Calls Completed performance areas, retain the Dial Tone Speed performance area with a change to reflect the actual performance itself, and a new metric to reflect the frequency of customer outages. Finally, the current SQI does not track customer outages at all. I recommend the approach adopted by the Public Service Board in Vermont when it adopted a stipulated SQI for Verizon-Vermont that requires the following outages to be tracked and reported: Service Outage (5,000 or more access lines out of service more than 30 minutes); Interoffice Fiber Failure (30,000 access lines or more out of service more than 30 minutes); and SS7 Failure (SS7 failure for more than 30 minutes). These are significant outages that should occur rarely or not at all.

Access to Verizon: This category should track the Company's actual call center performance for both the Business Offices and the Repair Centers that serve New Jersey customers. With respect to the tracking of call center performance, I do not recommend that the Board rely on customer surveys. Rather, the Board should require Verizon-NJ to track the actual performance of the call centers that serve New Jersey customers. According to the ARMIS data, Verizon-NJ can provide the Percent of Calls Answered within 20 seconds for both the Business Center and Repair Center. The Busy Signal for both centers should also be tracked to prevent the Company from increasing the busy signal to reduce the average hold time for customers who do get through. Finally, the Board should include State Customer Complaints (per million residential customers) in the SQI as an objective measurement of customer satisfaction with Verizon-NJ's service.

- I have included a single performance standard for each area that is based on the Company's historical performance over the past 5-6 years or, in some cases, based on performance that Verizon has demonstrated it can achieve in other states. In other words, I have tried to establish baseline performance standards that have been demonstrably achieved by Verizon in New Jersey or elsewhere and that represent "best practices" in the provision of service quality by the dominant local exchange provider in New Jersey. These performance standards are often similar to the prior Exception Level.

- I recommend that the SQI include pre-established penalties or mandatory customer restitution for the failure to maintain the baseline performance standards in any year. This will require a significant change in the prior approach, but it is typical of what other states, including those in which Verizon operates, are now requiring as part of their alternative rate plans. I recommend that approximately 4% of Verizon-NJ's intrastate jurisdictional revenues be at risk for the failure to maintain adequate service quality. Based on the Company's jurisdictional revenues of about $2 billion, this would amount to a maximum penalty of $77 million.

IV. CODE OF CONDUCT ISSUES ASSOCIATED WITH THE PROPOSED PAR AND THE ONSET OF A COMPETITIVE MARKET IN NEW JERSEY

- The Board's final order in this proceeding should recognize the need to clearly distinguish between the activities of the incumbent local services provider and those of any Verizon affiliate that will compete with other CLECs on a level playing field. The creation of a separate affiliate in name only without these important competitive safeguards and consumer protections would be unfair to other competitive providers and prevent the development of a competitive market. My recommendations are modeled on those already adopted by the Board for electric and natural gas competition.

- Verizon-NJ should be required to educate customers about their right to choose a competitive provider of local exchange and toll services, provide the customer with either a complete or randomly generated list of licensed CLECs that offer services in the customer's area, and refrain from using this communication to market competitive service products sold by its affiliates.

- The Commission should require Verizon's affiliates to make the same disclosures that an electric or natural gas affiliate must make to assure that customers understand the difference between the incumbent local exchange provider and the competitive affiliate when the latter uses a name or logo similar to Verizon-NJ.

- Certain practices should be prohibited by the Commission. For example,

  - Verizon-NJ customer service personnel at the Business Office should not offer to transfer customers to any Verizon affiliate without offering this same service to other suppliers (who would of course pay a fee for such “hot” transferred calls);

  - Verizon-NJ should be prohibited from selling services offered by Verizon’s affiliates to customers with the same employees whose primary duty is to provide the customer service function for the incumbent local exchange provider. Verizon-NJ should not conduct joint marketing with its affiliates; and

  - Verizon-NJ’s customer service function should not share facilities or employees with Verizon’s affiliates. The Board should require Verizon’s conduct of incumbent local exchange service to be accompanied by meaningful separation from its affiliates that market competitive and optional services.

I. NEW JERSEY'S CUSTOMER SERVICE AND RELIABILITY POLICIES

Q) DOES NEW JERSEY HAVE CUSTOMER SERVICE QUALITY AND RELIABILITY STANDARDS APPLICABLE TO ALL TELECOMMUNICATIONS COMPANIES?

A) New Jersey has not adopted specific statewide or generic customer service and reliability performance standards applicable to service quality and reliability provided to retail telecommunications customers. While the Board has adopted billing and collection rules applicable to local exchange carriers, there are no statewide standards for the operation of customer call centers, bill frequency and accuracy, bill format or disclosures, timely installation of service, frequency of kept appointments, network and customer reliability and repair obligations, customer complaint ratios or customer satisfaction. The Board has adopted Carrier-to-Carrier Performance Standards and Reports [BPU Docket No. TX95120631, TX98010010, July 13, 2000] that apply to Verizon-NJ and that address Verizon's provision of service quality to its wholesale customers, including competitive local exchange carriers or CLECs.

Q) HOW CAN THE BOARD RESPOND TO SERVICE QUALITY AND RELIABILITY ISSUES IF THERE ARE NO GENERIC RETAIL PERFORMANCE STANDARDS?

A) Similar to many states, the Board has the option of using regular rate cases to review the service quality of the incumbent local exchange provider or, if the Board adopts a plan for alternative regulation (PAR), it can include specific service quality performance standards as part of the PAR. Also, in specific instances of service quality failure and extensive outages, such as with hurricanes or severe storms, the Board can review a particular utility's performance and order improvements and seek civil penalties for violation of the Board's orders or regulations. The BPU has in fact adopted a service quality reporting mechanism as part of the prior PAR, but this aspect of the alternative regulatory plan should be improved as I describe in my testimony on behalf of the Ratepayer Advocate.

Q) WHY DOES THE ADOPTION OF AN ALTERNATIVE RATE PLAN REQUIRE A SPECIFIC SERVICE QUALITY PLAN?

A) With the onset of multi-year rate plans beginning in the early 1990s, it became clear that the Board would not be able to exercise the traditional rate regulation tools to respond to service quality issues and concerns. If there is no direct link between the earnings allowed under an alternative rate plan regime and the measurement and monitoring of service quality, the Board will have tied its own hands, severely limiting its ability to respond to a deterioration of service quality. This is due primarily to the replacement of more frequent revenue requirement proceedings with a multi-year rate plan environment whose hallmark is reduced regulatory oversight on earnings. During a base rate proceeding, the Board may hear evidence of service quality, negligent management practices, and other testimony associated with operations and maintenance expenses, followed by orders and earnings decisions that reflect service quality findings. In an era of downsizing, re-engineering, consolidation and cutbacks, a utility that is inspired to increase profits by becoming more efficient may instead sacrifice short term service quality performance for customers who have no realistic alternative provider.

The Board can, of course, initiate a separate investigation into service quality and issue orders or assess civil penalties or customer restitution, assuming there is proper delegation of authority from the Legislature. However, these separate proceedings are procedurally cumbersome and extremely litigious. Furthermore, any separate service quality investigation will suffer from the lack of predetermined service quality standards or benchmarks. If there are no minimum service quality standards for service installation, call center performance, service reliability and outages, installation and repair appointments, and other indicia of a customer's reasonable expectations when seeking telecommunications service, the Board will be hard pressed to respond to a significant deterioration of service quality in an effective manner. This is because the mere documentation of worsening service quality via monitoring reports is typically insufficient to require performance at a certain level, to obtain restitution for consumers, or impose penalties on shareholders. In other words, if there are not specific standards against which a utility's performance is being measured, the utility is in the driver's seat and the regulatory commission cannot easily halt deterioration, obtain improved performance, or obtain penalties or restitution on behalf of ratepayers.

Q) DOES FUTURE EMERGING COMPETITION IN THE TELECOMMUNICATIONS MARKET PLAY A ROLE IN ASSURING ADEQUATE SERVICE QUALITY?

A) In a perfectly competitive market, consumers will shop for a telecommunications provider based on both price and service quality. Competitors will compete based on service quality features that they find are important to customers. Of course, there is no "perfect" market, but even in a relatively competitive market (which does not exist at the present time) there is usually a backstop to assure adequate service quality in the form of state and federal consumer protection regulations. These regulations, such as disclosure requirements (e.g., Truth in Lending Act), substantive contract term regulations (e.g., Equal Credit Opportunity Act; the Federal Trade Commission's Door-to-Door sales disclosure requirements), and the prohibition on unfair and deceptive marketing and sales practices (e.g., Unfair Trade Practices Act), substitute for the lack of perfect market information and perfect market power conditions. However, even these important consumer protection policies and programs are often specifically not applicable to state regulated utility services or, even if applicable, they are not targeted to specific practices associated with the provision of telecommunications services.

The Federal Communications Commission has not filled this gap, in my opinion, but has initiated a number of regulatory initiatives in the last several years that are applicable to interstate long distance providers, such as the Truth in Billing Guidelines, anti-slamming regulations, and insistence on carrier-to-carrier performance standards as a condition of certain mergers and as a condition of granting permission to local Bell Operating Companies to sell interstate long distance services pursuant to Section 271 of the Telecommunications Act. Notably, however, the FCC has not and probably cannot directly regulate or respond to deterioration in retail service quality. It is state regulatory commissions who have the jurisdiction and the tools to address retail customer service quality.

Of more importance to our immediate situation is that competition in the telecommunications market for the vast majority of residential and core customers is a faint speck of light at the end of a long tunnel.[2] It is likely that Verizon-NJ will continue to assume the primary responsibility for providing local exchange and billing services for the great majority of residential and small commercial customers for the near future. Furthermore, the service quality associated with telecommunications service of concern to most customers is a function of the network (poles and wires) owned and maintained by Verizon-NJ and made available to competitive providers in a wholesale manner. Most customers will not be able to improve their

[2] Not only have few residential customers selected alternative providers for local exchange service, but the economic health of the CLECs themselves is dubious at best. See, e.g., Blumenstein, Rebecca, "Bill for Phones and Cable TV Rise, Reflecting a Dearth of Competition," Wall Street Journal, May 3, 2001, Interactive Edition.

service quality, should they choose to do so, by selecting a competitive telecommunications provider because, in most cases, the competitive provider must rely on the network services provided by Verizon-NJ.[3] This is true even for competitive providers of some services that do not rely on Verizon's network, such as wireless and cable (broadband) providers**,** because it is unlikely that these types of service will entirely replace the common and ubiquitous local basic service associated with land line residential telephone service, particularly in the near term. Rather, these alternative providers are associated with the provision of optional and high end services and typically these providers do not provide ubiquitous services to all customers in all geographic areas that rival the typical local exchange services that have been the focus of state and federal universal service programs for decades. In short, during the transition to a more competitive market, alternative providers will "cream skim" the market and focus on larger business customers and optional services rather than the Plain Old Telephone Service (POTS) that Verizon-NJ is obligated to provide.

Q) HAS THE BOARD ADDRESSED SERVICE QUALITY ISSUES AS PART OF AN ALTERNATIVE RATE PLAN APPLICABLE TO VERIZON?

A) Yes, the Board is required to review any application for a PAR in light of its potential impact on service quality.[4] The Board adopted a service quality reporting plan for Verizon as part of the Rate Stability Plan adopted in the late 1980's and then later continued this approach in the PAR approved in 1993 [Docket No. TO92030358]. This service quality aspect of the PAR requires the

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[3] In fact, the wholesale service quality performance standards that Verizon must meet are keyed to the Company's performance in delivering comparable services to its <u>retail</u> customers. That is, Verizon is required to provide installation and repair services to wholesale providers at the same level as Verizon provides to its retail customers. As a result, the service quality provided to retail customers is the driver for wholesale service quality performance.

[4] N.J.S.A. 48:2-21.18(a)(7) requires that any plan for an alternative form of regulation contain a comprehensive program of service quality standards with procedures for Board monitoring and review.

Company to submit quarterly reports to the Board on the service quality performance for the following performance areas or metrics and for the following geographic regions and customer classes:

Metrics	Regions/Classes
• Service Order Provisioning Completed Within 5 days (%):	Five Regions and Overall Co.
• Serv. Order Provisioning Appointments Met (%):	Five Regions and Overall Co
• Directory Assist. Calls Answered Within 10 secs. (%):	Overall Co.
• Customers Having No Difficulty Reaching Repair (%):	Residence and Business
• Cust. Having No Difficulty Reaching Business Office (%):	Residence and Business
• Offices Above Dial Tone Speed Objective (%):	Two Regions and Overall Co.
• Switch Office Performing At or Above Call Compl. Objective (%):	Two Regions and Overall Co.
• Calls Completed in the Toll/Access Network (%):	Four Regions and Overall Co.
• Customer Trouble Report Rate per 100 Lines:	Five Regions and Overall Co.
• Out Of Service (OOS) Cleared within 48 Hours (%):	Five Regions and Overall Co.
• Commitments Met to Clear Troubles (%):	Five Regions and Overall Co.
• Toll and Local Assistance Operator Calls Answered within 10 sec. (%):	Overall Co.

Q) DID THE BOARD ESTABLISH PERFORMANCE STANDARDS AND ENFORCEMENT MECHANISMS TO ACCOMPANY THIS MONITORING PROGRAM?

A) The Board required the Company to establish “Exception Levels” and “Surveillance Levels” for each performance area, in some cases for each reporting entity and, in all cases, for the overall

Company performance. It is not clear on what basis these numerical performance standards were adopted, but the Exception Level for each performance area is generally more stringent (i.e., requires a higher level of performance) than the Surveillance Level. Most importantly, however, the Board did not adopt any pre-established penalties or customer restitution mechanisms if Verizon failed to perform within either the Exception Level or the Surveillance Level. Rather, the Board required that if Verizon violated an Exception Level, the Company would police itself: it had to investigate the performance, take appropriate corrective action and inform the Board Staff of the results. If Verizon failed to maintain the Surveillance Level, the Company had to file a formal report to the Board. The Board retained the right to terminate the Plan in the event of a "substantial" degradation of service, after notice and hearing. [TO92030358, Order, May 6, 1993, at 139] The term "substantial" was not defined.

Q) HOW HAVE OTHER PUBLIC UTILITY COMMISSIONS REACTED TO THE NEED TO PREVENT DETERIORATION OF SERVICE QUALITY IN THEIR REVIEWS OF MULTI-YEAR RATE PLANS AND MERGERS?

A) Many State regulatory Boards have required and approved service quality and reliability plans and programs in their consideration and approval of multi-year rate plans and merger proposals. Most New England states (Maine, Vermont, Massachusetts, Rhode Island), as well as New York, have adopted service quality indices to accompany multi-year rate plans or recent mergers involving Verizon. Other states, including Pennsylvania, have established state-wide and generic service quality performance standards that must be met by all local exchange providers. Both New York and Vermont have adopted both generic service quality standards applicable to all telecommunications providers and Verizon-specific Service Quality Plans. As part of Verizon-

NJ's filing in this proceeding, Ms. Linda Thoms has included a compilation of service quality performance standards applicable in all of the Verizon states [Attachment B, 2/15/2000 Update] . Specific service quality performance standards exist in all 13 states served by Verizon as a local exchange carrier. I will refer to these state standards when discussing the specific service quality performance areas and baseline standards that I recommend should be applicable to Verizon-NJ.

Outside of Verizon's service territory, service quality deterioration has been a major regulatory issue in the thirteen states served by US West (now Qwest) and the five states served by Ameritech (now SBC Communications). With respect to the latter, the respective commissions (Michigan, Indiana, Illinois, Wisconsin, and Ohio) have held an unprecedented summit to discuss a multi-state approach to widespread service quality failures.[5] In fact, there is a discernable national trend of deteriorating service quality. According to a recent study published by National Regulatory Research Institute (NRRI), of eight quality of service measures, seven indicate that service quality is deteriorating from 1991 to 1999. I have attached the published article that describes this service quality deterioration in more detail as Exhibit BA-4.

<u>**II. VERIZON-NEW JERSEY'S SERVICE QUALITY AND RELIABILITY PERFORMANCE**</u>

Q) PLEASE DESCRIBE VERIZON-NJ'S PERFORMANCE DURING THE TERM OF THE PAR.

A) I have prepared a Table that shows Verizon-NJ's performance as reported to the Board in its quarterly Service Quality reports for the period 1995-2000, as well as other service quality data

[5] The Michigan PSC has approved a plan in which Ameritech must provide customer credits to customers who lost service or suffered delayed service for the period 1/1/2000 to 9/2001 which was estimated to total $14 million for 2000 and could cost $18 M for 2001. The Ohio PUC has affirmed an order finding extensive service quality violations by Ameritech. *Ohio PUC, Case No. 99-938-TP-COI, Entry on Rehearing, September 19, 2000*.

that reflects Verizon-NJ's performance. See Exhibit BA-2, attached to my testimony. **Begin Verizon Proprietary**

End Verizon Proprietary I have excluded the Company's performance during work stoppages, such as the August 2000 data, in my calculations and comments because that would have skewed the results to the detriment of a fair reading of the performance data.

Q) DOES THE PRIOR PAR MEASURE THE NECESSARY INDICIA FOR TRACKING CUSTOMER SERVICE AND RELIABILITY?

A) In my opinion, the prior PAR did not capture some important areas of customer service and reliability. In particular, the prior PAR did not capture the actual performance of Verizon-NJ's customer call centers (either for general business calls or repair service) or the general reliability and performance of the network with respect to outages. Furthermore, a number of the performance areas contained in the current PAR are not reflective of the more typical performance measurements, often because the metrics measured in New Jersey are defined in such a manner as to obscure the provision of primary residential local exchange service and include a large volume of service orders to obtain optional services that do not require anything more than an electronic switch to be programmed.   I will discuss these issues in more detail below. However, my point here is that Verizon-NJ does capture additional service quality and reliability data and I have included other service quality and performance data obtained from the Company in my presentation of Verizon-NJ's service quality performance for the period 1995-2000 in Exhibit BA-2.

Q)	IS THERE OTHER SERVICE QUALITY PERFORMANCE DATA REPORTED BY VERIZON THAT SHOULD BE CONSIDERED BY THE BOARD IN THIS PROCEEDING?

A)	Yes. I have also included in my Table in Exhibit BA-2 data reported by Verizon to the FCC as part of the ARMIS database. These FCC reports measure Installation Intervals for Local Service, Installation Commitments Met for Local Service, Local Trouble Report Rate per 100 Lines, Percent Repeat Troubles, Average Local Service Repair Intervals, and the State Complaint Rate.[6] Finally, Verizon also has begun reporting certain retail service quality performance data to both states and the FCC in the format required by the National Association of Regulatory Utility Commissioners (NARUC). As I will discuss further below, this performance data is not as easily usable as the other performance data I have described and, in some cases, it is duplicative of other data.

Q)	HOW DOES VERIZON-NJ'S SERVICE QUALITY PERFORMANCE COMPARE TO THAT OF OTHER VERIZON STATES?

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[6] Available at http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/qualsvc.html.

A) In general, it is difficult to compare performance among the states because of the differences in the definition of the performance areas that appear similar, but are in fact are different. Also, I do not have the actual performance of Verizon in most other states and so cannot compare Verizon-NJ's actual performance with the performance in other Verizon states. However, a comparison of Verizon-NJ's performance with the standards in effect in the other Verizon jurisdictions indicates that Verizon-NJ's service quality is generally (but not always) consistent with performance expectations elsewhere.

Q) PLEASE DISCUSS IN MORE DETAIL VERIZON-NJ'S PERFORMANCE WITH RESPECT TO THE SERVICE QUALITY REPORTING REQUIREMENTS OF THE CURRENT PAR.

A) My presentation is organized around the following four categories: Installation of Service, Maintenance of Service, Network Reliability, and Access to Verizon-NJ.

Q) PLEASE DISCUSS VERIZON-NJ'S PERFORMANCE WITH RESPECT TO INSTALLATION OF SERVICE.

A) The current SQI measures Percent Service Order Provisioning Completed within 5 working days and Percent Service Order Provisioning Appointments Met. The standards for these performance areas are very high, 90% and 99% respectively for the Exception Levels and 88% and 96% respectively for the Surveillance Levels. **Begin Verizon Proprietary**

End Verizon Proprietary Unfortunately, this performance area is overbroad and includes more than the installation of local exchange service. It includes all service orders for optional features, most of which require only the entry of an electronic code in the Company's switches and billing system and not a premise visit. The most important measurement is Verizon-NJ's delivery of primary local exchange service. In this regard, the ARMIS data captures the average installation interval for local service for residential customers. Verizon-NJ's average has increased from 2 days in 1996 to 2.3 days in 2000. **Begin Verizon Proprietary**

End Verizon Proprietary

Q) PLEASE DISCUSS MAINTENANCE OF SERVICE PERFORMANCE AREAS.

A) This area contains three performance areas: Customer Trouble Report Rates (CTRR) per 100 Access Lines; Percent Out-Of-Service (OOS) Troubles Cleared within 48 Hours; and Percent Commitments Met to Clear Troubles. **Begin Verizon Proprietary**

****End Verizon Proprietary****

The ARMIS data is reported as the Average Local service Repair Interval for both Initial and Repeat Trouble Reports and for both Residential and Business customers. Verizon-NJ's performance demonstrates a deterioration or degradation over the last several years. The Repair Interval for Residential Customers has risen from 26 hours in 1996 to 33 hours in 2000. The Repair Interval for Repeat trouble reports is even longer, increasing from 24 hours in 1996 to 36 hours in 2000.

****Begin Verizon Proprietary****

****End Verizon Proprietary****

Q) WHAT ABOUT VERIZON-NJ'S NETWORK RELIABILITY PERFORMANCE?

A) The current PAR requires Verizon-NJ to report Percent Calls Completed in the Toll/Access Network, Percent Offices Above Dial Tone Speed Objective, Percent Switching Offices Performing at or above Call Completion Objective. As would be expected in a digital network, calls that are dialed are routinely completed and customers can obtain a dial tone promptly. However, two of these metrics do not directly measure customer performance. Both the Percent

Offices Above Dial Tone Speed Objective and Percent Switching Offices Performing at or above Call Completion Objective measure the percentage of offices that attain a corporate objective. For Dial Tone Speed, this objective is 97.9% calls can obtain a dial tone within 3 seconds. For Call Completion, the objective is 96.9% calls are completed in the customer's end office. These underlying performance standards should be tracked directly, and not indirectly by focusing on how many offices meet the underlying performance standard. ****Begin Verizon Proprietary****

****End Verizon Proprietary****

The SQI does not track customer outages, their frequency, length, or number of customers affected. Serious outages are tracked by Verizon, however. ****Begin Verizon Proprietary****

****End Verizon Proprietary****

Q) PLEASE DISCUSS THE LAST CATEGORY, ACCESS TO VERIZON FACILITIES.

A) There are four performance areas that measure the customer's ability to contact Verizon's call centers or operators: Percent of Directory Assistance Calls Answered within 10 seconds; Percent Toll and Local Assistance Calls Answered within 10 seconds; and Percent Customers Having No

Difficulty Reaching the Business Office (both residential and business customers); and Percent Customers Having No Difficulty Reaching Repair (both residential and business customers).

****Begin Verizon Proprietary****

****End Verizon Proprietary**** With respect to the measurement of the business office and repair office, the SQI does not include a measurement of their direct service performance. Rather, the SQI includes the results of customer satisfaction surveys conducted by Verizon for customers who have recently had a transaction with the business office or repair center. Again, this is an indirect measurement of actual performance.

Verizon also captures performance data that directly reflects the service quality of the business office and repair office. ****Begin Verizon Proprietary****

****End Verizon Proprietary****

Q) DOES VERIZON'S SQI TRACK CUSTOMER COMPLAINTS FILED WITH THE STATE OR FEDERAL REGULATORY AGENCIES?

A) No, the SQI does not track customer complaints. However, many other states include customer complaints filed with the commission in the SQI and the ARMIS data tracks residential customer complaints per 1 million access lines. According to the ARMIS data, Verizon-NJ's state customer complaints have risen dramatically in the last several years, from less than 100 in 1995 to 400 in

1999. This trend is evidenced as well by the BPU's Division of Customer Relations Complaint statistics, which have risen from 2778 in 1996 to 6251 in 2000, a 125% increase. These complaints, both oral and written, reflect a significant concern about the quality of telephone service. Of the 25,474 complaints filed with the BPU during the period 1995 through May 2001, almost 35% concern Telephone Service and Provision of Service. The second largest category concerns Billing issues (26% of all complaints) and Collections (23%) issues are the subject of the third largest category of complaints.

III. PROPOSED SERVICE QUALITY INDEX FOR VERIZON-NJ

Q) DO YOU RECOMMEND THAT THE BOARD MAKE CHANGES IN THE SQI FOR VERIZON-NJ AND, IF SO, ON WHAT BASIS SHOULD CHANGES BE ADOPTED?

A) I recommend that the Board make several significant changes to the current SQI. I will first discuss the changes with respect to the service quality performance areas and baseline performance standards that should be changed, followed by the enforcement of customer restitution changes.

Q) PLEASE DESCRIBE YOUR PROPOSED CHANGES.

A) I will present my proposed changes using the same general categories of performance standards that are included in the current SQI and that reflect my presentation of Verizon-NJ's performance above:

Installation of Service: The SQI should continue to track installation timeliness and whether Verizon-NJ keeps installation appointments made with its customers. However, these metrics should track the installation of local exchange service new and transfer (so-called "N" and "T") orders and should not include service orders for optional services on an existing account. The ARMIS data correctly captures the Company's ability to install residential local exchange service and measures this performance in terms of the installation interval, measured in days. I recommend that the average installation interval be tracked and included in the SQI. I recommend that the Commitments Met performance area be continued if it measures the percentage of appointments for the installation of local exchange service that is met by the Company and not missed due to Company reasons.

Maintenance of Service: With only one change I recommend that the current three performance areas be included in the revised SQI and a fourth should be added. With respect to the OOS Cleared within 48 Hours, I recommend that the Board track this metric for 24 hours, ****Begin Verizon Proprietary**** ****End Verizon Proprietary**** As a new performance area, I recommend that the Board require Verizon-NJ to track the Average Local Service Repair Interval for Repeat Trouble Reports (residential). Historical data exists for this metric in the ARMIS database. As a result, this area will track Customer Trouble Report Rate, OOS Cleared within 24 Hours, Average Local Service Repair Interval for Repeat Trouble Reports (residential), and Commitments Met to Clear Troubles. Again, I interpret the "commitments" to refer to appointments met by the Company to repair service that are not missed due to Company reasons.

Network Reliability: I recommend that the Board discontinue tracking the two Calls Completed performance areas, retain the Dial Tone Speed performance area with a change to reflect the actual performance itself, and a new metric to reflect the frequency of customer outages. The two Calls Completed performance areas indicate that there is no significant issue with the completion of calls in a digital network environment. I do recommend that the Dial Tone Delay metric continue to be measured because there has been problems in other states with a lengthening of delay in obtaining dial tone due to the design of some trunks and switches that originally did not anticipate the increase in call volume due to the growth in the Internet. Finally, the current SQI does not track customer outages at all. I recommend the approach adopted by the Public Service Board in Vermont when it adopted a stipulated SQI for Verizon-Vermont that requires the following outages to be tracked and reported: Service Outage (5,000 or more access lines out of service more than 30 minutes); Interoffice Fiber Failure (30,000 access lines or more out of service more than 30 minutes); and SS7 Failure (SS7 failure for more than 30 minutes). These are significant outages that should occur rarely or not at all. In Vermont, Verizon made a commitment that no Service Outages or Interoffice Fiber Failures would occur and that only 1 SS7 Failure would occur annually prior to paying a significant penalty.

Access to Verizon: This category should track the Company's actual call center performance for both the Business Offices and the Repair Centers that serve New Jersey customers. With respect to the tracking of call center performance, I do not recommend that the Board rely on customer surveys. Rather, the Board should require Verizon-NJ to track the actual performance of the call centers that serve New Jersey customers. According to the ARMIS data, Verizon-NJ can provide the Percent of Calls Answered within 20 seconds for both the Business Center and Repair Center. The Busy Signal for both centers should also be tracked to prevent the Company from increasing the busy signal to reduce the average hold time for customers who do get through. The Company should be required to provide adequate service with a minimum busy signal ratio and has demonstrated it can do so in other states with which I am familiar. Finally, the Board should include State Customer Complaints (per million residential customers) in the SQI as an objective measurement of customer satisfaction with Verizon-NJ's service.

Q) PLEASE SUMMARIZE THE CHANGES THAT YOU RECOMMEND FOR THE PERFORMANCE AREAS AND BASELINE STANDARDS THAT SHOULD BE INCLUDED IN THE SERVICE QUALITY INDEX.

A) I have prepared a Table (Exhibit BA-3) that sets forth the recommendations for the Service Quality Index that should be included in any PAR applicable to Verizon-NJ.

Q) ON WHAT BASIS HAVE YOU PROPOSED THE BASELINE PERFORMANCE STANDARDS FOR EACH PERFORMANCE AREA?

A) I have included a single performance standard for each area that is based on the Company's historical performance over the past 5-6 years or, in some cases, based on performance that Verizon has demonstrated it can achieve in other states. In other words, I have tried to establish baseline performance standards that have been demonstrably achieved by Verizon in New Jersey or elsewhere and that represent "best practices" in the provision of service quality by the dominant local exchange provider in New Jersey. These performance standards are often similar to the prior Exception Level. In my opinion, the Surveillance Levels in the prior SQI are not appropriate. First, there is no need for a two-tiered approach. Either the Company has complied with the specified performance standard or it has not. Second, the Surveillance Levels would allow a significant deterioration in actual performance in almost every area. There is no reason to allow Verizon-NJ to deteriorate in its performance down to the Surveillance Levels.

Q) PLEASE EXPLAIN YOUR PROPOSED BASELINE PERFORMANCE STANDARD FOR THE CUSTOMER COMPLAINT RATIO.

A) I have proposed a baseline performance standard of 200 complaints per million residential access lines based on the FCC ARMIS historical performance. Since Verizon's complaint ratio in 2000 was 400 complaints per million access lines, this proposed baseline standard will require the Company to initiate procedures to analyze the root cause of its rising number of customer complaints and take steps to substantially reduce the volume of customer complaints filed with the BPU's Division of Customer Relations. This may require, for example, that the Company adopt a billing format and procedures that are more responsive to customer needs, that the Company take steps to resolve complaints before the customer contacts the BPU, or that the Company improve the quality of services provided to customers in certain areas. Since we know that the complaint ratio takes into account the increase in access lines and that this ratio has increased substantially in the last several years, there are grounds for concluding that the Company can adopt policies and programs that reduce the customer complaint ratio to historical levels.

Q) WHAT CHANGES DO YOU RECOMMEND WITH RESPECT TO ENFORCEMENT OF THE PROPOSED BASELINE PERFORMANCE STANDARDS IN THE INDEX?

A) I recommend that the SQI include pre-established penalties or mandatory customer restitution for the failure to maintain the baseline performance standards in any year. This will require a significant change in the prior approach, but it is typical of what other states, including those in which Verizon operates, are now requiring as part of their alternative rate plans. I recommend that approximately 4% of Verizon-NJ's intrastate jurisdictional revenues be at risk for the failure to maintain adequate service quality. Based on the Company's jurisdictional revenues of almost $2 billion, this would amount to a maximum penalty of $77 million. Since I am recommending 11 separate performance areas (many with subparts), each performance area should be subject to a maximum penalty of $7 million.

Q) PLEASE EXPLAIN HOW THE PENALTY STRUCTURE WOULD APPLY IF VERIZON-NJ

FAILS TO MAINTAIN ITS PERFORMANCE AT OR ABOVE THE REQUIRED LEVELS IN ANY YEAR.

A) To calculate the customer restitution or penalty dollars, I propose a methodology that assigns points to each performance area and assigns restitution amounts to each area based on whether the Company has achieved the necessary points for that performance area.

First, the points for each performance area are established. In this case, I proposed to assign 10 points to each performance area. To achieve all 10 points for any performance area, the Company must achieve performance at 100% of the baseline standard I have established. When performance falls below the baseline, the Company should calculate the percentage deterioration in performance and multiply that percentage by the 10 points for that performance area. When the Company performs better than the baseline, the maximum award of points is 10.

Whether customer restitution must be paid then depends on how the total potential customer restitution dollars are assigned to the points for each performance area. I have proposed 11 performance areas be measured and included in the SQI and a total of $7 million be at risk in the form of customer restitution for each performance area. A performance area with subparts should be treated as one area for the purposes of the penalty calculation and each of the subparts should have an equal impact on the penalty calculation. When performance falls below the baseline standard, a specific amount of customer restitution dollars should be assigned to each point (or portion of a point) for performance below 10 points. The customer restitution dollars should be spread between 9.99 and 7 points and not, for example, between 9.99 and 0 points. I recommend that all of the potential customer reimbursement dollars be allocated to the first 30% deterioration from the baseline because the Company would never actually deteriorate up to 100% of the baseline (that is, a movement from 10 points to 0 for any performance area). Therefore, all the potential customer restitution dollars should be incurred for a particular performance area if the Company fails to earn at least 7 points out of 10 for that area. If a 30% deterioration from the baseline standard will result in a $7 million penalty, less deterioration should result in a proportionately smaller penalty. The following chart shows the allocation of customer restitution dollars to the points for each performance area:

9.5-9.9	$750,00
9.1-9.49	$1,500,000
8.5-9	$2,500,000
8.1-8.49	$3,500,000
7.81-8	$4,500,500
7.51-7.8	$5,500,000
7.31-7.5	$6,500,000
7.1-7.3	$7,000,000

I propose that the customer restitution dollars relating to performance areas that measure only service quality directed to residential customers be returned to residential customers. All other performance areas should direct penalty dollars to all customers in a pro rata manner.

Q) PLEASE PROVIDE AN EXAMPLE OF HOW THE CUSTOMER RESTITUTION DOLLARS WOULD BE CALCULATED UNDER YOUR PROPOSED MECHANISM.

A) For example, if the baseline standard for Customer Trouble Report Rate is set at 2.3 and a performance of 3.0 is reported for an annual period, this would represent a deterioration of 30% and 3 points would be subtracted from the 10 points allocated to this performance area. As a result, only 7 points would be earned for this performance area. This would trigger the maximum customer restitution dollars of $7,000,000 for the failure to achieve this performance area. If

Verizon's annual average was 2.5, this would represent a 9% deterioration and .9 points would be subtracted from 10, resulting in a penalty of $1,500,000.

Q) HOW SHOULD VERIZON-NJ REPORT THE SQI RESULTS TO THE BOARD AND OTHER INTERESTED PARTIES?

A) The Company should submit its service quality results with either an independent verification by a third party or an affidavit signed by a senior officer which attests that the information is accurate and verifiable. This information should be submitted annually to the Board, Ratepayer Advocate, and other interested parties. This report should contain a proposed service quality report to Verizon's New Jersey customers.

Q) HOW SHOULD THE COMPANY REPORT THE RESULTS OF THE SERVICE QUALITY INDEX TO CUSTOMERS?

A) Verizon-NJ should report the results of its service quality and reliability performance to its customers annually. This report should include a full report on performance in all categories, both where the Company performed better than the baseline standards and any failures, as well as any monetary restitution being returned to customers.

Q) PLEASE EXPLAIN HOW THE PENALTY DOLLARS SHOULD BE ASSESSED FOR THE NETWORK OUTAGE INDICATORS.

A. The combined maximum penalty for the three Service Reliability indicators is $7 million and each indicator should be worth one-third of this amount or $2,333,000. Since the frequency of the network outage indicators are set at zero or one, the penalty dollars should be established based on the type or length of any outage that triggers the violation of the baseline performance standard. If the event is a Service Quality Outage or SS7 Failure, Verizon-NJ should incur a flat amount of

$750,000 per event. If the event is an Interoffice Facility (IOF) failure, the penalty points should accrue according to the length of the outage. If the IOF outage is more than 30 minutes, but at or less than 60 minutes, a $1,000,000 penalty should be incurred. If the IOF outage is more than 60 minutes, a maximum penalty of $2,333,000 should be incurred.

Q) DOES YOUR PROPOSED SQI INCLUDE REWARDS TO VERIZON-NJ IF THE COMPANY ACHIEVES PERFORMANCE THAT IS HIGHER THAN THE BASELINE LEVEL OR REPRESENTS IMPROVED SERVICE QUALITY?

A) No, I have not included a reward structure for this SQI. The purpose of the SQI is to track performance and assure compliance with the Company’s own proven ability to achieve a level of service quality and reliability of service that is represented by the proposed baseline performance standards. In other words, the main purpose of the SQI is to prevent deterioration in service quality. The main purpose of the SQI, at least based on Verizon’s recent performance in most categories, is not to stimulate an improved level of service quality. The rates of New Jersey customers already include the necessary revenues to achieve my recommended performance standards. Furthermore, if rewards or incentives are allowed, they will translate into higher earnings or revenues for Verizon-NJ. There is no evidence that New Jersey ratepayers are willing to pay higher rates to ensure that Verizon delivers a higher level of service quality at this time. Most states do not “dangle” higher revenues or earnings in front of the dominant local exchange company to ensure adequate service quality. Those that do so have justified this approach as a means to obtain a higher level of service quality because the company’s performance has deteriorated. That is not the case with Verizon-NJ. However, it is important to establish a penalty structure now before significant deterioration does in fact occur as it has elsewhere in the country.

The risk to Verizon of such a penalty structure is very low if the Company does in fact continue to perform at an adequate level. However, the risk to customers if Verizon fails to maintain its current level of service quality is very high. The existence of a penalty structure will reduce those risks for ratepayers and transfer it to where it belongs, to Verizon-NJ and its shareholders. My proposed penalty approach is an important insurance policy for New Jersey ratepayers.

Q) HOW DOES YOUR PENALTY APPROACH RELATE TO THE BOARD'S ADOPTION OF CARRIER-TO-CARRIER PERFORMANCE STANDARDS?

A) My proposed penalty program is designed to be incorporated in the Service Quality Plan that effects Verizon-NJ's retail interactions with its customers. However, the inclusion of penalties for the failure to achieve certain performance levels for retail transactions will also benefit Verizon's wholesale customers. This is because most of the carrier to carrier standards require Verizon-NJ to perform vis-a-vis its wholesale customers at the same or better level of service quality as provided to retail customers. As an example, Verizon-NJ must provide the installation of service performance for CLECs at the same levels as provided to Verizon's own retail customers. The existence of penalties for the failure to deliver adequate service to retail customers will stimulate Verizon to assure compliance with the retail service standards. In turn, this will result in the continuation of adequate performance for Verizon's wholesale customers which will be important for the development of a competitive market in New Jersey.

Q) SHOULD THE BOARD REQUIRE VERIZON-NJ TO IMPLEMENT A CUSTOMER SPECIFIC REBATE PROGRAM FOR SERVICE QUALITY FAILURES?

A) I recommend that the Board also require Verizon-NJ to implement a customer rebate program that will provide a fixed fee or waiver of certain charges when Verizon-NJ fails to keep a customer appointment (due to Company reasons), fails to install service within the agreed upon installation date, or fails to repair service within 24 hours (with an exception for major storm events or other publicly declared emergencies). In addition, Verizon-NJ should be required to offer customers one-half day appointments if it does not already do so. I recommend this approach because the SQI measures a system wide average over an annual time frame and many customers will suffer lack of adequate service even if the Company complies with the overall baseline performance standard. Being informed that he or she is a small minority and that most customers experience a higher level of service quality does not easily satisfy customers who experience a service failure. Based on my experience in other Verizon states, Verizon-NJ has a tariff that provides a pro-rata adjustment for service that is out for more than 24 hours. However, the Company typically requires the customer to specifically request an applicable rebate. This program should be expanded to cover missed appointments, delayed repairs, and continued for out of service conditions. The dollar amount of the customer rebates can be modeled on the program in effect in many other states.[7] In any case, any customer rebate program must be reflected in the Company's tariffs (and not subject to discretionary implementation by management) and provided automatically to affected customers, that is, customers should not have to specifically ask for a rebate that is applicable to a service quality failure.

IV. CODE OF CONDUCT ISSUES ASSOCIATED WITH THE PROPOSED PAR

Q) SHOULD THE BOARD CONSIDER THE ADOPTION OF SPECIFIC REGULATIONS TO ASSURE THAT VERIZON-NJ DOES NOT TAKE ADVANTAGE OF ITS ROLE AS THE

[7] For example, the Ohio PUC's rules require basic exchange telephone companies to provide customer rebates for missed appointments and other service quality failures.

PRIMARY PROVIDER OF LOCAL EXCHANGE SERVICE DURING THE TERM OF THE PAR?

A) Yes, the Board should adopt specific regulations that will prevent Verizon-NJ from making use of its interaction with residential and commercial customers for local exchange service to obtain an unfair advantage in the marketing of competitive services. By "unfair" I mean access to customers and ability to market and sell competitive services that are not available to non-affiliated competitors.

Q) SHOULD VERIZON-NJ BE ALLOWED TO JOINTLY MARKET LOCAL EXCHANGE, ADVANCED DATA AND COMPETITIVE TOLL SERVICES WITH ANY OF ITS AFFILIATES?

A. The Conditions attached to the FCC-approved merger of GTE and Bell Atlantic would allow Verizon-NJ to conduct exclusive marketing and bundling of products with its advanced data services affiliate.[8] These conditions are subject to state authority and I do not recommend that the Board approve such an approach, particularly when the PAR is likely to reduce or eliminate the regulation of Verizon-NJ's competitive services. This approach by Verizon-NJ would be the equivalent of allowing PSE&G, in its role as default provider of electricity or natural gas service, to have an exclusive arrangement with its retail sales affiliate to market a product that bundles competitively priced generation service with various "bells and whistles," such as an energy management service, or alternative metering to allow for time-of-day pricing options, with

[8] Condition I [Separate Affiliate for Advanced Services] (3)(a) allows the BA incumbent and advanced services Affiliate to jointly market their services with the services of the other and provide related customer care on behalf of the other on an exclusive basis. This allows the exchange of customer-specific information to effectuate the order, provisioning and collection of charges. Condition (I)(3)(f) allows the advanced services affiliate to use the incumbent LEC's name, trademark, or service marks on an exclusive basis. Condition (I)(3)(G) allows the affiliate's employees, on an exclusive basis, be located within the same building and on the same floors as the employees of the incumbent LEC.

PSE&G's distribution service. This approach would allow PSE&G's distribution services customer service representatives to transfer customers or accept orders for such a service to the exclusion of other similarly bundled products offered by non-PSE&G affiliated energy providers. Therefore, Verizon-NJ and its affiliates would have undue advantage over potential competitors if Verizon's current approach is allowed to continue.

In my view, a PAR should be accompanied by the same policies this Board has adopted for electric and natural gas competition which would prohibit this type of bundled product being marketed by the default provider and prohibits any exclusive marketing or customer communication services between these two entities. Bundling of services offered by Verizon-NJ as the incumbent local exchange provider with those offered by any of Verizon's affiliates (such as those selling DSL or wireless products) should be prohibited. I do not suggest that the Board should prohibit the ability of any CLEC to bundle services, but no CLEC should have an unfair advantage in the form of an exclusive arrangement with the incumbent local service provider to market these products.

Therefore, the Board's final order in this proceeding should recognize the need to clearly distinguish between the activities of the incumbent local services provider and those of any Verizon affiliate that will compete with other CLECs on a level playing field. The creation of a separate affiliate in name only without these important competitive safeguards and consumer protections would be unfair to other competitive providers and prevent the development of a competitive market. Specifically, I recommend the following policies modeled on those already adopted by the Board for electric and natural gas competition be applied to Verizon-NJ in this proceeding:

- Verizon-NJ should be required to educate customers about their right to choose a competitive provider of local exchange and toll services, provide the customer with either a complete or randomly generated list of licensed CLECs that offer services in the customer's area, and refrain from using this communication to market competitive service products sold by its affiliates.
- The Commission should require Verizon's affiliates to make the same disclosures that an electric or natural gas affiliate must make to assure that customers understand the difference between the incumbent local exchange provider and the competitive affiliate when the latter uses a name or logo similar to Verizon-NJ.
- Certain practices should be prohibited by the Commission. For example,
  - Verizon-NJ customer service personnel at the Business Office should not offer to transfer customers to any Verizon affiliate without offering this same service to other suppliers (who would of course pay a fee for such "hot" transferred calls);
  - Verizon-NJ should be prohibited from selling services offered by Verizon's affiliates to customers with the same employees whose primary duty is to provide the customer service function for the incumbent local exchange provider. Verizon-NJ should not conduct joint marketing with its affiliates; and
  - Verizon-NJ's customer service function should not share facilities or employees with Verizon's affiliates. The Board should require Verizon's conduct of incumbent local exchange service to be accompanied by meaningful separation from its affiliates that market competitive and optional services.

Q) DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

A) Yes, it does.

Exhibit BA-3

PROPOSED SERVICE QUALITY INDEX FOR

VERIZON-NEW JERSEY

PERFORMANCE AREA	BASELINE
<u>Installation of Service</u>	
(1) Average Installation Interval for Local Service (Res)	2.5 Days
(2) Service Order Provisioning Appts. Met	99%
<u>Maintenance of Service</u>	
(3) Customer Trouble Report Rate per 100 Lines	2.3
(4) OOS Cleared within 24 Hours	80%
(5) Average Local Service Repair Interval-Repeats (Res.)	30 Hours
(6) Commitments Met to Clear Troubles	81%
<u>Network Reliability</u>	
(7) Dial Tone Speed within 3 seconds	98%
(8) Service Reliability	
Service Outage (5,000 lines>30 min.)	1
Interoffice Fiber Failure (30,000 lines>30 min.)	1
SS7 Failure (.30 min.)	1
<u>Access to Verizon</u>	
(9) Business Office Performance	
Calls Answered within 20 seconds	80%
Busy Signal	5%
(10) Repair Office Performance	
Calls Answered within 20 seconds	80%
Busy Signal	5%
(11) Customer Complaints per 1 million residential access lines	200