

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND CABLE

In Re Verizon Service Quality)
in Western Massachusetts) DTC 09-1

REBUTTAL TESTIMONY OF
JOHN CONROY, JOHN E. SORDILLO AND PAUL B. VASINGTON
ON BEHALF OF VERIZON NEW ENGLAND INC.

March 16, 2010

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1 **I. INTRODUCTION**

2 **Q. Mr. Conroy, please state your name and occupation.**

3 A. My name is John Conroy and I am Vice President-Regulatory for Verizon New England
4 Inc., d/b/a Verizon Massachusetts (“Verizon MA”).

5 **Q. Mr. Sordillo, please state your name and occupation.**

6 A. My name is John E. Sordillo. I am Director – Operations for Verizon MA

7 **Q. Mr. Vasington, please state your name and occupation.**

8 A. My name is Paul B. Vasington. I am a Director – State Public Policy for Verizon.

9 **Q. Did the three of you previously file testimony in this proceeding?**

10 A. Yes, we comprise the panel that submitted direct testimony in this proceeding on
11 December 31, 2009 (referred to herein as “Verizon Direct Testimony”).

12 **Q. What is the purpose of this rebuttal testimony?**

13 A. We respond to the rebuttal testimony of Ms. Susan Baldwin submitted by the Attorney
14 General and Mr. John Rowley submitted by the IBEW on February 24, 2010.

15 **Q. Is each witness on the panel primarily responsible for particular aspects of the
16 testimony?**

17 A. Yes. As with our Direct Testimony, while all three members of the panel support the
18 testimony in its entirety, each panel member assumes primary responsibility for specific
19 aspects of the testimony, and each panel member relies on facts developed by the other
20 panel members in their areas of primary responsibility. Specifically, Mr. Conroy is
21 primarily responsible for Section II of this testimony, although Mr. Vasington is
22 primarily responsible for the discussion of the changes in customer preferences. Mr.

1 Sordillo is primarily responsible for Section III, and Mr. Vasington is primarily
2 responsible for Section IV.

3 **Q. Please summarize your rebuttal testimony.**

4 A. In our Direct Testimony, we provided substantial evidence demonstrating that Verizon
5 MA provides very good service quality to its customers across the Western
6 Massachusetts region, whether measured by the Department's Service Quality Plan, by
7 comparison to service in the rest of the state, or by the satisfaction levels of our
8 customers. In Section II of this rebuttal testimony, we point out that the Intervenors have
9 not disputed or contradicted that evidence, nor have they offered evidence of their own—
10 either in their direct or rebuttal testimony—demonstrating that overall service quality in
11 Western Massachusetts as a whole is anything less than adequate.¹ Consequently, the
12 only possible finding consistent with the evidence in this case concerning Verizon MA's
13 service quality in the Western Massachusetts region is that it is just, reasonable and
14 adequate, and there is no basis for the blanket requirements the Intervenors ask the
15 Department to apply to the entire region, such as a third-party audit of Verizon MA's
16 facilities throughout the region, additional reporting requirements for the region, or
17 penalties for failure to meet the Troubles Cleared - Residence metric in the region.

18 In the absence of evidence of inadequate service in the region as a whole, Ms.
19 Baldwin devotes much of her rebuttal testimony to identifying service quality issues at

¹ Ms. Baldwin offers the sole argument that despite Verizon MA's strong performance on 11 of the 12 metrics in the Service Quality Plan, its failure to meet the Troubles Cleared - Residence metric alone constitutes inadequate service quality. Baldwin Rebuttal at 27. Ms. Baldwin's argument is inconsistent with decades of Department precedent and policy.

1 the local level. She identifies individual wire centers in Western Massachusetts which
2 she asserts suffer from inadequate service quality and argues that Verizon MA should
3 survey and improve the outside plant in those wire centers. Findings regarding individual
4 wire centers, however, are not within the scope of this investigation of service quality at
5 the regional level. In addition, the methodology Ms. Baldwin used to identify the wire
6 centers on her list is seriously flawed. Nevertheless, Verizon MA agrees that identifying
7 and closing open plant in wire centers with consistently higher RPHL has proven to be
8 the most effective and cost-efficient means of reducing trouble report volume and
9 improving overall service quality to customers. That is why Verizon MA has gone ahead
10 and surveyed its outside plant in the 18 Western Massachusetts wire centers having the
11 highest average RPHL in 2009, as well as in the municipalities of Hancock, Rowe,
12 Williamstown, Leverett, Egremont and Shutesbury.

13 In Section III, we demonstrate that Mr. Rowley's criticisms of Verizon MA's
14 service quality policies in his rebuttal testimony have no merit. Mr. Rowley's claims
15 mischaracterize Verizon MA's Direct Testimony and the company's actual practices and
16 procedures, which are reasonable and appropriate.

17 In Section IV, we demonstrate that the Intervenors' rebuttal testimony offers no
18 new grounds for their proposed blanket, region-wide "remedies," which remain
19 unsupported by any evidence of regional service quality issues. Moreover, in the current
20 circumstances in which robust competition requires Verizon MA to operate cost-
21 effectively, and Verizon MA's operations in Massachusetts have been operating for the
22 past five years with negative net income, the Attorney General's proposal for new

1 financial penalties on Verizon MA for failure to meet the Troubles Cleared - Residence
2 metric alone, in addition to its other fatal flaws, would be in violation of statutory
3 requirements and confiscatory. Likewise, the proposal for a “comprehensive,” third-
4 party audit of Verizon MA’s facilities across Western Massachusetts is entirely
5 unnecessary and unwarranted on the evidence, would be bogged down in months of
6 administrative delay and, given the parameters Ms. Baldwin has defined and her
7 complete lack of concern as to cost, it too would violate the requirements of G.L. c. 159
8 §16 and would likely result in recommendations that are confiscatory. The Intervenor’s
9 other region-wide proposals, such as additional reporting requirements, are unsupported
10 by the evidence and are beyond the scope of this proceeding in any event.

11 **II. INTERVENORS HAVE OFFERED NO EVIDENCE THAT VERIZON MA’S**
12 **SERVICE QUALITY IN WESTERN MASSACHUSETTS AS A WHOLE IS NOT**
13 **ADEQUATE, JUST OR REASONABLE. VERIZON MA’S PERFORMANCE ON**
14 **THE TROUBLES CLEARED METRIC DOES NOT PROVIDE EVIDENCE OF**
15 **INADEQUATE SERVICE.**

16
17 **A. Verizon MA Has Demonstrated That It Provides Very Good Service In The**
18 **Western Massachusetts Region, And Intervenor’s Have Not Submitted Evidence**
19 **Supporting A Contrary Finding.**

20
21 **Q. Please summarize the evidence that Verizon MA has submitted demonstrating the**
22 **high quality of its service in Western Massachusetts.**

23 **A.** In our Direct Testimony, we demonstrated that Verizon MA provides just, reasonable and
24 adequate service quality in Western Massachusetts through evidence of the company’s
25 performance under the Department’s Service Quality Plan, as well as the views of our
26 customers themselves in survey responses, showing very high levels of customer
27 satisfaction.

1 With respect to performance under the Plan, Verizon MA's RPHL in Western
2 Massachusetts demonstrates very good service quality at a regional level. Specifically, in
3 the 34 months ending in October, 2009, Verizon MA's RPHL in Western Massachusetts
4 exceeded the Department's standard only twice, both times in months in which the region
5 was subject to severe weather. Further, the RPHL for the region over the 12 months
6 ending September, 2009, was only 1.57, easily satisfying the Department's stringent
7 statewide RPHL target of 1.90. *See* Verizon Direct Testimony at 10. This excellent
8 result is especially compelling since this metric best measures the overall health of the
9 network.

10 Over the same period, Verizon MA also scored well on the other metrics in the
11 Plan, exceeding the Department's standards for all of them other than Troubles Cleared -
12 Residence. Indeed, Verizon MA even exceeded the more stringent "target" levels for six
13 of the seven metrics that can be measured at a regional level. *Id.* at 11-15 and Figure 3.
14 In addition, Verizon MA's performance across Western Massachusetts as a whole was on
15 par with its performance in the rest of the state. *See id.*, 14-15. If the rest of the state
16 had performed as well as Western Massachusetts during that time, Verizon MA's score
17 on the Department's Service Quality Index would have been even higher than it actually
18 was. *Id.* at 16.

19 **Q. Your original analysis of Verizon MA's performance in Western Massachusetts**
20 **against the Plan metrics covered the period October, 2008, through September,**
21 **2009. Can you update that analysis at this point?**

1 A. Yes. Our Direct Testimony used the most recent data then available. We are now able to
 2 move that analysis forward four months. Figure 1 below reproduces the information in
 3 Figure 3 of our Direct Testimony and adds a new column on the right showing
 4 performance over the 12 months ending January, 2010. As that column shows, Verizon
 5 MA’s service quality over that period is even better than its strong performance in the
 6 earlier period, on all seven metrics.

7 Figure 1

8

<u>Measure</u>	<u>DTC Levels</u>	<u>W. MA Results</u> <u>12 Mo. Ending</u> <u>Sept. 2009</u>	<u>W. MA Results</u> <u>12 Mo. Ending</u> <u>Jan. 2010</u>
Network Trouble Report Rate	<1.9 target <2.25 standard	1.57	1.40
% Troubles Cleared in 24 hours Residence Customers	>70 target >60 standard	46.93	50.66
% Troubles Cleared in 24 hours Business Customers	>85 target >75 standard	87.95	89.12
% Appointments missed All Customers	<1.5 target <2.5 standard	1.36	1.26
% Appointments missed Residence Customers	<1.5 target <2.5 standard	1.20	1.09
% Appointments missed Due to Company Facilities	<1.15 target <1.25 standard	0.43	0.42
% Installation Trouble Reports (troubles within 30 days of install)	<5.5 target <6.0 standard	4.0	3.5

9
 10
 11 **Q. Did you also provide data concerning service quality performance on a wire center**
 12 **level?**

1 A. The Department opened this proceeding as an investigation into service quality for the
2 region of Western Massachusetts. *See* Verizon Direct Testimony at 3. However, Ms.
3 Baldwin's direct testimony alleged that Verizon MA's performance in a few small wire
4 centers demonstrated a fundamental problem across the region. In response, we
5 explained that those wire centers are not representative of the region as a whole, and we
6 submitted evidence showing that the RPHL in wire centers that are more representative
7 of the region as a whole was very good. In particular, we showed that 50% of the
8 company's customers in Western Massachusetts are served by wire centers that meet the
9 Department's 1.90 RPHL target 91% of the time and exceeded the 2.25 standard level
10 only 4% of the time over a 12-month period. *See id.*, at 25-26 and Figure 7. In addition,
11 Table 2 in Ms. Baldwin Rebuttal testimony, at 16, shows that the average RPHL in 45 of
12 the 63 wire centers in Western Massachusetts in 2009 met the Department's standard
13 level.

14 **Q. Please summarize the results of the Customer Care Index surveys.**

15 A. The CCI surveys show that the vast majority of Verizon MA's residential customers in
16 Western Massachusetts are either satisfied or more than satisfied with our service. Every
17 year since 2004, at least 93% of those customers who have had installation work
18 performed by Verizon MA have indicated that they are satisfied with that service, and at
19 least 81% of those customers who have had repair work performed by the company were
20 satisfied with the company's performance. *Id.* at 17-18.

21 **Q. How did the Intervenor's respond in their rebuttal testimony to Verizon MA's**
22 **evidence of good service quality on a regional basis?**

1 A. They don't address it. Neither Ms. Baldwin nor Mr. Rowley disputes the evidence
2 summarized above, nor do they offer any inconsistent or contradictory evidence. Mr.
3 Rowley disagrees with some of Verizon MA's management policies (without cause, as
4 shown in Part III below). Ms. Baldwin's rebuttal is largely focused on identification of
5 individual wire centers that, in her view, suffer from inadequate service quality. The sole
6 argument Ms. Baldwin makes with regard to service quality on a regional basis is her
7 claim that failure to meet the Troubles Cleared - Residence metric alone demonstrates
8 inadequate service quality, and that argument has no merit, as we discuss in detail below.

9 **Q. What is the significance of the Intervenor's failure to provide evidence of**
10 **inadequate service in Western Massachusetts on a regional level?**

11 A. It means that there is no factual basis for a finding that Verizon MA's service quality in
12 the Western Massachusetts region is inadequate, unjust or unreasonable. It also means
13 that there is no need or basis for any of the broad, region-wide requirements the
14 Intervenor would have the Department impose on Verizon MA, such as regional metrics,
15 penalties or additional reporting obligations. Indeed, despite their initial proposals for
16 region-wide remedies, the actual facts have forced the Intervenor to retreat from
17 complaining about the service quality of Western Massachusetts as a whole to discussing
18 individual "pockets" of supposedly inadequate service. Ms. Baldwin testified that,
19 "First, the [line loss] data provided compares the Western Massachusetts LATA and
20 Eastern Massachusetts LATA, which do not correspond to the specific geographic areas
21 of most concern in this proceeding." Baldwin Rebuttal at 53. *See also* Rowley Rebuttal

1 at 1-2 (Verizon MA’s evidence is on a “wider regional level” but the complaints at issue
2 here “include inadequate response to specific locations and customers”).

3 **B. The Attorney General’s Analysis Of Service Quality In Individual Wire Centers Is**
4 **Significantly Over-Inclusive. Nevertheless, Verizon MA Has Surveyed The Wire**
5 **Centers With Relatively High Trouble Report Rates And Has Identified The Open**
6 **Plant In Those Service Areas.**
7

8
9 **Q. In her Rebuttal Testimony, Ms. Baldwin identifies 27 wire centers that in her view
10 suffer from inadequate service quality and argues that the Department should
11 direct Verizon MA to survey the outside plant in those wire centers and improve the
12 plant as necessary. (See Baldwin Rebuttal at 2, 8, 14, 16, 21, 23, 67.) What is your
13 response?**

14 A. Ms. Baldwin’s focus on individual wire centers brings the Attorney General close to
15 Verizon MA’s position at the inception of this proceeding, which is, if there are any
16 service quality issues in Western Massachusetts, they are localized only and are properly
17 addressed through local solutions, not a regional investigation or sweeping regional
18 regulations. The Department opened this proceeding to investigate Verizon MA’s service
19 quality on a regional basis (over Verizon MA’s objection), and Ms. Baldwin’s subsequent
20 contention that service quality is inadequate in particular wire centers is inappropriate and
21 beyond the scope of this proceeding.

22 Moreover, Ms. Baldwin’s methodology for identifying allegedly under-
23 performing wire centers is flawed, causing her to include wire centers where service
24 quality is good. First, Ms. Baldwin presumed that every wire center which Verizon MA
25 identified as being susceptible to increases in trouble reports during severe weather

1 necessarily suffers from poor service quality. *See e.g.* Baldwin Rebuttal at 12-14. But
2 Verizon MA has managed to keep the RPHL in some of these wire centers very low
3 despite the weather. For example, the average RPHL for the Lenox wire center in 2009
4 was 1.41, lower than the Department's statewide target. *See* Baldwin Rebuttal at 16.
5 Lenox does not belong on a list of wire centers in need of additional attention.

6 In addition, Ms. Baldwin's recommendation to include in the outside plant survey
7 every wire center scoring an RPHL over 1.90 in 2009, Baldwin Rebuttal at 15, is
8 unreasonable and unwarranted. The 1.90 target is the Department's most strict statewide
9 standard. That target and the 2.25 standard level establish the threshold average
10 performance across the state and necessarily allow fluctuations in RPHL among
11 individual wire centers. It is unreasonable and illogical to insist that Verizon MA meet or
12 exceed the Department's statewide standard in every individual wire center, as Ms.
13 Baldwin suggests. Such an outcome would render the standard itself meaningless.
14 Verizon MA cannot be found to provide inadequate service in wire centers such as
15 Chester, Northfield and Stockbridge, for example, solely because their annual average
16 RPHL is slightly above 2.25. Indeed, the Department's former reporting requirement for
17 individual wire centers, eliminated in 1996, applied only to wire centers in which the
18 RPHL exceeded 4.0 for three consecutive months. Over the course of 2009, only six wire
19 centers in Western Massachusetts would have fallen within that standard.²

² They are Ashfield, Becket, Colrain, Huntington, Otis and Worthington. *See* Response to Information Request AG-VZ 13-4.

1 **Q. So is it your position that no outside plant work is appropriate in any of the wire**
2 **centers on Ms. Baldwin's list of 27?**

3 A. No. Although there is no basis to order Verizon MA to survey any individual wire
4 centers in this case, Verizon MA has voluntarily surveyed its outside plant in the 18 wire
5 centers in Western Massachusetts whose average RPHL exceeded 2.25 in 2009 and
6 identified open plant and related conditions in those areas. Verizon MA has also
7 surveyed its outside plant in the towns of Hancock, Rowe, Williamstown, Shutesbury,
8 Egremont and Leverett and has closed all of the open plant identified in the Hancock,
9 Shutesbury and Leverett surveys.

10 Verizon MA is willing to invest these additional resources for a number of
11 reasons. Verizon MA acknowledges the Department's concern over service quality in
12 Western Massachusetts expressed by opening this investigation. Further, identifying and
13 closing open plant in wire centers with consistently higher RPHL has proven to be the
14 most effective and cost-efficient means of reducing trouble report volume and improving
15 overall service quality to customers. For example, Verizon MA successfully surveyed
16 and closed its plant serving Middlefield in 2008, addressing the concerns of the Town
17 and the Department. Likewise, Verizon MA's work closing open plant in Western
18 Massachusetts in 2008 contributed to a significant reduction in the number of trouble
19 reports in the region in 2009. *See* Verizon MA Direct Testimony, at 57-58; *see also*,
20 Baldwin Rebuttal at 30-35 (discussing the dramatic year-over-year decline in trouble
21 reports in the region).

1 **C. Failure To Meet The Troubles Cleared – Residence Metric Alone Does Not Support**
2 **A Finding Of Inadequate Service Quality. Verizon MA’s Service Quality Must Be**
3 **Assessed Based On All Twelve Metrics, And The Troubles Cleared - Residence**
4 **Metric Is Outdated And Less Important Today Than In The Past.**
5

6 **Q. Please address Ms. Baldwin’s argument regarding timeliness of repair.**

7 A. Ms. Baldwin claims that, “service quality is inadequate throughout Western
8 Massachusetts because Verizon MA fails to repair lines in a timely manner.” Baldwin
9 Rebuttal at 27. She asserts that timely repair is particularly important because of “the
10 reliance by elderly persons and households with infants or young children on wireline
11 service to reach public safety and other essential services, the spotty wireless coverage
12 and the lack of competitive alternatives....” *Id.* Ms. Baldwin’s claim is refuted by the
13 facts and is inconsistent with long-standing Department policy.

14 First, as we explained in our Direct Testimony, the Troubles Cleared - Residence
15 metric in the Service Quality Plan is only one of 12 measures designed and relied on by
16 the Department for many years to monitor, assess and regulate Verizon MA’s service
17 quality in the state and by region, and all 12 metrics must be considered in assessing
18 service quality.

19 We acknowledge that Verizon MA often struggles to meet the metric for Troubles
20 Cleared Within 24 Hours - Residential in the Service Quality Plan. Given that
21 Verizon MA regularly surpasses the Department’s standards for *all* of the other
22 eleven metrics in the Plan, however, this lone shortcoming hardly provides
23 grounds to find that service quality in Western Massachusetts is wanting, and it
24 certainly does not justify the draconian “remedies” advocated by the Attorney
25 General.

26
27 Verizon Direct Testimony, at 5. Indeed, the Troubles Cleared - Residence metric is
28 extremely limited in scope -- it is concerned only with the less-than 2 % of Verizon MA’s

1 residential customers who have a service issue in a given month -- and therefore cannot
2 alone provide a meaningful view of service quality. The Department's investigation in
3 this case is into "the reasonableness of Verizon Massachusetts' telephone service quality
4 in Berkshire, Hampden, Hampshire, and Franklin Counties," and the subject of the
5 investigation was broader than just the Troubles Cleared metric.³ An overall evaluation
6 of the type the Department teed up in this case requires a review of all metrics.

7 Second, Ms. Baldwin's focus on timeliness of repair in isolation from the other
8 metrics is especially inappropriate here, where Verizon MA has not only met the other
9 metrics in the Plan but has exceeded even the stringent target level for each of the six
10 other metrics that are applicable on a regional basis. Indeed, because of Verizon MA's
11 excellent RPHL in Western Massachusetts, the total percentage of its customer base that
12 had to wait more than 24 hours for repair is smaller than it may have been if Verizon MA
13 had met the Troubles Cleared - Residence metric but merely met the standard for the
14 RPHL report rate. As Verizon MA explained in response to Information Request DTC-
15 VZ 4-1:

16 Verizon noted in the Panel Testimony that combining its very low RPHL
17 for Western Massachusetts for the 12 months ending September, 2009
18 (1.57) with its performance on the Troubles Cleared - Residence metric for
19 the same time period (46.93%) shows that less than 1 % of its customer
20 base (0.83%) would experience a service trouble in a given month that
21 was not cleared in 24 hours.... In comparison, Verizon MA could meet
22 both the RPHL statewide standard (2.25) in Western Massachusetts *and*
23 the Troubles Cleared - Residence metric (60%) and have a *higher*
24 percentage of customers with outages lasting longer than 24 hours (namely
25 0.90%). So again, this combination of metrics shows that, despite Verizon

³ In its request for comment, the Department referenced "... such issues as repeated service outages, poor signal quality, delays in repairing or restoring service and generally in responding to troubles, and deficiencies in network maintenance and replacement of aged facilities." See Request for Comment at 2.

1 MA's performance on the Troubles Cleared - Residence metric taken in
2 isolation, the company is providing high quality of service to its customers
3 in Western Massachusetts and across the state.
4

5 Verizon MA is not providing inadequate service quality where fewer of its customers
6 wait longer than 24 hours for repair than the Plan allows.

7 Third, Ms. Baldwin's claim is inconsistent with decades of experience and
8 precedent under the Service Quality Plan. While the Plan was not intended to be the sole
9 determinant of service quality at every geographic level (for example, on a wire center
10 basis), it does establish the standard of service quality performance across the state.
11 Because service quality in Western Massachusetts satisfies the strictures of the Plan - and
12 in fact would satisfy the Service Quality Index if the entire state were to match the
13 service quality in Western Massachusetts - the fact that Verizon MA has missed one of
14 12 metrics cannot form the basis for a finding of inadequate service quality. Moreover,
15 in adopting the Plan, the Department created the Standard Miss criteria specifically to
16 address the concern that merely meeting the 33 point standard of the Service Quality
17 Index would leave the company free to under-perform on particular metrics:

18 [T]he Department finds that the Company should also have a financial
19 incentive to achieve standard performance for individual service items, as
20 well as for the overall measurement of service quality. Therefore, we find
21 that when three or more of the twelve individual service items that
22 comprise the SQI fall below the standard threshold in a given month, the
23 productivity offset shall be increased by one-twelfth of one percent for
24 purposes of the subsequent annual filing.
25

26 D.P.U. 94-50, Final Order dated May 12, 1995, at 238. Thus, the Department has already
27 addressed the concern expressed by Ms. Baldwin, that satisfying the SQI alone should

1 not insulate Verizon MA from financial consequences, by subjecting Verizon MA to
2 penalties for missing at least three metrics, not just one. The Department has never
3 invested Troubles Cleared - Residence, or any single metric, with such importance that
4 failure to meet it alone would subject the company to penalties or additional action
5 requirements.

6 Finally, Ms. Baldwin's argument that the Troubles Cleared - Residence metric is
7 somehow of significantly greater importance than the other metrics is mere conjecture.
8 She claims that "elderly persons and households with infants or young children" rely
9 especially on wireline service, but the only hard evidence is that these groups, like the
10 population in general, rely on wireline service *less than* they did in the past. Ms.
11 Baldwin relies on a CDC study showing that 5.4% of adults aged 65 or older live in
12 household with only wireless service. Baldwin Rebuttal at 56. But this is roughly 5.4%
13 more elderly than relied solely on wireless service when the Plan was adopted in 1995,
14 given the state of the wireless industry at the time. Also, this statistic says nothing about
15 the undoubtedly larger percentage of the elderly who have both wireless and wireline
16 service, and thus rely on wireline service less than they did in the past. Ms. Baldwin's
17 claim about households with infants and young children is inconsistent with her own
18 testimony that the percentage of adults relying solely on wireless service decreases with
19 age. Adults who live with infants and young children are likely to be *young* adults, who
20 are *more* likely than others to rely solely on wireless service. Indeed, the very CDC study
21 Ms. Baldwin cites also states that "nearly half" of adults aged 29 to 34 and a third of
22 adults between 30 and 34 rely solely on wireless service. *See* CDC Wireless Substitution

1 Study, at 3. Further, while there are some areas of Western Massachusetts without
2 wireless coverage, the bulk of the area and the vast majority of the population are served
3 by wireless carriers. *See* response to Information Request AG-VZ 9-18. Likewise,
4 Verizon MA has demonstrated that competition in Western Massachusetts on the whole
5 is robust. *See* Verizon Direct Testimony at 80-91.

6 In summary, the Department has never ascribed to the Troubles Cleared -
7 Residence metric nearly the level of importance that Ms. Baldwin would give it, and
8 timeliness of repair is generally *less* important to Verizon MA's customers today than it
9 was in the past (although it undoubtedly remains important to some customers).

10 Accordingly, failure to meet the Troubles Cleared -Residence metric alone, which would
11 not have supported a finding of inadequate service in the past, certainly cannot support
12 such a finding today.

13 **Q. Ms. Baldwin claims that Verizon MA's position is "that the Department should not**
14 **be concerned" about the company's performance on the "Troubles Cleared Within**
15 **24 Hours – Residential" metric. (Baldwin Rebuttal at 29, lines 11-12) Is that an**
16 **accurate summary of Verizon MA's position?**

17 A. Of course not. Our actual position is that Verizon MA's service quality should be
18 evaluated based on *all* metrics. Indeed, the Attorney General specifically and directly
19 asked Verizon MA in its discovery request AG-VZ 8-69, "Is it Verizon's position that its
20 failure to meet Troubles Cleared – Residence in Western Massachusetts has no bearing
21 on whether Verizon MA's service quality is just, reasonable and adequate?," and Verizon
22 MA responded, "*No*. Verizon MA's performance on that metric is a relevant factor to

1 consider in the Department's investigation, but it is only one factor among many others,
2 as discussed throughout the testimony." (Emphasis added.) This is a far cry from
3 Verizon MA saying that the Department should not be concerned about performance on
4 this metric.

5 In a regulatory evaluation of service quality, the Department should be concerned
6 about performance on all of the metrics taken together, but should not be driven by the
7 Attorney General's conveniently-tailored focus on the one metric where Verizon MA has
8 struggled to meet the standards, particularly since the standard for that metric is no longer
9 consistent with business realities or customer needs.

10 **Q. Please explain what you mean when you say that the standard for that metric is no**
11 **longer consistent with business realities or customer preferences.**

12 A. The Troubles Cleared standard is to have 60 percent of residential troubles cleared within
13 24 hours, with no exclusions. As will be discussed later, many other states with similar
14 metrics allow the carrier to exclude from measurement Saturdays, Sundays, holidays,
15 third-party outages and situations where customers request a later service appointment.
16 The standard and metric for Massachusetts were adopted by the Department in D.P.U.
17 94-50. In 1994, the market for residential local exchange service was essentially a
18 monopoly, access lines had been growing for decades, and the home telephone was the
19 only means of electronic communication for the vast majority of customers. The changes
20 in the telecommunications landscape since then have fundamentally changed the nature
21 of an "out-of-service" condition for consumers. In the past, being out of *landline* service
22 was a significant hardship because the traditional telephone network was the only

1 communications link from the home. Now, there are significantly more wireless lines in
2 the Commonwealth than there are wirelines, and many customers also have access to e-
3 mail and other technologies to communicate.⁴ According to the FCC, as of June 30,
4 2008, the number of wireless lines in Massachusetts was 62 percent greater than the
5 number of wirelines. Simply put, the landline telephone is no longer the exclusive or
6 even primary “lifeline.”

7 **Q. But Ms. Baldwin points out that based on a survey from the second half of 2007,**
8 **only 9.3 percent of customers in Massachusetts have “cut the cord.” (Baldwin**
9 **Rebuttal at 56). Doesn’t that suggest that wireline service is the only connection for**
10 **the other 90.7 percent?**

11 A. No. In addition to “cord cutters,” many households maintain both wireline and wireless
12 connections, and many have shifted a significant portion of their usage to wireless
13 devices. The current economic climate shows that considering a wireline phone to be a
14 necessity may be a mistaken assumption, where many customers appear to value their
15 *wireless* service over their landline service for meeting their telecommunications needs.⁵
16 As a result, the widespread use of wireless phones has fundamentally and dramatically
17 changed the nature of an “out-of-service” experience. While having a landline “out-of-
18 service” undoubtedly remains an inconvenience, the need for quick restoration of service
19 has been reduced in importance for the great majority of customers, who now have cell

⁴ An additional factor, as we noted in response to AG-VZ 5-3, is that because of the increased number of two-adult working families, it is often more important to customers that service be installed or restored at their convenience, even if that means the work is not performed as soon as it otherwise could have been.

⁵ In fact, one of the CDC studies cited by Ms. Baldwin, at 56, concludes that adults living in and near poverty were more likely than higher income adults to be living in households with only wireless telephones. See CDC Wireless Substitution Study, at 3.

1 phones to make their calls. Indeed, customers sometimes even refuse available
2 appointments to restore service, choosing instead to have their service restored later,
3 consistent with their own scheduling needs. Ms. Baldwin’s statement that “Verizon MA
4 has failed to show that wireless alternatives are viewed as economic substitutes, instead
5 of complements, to wireline service for the majority of customers” is irrelevant.⁶
6 Whether a wireless phone is a substitute or complement, it is an alternative and widely-
7 used means of communications that is available to the majority of customers for use if
8 there is a problem with wireline phone service. The change in consumer preferences as it
9 relates to wireless phones is summed up best in a recent article in The Economist, which
10 referred to the mobile phone as “an object that, in the space of a decade, has become as
11 essential to human functioning as a pair of shoes.”⁷

12 **III. THE IBEW MISCHARACTERIZES VERIZON MA’S TESTIMONY AND ITS**
13 **SERVICE QUALITY PRACTICES AND POLICIES.**
14

15 **Q. Please summarize your response to the rebuttal testimony submitted by Mr. Rowley**
16 **for the IBEW.**

17 A. Mr. Rowley offers no evidence in support of the IBEW’s claim that service quality in
18 Western Massachusetts is inadequate. Instead, he argues about certain statements made
19 in our Direct Testimony and states his disagreement with certain of Verizon MA’s
20 policies. In doing so, he mischaracterizes those policies as well as Verizon MA’s position
21 in this matter.

⁶ Baldwin Rebuttal at 58.

⁷ “Mobile Phone Culture: The Apparageist Calls,” The Economist, January 2, 2010.

1 **Q. Mr. Rowley questions Verizon MA's testimony that severe weather in July 2008**
2 **explains a higher RPHL in that month. (Rowley Rebuttal at 2.) Please comment.**

3 A. Mr. Rowley confuses the issue. He agrees that the ice storm in December of 2008 likely
4 caused a higher RPHL in that month, but he claims that "July of 2008 is a very different
5 matter." He then reiterates his position that from July 30 to August 16, 2008, Verizon
6 MA did not properly use its workforce and left some technicians performing non-repair
7 work, allegedly resulting in longer repair times. But RPHL reflects the volume of trouble
8 reports, not Verizon MA's response to those reports, so Verizon MA's allocation of its
9 workforce in August of 2008 could not have caused the increase in RPHL in July, and
10 Mr. Rowley has offered no support for his implication that Verizon MA's policies, not
11 severe weather, caused that increase.

12 Mr. Rowley fails to offer any evidence that Verizon MA's workload assignments
13 in July of 2008 were unreasonable or improper in any way. As we explained in our
14 Direct Testimony at 66-67, while it is important for Verizon MA to repair troubles
15 quickly, it is also important for the company to meet its installation appointments.
16 Verizon MA's policies seek to maintain a reasonable balance of these sometimes-
17 competing goals. When severe weather causes an increase in repair workload, Verizon
18 MA may transfer some SSTs from installation to repair, but we continue to staff our
19 installation effort as needed to meet the installation commitments we have already made
20 to our customers. However, Verizon MA will provide extended commitment times for
21 requests for service received while the company is completing repairs resulting from the

1 severe weather.⁸ The mere fact that Mr. Rowley would do things differently if he were
2 running the company in no way demonstrates that Verizon MA's policies are
3 unreasonable or inadequate. Indeed, had Verizon MA reassigned all of its technicians to
4 repair work in July of 2008 as Mr. Rowley suggests, it would have missed many pre-
5 existing commitments to install new service.

6 **Q. Mr. Rowley asserts that in its Direct Testimony, Verizon MA has tried to**
7 **“downplay” service quality issues in smaller wire centers and that, “Verizon, by**
8 **choosing to measure its performance against certain criteria in larger geographic**
9 **areas, thus chooses to all but ignore smaller wire centers....” (Rowley Rebuttal at 3-**
10 **4.) What is your response?**

11 A. Mr. Rowley is once again distorting our position. In our Direct Testimony, we had
12 pointed out that Western Massachusetts has a large number of small, rural wire centers in
13 which the RPHL can be very volatile, in explanation of why Mr. Rowley's claims about
14 the frequency with which wire centers exceed certain RPHL levels were misplaced. *See*
15 *e.g.*, Verizon Direct Testimony, at 69. Verizon MA takes seriously our service quality in
16 all wire centers, large and small. Nevertheless, it is unfair and inappropriate for
17 Intervenors to hold up a few small, volatile wire centers as examples of service quality in
18 Western Massachusetts as a whole, since those wire centers serve relatively few people
19 and do not reflect service across the region. *See id.* at 24-27.

⁸ Verizon MA does suspend its pre-existing installation appointments and reassigns SSTs from installation to repair work in those instances in which the Commonwealth of Massachusetts declares a state of emergency as a result of severe weather.

1 The claim that Verizon MA “chose” to submit evidence regarding service quality
2 at the Western Massachusetts level is equally spurious. The Department opened this
3 proceeding to investigate “the reasonableness of Verizon Massachusetts’ telephone
4 service quality in Berkshire, Hampden, Hampshire, and Franklin Counties....” (D.T.C.
5 09-1, Order Opening Investigation, at 19). In response to this regional investigation,
6 Verizon MA has submitted substantial, undisputed evidence that service quality across
7 the region is just, reasonable and adequate. That in no way implies that Verizon MA has
8 ignored service issues in particular wire centers, and as we testified above, Verizon MA
9 has taken direct action in the field to address concerns in that regard. In contrast, Mr.
10 Rowley insists that the Department impose region-wide regulations on Verizon MA
11 despite his complete failure to offer any evidence of region-wide service quality issues in
12 need of redress.

13 **Q. Mr. Rowley claims that Verizon MA has not utilized the Form 3722-19 process**
14 **appropriately. (Rowley rebuttal at 6-7.) Please comment.**

15 A. Mr. Rowley’s statements are nothing more than speculation, and he offers no facts in
16 support of his claim that if Verizon MA had been following up on Forms 3722-19,
17 “virtually all necessary repair work would be completed” soon after it is identified on a
18 Form 3722-19. To the contrary, we explained in our Direct Testimony that Verizon MA
19 reviews and processes Forms 3722-19, at 49-50, and that the company has emphasized to
20 its managers in recent years the importance of reviewing all Forms 3722-19 that are
21 submitted. In addition, Verizon MA has recently mechanized the Form 3722 process to
22 allow for faster and more efficient evaluation of technicians’ suggestions. Nevertheless,

1 and contrary to Mr. Rowley's presumption that all Forms 3722 are meritorious, many
2 Forms 3722-19 would defer work that should be performed immediately, such as closing
3 open plant and some grounding work, and many others propose large projects that are
4 inappropriate or unnecessary in light of alternate solutions. *See* Verizon Direct
5 Testimony, at 61-62.

6 **Q. Mr. Rowley also claims that Verizon MA only began assigning technicians to**
7 **address open plant issues and began using predictor packages in mid-2009 and that**
8 **in December of 2009 many technicians did not have basic equipment to fix open**
9 **plant items. Do you agree?**

10 A. No, Mr. Rowley is wrong. Verizon MA revitalized the Predictor process and the Open
11 Plant program in late 2007, not 2009. *See* Verizon MA Direct Testimony at 53-54 and
12 56. Mr. Rowley's claim that technicians did not have basic equipment to fix open plant is
13 simply a restatement of claims he made in his direct testimony that we have already
14 refuted. *See id.*, at 58-59 (demonstrating the level of expenditures on tools and providing
15 examples of the type and number of tools purchased). Mr. Rowley's new claim that
16 technicians did not have "closures" to use on open plant is an attempt at misdirection.
17 Lack of a closure is no excuse for failing to close open plant, because in such
18 circumstances Verizon MA's technicians are trained to install a temporary closure to
19 close the plant until a permanent closure can be obtained and installed.

20 **Q. Mr. Rowley criticizes Verizon MA's policy requiring technicians to repair any**
21 **incidental network faults or conditions that can be repaired quickly, on the grounds**
22 **that "the standard of whether something can be repaired quickly is a very**

1 **subjective idea...” and that there should be a consistent definition of what**
2 **constitutes the T-zone. (Rowley Rebuttal at 8.) Please respond.**

3 A. Verizon MA trains and requires its technicians to repair any incidental faults, such as
4 open plant, discovered within the “T-zone” of the assigned work and which can be done
5 quickly. If the repair cannot be done quickly, the technician is required to notify his or
6 her supervisor, who will determine whether to have the work done at that time or to defer
7 it. *See* Verizon MA’s Direct Testimony, at 48-49. Mr. Rowley’s claim that this policy is
8 overly subjective is groundless, in that if a technician has any question about whether to
9 perform a particular repair, he or she is supposed to call the supervisor for direction. Mr.
10 Rowley’s implication that there is no standard definition of T-zone is wrong. The T-zone
11 is “the infrastructure extending just beyond the poles immediately to the left and to the
12 right of the pole at issue.” *Id.* at 49. This definition has been in place for decades and is
13 consistent across the state.

14 **Q. Mr. Rowley claims that Verizon MA’s testimony that scrubbing entails both testing**
15 **the customer’s line and a call to the customer is “not the case in reality.” (Rowley**
16 **Rebuttal at 9.) Please respond.**

17 A. Mr. Rowley is wrong, and the arguments he offers in support of his claim mischaracterize
18 Verizon MA’s testimony and policies. Mr. Rowley originally claimed that scrubbing
19 included a test “by either an automated system or a live person making a test call to the
20 subscriber.” (Rowley Direct at 38.) In response, we explained in our Direct Testimony,
21 at 66, that scrubbing occurs only if both the automated test and a subsequent phone call to
22 the customer show no problem on the line. Whether the second essential part of that

1 process, the call to the customer, is made by a “live person” or by an automated caller is
2 immaterial. In some cases, the call is placed by a Repair Agent - a person. In other
3 cases, such as when a customer calls from work to report a trouble on a home line, an
4 automated system may place the follow-up call to the phone with the trouble. The
5 customer can indicate that the trouble has cleared up or has not cleared up by responding
6 to the systems’ prompts and may also speak to a live representative on request. In any
7 event, no trouble is closed without a phone call to the customer confirming the results of
8 the automatic test showing no trouble on the line.

9 **Q. Mr. Rowley lists a number of customer complaints concerning lengthy outages.**

10 **(Rowley Rebuttal at 10.) Please comment.**

11 A In his Direct Testimony, Mr. Rowley speculated as to possible reasons why some outages
12 might last several days. We testified in response that Mr. Rowley’s claims were nothing
13 more than conjecture, since he spoke only in generalities and did not even identify the
14 customers or the troubles at issue. *See* Verizon Direct Testimony at 67. Mr. Rowley’s
15 new listing of certain trouble reports does nothing to support his speculation, since he
16 again fails to provide any information showing the specific reasons why any particular
17 trouble was not resolved more quickly, and he certainly offers no facts showing that any
18 such delay was caused by Verizon MA’s policies concerning scrubbing, priority of repair
19 or workforce management.

20 **Q. Mr. Rowley claims that he asked Verizon MA to produce time records showing the**
21 **extent to which it had transferred technicians from Eastern Massachusetts to work**
22 **in Western Massachusetts, and that he was “surprised” that Verizon MA failed to**

1 **do so, since the company had produced “comparable” information in another**
2 **matter. “[A]bsent proof to the contrary,” he continues to claim that Verizon MA**
3 **has transferred technicians out of Western Massachusetts at certain times. Please**
4 **comment.**

5 A. Mr. Rowley’s testimony is convoluted, confused and makes no sense. To begin with,
6 Verizon MA has not claimed that it has never transferred technicians out of Western
7 Massachusetts. In fact, we acknowledged that “Verizon MA will sometimes transfer
8 technicians out of Western Massachusetts when the workload in the rest of the state
9 requires it...” Verizon MA Direct Testimony, at 72. We also explained, however, that
10 “by the same token, the company often transfers technicians into Western Massachusetts
11 when the workload in that region requires it,” for example due to a storm. *Id.*

12 Mr. Rowley’s claim of being “surprised” that Verizon MA did not produce time
13 records is disingenuous. Information Request IBEW 10-20 did not ask for “time records”
14 but asked for “supporting documentation” showing all technician transfers into Western
15 Massachusetts from 2007 to the present. In response, Verizon MA explained that it does
16 not track transfers of less than five days, and that although personnel records do record
17 longer transfers, it would require an extensive programming effort to identify specific
18 records for particular technicians. Despite the lack of records, however, Verizon MA did
19 identify a number of instances in which it had loaned technicians to Western
20 Massachusetts from other parts of the state:

21 Verizon MA annually transfers technicians to Western Massachusetts in
22 May and June to care for the seasonal influx of residential customers and
23 businesses in the Pioneer Valley and Berkshires. Each year, Verizon MA

1 loans approximately 10-20 technicians from Central MA for a 45-60 day
2 period to help address installation and repair requests. At various times
3 during the year, Verizon MA also directs technicians from the Springfield
4 area to travel into these areas to help address seasonal storm or heavy load
5 conditions. Last December, Verizon MA moved 50-60 technicians into the
6 Pioneer Valley and Berkshires to assist during the Ice Storm for about 5
7 weeks.
8

9 Response to Information Request IBEW-VZ 10-20. That Mr. Rowley may have received
10 “daily timesheets for every SST... for a six month period” in another matter is not
11 relevant, since Information Request IBEW 10-20 did not ask for all time sheets, and the
12 work of identifying particular time sheets showing technician transfers from among all
13 time sheets from 2007 to date would have been unduly burdensome.

14 In any event, the fact that technicians are temporarily transferred into Western
15 Massachusetts from other parts of the state is undisputed. Mr. Rowley’s claim that
16 transfers of technicians out of Western Massachusetts have negatively affected service
17 quality in the region is wrong and unsupported by any evidence.

18 **Q. Mr. Rowley cited to comments made last September by Verizon’s CEO, Ivan**
19 **Seidenberg, in support of his contention that Verizon “intends to abandon its**
20 **wireline business, at least in less populated areas.” (Rowley Rebuttal at 12). Is this**
21 **an accurate representation of Mr. Seidenberg’s remarks?**

22 A. Absolutely not. First of all, it is revealing that Mr. Rowley cited to and quoted a
23 blogger’s reaction to Mr. Seidenberg’s remarks,⁹ rather than to the actual remarks, even
24 though Verizon MA produced a transcript of the remarks to the IBEW in response to

⁹ Mr. Rowley refers to the blogger’s remarks as something reported by The New York Times, even though the URL he cited to clearly indicates that these were the remarks of a blogger who is supported on the New York Times web site.

1 Information Request AG-VZ 4-17. The way Mr. Rowley has characterized these
2 remarks is not even close to what was actually said. Even his summary of what the
3 blogger said does not include any reference at all to abandoning the wireline business in
4 any area. In terms of the wireline areas not included in the FiOS deployment, Mr.
5 Seidenberg said, “[T]hose customers will get served. We will have shed our Company of
6 all the primary places where rural is sort of nonstrategic to us.” Contrary to Mr.
7 Rowley’s testimony, Mr. Seidenberg did not say anything about abandoning the wireline
8 business; rather, he was educating analysts about the rationale behind Verizon’s business
9 model. The assets that will have been “shed,” i.e., sold to Frontier and FairPoint, are the
10 ones that are nonstrategic to Verizon. The rural areas that are left, such as parts of
11 Western Massachusetts, are not being abandoned in any way.

12 **IV. THE INTERVENORS’ PROPOSED REMEDIES ARE NOT SUPPORTED BY**
13 **THE EVIDENCE, ARE NOT COST-JUSTIFIED AND ARE INAPPROPRIATE.**

14
15 **A. Competition Provides Ample Incentive For Verizon MA To Provide Good Service,**
16 **Even While It Also Imposes Financial Constraints On Verizon MA’s Ability To**
17 **Satisfy The Metric For Troubles Cleared - Residence.**

18
19 **Q. Ms. Baldwin claims that “Competitive market forces do not protect consumers in**
20 **Western Massachusetts from poor service quality.” (Baldwin Rebuttal at 51). Is**
21 **that correct?**

22 **A.** No. First, as we have demonstrated, Verizon MA does in fact provide good service
23 quality in Western Massachusetts. Second, her analysis of competition in the market is
24 not consistent with the Department’s long-standing precedent, and, as it relates to service
25 quality, is misguided.

1 **Q. Please explain how her analysis of competition in the market is not consistent with**
2 **the Department’s long-standing precedent.**

3 A. As an initial matter, she claims incorrectly that our “evidence” regarding the level of
4 competition is based entirely on line loss data. In fact, we stated that “Verizon MA
5 operates in a highly competitive market where the vast majority of customers have the
6 option of taking their telecommunications business to other providers, and where many of
7 these customers already have done so,” and “Customers today have options for their
8 telecommunications services, and they have been exercising their freedom to choose
9 providers.” Verizon MA Direct Testimony at 81. We used line loss data to underscore
10 and validate this argument – not as the evidentiary foundation for our assessment of
11 competition. In fact, the Attorney General asked us in discovery (AG-VZ 8-2) what
12 evidence we relied upon to support our arguments with respect to competition, inter alia,
13 as we responded as follows:

14 With respect to competition, see Verizon MA Panel Testimony at 80-
15 91. See also, the proprietary responses to Information Requests AGVZ
16 1-10, AG-VZ 9-15, 9-16 and 9-18. In addition, the Department
17 itself has recognized the competitive nature of the telecommunications
18 industry. For example, in D.T.E. 01-31 the Department determined
19 that all business services and all residence service except basic
20 exchange service are sufficiently competitive. And the Department has
21 recently testified before the Massachusetts Legislature that cable
22 companies that provide telephone service have the potential to reach
23 98% of the state’s population.

24 Our use of line loss data was for the purpose of explaining why Verizon MA has
25 incentives to provide adequate service quality, as discussed earlier, and constrains
26 Verizon MA’s expenditures. Our evaluation of competition is based on the same criteria

1 used by the Department for the past two decades: supply elasticity; demand elasticity;
2 and market share,¹⁰ with supply elasticity being the most important, according to the
3 Department.¹¹

4 Ms. Baldwin, however, has based her analysis of the competitiveness of the
5 market almost entirely on the relative market share of Verizon MA for basic local
6 exchange service, explicitly rejecting the primacy of supply elasticity: “The presence of
7 competitors should not be construed as the presence of effective competition for all
8 market segments. Verizon MA still dominates the local exchange market.”¹²

9 **Q. You said that Ms. Baldwin’s analysis of competition in the market as it relates to**
10 **incentives for service quality is misguided. Please explain.**

11 A. Ms. Baldwin argues that the competition that is present in the market is not for “stand-
12 alone basic exchange service,” and is focused instead on “triple-play” bundles of voice,
13 Internet, and video services.¹³ She also points to market share evidence indicating that
14 competitive activity varies by wire center in Western Massachusetts, with some wire
15 centers having “negligible competitive activity,” and “As such, reality ‘on the ground’
16 may not match up with the theory.”¹⁴ Both of these claims are irrelevant to an
17 assessment of competitive pressures and incentives for service quality. If one were
18 evaluating pricing flexibility for basic local exchange service or a request to deaverage

¹⁰ *D.T.E. 01-31 Phase I Order* at 25.

¹¹ *Id.*, at viii; *see also id.* at 79.

¹² Baldwin Rebuttal at 52. *See also*, “The migration of some customers from Verizon MA does not alter the fact that the vast majority of households and small businesses continue to rely on Verizon MA for basic local exchange service.” *Id.* at 61; “Although cord-cutting has increased, it does not alter the fact that the vast majority of consumers continue to subscribe to wireline service.” *Id.*

¹³ *Id.*, at 55, 60.

¹⁴ *Id.*, at 65.

1 prices by wire center, than Ms. Baldwin's factors (though not her conclusions) might be
2 appropriate. It makes no sense, however, in the context of evaluating service quality.

3 **Q. Why is that?**

4 A. Because Verizon MA does not have different networks to provide basic and bundled
5 services, and it does not manage its operations on a wire-center basis, according to the
6 level of competition within that wire center as (inappropriately) measured on the basis of
7 competitor market share. Verizon MA offers bundles and basic services in Western
8 Massachusetts using the exact same network facilities, and it cannot differentiate the
9 quality of the network facilities on the basis of whether or not a particular customer
10 receives service as part of a bundle or as a stand-alone telephone product.

11 **Q. But Ms. Baldwin lists the 27 wire centers in Western Massachusetts that she believes**
12 **“merit focused attention” and also shows the competitor market shares in those wire**
13 **centers. (Baldwin Rebuttal at 67, Table 17). She claims that this table, and the rest**
14 **of her analysis, demonstrates that “the existing level of competition in local**
15 **telecommunications markets is insufficient to yield reasonable service quality.” (Id.**
16 **at 68). What does that Table indicate to you?**

17 A. Ms. Baldwin did not conduct a statistical analysis to determine whether there is a
18 correlation between the average monthly RPHL in 2009 and the 2008 residential CLEC
19 market share for the particular wire centers in the Table, but it does not require
20 econometrics to see that the wire centers in her Table with a higher average monthly
21 RPHL generally, but not always, also have a below-average, relatively low CLEC market
22 share. But it would be entirely wrong to conclude from that fact that Verizon MA by

1 design has a higher report rate in wire centers with less competition. The more obvious
2 and more logical conclusion to draw from that Table is that the same reasons why it is
3 more challenging for Verizon MA to have a lower report rate in certain wire centers –
4 namely, topography, weather, and density – also make it more challenging for
5 competitors to build their own facilities in competition with Verizon MA. So it is not the
6 lack of competition driving higher report rates in those wire centers; rather, the higher
7 report rates exist for the same reasons that fewer facilities-based competitors have entered
8 these wire centers.

9 **Q. Ms. Baldwin testifies that “[her] direct and rebuttal testimony, the testimony**
10 **submitted by other parties, and the fact that the Department has opened this**
11 **proceeding all demonstrate that the level of purported competition in Massachusetts**
12 **is not sufficient to provide the necessary incentive for Verizon MA to provide**
13 **adequate service quality to all of its customers.” (Baldwin Rebuttal at 52). Please**
14 **respond.**

15 A. First, as we have shown in our own direct and rebuttal testimonies, no party has
16 demonstrated with sufficient evidence that Verizon MA’s telephone service quality in
17 Berkshire, Hampden, Hampshire, and Franklin Counties is unreasonable or inadequate.
18 A complete review of the record demonstrates otherwise. Second, that the Department
19 has opened an investigation does not presume anything about the outcome of that
20 investigation. The Department does not practice “verdict first, trial later.” Finally, we
21 discussed at length in our Direct Testimony, at 80-86, that even if service quality
22 problems exist, this would not be indicative of a lack of incentives. We summarized this

1 important point as follows, and supported it with analysis and examples from other
2 industries:

3 In order to draw a connection between the observed fact (that a service standard is
4 not being met) and a hypothesis about the cause (therefore, the incentives to meet
5 the standard must be insufficient), you would have to assume that the incentive is
6 the only variable that affects the ability to meet service quality standards. But it is
7 a rare industry where things would be quite that simple. That simplistic
8 assumption does not characterize the telecommunications industry in general, and
9 certainly does not characterize the business challenges facing Verizon in
10 Massachusetts and elsewhere ...¹⁵
11

12 **Q. Did Ms. Baldwin address this argument adequately in her rebuttal?**

13 A. No. The sum total of her response to this critical argument was to say, “I am
14 unconvinced by Verizon MA’s position that one cannot conclude failing to meet service
15 quality standards is related to the existence of incentives or lack thereof.” (Baldwin
16 Rebuttal at 68-69). There is not much we can say in response to a conclusory statement
17 that stands without rationale or support, so we can only point to our discussion in Direct
18 Testimony where we demonstrate the fallacy of simply equating a missed regulatory
19 service standard with the lack of incentives to provide quality services.

20 **Q. Ms. Baldwin says that Verizon MA’s position that “competition makes it more
21 difficult for Verizon MA to ensure service quality for basic local exchange services,”
22 contradicts the theory “that competition provides incentives for meeting service
23 quality standards.” (Baldwin Rebuttal at 62). Is she correct?**

24 A. No. First of all, this is yet another example of where she changes Verizon MA’s position
25 to be something other than what we said. We did say that competition is an obstacle to

¹⁵ Verizon MA Direct Testimony at 84.

1 meeting the Troubles Cleared standards, but that is not the same thing as saying that
2 competition is an obstacle “to ensure service quality for basic local exchange services.”
3 It is Ms. Baldwin who is equating service quality for local exchange services with
4 performance on a single metric – not Verizon MA.

5 Second, and more important, it is not a contradiction at all for competition to
6 create both incentives and challenges. In fact, the market pressures to meet customer
7 expectations in a cost-efficient manner is at the heart of the competitive process, as noted
8 by the Department: “The Department has long endorsed competitive markets over
9 regulation as the best way to achieve its policy goals for telecommunications, because
10 competitive markets promote economic efficiency, technological innovations, and a
11 greater sensitivity to customer demands.” (D.P.U. 94-50, at 105). We demonstrated in
12 our direct testimony that Verizon MA has incentives to provide adequate service quality
13 because it is not in the financial interest of Verizon MA to see customers go to
14 competitors. We explained the reason for this:

15 Line losses to an alternative service provider can have a significant financial
16 effect because telecommunications, like other network industries, is one in which
17 a large portion of costs is fixed and a smaller portion of costs is variable. What
18 this means is that revenue losses from competition outpace reductions in expense
19 from declining demand. For a firm facing this condition, even small losses of
20 volume to competitors can result in a large reduction in profits. The basic reason
21 is straightforward: When such firms lose customers to competitors—especially to
22 facilities based competitors like cable companies or wireless companies—their
23 revenues erode more quickly than their costs, since fixed costs remain the same.¹⁶
24

¹⁶ Verizon Direct Testimony at 81-82.

1 The challenges created by competition are inherent to this economic principle. Verizon
2 MA in fact has faced huge line losses, and the result has been as predicted: revenues
3 have eroded more quickly than costs, as discussed above. Therefore, competition
4 provides both incentives and challenges, and there is nothing contradictory at all in this
5 “theory.”

6 **Q. Please provide an example of how competition poses a challenge to Verizon MA in**
7 **the area of service quality.**

8 A. The best example is the Troubles Cleared - Residence metric. The advent of local
9 exchange competition has caused Verizon MA’s demand and revenues to decline.
10 Verizon MA has provided information on how its business has changed in recent years:
11 the Attachments to AG-VZ 8-61 and 8-63, show that from 2003 to 2008, Verizon MA’s
12 access lines declined by 30%, and intrastate revenues declined by 26%. The same
13 attachments show that expenses have declined by only 19% over the same time period.

14 Verizon MA explained in response to discovery request AG-VZ 13-9, how
15 competition makes it more difficult for Verizon MA to meet the Troubles Cleared
16 standard:

17 Competition makes it more challenging to meet the standards in this particular
18 metric because competition reduces Verizon’s revenues faster than Verizon can
19 reduce its expenses (*see* Verizon’s Response to AG 12-29), and Verizon must
20 respond to competition from competitors who do not share the same legacy
21 regulatory burdens that Verizon has, such as carrier-of-last-resort and Lifeline
22 service obligations. Therefore, Verizon does not have the same level of revenues
23 and resources that it had when this standard was set fifteen years ago, yet it retains
24 much of the same regulatory burden that it had at that time.
25

1 The ability to clear troubles within a certain time period is largely a function of the
2 personnel available to respond to Out of Service (“OOS”) and other service-affecting
3 conditions, and because of reduced demand and revenues, Verizon MA simply does not
4 have (and cannot have) the same workforce that it had in 1994 or even 2004. Verizon’s
5 proprietary response to IBEW-VZ 1-16 quantifies the reduction in workforce for Western
6 MA from just 2006 to 2009, particularly for Splice Service Technicians (“SSTs”), who
7 are dispatched to resolve customer trouble reports concerning outside plant.

8 Verizon MA’s demand and revenues have been declining and therefore the
9 revenues that the company once generated to support its workforce and to maintain its
10 network have decreased significantly, as described above. As a result, Verizon MA has
11 fewer (and declining) revenues and personnel to maintain its network. The business
12 challenge for Verizon in this environment is to manage the decline in demand for
13 traditional wireline service and the corresponding decreases in traditional wireline
14 revenue with the need to deliver to all customers the service quality that they expect and
15 demand. We have met that challenge in Western Massachusetts. As we noted in our
16 direct testimony, “the Western Massachusetts workforce has proven to be sufficient for
17 Verizon MA to meet and exceed the Department’s Service Quality plan for several years
18 and deliver metric results that are little different than the results for Eastern
19 Massachusetts,”¹⁷ but the factors described above make it extremely difficult for Verizon
20 MA to meet the Troubles Cleared standard in Massachusetts on a consistent basis.

¹⁷ Verizon MA Direct Testimony at 42.

1 **Q. Does that mean Verizon MA does not care if it meets the Troubles Cleared**
2 **standard?**

3 A. Not at all, but it means that we need to focus on and address actual customer
4 requirements and expectations – requirements and expectations that may not at all be
5 consistent with measurements that were adopted more than a decade ago, well before the
6 advent of local exchange competition, ubiquitous wireless service, and widespread use of
7 the Internet. With the decline in demand for Verizon MA’s services and the
8 corresponding decline in revenues, it has become even more important for Verizon MA
9 to do all it can to ensure that customers do not have troubles or out-of-service conditions
10 in the first place. Therefore, the Company’s focus on managing its network proactively
11 to prevent customer service affecting issues from arising is appropriate and should be
12 encouraged by the Department. Steps that Verizon MA has taken, such as the Proactive
13 Cable Maintenance process, the Predictor system and packages, the Capital PCM process
14 to replace cable that is causing or may cause issues, the Open Plant program, and the
15 Quality Inspection program, have improved the overall experience of Verizon MA
16 customers. It is most telling that these improvements – all of which were described in
17 detail in our direct testimony – have been largely ignored in Ms. Baldwin’s rebuttal.

18 **Q. Ms. Baldwin claims that Verizon MA did not adequately address her concerns**
19 **about the importance of reliable dial tone service to the elderly and to others**
20 **because of “spotty” wireless coverage. (Baldwin Rebuttal at 51.) Can you respond?**

21 A. Yes. We believe that we did address her concerns by pointing out the steps that Verizon
22 MA is taking to try to ensure that customers do not have troubles or out-of-service

1 conditions in the first place. Moreover, Ms. Baldwin’s suggestion that because a small
2 number of consumers in Western Massachusetts may not have wireless service this
3 somehow “proves” that the Department should act as if wireless service did not exist
4 merely demonstrates the extent of her own myopia. The Department does not have the
5 luxury of pretending that significant technological changes have not brought significant
6 competitive changes. And while Ms. Baldwin’s testimony boils down to a nostalgia for a
7 government-created and regulated landline monopoly that no longer exists,
8 Massachusetts consumers no doubt feel differently. Verizon MA must adapt to the
9 business realities brought by changes in technology and competition and must attempt to
10 meet ever-changing customer expectations.

11 Verizon MA is not the only business that faces this challenge. There are many
12 businesses that have had to adjust their businesses to changing conditions, even though
13 some customers may not have changed their own personal expectations. For example,
14 the United States Postal Service is considering fundamental changes to its services, such
15 as ending Saturday mail deliveries,¹⁸ in response to declining demand and revenues and
16 the imperative to cut costs -- even though some customers don’t use e-mail or the Internet
17 and continue to rely on the Postal Service as they always have in the past.¹⁹

¹⁸ “Ensuring a Viable Postal Service for America: An Action Plan for the Future,” USPS, March 2, 2010, found at: http://www.usps.com/strategicplanning/_pdf/Ensuring_Viable_USPS_paper.pdf.

¹⁹ *Id.* at 12. Ezra Klein, a blogger supported by the Washington Post web site, commented on the Postal Service’s difficulties in a summary that captures the similarities to the traditional telephone business, including some of the same concerns for the elderly expressed by Ms. Baldwin:

E-mail has made mail (which is different than shipping) obsolete. But lots of people – particularly older people – still use the mail. And we as a country appear to still believe that people in rural areas should be able to get their mail. So the Postal Service has to maintain a *vast* mail-delivery infrastructure even as the volume business (sic) that supported that infrastructure is collapsing. Within that context, the Postal

1 Another business facing declines in demand and revenue is the newspaper
2 industry, and, like Verizon MA and the Postal Service, the newspaper industry is not able
3 to maintain the same level of resources and provide the same level of coverage that it had
4 in the past. This is in spite of the fact that many customers continue to rely on the
5 regional newspaper, ignoring websites, cable news, and other new mechanisms for news
6 delivery. A recent report by the Pew Research Center's Project for Excellence in
7 Journalism summed up recent trends for that industry in a manner that also brings to
8 mind the challenges facing Verizon MA:

9 Meet the American daily newspaper of 2008. It has fewer pages than three years
10 ago, the paper stock is thinner, and the stories are shorter. There is less foreign
11 and national news, less space devoted to science, the arts, features and a range of
12 specialized subjects. Business coverage is either packaged in an increasingly thin
13 stand-alone section or collapsed into another part of the paper. The crossword
14 puzzle has shrunk, the TV listings and stock tables may have disappeared, but
15 coverage of some local issues has strengthened and investigative reporting
16 remains highly valued. ... Despite an image of decline, more people today in
17 more places read the content produced in the newsrooms of American daily
18 newspapers than at any time in years. But revenues are tumbling.²⁰

19 The common feature in these examples is that the businesses in question must
20 respond to the changing preferences of the majority of customers, and cannot maintain
21 exactly the same level of resources or services that they did in the past simply because
22 not much has changed for a very few customers. It is the changing preferences of the

Service seems to be operating pretty efficiently, but it's trapped providing a level of service to a breadth of people that can't possibly be profitable. The result will be taxpayer-funded losses and a declining level of service that will make the Postal Service look bad even as it's not doing anything wrong, or inefficiently.

http://voices.washingtonpost.com/ezra-klein/2010/03/the_death_of_the_mail.html. (italics in original)

²⁰ "The Changing Newsroom," Pew Research Center's Project for Excellence in Journalism, July 21, 2008, found at: <http://www.journalism.org/node/11961>.

1 majority of customers that drives demand and revenues down to the point that these
2 businesses have no choice but to adapt. This is not to gainsay the legitimate public safety
3 concerns for the ability of people who rely solely on their wireline telephones to access
4 911 or to make other important phone calls, but the answer to this concern cannot be an
5 unrealistic piling on of additional regulations and penalties on a single carrier to meet
6 standards grounded in the monopoly past. Competition has changed the structure of the
7 industry in fundamental ways that give Verizon MA greater incentives to meet customer
8 expectations, while undermining the Company's ability to meet the standards in the
9 Service Quality Plan.

10 **Q. You testified earlier that it would be difficult and expensive for Verizon MA to meet**
11 **the Troubles Cleared standard on a consistent basis. Ms. Baldwin attempts to**
12 **calculate the number of additional troubles that Verizon MA would have to clear**
13 **within 24 hours in order to meet the Troubles Cleared standard. (Baldwin Rebuttal**
14 **at 39.) Please respond to her calculation.**

15 A. Ms. Baldwin's math is correct in terms of the number of additional troubles Verizon MA
16 would have had to clear in 2009 in order to meet the Troubles Cleared standard and target
17 levels, but she is incorrect in referring to her analysis as an estimate of the "additional
18 resources that may be necessary so that Verizon MA could meet the Department's
19 standard and so that Verizon MA could meet the Department's target ..." ²¹ She is
20 estimating the additional work that Verizon MA would have to do, but this is a far cry
21 from an estimate of the resources that would be required to do that additional work.

²¹ Baldwin Rebuttal at 37-38.

1 **Q. Can you provide an estimate of the additional resources that would be necessary to**
2 **complete the additional work estimated by Ms. Baldwin?**

3 A. We can use Ms. Baldwin’s example as a starting point to produce a very rough estimate
4 of the absolute minimum floor for a portion of the additional resources that would be
5 needed. Even that estimated floor represents an economic expense that Verizon MA
6 cannot incur or sustain.

7 As Ms. Baldwin noted, Verizon MA stated in response to discovery that it “does
8 not have the data necessary” to “describe fully” the resources that would be needed to
9 meet the Troubles Cleared standard and target levels.²² The Company further explained
10 that:

11 In fact, a precise description of the resources necessary to reach the performance
12 levels included in the request is not possible because of the number and variability
13 of factors – such as number and cause of trouble reports, customer demand,
14 customer expectations – that would need to be considered. Nevertheless, Verizon
15 MA’s experience demonstrates that meeting the stated performance goals would
16 require considerable resources both in terms of additional infrastructure and
17 personnel and would be extremely costly.²³

18
19 Ms. Baldwin has estimated that Verizon MA would have had to clear 4,097 more troubles
20 in 2009 to meet the 60%-within-24-hours standard, and 7,962 more troubles to meet the
21 70%-within-24-hours target.²⁴ That would represent increases of 21% and 42% over the
22 number of actual troubles Verizon MA cleared during the year.²⁵ Verizon MA therefore

²² Response to AG-VZ 8-19.

²³ *Id.*

²⁴ Baldwin Rebuttal at 39.

²⁵ Ms. Baldwin’s figures are 18 and 29 percent, respectively, but these represent the “Percent under-resourced,” meaning the percentages of the total number of reports that would need to be cleared in order to meet the Plan’s standards, not the percentage by which the current volume of reports cleared would have to increase to meet those standards.

1 would seem to require 21 and 42 percent more SSTs in order to meet these standards.
2 Verizon noted in response to IBEW-VZ 1-16, that, as of August 31, 2009, it employed
3 *** BEGIN PROPRIETARY*** *** END PROPRIETARY *** SSTs in the
4 Western Massachusetts region. Therefore, in order to meet Ms. Baldwin's additional
5 work requirements, Verizon MA would seem to need to add *** BEGIN
6 PROPRIETARY*** *** END PROPRIETARY *** additional SSTs to meet
7 the standard and target levels of performance.

8 But this calculation assumes that the trouble report rate is constant throughout the
9 year, and that is not the case. It is undisputed that Verizon MA's RPHL in Western
10 Massachusetts fluctuates from month to month, particularly in the many small wire
11 centers, with peaks in the summer months and sometimes in selected winter months due
12 to storms. Consequently, the increase in workforce needed to resolve a greater *average*
13 number of trouble reports would be substantially insufficient to actually resolve 60% or
14 70% of trouble reports in the peak months and to meet the Plan standards on a consistent
15 basis.

16 The Company uses a general rule-of-thumb that employee annual salary and
17 benefit costs equate to roughly *** BEGIN PROPRIETARY*** *** END
18 PROPRIETARY *** per full-time SST, so Ms. Baldwin's estimate of additional work
19 to meet the Troubles Cleared metric would cost Verizon MA an additional *** BEGIN
20 PROPRIETARY*** *** END PROPRIETARY ***
21 annually to meet the standard and target levels of performance. And that accounts just
22 for direct salary and benefit costs for the additional employees. On top of that would be

1 additional equipment and capital costs, including the costs of new vehicles and garages
2 that might also prove necessary to meet the standards. Therefore, the estimate of
3 minimum additional costs above is substantially understated. Even that, however,
4 represents an uneconomic additional expense that a company with declining demand and
5 revenues and negative net income cannot be expected to incur.

6 **Q. Can the Department just order Verizon to undertake this additional expense to meet**
7 **the standards?**

8 A. No. Unlike Ms. Baldwin, who acknowledges that Verizon MA will not be able to
9 recover at least some portion of the costs associated with her proposals,²⁶ the Department
10 is not free to disregard the economic impact of its decisions. Imposing additional
11 obligations on Verizon MA without accounting for market forces, changes in technology,
12 and the costs of these additional obligations would not only be bad policy, but would also
13 be unlawful. Even in the context of service quality, Massachusetts law requires that the
14 Department consider the financial ability of Verizon MA to implement any changes that
15 the Department orders to remedy inadequate service. Section 16 of Chapter 159 states, in
16 pertinent part:

17 If the department is of opinion, after a hearing had upon its own motion or upon
18 complaint, that the regulations, practices, equipment, appliances or service of any
19 common carrier are unjust, unreasonable, unsafe, improper or inadequate, the
20 department shall determine the just, reasonable, safe, adequate and proper
21 regulations and practices thereafter to be in force and to be observed, and the
22 equipment, appliances and service thereafter to be used, and shall fix and
23 prescribe the same by order to be served upon every common carrier to be bound
24 thereby. ... Before making such order, the department shall consider the relative

²⁶ See Baldwin Direct at 92: "Network expenditures may not yield reasonable returns on investment but may be necessary all the same to ensure adequate service quality."

1 importance and necessity of the changes in any specific regulations, practices,
2 equipment and appliances proposed to be included therein and of other changes
3 which may be brought to its attention in the course of the hearing, **the financial**
4 **ability of the carrier to comply with the requirements of the order**, and the
5 effect of the carrier's compliance therewith, upon its financial ability to make
6 such other changes, if any, as may be deemed by the department of equal or
7 greater importance and necessity in the performance of the service which the
8 carrier has professed to render to the public.²⁷
9

10 The Department is no less bound by the requirements of the United States Constitution
11 and the court decisions applying Constitutional requirements to regulated industries. In
12 order to avoid violating the Fifth Amendment, the Department must afford an opportunity
13 for Verizon MA to recover its costs and earn a return on its investment. But as the
14 Department is aware, Verizon MA is already operating at a loss. The record in this case
15 clearly demonstrates that in the five years from 2004 to 2008, Verizon MA has had
16 negative net operating income of (\$103 million) in 2004, (\$69 million) in 2005, (\$145
17 million) in 2006, (\$138 million) in 2007, and (\$75 million) in 2008.²⁸ A Department
18 order approving the Attorney General's proposal to increase Verizon MA's operating and
19 capital costs without somehow also providing a cost-recovery mechanism would violate
20 the Department's statutory and constitutional obligations. Verizon MA estimates that the
21 Attorney General's proposal to meet the Troubles Cleared standard would increase
22 Verizon MA's 2008 loss by *** **BEGIN PROPRIETARY***** *** **END**
23 **PROPRIETARY** *** percent at the very minimum, and that is before even considering
24 the costs of the Attorney General's other proposed remedies, including a third-party audit
25 of the Western Massachusetts network. Given that Verizon MA has been operating its

²⁷ M.G.L. c. 159, §16 (emphasis added).

²⁸ For the years 2006-2008, *see* Attachments to Verizon MA's response to IBEW-VZ 1-19. The figures for 2004-2005 are from Verizon MA's ARMIS reports, attached hereto as Verizon Exhibit 2.

1 Massachusetts business at a loss over a multi-year period of time, the Department cannot
2 impose these additional costs on Verizon MA unless the Department also and at the same
3 time provides Verizon MA with a viable means to recover these costs -- a requirement for
4 which none of the Intervenors account, but one that the Department cannot ignore.

5
6 **B. The Intervenors' Proposed Remedies Have No Basis In The Evidence, Are**
7 **Unworkable And Are Beyond The Scope Of This Proceeding.**
8

9 **Q. You demonstrated in Verizon MA's Direct Testimony that there is no factual basis**
10 **for the new region-wide regulations the Attorney General and the IBEW seek in this**
11 **proceeding. Have the Intervenors offered substantial evidence supporting those**
12 **proposals in their rebuttal testimony?**

13 A. No, they have not. The Intervenors have not adequately rebutted the substantial evidence
14 showing that service quality in Western Massachusetts as a whole is adequate, just and
15 reasonable. Because there is no region-wide failure to provide adequate service, there is
16 no justification in the record for any of the Intervenors' region-wide remedies, such as the
17 audit of Verizon MA's facilities throughout the region, additional region-wide reporting
18 requirements or penalties for failure to meet the Troubles Cleared - Residence metric in
19 the region.

20 **Q. Have the Intervenors offered any new evidence in their rebuttal testimony showing**
21 **the need or basis for a region-wide, third-party audit of Verizon MA's facilities?**

22 A. No. Neither Intervenor witness offers any additional data in support of that proposal. In
23 fact, as noted above, Ms. Baldwin has shown that the average RPHL in 45 of the wire

1 centers in Western Massachusetts in 2009 was lower than the Department’s standard for
2 statewide evaluation, so there is no basis for conducting an audit in those areas. And
3 Verizon MA has already performed Middlefield-style surveys of the 18 remaining wire
4 centers as well in Hancock, Rowe, Williamstown, Leverett, Egremont and Shutesbury.

5 Ms. Baldwin asserts that her analysis of “pockets” of potential inadequate service
6 quality “is necessarily limited by the evidence produced thus far in this proceeding” and
7 that a regional audit would “ensure that all relevant information is considered in
8 determining where outside plant requires attention.” Baldwin Rebuttal at 11-12. But the
9 Attorney General and the other parties have had ample opportunity to take discovery in
10 this proceeding, and they have taken full advantage of that opportunity. In response to
11 more than 30 separate sets of data requests, Verizon MA has produced an enormous
12 amount of data concerning service quality in Western Massachusetts on a broad variety
13 of related (and unrelated) topics. An audit to collect even more information would be
14 superfluous, wasteful, and result in needless delay.

15 **Q. Have the Intervenors offered any new evidence in their rebuttal testimony showing**
16 **why an audit should be performed by a third party, rather than by Verizon MA?**

17 A. No, they have not. We explained in our Direct Testimony that Verizon MA is fully
18 capable and the most qualified to survey its network infrastructure, citing our successful
19 work in Middlefield. And our open plant surveys and follow-on work in other areas of
20 Western Massachusetts have substantially reduced the trouble report volume in the
21 region. *See* Verizon MA Direct Testimony, at 57-58; *see also*, Baldwin Rebuttal at 30
22 (Verizon MA’s total annual out-of-service troubles in Western Massachusetts dropped by

1 33% from 2008 to 2009). In addition, Verizon MA has already surveyed the wire center
2 serving areas in Western Massachusetts where the outside plant is arguably in need of
3 special attention and has identified the work needed to close the plant and reduce the
4 number of trouble reports even further. The Intervenors have offered no evidence in
5 response to Verizon MA's showing or otherwise supporting the alleged need for a third-
6 party audit.

7 **Q. In Section I, above, you stated that a third-party audit would get bogged down in**
8 **months of administrative delay. Please explain.**

9 A. Under the Intervenors' proposal, a third-party auditor would need to be selected and
10 appointed after the Department enters a decision in this case. The auditor would then
11 need some time, perhaps a few months, to conduct the audit and issue a report. The
12 report presumably would recommend that Verizon MA perform certain work on the
13 network, so the Department would have to afford Verizon MA the opportunity to submit
14 comments and evidence on it. While we are not attorneys, we understand that such
15 process would be required by the doctrine of due process, the state administrative
16 procedures act and G.L. c. 159, § 16, which requires the Department to consider the
17 financial ability of a carrier to comply with the requirements of an order to remedy a
18 finding of inadequate service. All of this means that the recommendations of a third-
19 party audit would not be implemented for many months. In contrast, Verizon MA has
20 already identified the network infrastructure work that would most effectively improve
21 service quality in the region.

1 **Q. Ms. Baldwin recommends that an audit should cover anything necessary “to meet**
2 **95% clearance of OOS in 24 hours and 85% of SA in 48 hours, as measured**
3 **separately for residential and for business customers.” (Baldwin Rebuttal at 80.)**
4 **Please comment on this proposed standard.**

5 A. Ms. Baldwin’s proposal is inconsistent with the Service Quality Plan and is unsupported
6 by any evidence. There is no such standard in the Plan, and Ms. Baldwin has not
7 explained in any way why the Department should tighten a standard that Verizon MA
8 already struggles to meet in its current form. As we explained above, her suppositions
9 about the alleged extreme importance of repair intervals to particular subsets of
10 customers in Western Massachusetts run directly contrary to the massive consumer trend
11 away from reliance on wireline services. Also, as discussed, below, Ms. Baldwin’s
12 reliance on performance metrics in other states in support of this new standard is
13 misplaced. Ms. Baldwin’s failure to make any distinction between residence and
14 business services is also inconsistent with the Plan and with many years of Department
15 policy acknowledging the very real differences between residence and business
16 customers’ service expectations and needs. In addition, her proposal would effectively
17 amend the Plan as it applies to Western Massachusetts, which is beyond the scope of this
18 proceeding.

19 Finally, Ms. Baldwin’s proposed audit and performance standard take no account
20 whatsoever of the cost of compliance, and the Department cannot approve it consistent
21 with the requirements of G.L. c. 159, § 16, for this reason alone. In addition, as we
22 explained earlier, the cost to Verizon MA to ensure consistent compliance with even the

1 Department's existing Troubles Cleared - Residence metric would be prohibitive, and an
2 order in this case subjecting Verizon MA to penalties for failure to meet that metric
3 would likely be confiscatory. That consideration applies also to the proposed third-party
4 audit designed to require Verizon MA to invest even greater amounts to meet an even
5 higher standard.

6 **Q. Ms. Baldwin points to Illinois in support of her proposed standard for the audit of**
7 **clearing 95% of OOS conditions within 24 hours. (Baldwin Rebuttal at 40). Is this**
8 **an apt comparison?**

9 A. No, and Ms. Baldwin is selectively choosing just one state to support her contention that
10 better OOS performance in Illinois is a function of the stricter standard. She says that
11 "Regulatory expectations and requirements directly affect the quality of service that
12 consumers receive," and "I do not believe that it is a coincidence that state regulators in
13 Illinois have established a requirement that AT&T clear 95% of troubles in 24 hours and
14 that state regulators in Massachusetts have set a far more lenient bar of clearing only 60%
15 of troubles within 24 hours."²⁹ A comparison of performance to a metric in just one state
16 does not demonstrate anything, without consideration of other factors, costs, and whether
17 the relationship holds in other states. In addition, although Ms. Baldwin claims that her
18 proposal is "similar to the standard in Illinois" (Baldwin Rebuttal at 40), Ms. Baldwin
19 would measure her 95% standard "separately for residence and business customers," *id.*,
20 whereas the Illinois standard aggregates business and residential performance, a

²⁹ Baldwin Rebuttal at 39, 40-41. We note that the Illinois metric actually is for OOS conditions – not Troubles Cleared, as Ms. Baldwin states.

1 significant difference. *See id.*, Table 18 at 76. Also, she neglects to mention that Illinois
2 allows exclusions for emergency situations and for outages caused by third parties.³⁰

3 **Q. Ms. Baldwin provides a Table 18 on page 76 of her Rebuttal Testimony, which**
4 **purports to show “Trouble Report Clearance Metrics in Selected States.” Is this**
5 **Table accurate?**

6 A. Table 18 contains a number of mistakes. For example, the table shows that Florida does
7 not separate business and residence performance, but the Florida metric is only applied to
8 residence customers purchasing basic only service. In addition, Ms. Baldwin lists
9 Pennsylvania as having a reportable metric, but it has none. (Pennsylvania has a general
10 expectation of OOS clearance in 24 hours, but there is no metric reporting requirement).
11 In Texas, service quality metrics are only required to be reported for exchanges that are
12 deemed non-competitive. Ms. Baldwin does not mention this qualification. Finally, Ms.
13 Baldwin’s table shows the objective for West Virginia as 85% of OOS cleared within 48
14 hours. The current objective is 75% in 48 hours (which increases to 80% by July 1, 2010
15 and 85% by January 1, 2011), as we pointed out in our Direct Testimony at 94-95. In
16 addition, her Table of “Selected States” does not include Indiana, which last year
17 terminated all service quality metric reporting requirements, and does not mention that
18 only a few states where Verizon is an ILEC have backward looking customer credit
19 requirements for OOS conditions. *See Verizon MA Direct Testimony at 94.*

20 Another important consideration about this Table is that it shows that all of the
21 selected states except for Connecticut allow for some exclusions of reporting of trouble

³⁰ Verizon MA response to AG-VZ 12-24.

1 and OOS reports. As mentioned earlier, the current Massachusetts Troubles Cleared
2 metric does not allow for any exclusions. Verizon MA provided a complete list of
3 exclusions in other states, of which it is aware, in response to discovery from the
4 Attorney General. *See* Verizon Response to AG-VZ 12-24.

5 **Q. Ms. Baldwin recommends that “Verizon MA should provide either customer credits**
6 **or across-the-board credits for all residential Western Massachusetts customers**
7 **when it fails to meet the Department’s standard of clearing 60% of residential**
8 **troubles within 24 hours.” (Baldwin Rebuttal at 71). Please respond to this “credit”**
9 **recommendation.**

10 A. Ms. Baldwin made a similar recommendation in her Direct Testimony, but this time she
11 attempts to justify it in the context of the magnitude of the potential credits compared to
12 the dollars at risk for Verizon MA in the current Service Quality Plan, which are one
13 percent of intrastate revenue. This is clearly inappropriate. The dollars at risk in the
14 current Service Quality Plan are for the operation of the entire plan, whereas her
15 recommended credits in this case are related solely to one metric – Troubles Cleared.
16 And she fails to note that her recommended credits do not replace the current Service
17 Quality Plan, they would be in addition to the dollars already at risk.

18 **Q. Should the Department impose penalties on Verizon MA for its failure to meet the**
19 **Troubles Cleared standard?**

20 A. No. There is no factual basis to support penalties. Moreover, to the extent an individual
21 customer experiences poor service quality, the customer has a remedy that was not
22 available in the past: The customer can discontinue its landline service with Verizon MA

1 and switch to another service provider. Penalties derived from failure to meet a metric
2 would represent double-counting, which is a risk that Verizon MA already bears since it
3 is subject to penalties under the existing Service Quality plan. Also, since part of the
4 business challenge facing Verizon MA (discussed earlier in this testimony) involves
5 providing adequate service in the face of declining revenues, it would only add to the
6 problem to take away even more revenues in the form of a regulatory financial penalty.
7 Most important, it would be bad public policy to attempt to require Verizon MA to
8 undertake what even Ms. Baldwin suggests would be unrecoverable costs to address the
9 less than 1 % of its customers who experience troubles lasting more than 24 hours in a
10 given month. To impose fines or penalties in the face of this reality would be to ignore
11 facts and attempt to retreat to a past that no longer exists. And any order premised on
12 these notions would clearly violate the Department's statutory obligation to consider the
13 financial ability of the carrier to comply with its directives.

14 **Q. In your Direct Testimony, you explained that Ms. Baldwin's proposal to require**
15 **Verizon MA to report statewide ARMIS service quality data to the Department**
16 **would amend the Service Quality Plan and falls outside the scope of this case. You**
17 **also explained that such continued reporting would undermine the FCC decisions**
18 **on reporting requirements. See Verizon Direct Testimony at 92, n. 35, 96-97. Has**
19 **Ms. Baldwin addressed either of these arguments in her Rebuttal testimony?**

20 A. No. She cites to our testimony, but in response she states only that "ARMIS measures
21 additional and different aspects of service quality, and the Department would benefit
22 from receiving this information." (Baldwin Rebuttal at 49.) We disagree with this

1 assertion for the reasons stated in our Direct Testimony, at 96-97. More importantly,
2 however, Ms. Baldwin does not respond to our arguments above, nor does she explain
3 how the Department can impose a new statewide reporting requirement on Verizon MA
4 in a case opened solely to investigate the quality of service in one particular region of the
5 state.³¹

6 **Q. The Intervenors propose a number of reporting requirements in their Rebuttal**
7 **testimony. For example, Ms. Baldwin argues that Verizon MA should be required**
8 **to disaggregate its monthly reporting of the BayPath SBU under the Service Quality**
9 **Plan between Eastern and Western Massachusetts. (Baldwin Rebuttal at 43.) How**
10 **do you respond?**

11 A. Ms. Baldwin's efforts to burden Verizon MA with additional reporting requirements are
12 inappropriate and unwarranted on the record. Her proposal to split reporting of the
13 BayPath SBU into two parts is yet another effort to revise the Service Quality Plan,
14 which is not within the scope of this proceeding. In addition, we have demonstrated that
15 service quality in Western Massachusetts is just, reasonable and adequate, and Ms.
16 Baldwin has offered no evidence to the contrary. Thus, there is no factual basis for
17 reporting Western Massachusetts separately from the rest of the BayPath SBU, and any
18 expense that Verizon MA would incur to meet such a requirement would be a waste of
19 resources.

³¹ Ms. Baldwin's attempt to compare Verizon MA's statewide service quality to service quality in other states (Baldwin rebuttal at 47) is likewise outside the scope of this case, and the Department should give it no weight.

1 The same reasoning applies to Ms. Baldwin’s proposal to require Verizon MA to
2 report annually its average repair intervals and unspecified “data” for repair intervals,
3 disaggregated by time periods and by residence and business customers. It is beyond the
4 scope of this case, and *no* additional reporting requirement is warranted here in any event
5 because service quality across Western Massachusetts is good.

6 **Q. Mr. Rowley argues that Verizon MA’s monthly reporting of trouble report volume**
7 **in the town of Middlefield in D.T.E. 06-6 proves that the company is capable of**
8 **reporting in that manner for all of Western Massachusetts, and he asserts that**
9 **Verizon MA has acknowledged that it is capable of evaluating its infrastructure in a**
10 **single town. (Rowley Rebuttal at 13-14.) What is your response?**

11 A. Mr. Rowley’s demand has no merit. Verizon MA already reports RPHL by wire center,
12 which is just as granular, and often more granular, than would be municipal reporting.
13 Municipal reporting would add nothing of value to the Department’s knowledge of
14 trouble report rates. In addition, Verizon MA’s system of tracking trouble reports is
15 necessarily geared to and organized by wire center in order to respond to and resolve the
16 trouble report. Verizon MA has no automated way of generating monthly reports of
17 troubles by municipality. The Middlefield case involved only a single town, and Verizon
18 MA was able to prepare its monthly reports for such a limited area manually. To do the
19 same for the entire region of Western Massachusetts - or to develop an entirely new
20 automated reporting system for that area - would be prohibitively time consuming and
21 expensive and, as noted, would serve no end. Finally, the fact that Verizon MA can

1 evaluate its infrastructure in a municipality says nothing about its ability to report
2 troubles by municipality.

3 **Q. Does this conclude your rebuttal testimony?**

4 A. Yes, it does.