

STATE OF NEW YORK

Public Service Commission

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12012/11-C-0173;10-C-0202

PSC CONSIDERS \$400,000 PENALTY AGAINST VERIZON

— Telephone Service Fails to Meet Service Standards Last October & December —

Albany, NY—02/16/12—The New York State Public Service Commission (Commission) today directed Verizon New York Inc. (Verizon) to show cause why the Commission should not commence a penalty action against for failing to comply with certain service quality metrics for wireline telephone service during the months of October and December 2011. The company must respond to the directive within 21 days of issuance of the Commission’s order.

The revised Service Quality Improvement Plan (SQIP) framework was implemented in by the Commission in December 2010. The Commission decision, recognizing diminishing need for regulatory protections due to the prevalence of competitive telecommunications alternatives, required Verizon to focus additional attention on its service quality efforts for core customers (i.e., customers lacking competitive wireline alternatives, are Lifeline customers, or have special needs).

Under the SQIP, if, among other things, Verizon falls below certain levels of performance, a penalty action is to be commenced by the Commission in the amount of \$100,000 per monthly failure to meet a required service quality performance metric. Verizon is the largest telephone company in New York State with approximately 4.4 million access lines.

In an oral report today to the Commission, staff of the Department of Public Service (staff) indicated that Verizon did not comply with the Commission’s timeliness-of-repair metrics in various service areas of the State for August, September, October, and December of 2011.

The Commission observed that the combined effects of Hurricane Irene, Tropical Storm Lee, and a work force strike in August and September of last year, impaired the company’s ability to meet its

performance metrics and, therefore, did not warrant a penalty action against Verizon. However, the effects of the aforementioned events did not excuse the company's performance results for October 2011.

In early September 2011, shortly after the work stoppage, Hurricane Irene and Tropical Storm Lee, Verizon began a month-long reduction in its work force. This resulted in fewer repair jobs being completed on a daily basis throughout the ensuing four weeks (i.e., early September into October). Staff noted a direct correlation between reductions in Verizon's work force and the rate of repairs that were completed during October 2011.

The company's reduction in its repair work force in early September 2011, before it eliminated its repair backlog, indicates to the Commission that the company knowingly failed or neglected to comply with the timeliness-of-repair performance requirements in the Commission's SQIP Order during October 2011.

Additionally Verizon failed to meet the Commission's timeliness-of-repair performance standards in December of 2011. The company did not request any relief under the SQIP Order for failure to meet required service quality metrics for core customers during December of last year.

Consequently, Verizon is directed to provide, within 21 days of the Commission's order, its explanation and legal analysis, as well as all evidence, as to why the Commission should not pursue a penalty action against the company for its failure to comply with the Commission's SQIP Order standards for timeliness-of-repair metrics (i.e., out-of-service longer than 24 hours or service affecting longer than 48 hours) during the months of October and December 2011.

The Commission's decision, when issued, may be obtained by going to the Commission's www.dps.ny.gov Web site and entering Cases 11-C-0173 and 10-C-0202 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).