

CONSUMER ALERT: Verizon and PUC Staff Sign Agreement.....

On Wednesday, May 17, 2006, the Public Utilities Commission (PUC) issued an Order of Notice which begins a proceeding to consider an Alternative Form of Regulation (“AFOR”) for New Hampshire’s largest incumbent telephone company, Verizon New Hampshire. The proceeding has been assigned Docket No. DT 06-072 and is based upon a negotiated Stipulation between Verizon and the Staff of the PUC. A Prehearing Conference has been scheduled on June 8th starting at 10:00 AM at 21 South Fruit Street, Concord. The notice states “The Stipulation proposes flexible pricing and outlines the regulations that would apply to Verizon in the future, if the Stipulation is approved.” What does this mean to New Hampshire ratepayers?

The proposed AFOR agreement would allow Verizon to increase or decrease basic telephone service rates at Verizon’s discretion. The Agreement proposes price caps on basic rate increases during the first few years of the plan. Verizon argues that the average residential customer in New Hampshire has several options available today for basic telephone service, i.e. wireless phone service, Voice over Internet Protocol (VoIP), or traditional phone service with the local cable provider under a bundled package. Verizon claims that the competitive market for traditional basic telephone service has matured enough in New Hampshire to warrant less, if any, regulation of Verizon’s local telephone service offerings.

The OCA warns that customers cannot be assured that high quality telephone service offered at just and reasonable rates will be preserved if the AFOR Agreement is approved. The OCA did not sign the Agreement because of two important issues. First, the OCA is strongly opposed to any plan for decreased regulation that does not include consumer protections. The proposed AFOR Agreement is silent on the important issue of consumer service quality protection. The OCA is firm in its position that some form of self-executing financial penalty and/or consumer credit system tied to poor service performance must be incorporated into any relaxed regulation plan for Verizon. New Hampshire is the only northern New England State, where Verizon operates as the dominant local telephone service provider, that does not impose some financial incentives on Verizon in the form of penalties or automatic credits to ensure service quality objectives are achieved and taken seriously.

To emphasize the importance of service quality concerns, the New Hampshire PUC currently has two open investigations involving service quality. The first is Docket DT 04-019 “Investigation into Verizon New Hampshire Quality of Service”. This case had its Prehearing Conference on May 11, 2004, and was initiated by action of the PUC Staff due to concerns of continuing decline of service quality. The second case, Docket No., DM 05-172 “Investigation into Utility Poles” was initiated by the PUC Staff via a memo dated October 20, 2005. This investigation arises from increasing complaints from consumers, predominately targeted at Verizon, regarding extremely slow response to requests for installation of utility poles. This case has expanded to include probes into ongoing maintenance issues, slow response to emergency situations and numerous other topics. Tremendous resources and time have been expended to date on both cases with no foreseeable end in sight for either. To reiterate, the OCA believes that if Verizon is allowed by the PUC to operate in a less regulated environment, a condition on the approval should be the requirement for a system of automatic financial penalties to ensure that

Verizon will have the incentive to meet and maintain standard quality of service for New Hampshire ratepayers.

The second issue is that Verizon and its predecessors have not had a full rate case/cost review since the last rate case that started in the late 1980s. In fact, the rates that today's consumers pay for basic telephone service are based on operations as they existed in 1988. Since that time, significant efficiencies have been achieved in the operations of telecommunications networks. Today's rates do not reflect the savings that should be realized by Verizon through mergers, technological innovations and downsizing activities. The OCA believes that before Verizon is given regulatory relief for retail pricing, a traditional rate case be undertaken to determine what the just and reasonable rates for basic local telephone service would actually be.

For more information or to register your concerns with the Stipulated AFOR Agreement as proposed please call the PUC at 271-2431 or toll free at 1-800-852-3793. We also encourage you to write your opinion of this docket in the form of a letter to:

Debra Howland
Executive Director & Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301-7319

Please note the docket number in your letter. Right now the PUC is hearing from Verizon that consumers have many different choices in phone service, including wireless, VoIP, cable etc. Let the PUC know if you have a choice! To view the Stipulated Agreement, please visit the PUC personally or contact them at 603-271-2431 for a copy.

The OCA is an independent state agency representing the interests of New Hampshire's residential utility ratepayers.

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