

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 5903

Investigation into Service Quality Standards,)
Privacy Protections, and other Consumer Safeguards)
for Retail Telecommunications Service)

Order entered: 7/31/96

ORDER OPENING INVESTIGATION
AND NOTICE OF HEARING

BACKGROUND

Vermont customers of telecommunications services have come to expect high service quality. Vermont law and policy embody the principle that all ratepayers are entitled to hold such expectations and to have those expectations met. The state's telecommunications goals enunciated in statutes specifically set out the objective of basic service at reasonable cost and "superior quality." 30 V.S.A. Section 202c. The State Telecommunications Plan, adopted by the Vermont Department of Public Service (the "Department") pursuant to Section 202d, also stresses the importance of maintaining high quality service that is "reliable, fast, and responsive to users' needs." Vermont Ten-Year Telecommunications Plan (1992) at 3.

The Board's previous decisions have embodied these principles. In 1988, the Board approved the Vermont Telecommunications Agreement ("VTA") between New England Telephone and Telegraph Company ("NYNEX") and the Department of Public Service. *Investigation of proposed "Vermont Telecommunications Agreement,"* Docket No. 5252, Order of 7/12/88 and *Investigation of proposed modified "Vermont Telecommunications Agreement,"* Docket No. 5282, Order of 12/30/88. Service quality criteria represented an essential factor in the Board's conclusion that it should approve the VTA and initiate incentive regulation for the state's largest telecommunications provider. More recently, the Board noted the critical importance of service quality, particularly in the context of non-competitive telecommunications services, where a company may operate under alternative forms of regulation and thus be less subject to routine oversight. *Investigation of proposed Vermont price regulation plan and proposed interim incentive regulation plan of New England Telephone and Telegraph Company AND Petition of Department of Public Service for an Investigation of New England Telephone and Telegraph Company Rates,* Docket No. 5700/5702, Order of 10/5/94 at 139-146 (hereafter cited as "PRP").

Service quality standards, such as those adopted during the VTA, and investment, operations and maintenance, and repair actions by the state's basic exchange carriers have

maintained service quality at high levels for the most part. The state has not been plagued with many of the service quality problems reported by ratepayers in states served by USWest.¹ Where service problems have occurred in Vermont, companies, the Department of Public Service, and the Board have taken steps to address those difficulties.² Nonetheless, increasing competition will place pressure on service providers to reduce costs. Not infrequently, companies seek to achieve this result through workforce reductions. At the same time, new services made possible by the rapidly expanding telecommunications capabilities may encourage a diversion of resources from deployment and maintenance of the basic network infrastructure to work on products that may offer greater immediate financial returns. These and other competitive pressures may leave a service provider with inadequately trained resources to maintain service quality at levels that ratepayers should expect.

Other aspects of competition may affect the type and quality of service consumers will experience in the future. In a competitive marketplace, service providers may choose to differentiate themselves in numerous ways. One such means of product differentiation entails the service quality for end users. In some instances, users may consider trading lower service quality for lower price; other consumers may seek service providers offering higher grades of service at a commensurate price. At this time, the Board does not intend to forestall such product differentiation, but allowing competitors to offer different grades of service does not require abandonment of service quality standards. All Vermont consumers deserve high quality telecommunications service enabling them to effectively use the network. This docket will examine the appropriate minimum service levels that all ratepayers should receive. So long as they meet the minimum criteria we establish, companies seeking to distinguish themselves from competitors on quality will have some flexibility to do so.

Similarly, technological changes have affected the potential for regulated entities to take actions that may affect individual's privacy interests. New services such as Caller ID raise the potential for increased privacy intrusions. Automated systems facilitate collection of information by carriers about customers and their network usage patterns. Companies that acquire this information, generally referred to as customer proprietary network information, have the capability to use or sell this data.

1. See, *Telecommunications Service Quality*, NRRI, March 1996 at 82.

2. For example, when NYNEX had trouble meeting its service quality standards in 1990 due to a strike, the Board opened an investigation into NYNEX's performance. *Investigation into quality of service offered by New England Telephone and Telegraph Company*, Docket No. 5386, Order of 6/20/90.

Historically, the Board has reviewed service quality and privacy issues in two settings: within cases addressing incentive regulation plans and on a case-by-case basis. The VTA and NYNEX Price Regulation Plan represented alternative forms of regulation. The service quality criteria incorporated into those plans ensured that customers would not see a degradation of service arising from the incentives inherent in the alternative regulation. The Price Regulation Plan also contained privacy conditions.³ Other service quality and privacy issues have arisen on a case-by-case basis, examining particular incidents or problems. See, *Investigation into Petition of Vermont Business Visions, Inc. d/b/a VBV-Online re: provision by Vermont Telephone Company, Inc. of intrastate services on an unregulated basis*, Docket No. 5866; *Investigation of New England Telephone & Telegraph Company's PHONESMART Call Management Services*, Docket No. 5404, Order of 2/12/92.

With the emerging competitive telecommunications environment, we believe that the ad hoc approach to setting service quality protections should yield to a more comprehensive examination. We stated our intent to conduct such an investigation in the context of NYNEX's Price Regulation Plan. *PRP*, Order of 10/5/94 at 146. The recent examination of competitive issues in Phase I of Docket No. 5713 highlighted the need to open the investigation now. *Investigation into NET's tariff filing re: Open Network Architecture, including the unbundling of NET's network expanded interconnection, and intelligent networks*, Docket No. 5713, Order of 5/29/96 at 69, 79.

The generic investigation into service quality issues will examine topics related to privacy and consumer protection, as well as what has been traditionally considered "service quality." This investigation will focus upon service quality for retail customers. It will not examine the quality standards for network functions and services purchased by competing service providers on a wholesale basis. Key questions will include:

1. What are the appropriate service quality standards for consumers?
2. Should the service quality standards become more or less stringent over time?
3. Should the Board adopt a consumer "bill of rights" setting out basic consumer protection standards?
4. What mechanisms should the Board adopt to enforce service quality criteria? Are direct payments to aggrieved customers appropriate?
5. What level of privacy protections should customers receive? To what degree should companies introducing products that diminish privacy be required to simultaneously

3. Reflecting the evolutionary nature of privacy intrusions, the original VTA had no conditions for privacy protections.

offer services that would protect against those intrusions (such as the call blocking capability deployed with Caller ID)?

Our goal is to complete this investigation by the end of May 1997. This will allow us to rely on the results in Phase III of the telecommunications competition proceeding, Docket No. 5713.

ORDER

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Public Service Board of the State of Vermont that:

1. Pursuant to 30 V.S.A. §§ 2, 203, and 209, an investigation into service quality, privacy protections, and other consumer safeguards for retail customers of telecommunications services is opened.

2. Pursuant to 30 V.S.A. § 8, George E. Young, Associate General Counsel, is appointed to serve as the Hearing Officer in this proceeding.

3. All companies authorized to provide basic exchange telecommunications services within the State of Vermont shall become parties to this proceeding.

4. Pursuant to 30 V.S.A. § 10(c), a prehearing conference will be held in this matter on Tuesday, August 13, 1996, at 3:00 P.M., at the Public Service Board Hearing Room, Third Floor, Chittenden Bank Building, 112 State Street, Montpelier, Vermont.

DATED at Montpelier, Vermont, this 31st day of July, 1996.

_____	)	PUBLIC SERVICE BOARD OF VERMONT
_____	)	
s/Suzanne D. Rude	)	
_____	)	
_____	)	
s/David C. Coen	)	

OFFICE OF THE CLERK

FILED: JULY 31, 1996

ATTEST: _____
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board of any technical errors, in order that any necessary corrections may be made.