

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
New York on December 13, 2000

COMMISSIONERS PRESENT:

Maureen O. Helmer, Chairman
Thomas J. Dunleavy
James D. Bennett
Leonard A. Weiss
Neal N. Galvin

CASE 00-C-0897 - Complaint of AT&T Communications of New York, Inc. Against Bell Atlantic-New York Concerning Bell Atlantic-New York's Management of the Primary Interexchange Carrier (PIC) Program.

CASE 00-C-0188 - Proceeding on Motion of the Commission to Examine the Migration of Customers Between Local Carriers.

CASE 87-C-8425 - Proceeding on the Motion of the Commission as to the Impact of the Modification of Final Judgment and the Federal Communications Commission Docket 78-72 on the Provision of Toll Service in New York State, filed in C 28425.

CASE 92-C-0665 - Proceeding on Motion of the Commission to Investigate Performance-Based Incentive Regulatory Plans for New York Telephone Company.

CASE 95-C-0154 - Joint Complaint of AT&T Communications of New York, Inc. and MCI Telecommunications Corporation Against New York Telephone Company Concerning Establishment of a Schedule to Implement IntraLATA Presubscription in all New York Telephone Company End Offices by no Later than December 31, 1995, filed in C 28425.

CASE 00-C-0897, et al.

CASE 95-C-0650 - Joint Complaint of MCI Telecommunications Corporation, AT&T Communications of New York, Inc., Sprint Communications Company L.P. and the Empire Association of Long Distance Telephone Companies, Pursuant to Section 97 of the Public Service Law, Against New York Telephone Company Concerning the Implementation of IntraLATA Presubscription in NYNEX Service Territories in New York State.

ORDER TO SHOW CAUSE, REQUESTING COMMENTS
AND CLOSING CASES

(Issued and Effective March 23, 2001)

BY THE COMMISSION:

SUMMARY

This order addresses several issues related to administration of the Primary Interexchange Carrier (PIC) freeze program by Verizon New York Inc. (Verizon).¹ In particular, it disposes, for now, of three filings: (1) the complaint filed by AT&T Communications of New York, Inc. (AT&T) alleging various problems with Verizon's administration of the PIC freeze program (Case 00-C-0897), (2) the local service provider freeze tariff filed by Verizon in Case 00-C-0188, and (3) the petitions for rehearing of a December 23, 1998 order filed by AT&T and WorldCom Communications, Inc. (WorldCom) in Cases 28425, 92-C-0665, 95-C-1054 and 95-C-0650).

In this order, we conclude that there is not sufficient basis to warrant any sanctions against Verizon for

¹ This program enables customers to prevent their toll service from being switched from their existing carrier to another without their express consent; that is, their service provider selection is "frozen."

activities complained of by AT&T. However, there is a need to continue to investigate Verizon's current and past practices in administering the PIC freeze program as well as to revisit our related policies in the current competitive environment. As a first step, therefore, we will solicit comments and replies from interested parties on the development of a system for freeze administration that will address the alleged shortfalls of the present PIC administration system as well as the local service provider freeze issues.

With respect to AT&T's complaint that carriers other than Verizon lack parity of access to information regarding a customer's freeze status, Verizon will be ordered to show cause why it should not immediately make available such information to all carriers on the same basis that the information is available to Verizon's own customer service or sales personnel.

Finally, we note that the petitions for rehearing of the Commission's December 23, 1998 order by AT&T and WorldCom are largely superseded by AT&T's complaint and our actions here. We considered those petitions at our September 1999 session, at which time we decided to deny them, although no order was issued. Now, because the concerns in the petitions have been raised anew in AT&T's complaint and will be addressed in this context, there is no longer a need for an order to be issued on the petitions for rehearing. We will therefore close Cases 95-C-0154 and 95-C-0650.

BACKGROUND

The PIC Freeze Framework

Since the break-up of the Bell System, customers have been able to choose their long-distance carrier and to have that company designated as their Primary Interexchange Carrier, or PIC. This process is referred to as "presubscription."

Customers generally change their PIC by authorizing a new long-distance carrier to request a change on their behalf from the local exchange carrier. As a protection against an unauthorized change in their PIC, known as "slamming," some customers have opted for a PIC "freeze" offered by the local exchange carrier. A freeze requires direct authorization by the customer to the local exchange carrier to lift the freeze before a PIC change can be made.

In its current form, as approved by both this Commission and the FCC, Verizon's PIC freeze system is based on an automated telephone response system, referred to herein as the "VRU" or "Voice Response Unit."² A customer accesses the VRU by dialing a toll-free number and, following scripted prompts, entering the phone number and Verizon local account number to which the PIC freeze relates. The VRU System is used both to impose and to lift freezes.

Procedural History

Because we have considered many of the issues raised by AT&T previously, we briefly review here some of the pertinent history of these proceedings.

A customer's ability to pre-subscribe to his or her choice of intraLATA toll carriers first became available in New York in December 1995 when the Commission directed Verizon to implement intraLATA presubscription (ILP) in accordance with a

² Verizon originally contemplated the system to be voice activated; thus it was called the "Voice Response Unit." Even though the system is not now voice activated, we retain that terminology since it was used by Verizon throughout this proceeding.

modified ILP tariff.³ The Commission approved a proposal by Verizon to provide an automatic freeze of intraLATA carrier (to Verizon) for customers that already had a pre-existing freeze on their interLATA PIC. After an initial period in which Verizon would accept customer designations of an intraLATA carrier, Verizon then accepted orders to change carriers from the new interexchange carrier (IXC) properly authorized by the customer. Where a PIC freeze was in place, a three-way call among Verizon, the IXC and the customer was necessary to lift the PIC freeze and process the change order.

In a December 15, 1997 order,⁴ we determined to treat a Sprint petition for rehearing of the prior order as a petition for reconsideration, focused on whether Verizon was properly fulfilling the role of order-taker during the three-way calls and, on a prospective basis, whether Verizon was properly freezing customer accounts only upon a customer's request. We concluded that the then-current three-way call process used by Verizon to handle intraLATA PIC change orders on frozen accounts needed to be modified. We therefore directed interested parties to comment on proposals for third-party verification by an independent party or a LEC-provided 24 hour/7 days per week voice mail system, such as the current VRU, or to recommend other alternatives.

Following renewed complaints from the interexchange carriers that Verizon's personnel were marketing its toll services during three-way calls, we issued an order on

³ Cases 28425, 92-C-0665, 95-C-0154 & 95-C-0650, Order Directing New York Telephone Company to File By Revised Tariffs Implementing IntraLATA Presubscription (issued December 1, 1995).

⁴ Cases 28425, et al., Order Granting In Part and Denying in Part Petition for Reconsideration.

December 23, 1998, approving an intraLATA freeze plan based on the VRU.⁵ This order noted that the VRU system met the criteria of being secure, verifiable and not placing unreasonable requirements on the customer. In addition, we noted that the merit of the VRU system was that it was likely to minimize customer contacts with Verizon representatives. If the system defaulted to a Verizon customer representative, our order prohibited that representative from marketing Verizon's service or trying to win back the customer. We also required Verizon to inform customers annually regarding their PIC freeze status, the existence of the automated system, and use of the system.

Also on December 23, 1998, the Federal Communications Commission (FCC) issued its Carrier Change Order implementing new rules to prevent slamming.⁶ These rules were, in some respects, inconsistent with the procedures that we ordered Verizon to adopt. In particular, under the FCC's PIC freeze verification rules, electronic authorization would require the subscriber to call a toll-free number from each telephone line on which a PIC freeze was to be imposed, whereas under Verizon's VRU, customers could call from any telephone line to administer PIC freezes. Consequently, Verizon sought a waiver from the FCC to the extent necessary to allow it to use the VRU as authorized in our order. Following the FCC's grant of the waiver on August 6, 1999, Verizon filed tariff revisions to implement the VRU.

⁵ Cases 28425, et al., Order Adopting New York Telephone Company's IntraLATA Freeze Plan with Modifications.

⁶ Implementation of the Subscriber Carrier Selection Change Provisions of the Telecommunications Act of 1996 and Policies and Rules Concerning Unauthorized Changes of Consumers Long Distance Carriers, CC Docket No. 94-129, Second Report and Order (issued December 23, 1998) (Carrier Change Order).

AT&T and WorldCom filed petitions for rehearing of our December 23, 1998 order. Although the Commission decided to deny these petitions at our September 1999 session, no order was issued. Rather, on-going developments, such as the filing of the present complaint, largely eclipsed the issuance of that order.

The AT&T Complaint

On May 18, 2000, AT&T filed its complaint and petition against Verizon. AT&T's complaint challenges the design of Verizon's VRU system as unworkable and a hindrance to customers' ability to select the carrier of their choice in the competitive market. AT&T alleges that Verizon has abused the system, has not followed the applicable rules of this Commission and the FCC and has given its own long-distance affiliate preferential treatment. AT&T also alleges that Verizon has engaged in what it terms "jamming," that is, imposing freezes upon customers' PIC choices in favor of Verizon's intraLATA toll service without authorization. AT&T also complains that unequal access by carriers to information about which customers have PIC freezes in place contributes to an anti-competitive effect of Verizon's PIC freeze administration. AT&T seeks sanctions and also proposes sweeping reforms to the current PIC freeze system.

On June 9, 2000, the Commission invited comments from interested parties on AT&T's petition and required Verizon to file a response to that petition. In addition to Verizon, Teligent Services, Inc. (Teligent), WorldCom and Metropolitan Telecommunications (MetTel) filed initial comments. Reply comments were submitted by AT&T, Z-Tel Communications, Inc. (Z-Tel), WorldCom and Verizon.

WorldCom notes generally that it has experienced frustrations similar to those of AT&T in the placing and lifting

of PIC freezes and has argued in the past, as it does now, for the real need for a third-party administrator. However, WorldCom has not supported its claims with any facts or details. Sprint, a major long distance provider in New York, filed no comments at all. MetTel states that it has not experienced the specific problems related to PIC freezes of which AT&T complains. Nevertheless, it argues for an objective neutral administrator of the PIC freeze program. Z-Tel offers no specific complaints but generally supports AT&T's petition and the views of the other competitive carriers. It supports the proposal for a neutral PIC freeze administrator. Teligent also fails to support the specifics of AT&T's complaint but raises a separate issue, namely, a three-to-five business day delay in getting a customer's PIC freeze lifted, instead of the 24 hours it should take.⁷ The more detailed allegations by AT&T and the other parties' responses are discussed issue-by-issue below.

DISCUSSION

Automated System for Lifting PIC Freezes

In its Complaint, AT&T alleges that the existing VRU system for placing and lifting PIC freezes is flawed, both by design and by execution. AT&T cites several problems with this system: (1) use of the six-digit account number as a security code, (2) required use of the VRU, (3) delays in defaults from the system, and (4) PIC freeze lifts for multiple billed telephone numbers.

⁷ In light of our decision to reopen these matters generally, we do not decide this specific issue here.

a. Security Codes

In order for a PIC freeze to be placed or lifted using the VRU, customers need a six-digit account code from their Verizon bill. AT&T alleges that more than 50 percent of its potential customers, whether contacted on an outbound telemarketing call or on a self-initiated, inbound call, do not have a copy of their Verizon bill readily at hand. AT&T explains that, even when customers call AT&T with the express purpose of changing their toll carrier, they have no reason to believe that they will need their Verizon bill to complete the sales transaction. In this instance, customers cannot or do not want to be bothered to locate their Verizon bill to get the six-digit code. Thus, these customers are unable to use the VRU system. AT&T believes that this is an enormous system defect. WorldCom notes that there is no reason to expect the customer to have the six-digit code handy, and yet the system does not accept alternate identification (e.g. social security number).

Verizon indicates that the VRU system has call tracking capabilities, which indicate the number of successful calls made by customers that entered the six-digit code. During the period of August 1999 through May 2000, of the 282,955 calls made to the VRU, the customer's telephone number and six-digit code were successfully entered into the system on 258,058 calls (91.2 percent). Information obtained from Verizon, including the VRU script, suggests that, if a customer does not enter the six-digit account number at the appropriate prompt, the call defaults to a customer service representative during business office hours or to a recording advising the caller to call back during business office hours.

Verizon notes that any automated system needs an adequate authentication process. The use of some other customer-specific code would require extensive data collection

and time-consuming enhancements to the system. However, the company has provided no facts as to time or costs.

Our December 23, 1998 order noted that any freeze administration method must be secure and verifiable and must not place unreasonable requirements on the customer. At that time, the VRU system, using the Verizon account number for security, appeared to most reasonably meet all of these criteria. AT&T has not raised any new argument with respect to this particular aspect of the VRU that was not previously considered.

However, changes in the competitive environment make the issue of a neutral means of providing a security code for customers ripe for discussion among interested parties. In the meantime, Verizon shall not, when selling long distance services, provide the customer with the VRU security code or otherwise utilize its access to the account number in a way that its competitors cannot.

b. Required Use of VRU

AT&T alleges that, a majority of the time, when it attempts to use a three-way call with the customer and Verizon to lift a PIC freeze, Verizon representatives insist that the customer use the VRU system before a service representative can help them and, on some occasions, customers have been told that the only way to lift a PIC freeze is to use the VRU. AT&T complains that Verizon's service representatives persist in referring callers to the VRU, even when the customers indicate the call will not be successful because they do not have their account code available. This pointless exercise leads to an even longer marketing call duration, which causes customers to lose interest in switching their telephone service. WorldCom supports AT&T's contention that Verizon will not allow three-way

calls to lift PIC freezes unless the IXC and customer have tried and failed to use the VRU.

In response to AT&T's complaint, Verizon notes that the Commission's December 23, 1998 order clearly contemplated that the VRU would be the standard means for placing or lifting PIC freezes. Nonetheless, Verizon disputes the accuracy of the IXCs' allegations that customers are forced to use the VRU. It notes that its practices indicate that in instances in which customers are unable to or refuse to use the VRU, the representatives should process the request.

Our review found that Verizon's practices, as written, support the use of the VRU as the primary, but not the exclusive, means of placing or lifting PIC freezes. It appears that it depends on how assertive a customer is in refusing to use the VRU as to whether that customer is redirected to the VRU system.

FCC rules require Verizon to allow a three-way conference call with the carrier submitting the PIC change.⁸ Because these rules were issued at about the same time as our December 1998 order, our order does not reflect the mandate of three-way calling. Nevertheless, Verizon should be complying with FCC directives and should not be refusing to offer this alternative.

c. Default Calls

AT&T alleges that, when a customer defaults from the VRU system, often the calls receive a "ring no answer" rather than reaching a service representative. WorldCom asserts that there is excessive hold time for these re-routed calls. The

⁸ 47 C.F.R. §64.1190(e).

implication is that Verizon is routing VRU default calls to some sort of a dead end.

In response, Verizon indicates that, once a caller using the VRU enters his or her telephone number, calls are routed to the residence or business service center that handles that exchange. There, calls go into the regular queue and are not routed to special representatives. Thus, customers desiring to change their PIC freeze receive the same response time or service that all Verizon customers do when calling the company.

Because these calls are handled in the same manner as calls from Verizon's retail customers, the IXCs and their customers receive parity in treatment. The service quality requirements in Verizon's Performance Regulatory Plan (PRP) govern how quickly Verizon answers its calls (e.g., percent of calls answered, average speed of answer).

This is another area in which the changing competitive climate makes it advisable to review whether current procedures should be modified. Parties should comment on whether PIC freeze calls should be handled separately from other service matters, by representatives who receive no financial incentive to sell Verizon services.

d. Multi-BTN Freeze Lifts on a Single Call

AT&T alleges that the VRU requires a customer with multiple billing telephone numbers (BTNs) to hang up and dial again to lift the freeze(s) associated with each BTN. AT&T also contends that such a multi-BTN customer would also likely have several six-digit codes, thereby further burdening the process.

Verizon provided a copy of the VRU script which supports its contention that multiple BTNs can be processed on a single phone call. In addition, Verizon notes that an enhancement of the VRU system, which was expected in the fourth

quarter of 2000, will allow customers to have varying PIC freeze statuses for individual lines billed under a single BTN.

Our review suggests that this aspect of AT&T's complaint is not well-founded. If carriers continue to feel there is an issue here, they should provide substantiated information to support their position. In the meantime, we will direct Verizon to report on its completion of the VRU enhancements.

Three-Way Calling

As noted above, a three-way call among the customer, the IXC marketer and a Verizon representative is an alternative to the VRU for lifting PIC freezes. AT&T claims that Verizon's three-way calling is "characterized by persistent abusive and anti-competitive behavior." In order to support this claim, AT&T presents the results of two studies it conducted, in which its marketing representative recorded the results of attempts to lift PIC freezes. In the first study of 265 three-way PIC freeze lift calls for residential customers, AT&T alleges that the Verizon representative attempted to cross-sell Verizon's toll services on 26 calls (9.8%).

AT&T also complains of cross-selling during 4% of 102 business calls in the second survey. Verizon denies AT&T's allegations. Verizon asserts that the surveys are "riddled with errors" and thus, fail to support AT&T's claims. According to Verizon, 91 of the 315 customers AT&T counts in its residential survey (29%) are not legitimate Verizon local customers; rather they are out-of-state, non-existent, independent, CLEC or reseller customers. Verizon challenges the notations of cross-selling made by AT&T representatives on the surveys, stating that it cannot respond without more information about what was allegedly said during the calls. Finally, Verizon asserts that,

even if cross-selling did occur, the number of instances according to AT&T is small and insignificant.⁹

Verizon correctly notes that AT&T's surveys do not provide a sufficient basis for concluding that improper cross-selling occurred. Without tapes or transcripts of the calls in AT&T's surveys, the only way to verify its complaints would be to contact the individual customers whose numbers are included in the surveys. In light of our reconsideration of the entire structure of Verizon's freeze program, we do not deem such an investigation to be justified at this time, but it remains an available course of action. We urge parties to address the procedures for three-way calling when commenting on alternatives to the PIC freeze program.

Verizon Rules For Lifting PIC Freezes
For Customers Buying Its Long Distance Services

AT&T claims that Verizon offers customers switching to its own toll service more efficient processes for lifting PIC freezes than it offers to customer migrating to its competitors. AT&T bases its claims on Verizon's access to customers' freeze status information and the six-digit billing code used as security in lifting a PIC freeze, as well as Verizon's presumed better treatment on three-way calls or the lack of need to have such calls at all. It also cites one test call performed by WorldCom in which a Verizon representative selling long distance allegedly lifted a PIC freeze without any resort to the VRU or reference to a customer's six-digit account number. In essence,

⁹ Cross-selling by Verizon on three-way calls is a violation of our prior orders. Therefore, we take issue with Verizon's attempts to portray the incidence of cross-selling, if it did occur, as insignificant.

AT&T asserts that Verizon has exempted itself entirely from the PIC freeze rules when it comes to its own customers.

Verizon claims that customers wishing to switch to Verizon toll services are treated exactly the same as IXC customers. It also states that its long distance affiliate has no special means for unfreezing PICs. Verizon notes that the greatest significance of the alleged WorldCom test call lies in the fact that AT&T has been unable to duplicate the result; it remains one isolated allegation.

Verizon may not offer its own toll service customers more efficient processes for lifting PIC freezes than it offers to its competitors. As discussed elsewhere in this order, there may be the potential for Verizon to be able to lift a PIC freeze more efficiently than a competitive carrier, which warrants the re-examination we are ordering here.

InterLATA and IntraLATA PIC Freeze Levels

AT&T alleges that the pattern of imposing and lifting PIC freezes for intraLATA and interLATA services in New York shows that Verizon has engaged in freezing customers without their knowledge or consent, which AT&T has termed "jamming". This allegation renews claims made in connection with a December 1996 Sprint complaint before this Commission in which parties questioned the disparity between Verizon's percentage of intraLATA PIC freezes versus interLATA PIC freezes. AT&T admits that the evidence offered in its complaint is not conclusive but requests an audit be conducted to determine whether the "anomalous data" reflect unauthorized freezes by Verizon.

In its response, Verizon explains that the "Commission authorized it to freeze on an intraLATA basis any line that was already frozen on an interLATA basis" at the time of the ILP cutover of 1996. Verizon indicates that after ILP

implementation, the Commission's authorization resulted in the April 1996 level of 1.099 million frozen interLATA lines being roughly equal to the 1.089 million intraLATA frozen lines. As of May 2000, Verizon indicates that 4.37 million intraLATA lines and 3.58 million interLATA lines were frozen. Verizon states that these numbers are not "particularly suspicious or anomalous." Verizon asserts that PIC freeze levels are decreasing faster in the interLATA market, which is not surprising in Verizon's view, due to the "frenetic advertising and promotional activity" in the long distance market. AT&T challenges Verizon's explanations then and now for the intraLATA PIC freeze levels.

Verizon subsequently supplied confidential information demonstrating the percentage of customers that have frozen their PIC choice to Verizon compared to the rest of the market, for both interLATA and intraLATA service, in July 1999 and July 2000. These data support AT&T's argument that there is an unusual disparity between intraLATA and interLATA PIC freeze rates, which continues to the present day.

Verizon's explanations of the relative levels of intraLATA and interLATA PIC freeze rates do not appear to explain the entire disparity. First, Verizon focuses on the equality of intraLATA and interLATA PIC levels at the onset of ILP; but it sheds little light on how the level of intraLATA freezes grew by a rate that was higher than the growth in interLATA freezes between April of 1996 and July of 1999. Second, Verizon's numbers show that, between July 1999 and July 2000, the decrease in the number of intraLATA lines frozen was slightly more than the decrease in the number of interLATA lines frozen. This relative decrease in frozen lines seems inconsistent with Verizon's explanation regarding the more active nature of interLATA marketing.

Until we can adequately explain the disparate levels of intraLATA and interLATA PIC freeze rates, we cannot rule out that these relative freeze rates indicate a problem. At the same time, we find no proof of AT&T's allegation that customers' intraLATA PIC choices have been frozen without their authorization. It is noteworthy that the Department has not received a single customer complaint alleging such unauthorized activity. This matter is continuing to be explored.

Access to Freeze Status Information

AT&T alleges that each year, Verizon rejects hundreds of thousands of bona fide customer requests to change preferred carriers because neither the customer nor the carrier has an effective means of determining that a PIC freeze is in place before submitting an order that requests a PIC change. It is important for carriers to determine the freeze status of the potential customer's line when marketing long distance services to a potential new customer. If the IXC knows that there is a freeze on the customer's PIC, it can participate with the customer in lifting the PIC freeze via the VRU or a three-way call with Verizon or, at a minimum, advise the customer of the steps that must be taken to lift the freeze. If there is no freeze on the customer's PIC choice, the IXC can complete the order during the initial marketing call and submit the change directly to Verizon without the need for the customer to take any other step. In contrast, if a PIC change order is submitted on an account that is frozen, the order will be rejected. The IXC will then have to go back to the customer and initiate the sales process all over again. AT&T alleges that, at that point, more often than not, the customer will not change but will leave his toll service as is.

There are three methods by which carriers obtain information as to whether a customer has a PIC freeze in place: Verizon's Xpress Electronic Access system (XEA), Verizon's operations support system (OSS) or Verizon's legacy ICRIS systems (available only to Verizon's own service representatives).

Under XEA, Verizon assesses a fee of either 5 cents or 15 cents per customer record for PIC status information, depending upon whether the information is for a single telephone number or for all telephone numbers associated with a single billed telephone number. AT&T complains that the XEA system does not work and that AT&T has not been able to use it successfully to interact with Verizon's systems. Moreover, AT&T argues that the system is too expensive. When there is no real time access, AT&T must order data for all customers ahead of time, since it does not know which customer's information it will need at any one time. WorldCom complains that "XEA's purported usefulness is significantly diminished" relative to Verizon's own method of using ICRIS to obtain PIC freeze status information, due to the high cost of obtaining information via XEA and the restricted hours of availability of the XEA system.¹⁰

Verizon argues that the XEA does provide real time access to freeze status data and alleges that 110 carriers have contracts to use the XEA. However, Verizon has acknowledged that the system, first introduced in November 1999, has not yet been perfected. Specifically, a fire wall protection in the system has prevented AT&T and others from using it successfully.

¹⁰ According to WorldCom, XEA availability is restricted to 6:00 a.m. to 9:00 p.m., Monday through Saturday.

Currently, there is no charge to local exchange carriers for accessing PIC information via the OSS.¹¹ However, Verizon does not believe that access to the OSS system by a company not providing local service is an appropriate use of Verizon's wholesale local service interfaces. Consequently, Verizon has refused access to the OSS to AT&T's long distance sales operations, where they are not connected with sales representatives that market local service.

Initially, in its response to AT&T's complaints, Verizon asserted that its long distance affiliate has an XEA contract, thereby implying that Verizon's long distance affiliate uses the XEA system to ascertain a customer's PIC freeze status. However, Verizon admits that a customer who calls Verizon reaches a customer service representative (who can sell both local and long-distance service), who checks that customer's freeze status on the ICRIS system. Verizon asserts that this is a service performed for the customer, not Verizon's long distance affiliate. The terms and conditions by which Verizon accesses customer PIC information via ICRIS do not appear to be specifically addressed by the joint marketing agreement between Verizon and its long-distance affiliate.

Competitive equity requires that competitors in the long distance market have access to customer PIC status information under equitable terms and prices. Therefore, we are ordering Verizon to show cause why it should not make available information on a customer's PIC freeze status to all carriers, whether local or interexchange, on the same or equivalent basis that the information is available to Verizon's own customer service or sales personnel.

¹¹ A charge was proposed by Verizon in Phase 2 of the UNE proceeding but rejected.

Local PIC Freeze Tariff

In its complaint, AT&T stresses that the issues it raises must be resolved, because the playing field has changed and local exchange competition is beginning to be real. That reality takes the form of Verizon's filing a tariff seeking to extend its function as administrator for a new local service freeze program. AT&T asserts, "In this environment, Bell Atlantic's incentives to manipulate the PIC freeze process for competitive advantage can only grow to reflect the importance of the interLATA market that it has just entered and the local market that it seeks to defend." (AT&T Complaint, pp. 8-9).

On January 24, 2000, Verizon filed proposed tariff revisions that would introduce a Local Service Provider Freeze option to its local customers. This offering would allow customers to freeze their local service to prevent changes in their local service provider without their consent. It would be available to all Verizon customers who request it and could be imposed or lifted independently of other types of preferred carrier freezes such as those applicable to inter and intraLATA toll carriers. The customers that request implementation or removal of such a freeze would be directed to the VRU system. The company has advised that the offering would not be advertised; rather, new and existing customers would have to request this option in order to receive it.

On March 27, 2000, the Commission issued a notice inviting comments on this proposal.¹² Nine parties -- AT&T; Broadview Networks, Inc.; Choice One Communications of New York; Inc., CoreComm New York, Inc.; CTSI, Inc.; MGC Communications; Inc. d/b/a Mpower Communications Corp.; RCN Telecom Services of New York, Inc.; Winstar Communications, Inc.; and WorldCom --

¹² Case 00-C-0188, Notice Requesting Comments.

filed comments. Three parties - NYS Office of the Attorney General, WorldCom and Verizon -- filed reply comments. Verizon filed a response to the reply comments on July 7, 2000.

The nine initial commenters overwhelmingly oppose the Local Service Provider Freeze option. They state that the filing is premature and inappropriate, especially since it allows the carrier with the most to gain by freezing customers, Verizon, to be the custodian of the freeze process. Many also stated that the incidence of local slamming complaints is not sufficient to warrant local service freezes. The commenters believe that the issues related to carrier selection freezes should be the subject of the collaborative discussions in the local migration case, Case 00-C-0188.

In its reply comments, the Office of the Attorney General (OAG) states that instituting a freeze would create an unnecessary risk to local competition, especially since Verizon has a monopoly on facilities essential to local competition and is the overwhelmingly dominant carrier in its service territory. The OAG also believes that the collaborative process currently underway in the migration case is the forum for reconciling conflicting issues regarding local provider freezes. WorldCom states that, if local service provider freezes are implemented, it is essential that real time access to local service provider freeze information be available to CLECs. WorldCom also points out that, in a proceeding in Massachusetts, Verizon acknowledged that its systems could not support requests for local service provider freezes placed by CLECs providing service via UNE-P. Therefore, WorldCom argues, it would be unfair to allow Verizon to tie up its market share under such conditions.

Verizon's reply notes that the commenters challenge the whole concept of a freeze, ignoring the fact that the Commission and the FCC both support preferred carrier freeze

programs. The freeze option protects customer choice and is therefore pro-consumer and pro-competitive. With the rise of local exchange competition, local freezes should have an increasingly important role. In the first quarter of last year, Verizon received more than 7,700 local slamming complaints from New York customers.¹³ Verizon notes that, although the FCC is addressing the issue of third-party freeze administration pursuant to a notice of proposed rulemaking, that is no reason to delay implementation of a freeze option while that issue is being discussed.

In a further response dated July 7, 2000, Verizon states that WorldCom's reply comments are untimely and should be ignored. Verizon also asserts that:

- 1) the Massachusetts Department of Telecommunications and Energy did approve a local freeze;
- 2) the real time access to PIC freeze information for interexchange carriers is provided through the XEA system;
- 3) PIC freeze status can be obtained from the Customer Service Records through Verizon's wholesale OSS interfaces;
- 4) a local freeze option should not be held up by a technical problem relating to CLEC customers serviced through UNE-P; and,
- 5) the placement of a local freeze will not prevent line sharing on that line.

We have supported the use of intraLATA and interLATA PIC freezes as a means for preventing slamming. That position would ordinarily lead us to support the concept of a local

¹³ This compares to 316 local slamming complaints received by the Department's Office of Consumer Services for the first quarter of 2000 and 773 local slamming complaints from January 1, 2000 through October 31, 2000.

freeze because it will help to prevent slamming and it appears that customers want the option of freezing their local provider. However, in light of the rapidly changing local telecommunications market and our competitive concerns related to the current PIC freeze system, Verizon's proposed tariff revisions should not become effective during our evaluation of the entire freeze system.¹⁴

CONCLUSION

Our analysis of much of AT&T's complaint has yielded inconclusive results. Consequently, the institution of a penalty action or imposition of the other sanctions sought by AT&T in this case is not warranted at this time, although continued investigation is needed. While our investigation into Verizon's current and past practices in administering the PIC freeze program is continuing, our review of the issues raised in the complaint suggests the need to revisit our policies independent of that continuing investigation.

Verizon has now entered the interLATA toll market and has thus become a major competitor for customers' interLATA service. Verizon's personnel are now used in a blended effort to sell local, intraLATA and interLATA toll services. At the same time, competition is increasing in the local market. Under these circumstances, a system based on Verizon as the freeze gatekeeper may no longer be appropriate. Rather, a more neutral system should be considered. Consequently, we will seek proposals by interested parties of alternatives to the current PIC freeze process or necessary changes to the existing procedures and systems.

¹⁴ To date, the effective date of the proposed tariff has been postponed to May 1, 2001 by Supplement No. 639.

We urge commenters in particular to address use of an independent administrator or "Super TPV." AT&T suggests that a long-term solution is to replace Verizon as the administrator of the PIC freeze and PIC change program with an independent, neutral third-party administrator. Another alternative is the so-called "Super TPV." Currently, most IXCs contract with third party verifiers (TPVs) to verify a customer's request to switch its pre-subscribed long distance carrier. Unlike a traditional TPV, the Super TPV would confirm authorization for both the PIC change and the lifting of a PIC freeze all in one telephone conversation with the customer, allowing the IXC to submit both orders to Verizon without further customer action. However, any proposal based on the Super TPV model would have to address the FCC's concerns with respect to the use of a "Super TPV" for lifting PIC freezes.¹⁵

Parties are encouraged to propose other alternatives as well. Any proposal should be competitively neutral and address the concerns outlined in this order, including what security measures could be used to protect the privacy of the customer. For any proposals in which Verizon continues to administer the PIC freeze system, parties should comment on the establishment of carrier-to-carrier metrics to monitor the effectiveness of the system.

Pending completion of our reevaluation of Verizon's freeze system, the proposed local service freeze tariff should continue to be postponed, until we are convinced that the systems and procedures meet the concerns discussed here.

¹⁵ CC Docket 94-129, Implementation of the Subscriber Carrier Selection Changes Provisions of the Telecommunications Act of 1996, Second Report and Order, FCC 98-334, December 23, 1998, ¶131.

In the meantime, we will order Verizon to show cause why it should not be directed to immediately make available information on a customer's PIC freeze status to all carriers, whether local or interexchange, on the same or equivalent basis that the information is available to Verizon's own customer service or sales personnel, with customer consent as appropriate. Verizon should also demonstrate what charges its long-distance affiliate pays for access to PIC freeze status information.

Finally, because the concerns in the petitions for rehearing to Cases 95-C-0154 and 95-C-0650 have been raised anew in AT&T's complaint and will be addressed in this context, there is no longer a need for an order to be issued on the petitions for rehearing and Cases 95-C-0154 and 95-C-0650 are closed.

The Commission orders:

1. Verizon New York Inc. shall show cause, within 30 days from the effective date of this order, why it should not immediately make available information on a customer's PIC freeze status to all carriers, whether local or interexchange, on the same or equivalent basis that the information is available to Verizon's own customer service or sales personnel. Verizon New York Inc.'s filing shall include a showing of what charges its long-distance affiliate pays for access to PIC freeze status information. Verizon New York Inc.'s filing shall also report on the status of efforts to correct problems with accessing the XEA system referred to in this order. Fifteen (15) copies of Verizon New York Inc.'s response shall be filed on the Secretary and Verizon New York Inc. shall also serve its filing on the parties on the service list created pursuant to the notice referred to in ordering clause 2, below.

2. Interested parties are invited to submit comments and reply comments proposing desired changes or alternatives to the current PIC freeze system, as well as application of such changes or alternatives to a local service freeze, consistent with the discussion in this order. The Secretary shall issue a Notice establishing a schedule and providing for creation of a service list for exchange of comments and replies.

3. Within 30 days from the date of this order, Verizon New York Inc. shall report to the Director of the Office of Communications on recent enhancements to its VRU system that accommodate multiple billing telephone numbers as discussed in this order.

4. Cases 95-C-0154 and 95-C-0650 are closed.

5. Cases 00-C-0897, 00-C-0188, 28425, and 92-C-0665 are continued; however the filings required and comments invited by this order and subsequent filings related thereto should reference only Cases 00-C-0897 and 00-C-0188.

By the Commission,

(SIGNED)

JANET HAND DEIXLER
Secretary