

1 *Service Quality*

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3 **Q. What remedies are available for compelling adequate service?**

4 A. The Commission can impose rate of return penalties for service inadequacies due to
5 mismanagement in general rate cases for LECs that are not under price regulation. The only
6 other avenue available for addressing service problems is to order the LEC to show cause
7 why it should not be subject to fines and penalties or to have its certificate revoked for failing
8 to provide “adequate, efficient and reasonable service” as called for in the Rule. [Rule p. 2]
9 A utility found in violation of any of the Rule R9-8 standards is potentially subject to a
10 penalty of up to \$1,000 a day for each offense. However, actions to collect such penalties
11 must be instituted in Superior Court. Any monies which are forfeited pursuant to this
12 mechanism are remitted to the State, and not to the consumers who may have been harmed
13 by the violations.

14 The Commission could specify penalties for failing to meet the objectives contained
15 in Rule R9-8, but any such effort would be time consuming and likely to be contested.
16 Considering the limited resources which are available for enforcement of such penalties, and
17 considering the complexities, costs, and risks which are inherent in any litigation, the Public
18 Staff believes a system of self-enforcement with built-in incentives for improving quality
19 offers the potential for providing a far superior remedy for this problem.

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21 **Q. Do you believe the Joint Stipulation will help improve existing service quality**
22 **deficiencies ?**

23 A. Yes. The Joint Stipulation is structured to give BellSouth the incentive and opportunity to
24 address service inadequacies prior to the time its price cap Plan is reviewed. BellSouth has
25 agreed to various penalties if it does not meet eight key service objectives, all but one of
26 which are currently outlined in Rule R9-8. The exception, out-of-service troubles cleared
27 within 24 hours, has a required success rate of 90% by the eighth month following the

1 initiation of the revised Plan. The penalty structure outlined in the Joint Stipulation, reads as
2 follows:

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4 “If BellSouth’s yearly average statewide service result for a given
5 service measurement satisfies the objective as outlined in item 1, no
6 penalty will be assessed for that service measurement even though
7 one or more monthly measurements of that objective was missed. If
8 BellSouth’s yearly average statewide service result for a given
9 service measurement falls below the objective, a \$10,000 monthly
10 penalty per unit missed will be accrued. ...In the case of trouble
11 reports and repeat reports, which are expressed as minimums and
12 decimal numbers, each additional percent above the existing
13 objective will prompt a \$10,000 penalty.” [Joint Stipulation, p. 6]
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15 Additional penalties may be assessed at the end of the year for missing service quality
16 targets, some as much as \$1 million per service measurement. This self-enforcing
17 mechanism should be preferable to the normal penalty process, since it will allow BellSouth,
18 the Commission and the Public Staff to direct their resources where they will do the most
19 good for consumers, rather than expending resources on litigation in Superior Court.

20 The current price cap Plan does not contain any provisions for service quality
21 improvements, and BellSouth lacks any strong incentive to maintain or improve service
22 quality. In contrast, the Joint Stipulation gives BellSouth a monetary incentive to meet
23 Commission objectives and, in turn, lower the incidence of billing problems and other
24 service complaints. Consumers stand to benefit from any improvements which are achieved
25 as a result of these new incentives. These incentives are real and substantial. This self-
26 enforcing mechanism will allow the parties to direct their resources where they will do the
27 most good for consumers, by actually improving service quality, rather than debating
28 whether or not the existing deficiencies are severe enough to justify enforcement action in
29 Superior Court. Moreover, the Public Staff will be closely monitoring this aspect of the
30 revised Plan. If it appears that the incentives aren’t strong enough, or that additional aspects

1 of service quality need to be included in the self-enforcing system, it reserves the right to
2 recommend further changes in this area as part of the forthcoming review process.