

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

August 5, 2010

TO: THE COMMISSION

FROM: OFFICE OF TELECOMMUNICATIONS

SUBJECT: CASE 10-C-0017: In the Matter of Quality of Service provided by Local Exchange Companies in New York State.

This memorandum is for informational purposes. No action is required.

VERIZON NEW YORK INC.
Second Quarter 2010 Service Quality Report

SUMMARY

The following summarizes the quality of telephone service provided by Verizon New York Inc. during the second quarter of 2010.

- The company met many of the service quality thresholds for the second quarter, including the key indicator of network reliability – the customer trouble report rate (CTRR).
- The company continues to perform poorly with respect to timeliness of repairs. This issue, currently the focus of the company's Service Quality Improvement Plan, remains staff's major service quality concern.
- The trend for major service outages shows substantial improvement.

BACKGROUND

Verizon New York Inc. (VNY or the company) is the largest incumbent local exchange carrier in New York State, serving approximately 5.3 million access lines¹ from 539 central offices. Like other incumbent local exchange companies, VNY's

¹ Of these, 1.0 million are on a wholesale basis, and 0.1 million are on a resale basis. The remainder of the lines (i.e., 4.2 million) is provided directly to end users.

customer base is declining, in large part due to competitive alternatives. During this quarter, the company lost approximately 157,000 (2.9%) access lines, an average of about 52,000 per month. For the twelve months ending June 30, 2010, VNY lost almost 624,000 (10.6%) of its access lines.² The company has about half of the access lines it had a little more than seven years ago.

Under the Commission's Telephone Service Standards (Service Standards), 16 NYCRR Part 603, all local exchange carriers are required to report Customer Trouble Report Rate (CTRR). Because VNY serves more than 500,000 access lines, it must also report on eight other metrics of the Service Standards addressing such things as the timeliness of repairs and installations, responsiveness of customer call centers, and network call completion performance.

A description of the Service Standards is provided in Appendix A. Appendix B is a glossary of terms used in this memorandum.

DISCUSSION

This report groups and summarizes performance results for the second quarter of 2010. Detailed results by metric and entity, as required by the Service Standards, are measured and tracked by staff, but are not presented in detail unless it is necessary to explain a significant problem. The Service Standards contain four groups of metrics measuring maintenance, installation, network, and answer time performance, and a fifth group of other regulatory requirements related to service quality.

As shown in the following table, VNY met the Commission-established thresholds of performance 92.6% of the time during this quarter, somewhat lower than

² These monthly line losses are less than the average monthly line losses for the twelve months ending June 2009 (61,600) and are less than the average monthly line losses for the twelve months ending June 2008 (65,400 per month). While VNY has lost access lines, on a parent company-wide basis, Verizon Communications Inc. reported increases in its wireless customers of 5.0% from the second quarter of 2009 to the second quarter of 2010 and also experienced an approximate 2.5% increase in wireline broadband connections over the same time period. In addition, line losses would include customers who move their voice service from VNY's traditional copper network to the company's FiOS Digital Voice offering.

the second quarter 2009 performance of 94.0%. These results are discussed in more detail in this report.

Verizon New York Inc. Second Quarter Service Quality Performance							
		2010			2009		
Category	Metric(s)	Opportunities	Met	Missed	Opportunities	Met	Missed
CTRR Combined		1620	98.1%	1.9%	1620	97.8%	2.2%
	CTRR <5.5	1617	98.2%	1.8%	1617	97.9%	2.1%
	85% CTRR<3.3	3	66.7%	33.3%	3	66.7%	33.3%
Timeliness of Repair		168	39.3%	60.7%	168	61.9%	38.1%
	OOS>24	84	21.4%	78.6%	84	44.0%	56.0%
	SA>48	84	57.1%	42.9%	84	79.8%	20.2%
Timeliness Of Installation		192	97.9%	2.1%	192	97.4%	2.6%
	IMA	96	96.9%	3.1%	96	100.0%	0.0%
	I w/i 5	96	99.0%	1.0%	96	94.8%	5.2%
Answer Time		33	75.8%	24.2%	39	56.4%	43.6%
	Totals	2013	92.8%	7.2%	2019	94.0%	6.0%
CTRR = Customer Trouble Report Rate; OOS>24 = Out of Service Greater than 24 Hours; SA>48 = Service Affected Greater than 48 Hours; IMA = Installation Missed Appointments; I w/i 5 = Initial Basic Installations Completed within Five Days; Answer Time = 80% of Calls Answered within 30 Seconds or the Average Speed of Answer is less than 3.0 Seconds.							

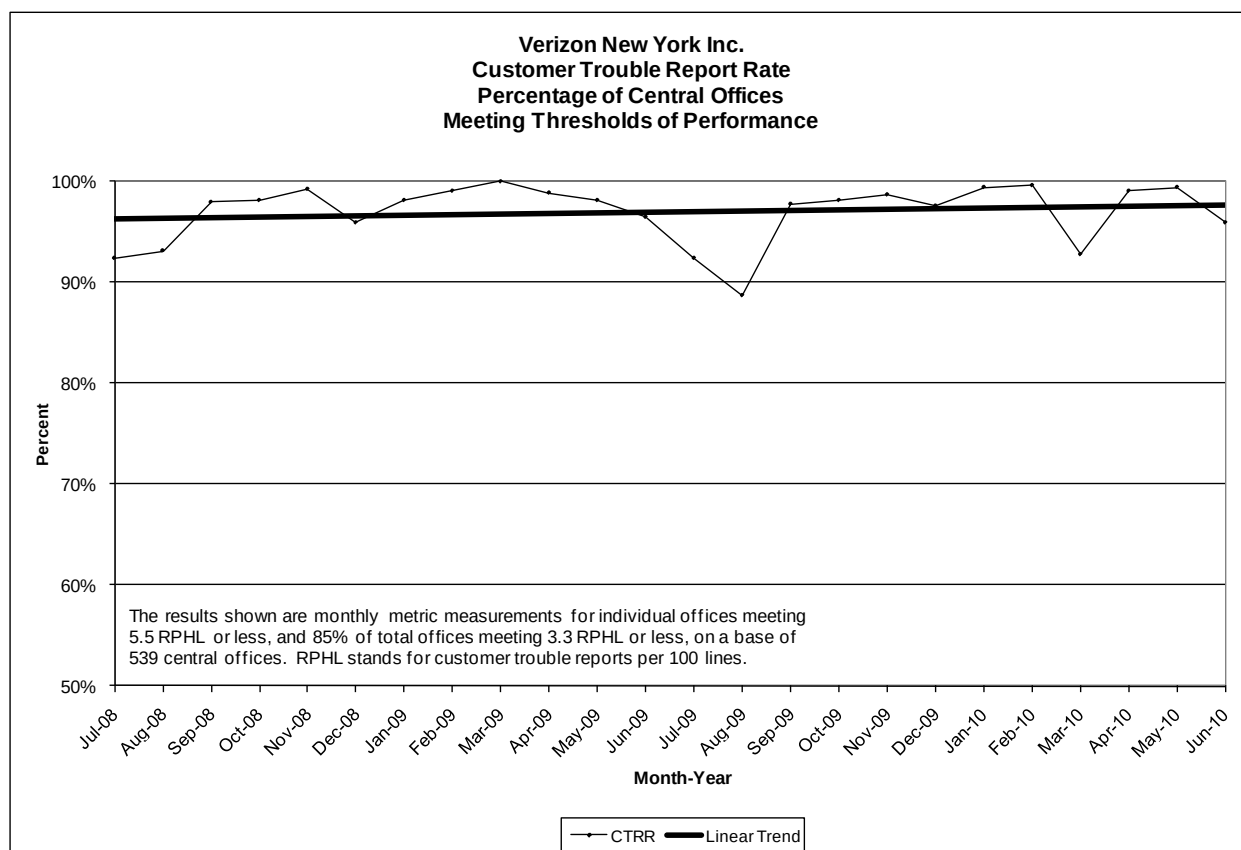
Customer Trouble Report Rate (CTRR)

Network reliability, as measured in terms of CTRR, reflects the frequency of network problems identified by customers. The company normally performs well on CTRR, and during the second quarter, VNY's 539 central offices met or exceeded the monthly CTRR performance thresholds a little more than 98% of the time.

The following chart is a reflection of VNY's performance under two CTRR metrics. The first metric summarizes the performance of all 539 central offices as a group, in which at least 85% are expected to meet a threshold of 3.3 (or less) trouble reports per hundred access lines (RPHL) per month. This statewide metric was missed in June of the second quarter of 2010.

The second CTRR metric addresses individual central offices, in which each central office is expected to meet a threshold of 5.5 (or less) RPHL per month. Central offices that have a problem meeting this metric are typically smaller and

primarily serve more rural or seasonal areas. No central offices had to file Service Inquiry Reports³ this quarter for repeatedly exceeding this metric.



Timeliness of Repairs

The company's twenty-eight repair service bureaus (RSBs) met the performance threshold only 39.3% of the time, which is significantly lower than the second quarter 2009 performance of about 61.9%. During April, those RSBs met the performance threshold at a rate of just 23.2%.

The graph on page 6 displays a two-year trend for timeliness of repairs

³ Service Inquiry Reports (SIRs) are required under 16 NYCRR §603.4 whenever a Service Standards' metric is not at or better than the threshold for the current month and any two of the previous four months. These reports identify specific regions where improvements are required, detail the reasons for poor performance, describe the corrective action being taken, and identify an expected improvement date.

performance.⁴ The trend continues to decline and is now below 50%. The company continues to attribute the poor performance primarily to bad weather, specifically rain and high winds, which increases trouble loads beyond its ability to repair within the required timeframes.

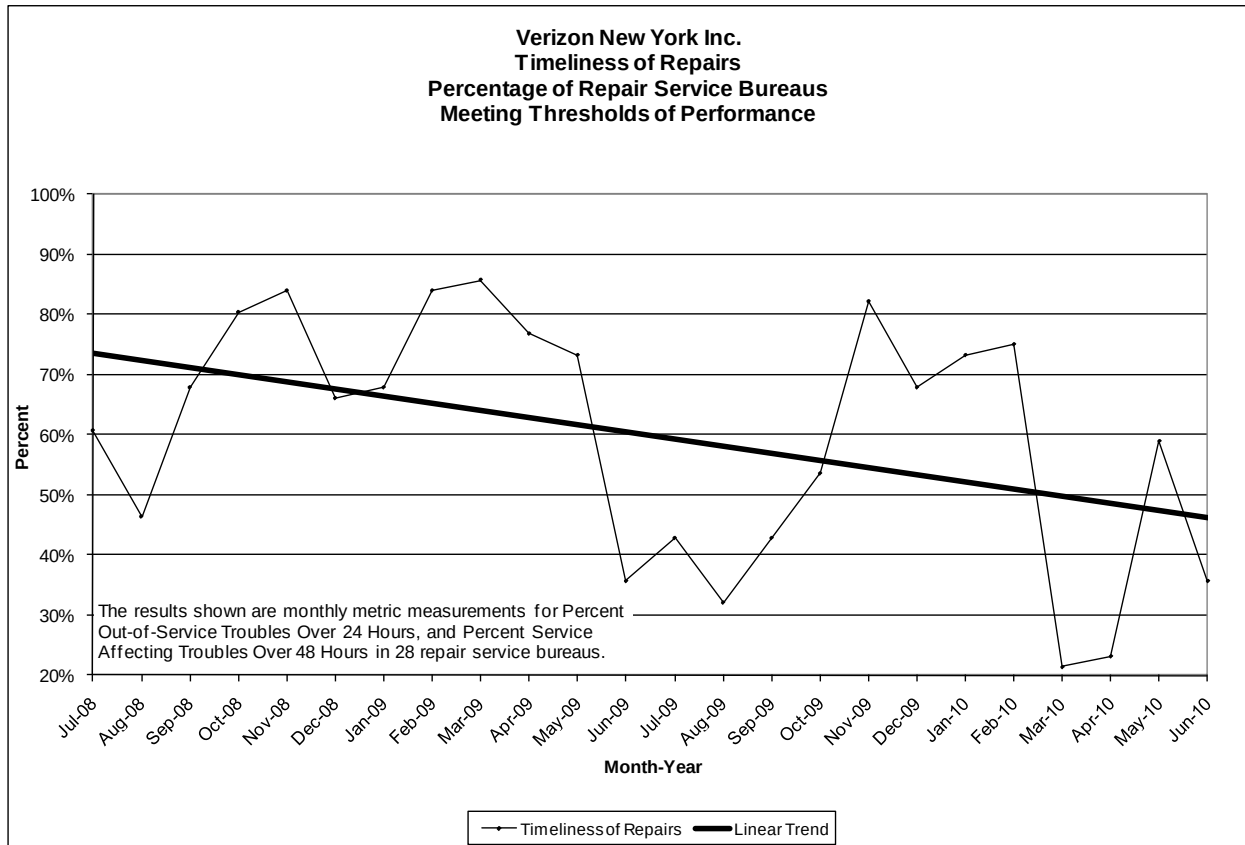
During the second quarter, the company implemented an early retirement package for craft personnel. VNY estimated the overall force reduction to be about 10%. The company is in the process of rebalancing its workforce, geographically and functionally.

In order to address Verizon's poor repair performance trend, on June 22, 2010, the Commission directed VNY to file a revised Service Quality Improvement Plan (SQIP)⁵ that reflected the Commission's proposed: (1) revisions to the Department's Uniform Measurement Guidelines (Guidelines); (2) definition for "core customers" in need of regulatory protection (i.e., customers without wireline competitive choices, those on Lifeline and those customers who are characterized as having special needs [e.g., those with medical conditions and elderly, blind or disabled customers]); and, (3) goal of ensuring that the revised SQIP meets the Commission's out-of-service performance threshold (20%) by the end of 2010 for these "core customers." Verizon filed its revised SQIP on July 2, 2010.⁶ In addition, the company continues to implement those actions it outlined in its original SQIP filing that are designed to improve its timeliness of repair, e.g. temporary relocation of force to address those geographic areas in greatest need.

⁴ The Commission's service standards [see See 603.1(c) of 16NYCRR] relate to the quality of service under normal operating conditions and do not establish a level of performance during periods of severe storms affecting large number of customers.

⁵ Case 10-C- 0202 – Proceeding on Motion of the Commission to Consider the Adequacy of Verizon New York Inc.'s Service Quality Improvement Plan.

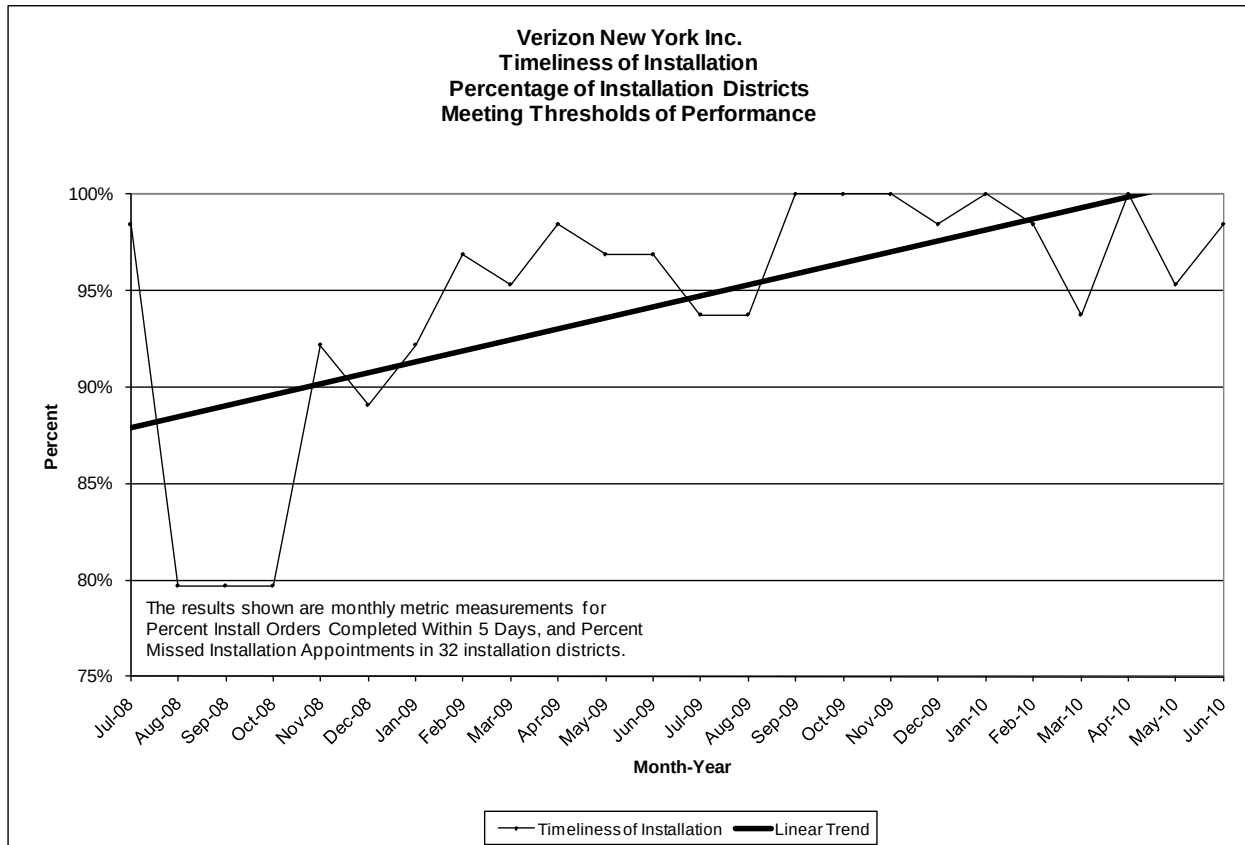
⁶ A Notice Inviting Comments on Verizon's SQIP was issued on July 14, 2010. Comments are due on September 11, 2010.



Installation Service

During the second quarter, the company performed well regarding timeliness of installation. VNY met the established monthly thresholds for its thirty-two installation districts almost 98% of the time this quarter. It is important to recognize that, to the extent customers are purchasing voice service as part of a package of voice, internet, and video (provided through the company's FiOS product), these installations are included in this metric. The following graph displays an improving trend for timeliness of installation.⁷

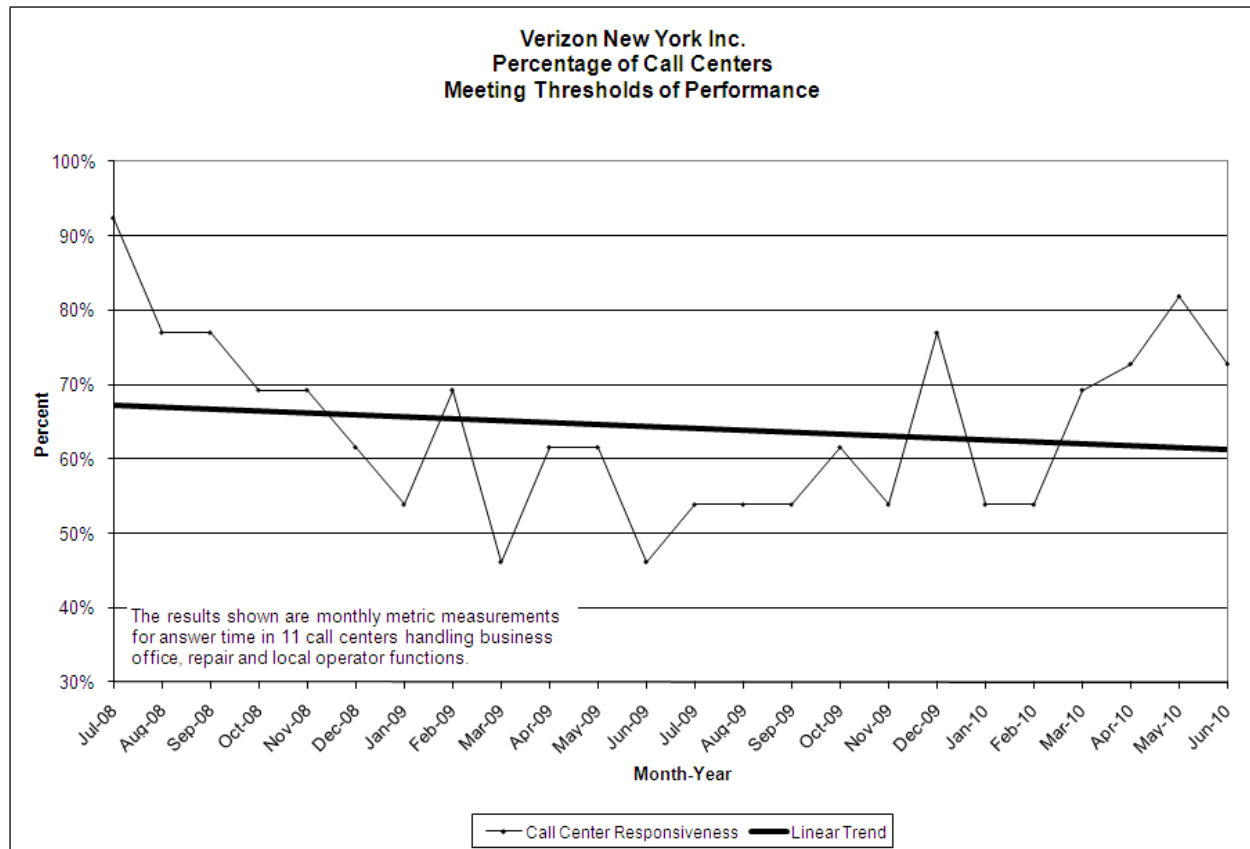
⁷ The Commission's June 22, 2010 directed that Verizon propose to eliminate reporting on installation performance.



Answer Time Performance

While the answer time performance trend over the past two years shows continuing decline, performance in the second quarter this year was above that trend and was better than the same quarter a year ago. Importantly, however, the call centers that traditionally miss the answer time service standard are not operator services or the repair answer centers, but rather the marketing offices, which handle installation, change requests, and billing questions.⁸ Three of the eight marketing offices filed SIRs this quarter for consistently missing the threshold of the answer time metric. The statewide residential marketing office (i.e., the Customer Sales and Support Center, or CSSC) met the threshold level of performance in May, after having not done so for two and a half consecutive years. The following graph displays call center performance on a company-wide (i.e., all call centers combined) basis.

⁸ The Commission's June 22, 2010 directed that Verizon propose to eliminate reporting on answer time performance for non-repair customer calls.



Service Inquiry Reports

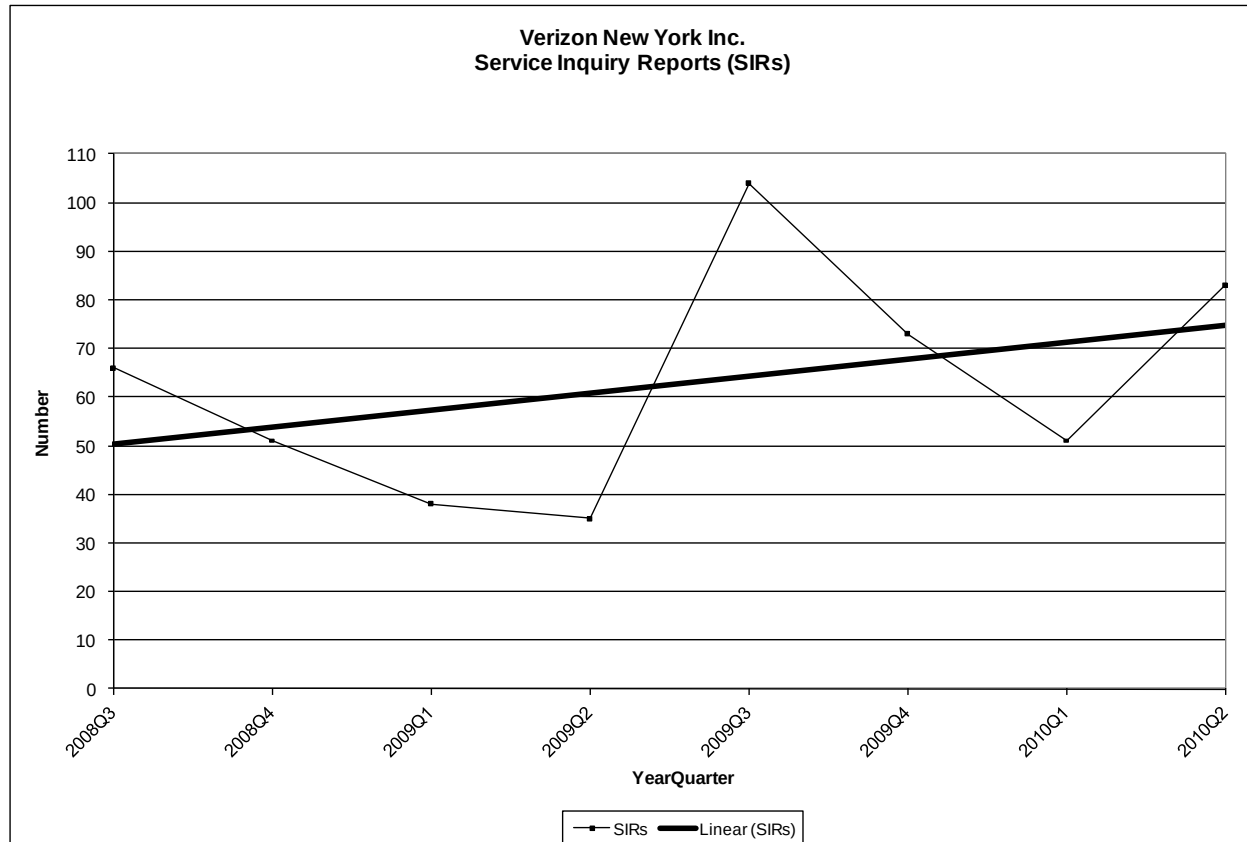
When monthly service performance in a measured entity (*i.e.*, a central office, an installation district, a repair service bureau, a call center, or a final trunk group) repeatedly fails to meet the threshold level of a given metric of the Service Standards, the company must submit a SIR. These reports identify specific regions where improvements are required, detail the reasons for poor performance, describe the corrective action being taken, and identify an expected improvement date.

The company had 83 SIRs in the second quarter of 2010, significantly above levels for the second quarter for at least each of the last six years, as shown in the following table. The majority (59) of this quarter's SIRs relate to the Out-of-Service-Greater-than-24-Hours (OOS>24) metric. Those 59 OOS>24 SIRs are more than for any second quarter over at least the last six years. On average, there were approximately 84,000 out-of-service trouble reports, statewide, every month during the second quarter.

Verizon New York Inc.						
Number of Second Quarter SIRs						
2004	2005	2006	2007	2008	2009	2010
7	16	6	9	20	35	83

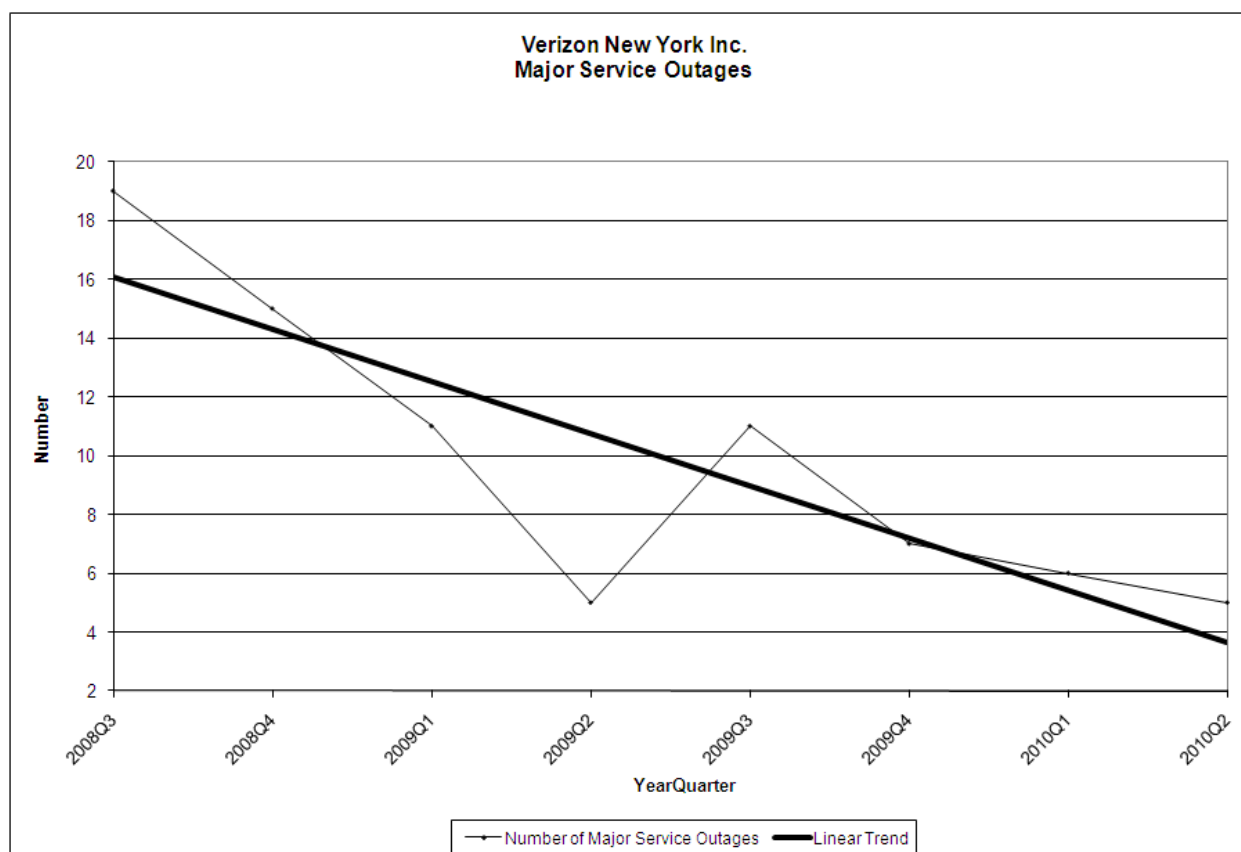
Timeliness of repairs problems occurred throughout the State as 23 of the 28 repair service bureaus (RSBs) experienced at least one SIR during the quarter and 15 RSBs had OOS>24 SIR failures every month this quarter. According to the company, the primary problem causing long out-of-service times is that its outside plant fails and generates an elevated number of trouble reports when exposed to significant rainfall/winds. During the quarter, elevated troubles also were attributed to contractor dig-ins/cable hits, vandalism, and animal damage. In addition, as previously mentioned the company implemented an early retirement package for the craft force that took effect in June, which impacted workforce levels.

The following graph shows the continuing worsening trend with regard to SIRs.



Major Service Outages

The standards also enjoin carriers to minimize major service outages and to report such events to staff when they occur. Staff closely monitors network outages and investigates such events with VNY and other telecommunications services providers on a routine basis. As shown on the following graph, major outages reported in the second quarter of 2010 show a decrease compared to last quarter (i.e., the first quarter of 2010) and the long-term trend is improving.



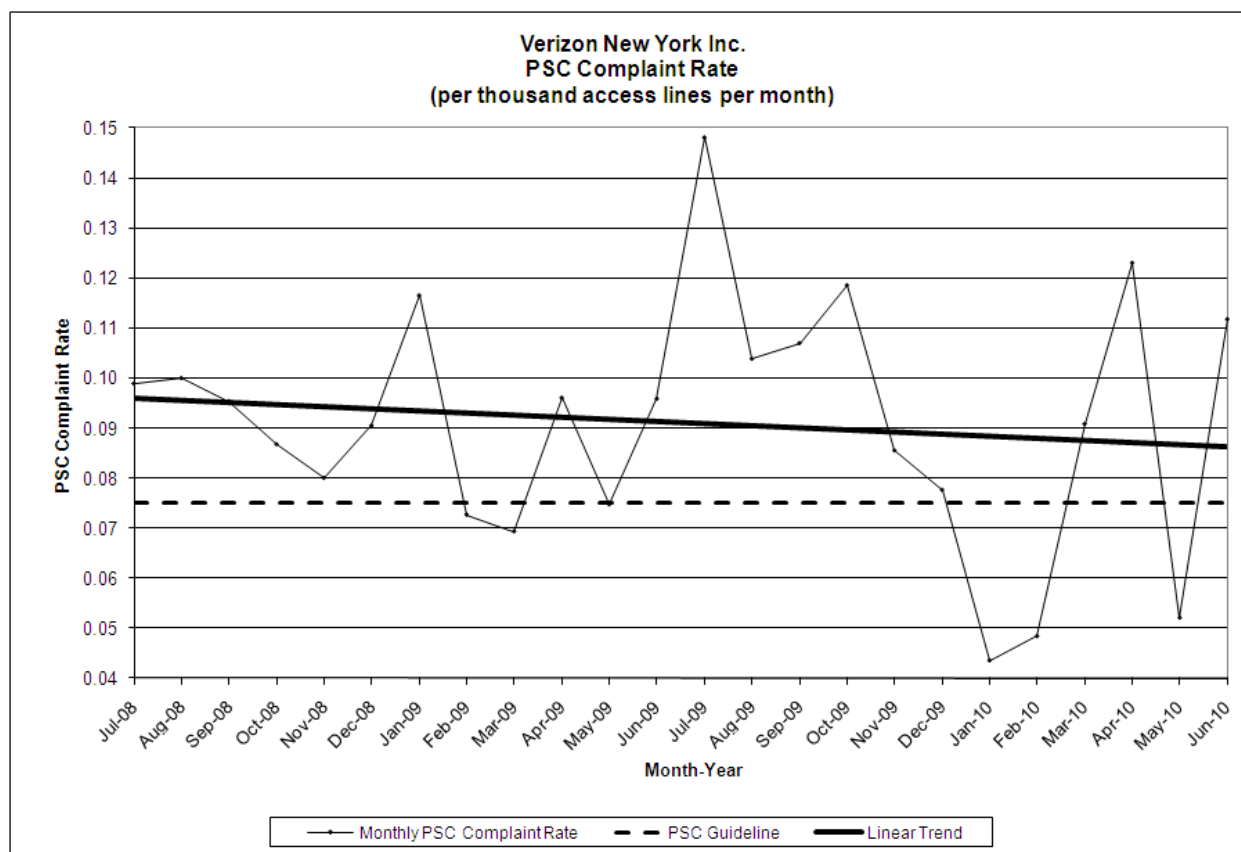
Special Services

Staff also tracks the service quality performance of the company under the Commission's Special Service Guidelines. The data submitted is proprietary and addresses non-basic services, i.e., generally, high-speed data circuits provided to many business customers. The following information is of a nonproprietary nature and is included here to give an overall picture of the quality of service provided by VNY on these retail services.

Special Services maintenance performance was generally at or better than the thresholds of the Commission's Special Services Guidelines during the second quarter of 2010. Overall installation performance was also generally good, except for delays on missed installation appointments. Performance was satisfactory for most other measures.

Complaints to the Commission

Complaints to our agency are not a part of the Commission's Service Standards, but serve as an independent measure of service quality, apart from performance reported by the carriers under the Service Standards. As shown on the following graph, during this quarter, the complaint rate trend is improving slightly, but still above the guideline threshold for complaints.



Performance, on a complaint rate basis, was slightly worse (about 7%) during this quarter than the same quarter a year ago. Complaints for this quarter averaged about 42 per month as compared with 45 per month for the comparable time frame last year. However, service-related complaints in the second quarter of 2010 comprised a

significantly higher percentage of total complaints (71%) as versus in the second quarter of last year (57%). Many of these service-related complaints involve delayed repairs on out-of-service conditions.

CONCLUSION

The company's service quality performance, as measured under the Commission's Service Standards shows the company meeting the thresholds for many monthly measurement opportunities during this quarter but also shows declining trends for timeliness of repair, call center answer performance (excluding calls for repairs), and SIRs. The declining trend with regard to SIRs and PSC complaints appears related in large part to the decline in timeliness of repair.

Timeliness of repair problems occurred throughout the State as 23 out of 28 repair service bureaus (RSBs) experienced at least one SIR during the quarter and 15 RSBs had OOS>24 SIR failures each month this quarter. The company's original SQIP provided several means that the company is utilizing to attempt to improve timeliness of repair (e.g., temporary relocation of workforce and the "Find and Fix" effort to reduce trouble reports). VNY's revised SQIP provides additional elements to address this continuing problem and it has been issued for public comment. The company is working on a methodology to identify the "core" customers, as defined in the revised SQIP.

Staff meets monthly with the company regarding service quality, and will continue to closely monitor the company's service quality efforts and report on the Company's plans and performance in the third quarter 2010 report.

This memorandum is for informational purposes and no Commission action is required.

Respectfully submitted,

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Attachments

OVERVIEW OF SERVICE QUALITY MEASUREMENT

The primary criteria for measuring telephone service quality are the Telephone Service Standards, which were adopted by the Commission in 1973 (Opinion No. 73-40, Case 26158) and revised in 1989, 1991, and 2000. The Service Standards appear as Part 603 of 16 NYCRR and require measurement of service quality in four separate categories: 1) Maintenance Service, 2) Installation Service, 3) Network Service, and 4) Answer Time Performance. Within these categories there are 10 metrics, each with its own threshold level of expected performance. There are also a number other requirements in the standards which are not expressed in terms of a metric such as minimizing service interruptions and maintaining procedures for operating under emergency conditions. These are grouped into a category called “Other” in this appendix. Staff receives monthly reports of service measurements in these categories that are analyzed to evaluate the level of service quality delivered to consumers.

Maintenance Service

Maintenance Service measures the reliability of the telephone network, and how quickly it is repaired when a customer experiences a problem. There are three metrics as follows: (1) Customer Trouble Report Rate (CTRR), measured by the number of customer reports per 100 lines (RPHL) in service; (2) Percent Out-of-Service Trouble Reports Not Cleared within 24 Hours (OOS >24); and (3) Percent Service Affecting Trouble Reports Not Cleared within 48 Hours (SA>48).

CTRR is measured in two ways. First, performance in each of the VNY’s 539 central offices should meet an expected performance level or threshold of 5.5 or less Reports per 100 Lines (RPHL). Second, because VNY serves more than seven central offices, 85% of its offices should perform in a threshold range of 3.3 or less RPHL. OOS>24 and SA>48 are each measured on the basis of 28 VNY repair service bureaus. For OOS>24, the threshold is that no more than 20% of all out-of-service conditions take longer than 24 hours to be repaired. For non-out-of-service conditions or SA>48, the threshold is that no more than 20% of all such troubles take longer than 48 hours to be repaired. Taken together, these two metrics ensure that every customer reported trouble condition has an expected repair interval of either 24 or 48 hours.

Installation Service

Installation Service measures the utility’s ability to provide basic service to a new customer.¹ There are two metrics for installation service as follows: (1) Percent Basic Service Installations Completed Within 5 Days (% Installed in 5 days), and (2) Percent Missed Basic Installation Appointments (% Missed Installations). The thresholds

¹ Basic service is defined as the first residence line or the first five business lines to a customer, excluding other types of service orders for such things as additional features (e.g., call waiting, caller ID), or additional lines beyond these minimums.

for these are 80% or higher, and 10% or less, respectively, and both are measured on the basis of 32 individual VNY installation districts.

Network Service

Network Service measures the ability of the telephone network to complete interoffice calls by measuring the percentage of total calls that are blocked on final trunk groups, the last available route to complete an interoffice call. The threshold for this metric is the identification of each final trunk group that consistently (*i.e.*, for three consecutive months) has calls blocked in excess of 3% of total calls within the busy hour.² The intent is to be sure that an unusual level of call blocking does not occur during the typical busy hour. The network contains thousands of final trunk groups.

Answer Time Performance

Answer Time Performance measures how quickly the company answers the telephone in each call center when customers call for service. There are three metrics for answer time performance that are specific to the type of call center including repair, business office, and local operator assistance.³ The thresholds are 80-100% of calls answered within 30 seconds for each repair or business office and an average speed of answer of 0-3 seconds for each local operator assistance call center. For VNY, there are eight business offices, four repair centers, and one local operator assistance center that are individually measured.

The following chart summarizes the metrics and associated thresholds of expected performance of the previously discussed groupings of metrics in the standards.

² Trunk group measurements are done on an originating basis, and those reported in this memorandum all originate in a VNY central office, and terminate either in another VNY office, or an office owned by another incumbent, competitive, wireless or interexchange carrier. The standards address only local exchange carriers such as CLECs and ILECs, but not cellular and toll carriers.

³ Companies may report Local Operator Assistance either as a percentage of calls answered within 10 seconds, or as an average speed of answer time.

SERVICE QUALITY MEASURES		
Effective October 2000		
SERVICE ELEMENT	REPORT NOMENCLATURE	PERFORMANCE THRESHOLD (Monthly)
MAINTENANCE SERVICE: ⁽¹⁾		
Customer Trouble Report Rate (Initial Reports) Per individual central office entity	Reports per 100 access lines	5.5 or less
Percentage of total entities (for those providers with 7 or more offices) at 3.3 or less	Reports per 100 access lines	85.0 or more
Out-Of-Service Clearing Time	Percentage of OOS over 24 hours	20.0 or less
Service Affecting Clearing Time	Percentage of S. A. over 48 hours	20.0 or less
INSTALLATION SERVICE: ⁽²⁾		
Basic Service Installations	Percentage installed within 5 days	80.0 or greater
Missed Basic Service Installation Appointments	Percentage missed	10.0 or less
NETWORK SERVICE:		
Final Trunk Group Blockages	Percentage of calls blocked	3.0 or less
ANSWERING TIME PERFORMANCE: ⁽³⁾		
Business Office	Percentage answered within 30 seconds	80.0 or greater
Repair Service Bureau	Percentage answered within 30 seconds	80.0 or greater
Local Operator Assistance ⁽⁴⁾	Percentage answered within 10 seconds	90.0 or greater
Local Operator Assistance ⁽⁴⁾	Average answer time (seconds)	3.0 or less
^{1.} Overall Customer Trouble Report Rate results shall be reported at the central office entity level. All other Maintenance Service results shall be reported at the appropriate maintenance administrative entity level. ^{2.} All Installation Performance results shall be reported at the appropriate installation administrative level and shall exclude those instances where the subscriber requests a later date or where substantial construction is required. ^{3.} All Answering Time Performance results shall be reported at the appropriate administrative entity levels. ^{4.} Measured either as a percent of answered calls or as an average answer time, but not both.		

Other

Service Inquiry Reports

The standards define localized situations that might require corrective action by the utility. In general, any consistent, non-threshold performance in a measurement entity (central office, bureau, district, call center, or final trunk group) for any of the previously discussed metrics requires the company to file a Service Inquiry Report, a report identifying the cause of the performance and any corrective action being taken.

Major Service Outages

The standards also enjoin carriers to minimize major service outages, and to report such events to staff when they occur. Such interruptions can occur for any number of reasons including damage to cables by contractors, fire, floods, and terrorist activities.

Such interruptions include physical and cyber incidents that affect a company's network, facilities, services, or operations.

Special Services

The Commission also has Special Service Guidelines addressing the quality of service utilities are expected to provide on Special Services⁴ in the areas of ordering, maintenance and installation quality. These guidelines are not part of the Commission's Rules and Regulations, but have been established via Commission order. Staff receives monthly service quality reports on these types of services only from VNY, as it is the only carrier currently meeting the reporting criteria as defined in the Special Services Guidelines. VNY submits the data on a proprietary basis.

There are eight metrics in the guidelines. One relates to ordering, two relate to maintenance performance, and five relate to installation performance. For most of these metrics, performance experienced by end users (retail business and residential customers), VNY affiliates (e.g., VNY Long Distance), and other competing carriers (e.g., AT&T) is reported in comparison to established threshold levels of expected performance. In this manner, it is relatively easy to gauge whether or not VNY is meeting the requirements of the guidelines, and if end users, affiliates, and competing carriers are treated in a fair manner.

Complaints to the Commission

While not a Service Standard, the number of complaints against a utility is a measure of service quality. Traditionally, such complaints are stated as a rate per 1,000 lines per year so that comparisons between companies can be made. The threshold used to indicate good performance is set at 0.075 or lower per year. This threshold was established by the Commission in March 2003.

⁴ Special Services are non-basic services, most of which are non-switched, and require engineering design review before being installed. Some may require construction of fiber facilities. They include alarm, video, foreign exchange, and other services, but the majority demanded is high speed data circuits of 1.5 megabits and higher transmission rates.

Glossary

CLEC	Competing Local Exchange Carrier – Any one of many local exchange carriers (LEC) competing with an incumbent LEC. It may be reselling the incumbent carrier's services or be providing service via its own facilities.
ILEC	Incumbent local exchange carrier – Any one of the 40 traditional, full service, facilities-based, wireline telephone carriers providing local exchange telephone service.
Incentive Rate Plan	A method of regulation that substitutes for rate base regulation wherein the carrier agreeing to such a plan is generally allowed the ability to earn a higher rate of return than would normally be allowed under rate base regulation in exchange for certain guarantees to the regulator such as no change in rates over a given period of time, and a level of service quality that, if not met, would result in rebates to consumers.
LEC	Local Exchange Carrier - A term designating the group of carriers providing local exchange telephone service consistent with the Commission's requirements for such carriers. It includes all ILECs and CLECs.
PSC Complaints	Consumer complaints filed directly with the Public Service Commission against telephone companies.
Reseller	A certified carrier that uses the facilities of another carrier to provide services to consumers.
Service Inquiry Report	Consistent telephone service quality performance outside of the Threshold range for three out of five months (including the current month) requiring the local exchange carrier to submit a corrective action plan to Commission staff as defined in Title 16 NYCRR, part 603.
Target	A set level of expected performance used to characterize performance as established in an incentive rate plan for various aspects of service quality.
Threshold Level	A level of telephone service quality performance which separates good service from less than desirable service as defined in Title 16 NYCRR, Part 603.