

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

December 1, 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.
Third Quarter 2010 Service Quality Report

SUMMARY

The following summarizes the quality of telephone service provided by Verizon New York Inc. (Verizon or the company) during the third quarter of 2010.¹

- The company met the Commission-established thresholds of performance 86.5% of the time during this quarter, lower than the third quarter 2009 performance of 88.0%, and showed improvement in the Customer Trouble Report Rate, meeting the standard 95.4% of the time, compared to 93.0% during the same period in 2009.
- The company performed poorly on timeliness of repairs. That issue is a major focus in the company's Service Quality Improvement Plan.
- Complaints to the PSC continue to rise.

¹ As detailed later in this memo, Verizon has proposed to change how service quality performance is reported. The results presented in this memo do not reflect those changes to the service quality reporting requirements. A more detailed discussion on Verizon's proposal is included as a companion item to this memorandum. See Case 10-C-0202, Proceeding on Motion of the Commission to Consider the Adequacy of Verizon New York Inc's Service Quality Improvement Plan.

BACKGROUND

Verizon is the largest incumbent local exchange carrier (ILEC) in New York State, serving approximately 5.1 million access lines² from 539 central offices. Verizon's customer base is declining, in large part due to competitive alternatives. During this quarter, the company lost approximately 165,000 (3.1%) access lines, an average of about 55,000 per month. For the twelve months ending September 30, 2010, Verizon lost almost 624,000 (10.9%) of its access lines.³ The company has about half of the access lines it had about seven years ago.

Under the Commission's Telephone Service Standards (Service Standards), at 16 NYCRR Part 603, all local exchange carriers are required to report Customer Trouble Report Rate (CTRR). Because Verizon serves more than 500,000 access lines, it must also report on eight other metrics 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 summarizes Verizon's performance results for the third 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

² Of these, 1.0 million are on a wholesale basis, and 0.1 million are on a resale basis. The remainder of the lines (4.0 million) is provided directly to end users.

³ These monthly line losses are less than the average monthly line losses for the twelve months ending September 2009 (58,100) and are less than the average monthly line losses for the twelve months ending June 2008 (64,300 per month). While Verizon has lost access lines, on a parent company-wide basis, Verizon Communications Inc. reported increases in its wireless customers of 7.1% from the third quarter of 2009 to the third quarter of 2010 and also experienced an approximate 2.7% increase in wireline broadband connections over the same time period. In addition, line losses would include customers who move their voice service from Verizon's traditional copper network to the company's FiOS Digital Voice offering.

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, Verizon met the Commission-established thresholds of performance 86.5% of the time during this quarter, lower than the third quarter 2009 performance of 88.0%. These results are discussed in more detail in this report.

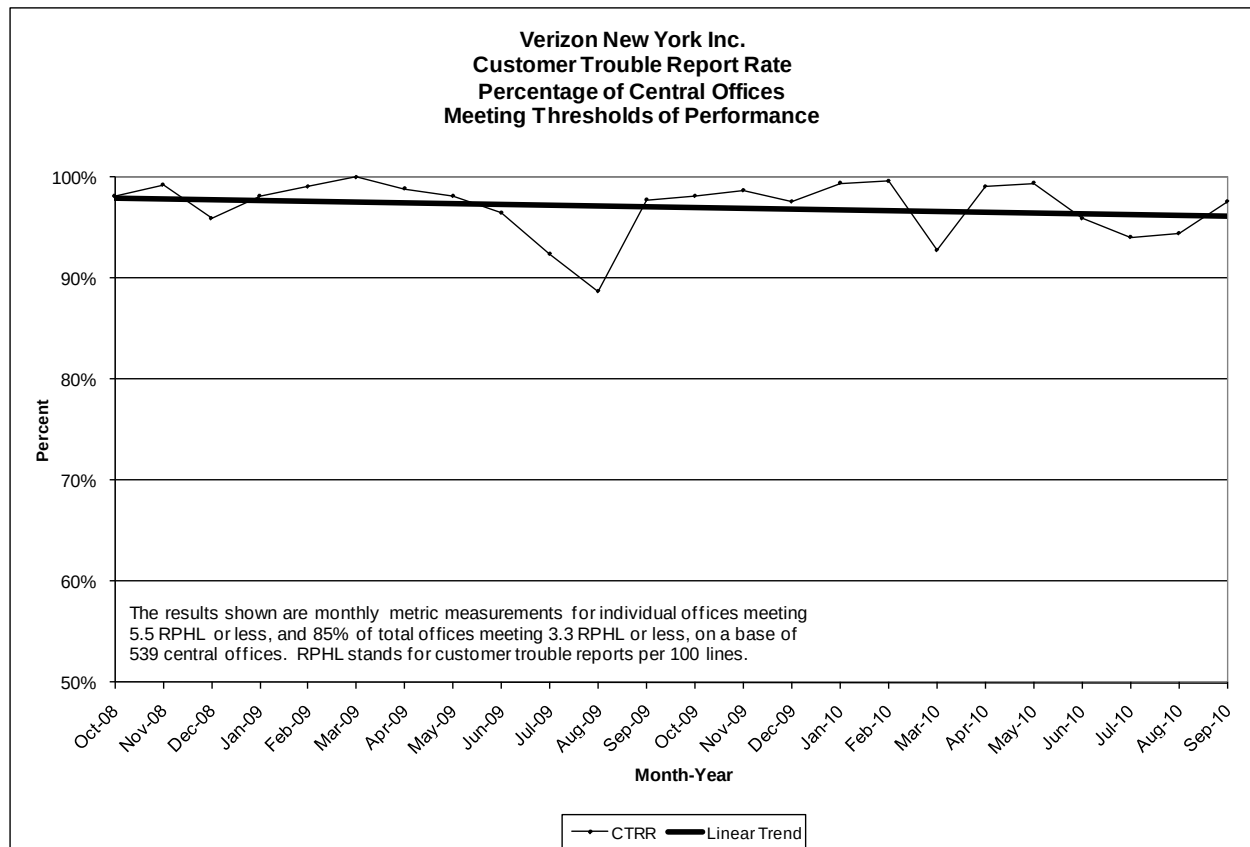
Verizon New York Inc. Third Quarter Service Quality Performance							
		2010			2009		
Category	Metric(s)	Opportunities	Met	Missed	Opportunities	Met	Missed
CTRR Combined		1620	95.4%	4.6%	1620	93.0%	7.0%
	CTRR <5.5	1617	95.5%	4.5%	1617	93.1%	6.9%
	85% CTRR<3.3	3	33.3%	66.7%	3	33.3%	66.7%
Timeliness of Repair		168	9.5%	90.5%	168	39.3%	60.7%
	OOS>24	84	1.2%	98.8%	84	15.5%	84.5%
	SA>48	84	17.9%	82.1%	84	63.1%	36.9%
Timeliness Of Installation		192	87.5%	12.5%	192	95.8%	4.2%
	IMA	96	85.4%	14.6%	96	92.7%	7.3%
	I w/i 5	96	89.6%	10.4%	96	99.0%	1.0%
Answer Time		33	36.4%	63.6%	39	53.8%	46.2%
Totals		2013	86.5%	13.5%	2019	88.0%	12.0%
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 third quarter, Verizon's 539 central offices met or exceeded the monthly CTRR performance thresholds 95.5% of the time.

The following chart is a reflection of Verizon'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 July and August of the third 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. Ten Service Inquiry Reports (SIRs)⁴ were filed on this metric this quarter for repeatedly exceeding the thresholds for the following central offices: Fire Island (2) Clinton Corners (2), Kerhonkson, Valley Falls, Ellenburg Depot (2), Callicoon, and Heuvelton. The reasons provided by Verizon for missing the CTRR threshold for these offices related primarily to heavy rains, winds and power failures.



⁴ 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.

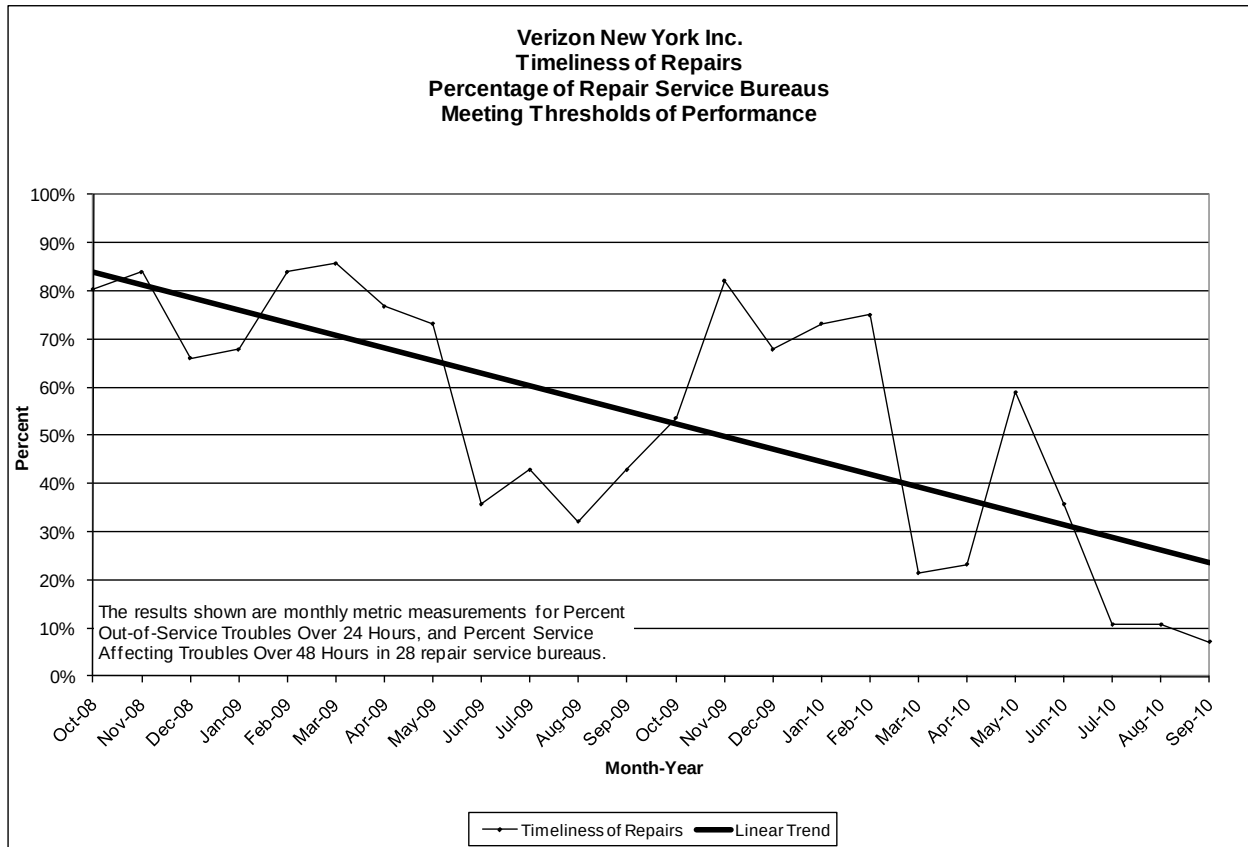
Timeliness of Repairs

The company's twenty-eight repair service bureaus (RSBs) met the performance thresholds for timeliness of repairs only 9.5% of the time, which is significantly lower than the third quarter 2009 performance of 39.3%. During July and September, not a single RSB met the performance threshold for OOS>24. Only one RSB met the threshold in August.

The graph on page 8 displays a two-year trend for timeliness of repair performance.⁵ This trend continues and is now approaching 20%. The company continues to attribute its poor performance primarily to bad weather, specifically rain and high winds, which increases trouble loads beyond its ability to repair within the required timeframes. At the end of the second quarter of this year, the company implemented an early retirement package for craft personnel. Verizon estimated the overall force reduction to be about 10%. The company is in the process of rebalancing its workforce, moving approximately 100 technicians upstate to address poor repair performance in that area.

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. That plan also entailed establishing a dedicated workforce to proactively identify and clear potential troubles before customers report them, proactive cable maintenance, proactive preventative maintenance, and additional capital investments in the copper network.

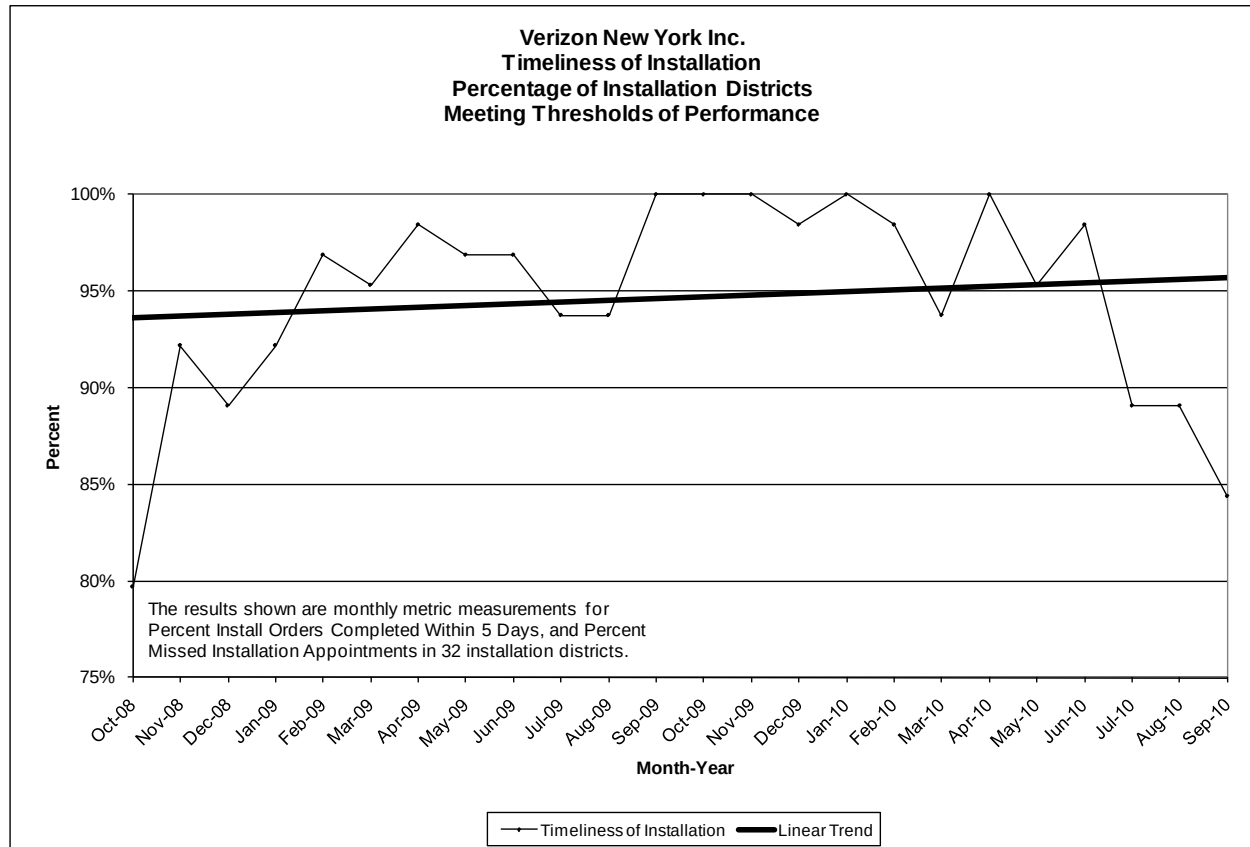
⁵ The Commission's service standards [see See 603.1(c) of 16 NYCRR] relate to the quality of service under normal operating conditions and do not establish a level of performance during periods of severe storms affecting large number of customers.



Installation Service

While the following graph displays an improving trend for timeliness of installation,⁶ during the third quarter, the company's timeliness of installation performance suffered. Verizon met the established monthly thresholds for its thirty-two installation districts 87.5% of the time this quarter, compared to 95.8 % of the time for the same quarter, one year earlier. The company cited adverse weather, seasonal occupations generating installation requests, and the heavy repair workload resulting in installation technicians being moved over to perform repair duties as reasons why performance suffered on this metric.

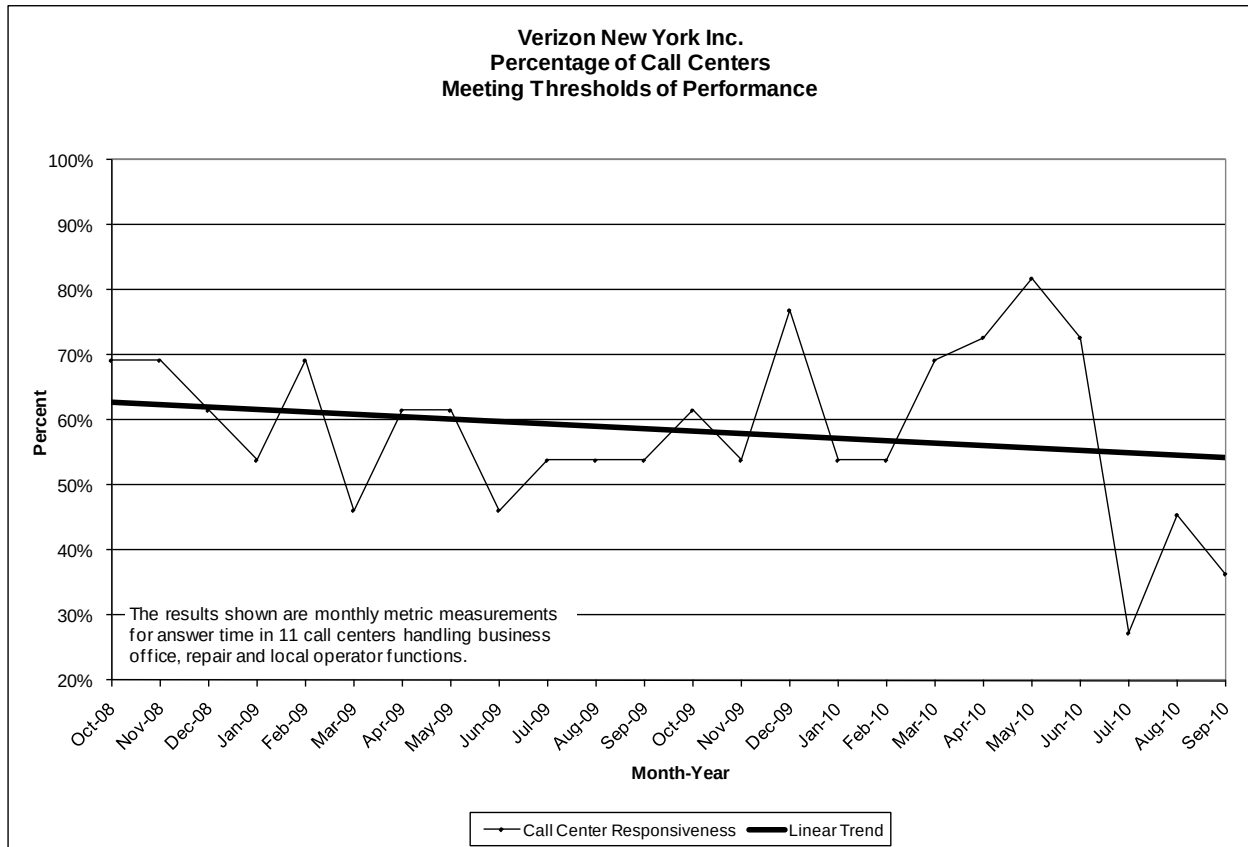
⁶ The Commission's June 22, 2010 Order directed that Verizon propose to eliminate reporting on installation performance.



Answer Time Performance

Answer time performance trend over the past two years shows continuing decline and performance in the third quarter this year was significantly worse than both that trend and the same quarter a year ago. While the call centers that traditionally miss the answer time service standard are marketing offices, which handle installation, change requests, and billing questions⁷, two repair call centers both missed the threshold for performance in July. It should be noted that the company has an Internet-based trouble reporting system which customers could utilize as an alternative to waiting in a telephone queue to report a trouble. Four of the eight marketing offices filed SIRs this quarter for consistently missing the threshold of the answer time metric. The following graph displays call center performance on a company-wide (*i.e.*, all call centers combined) basis.

⁷ The Commission's June 22, 2010 Order 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 RSB, 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.

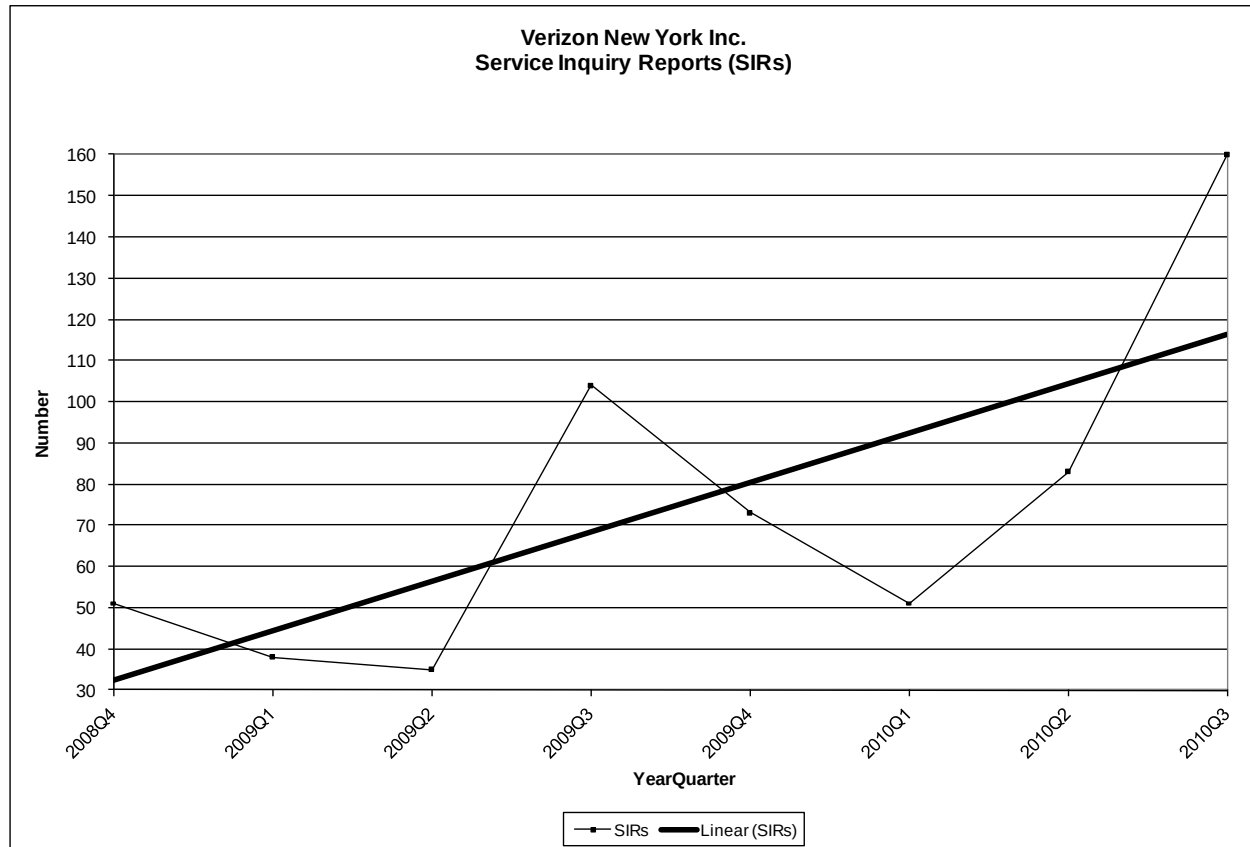
The company had 160 SIRs in the third quarter of 2010, significantly worse levels for the third quarter than each of the last six years, as shown in the following table. While 79 of this quarter's SIRs relate to the Out-of-Service-Greater-than-24-Hours (OOS>24) metric, the Service-Affected-Greater-than-48-Hours (SA>48) performance, which has traditionally been good, is now very poor with 55 of this quarter's SIRs relating to that metric. In addition, with regard to their respective metrics, the 79 OOS>24 SIRs and 55 SA>48 SIRs in the third quarter of this year are substantially more

than for any third quarter over at least the last six years. On average, there were approximately 77,000 out-of-service trouble reports and 21,000 service-affected trouble reports, statewide, every month during the third quarter.

Verizon New York Inc.						
Number of Third Quarter SIRs						
2004	2005	2006	2007	2008	2009	2010
42	22	68	31	66	104	160

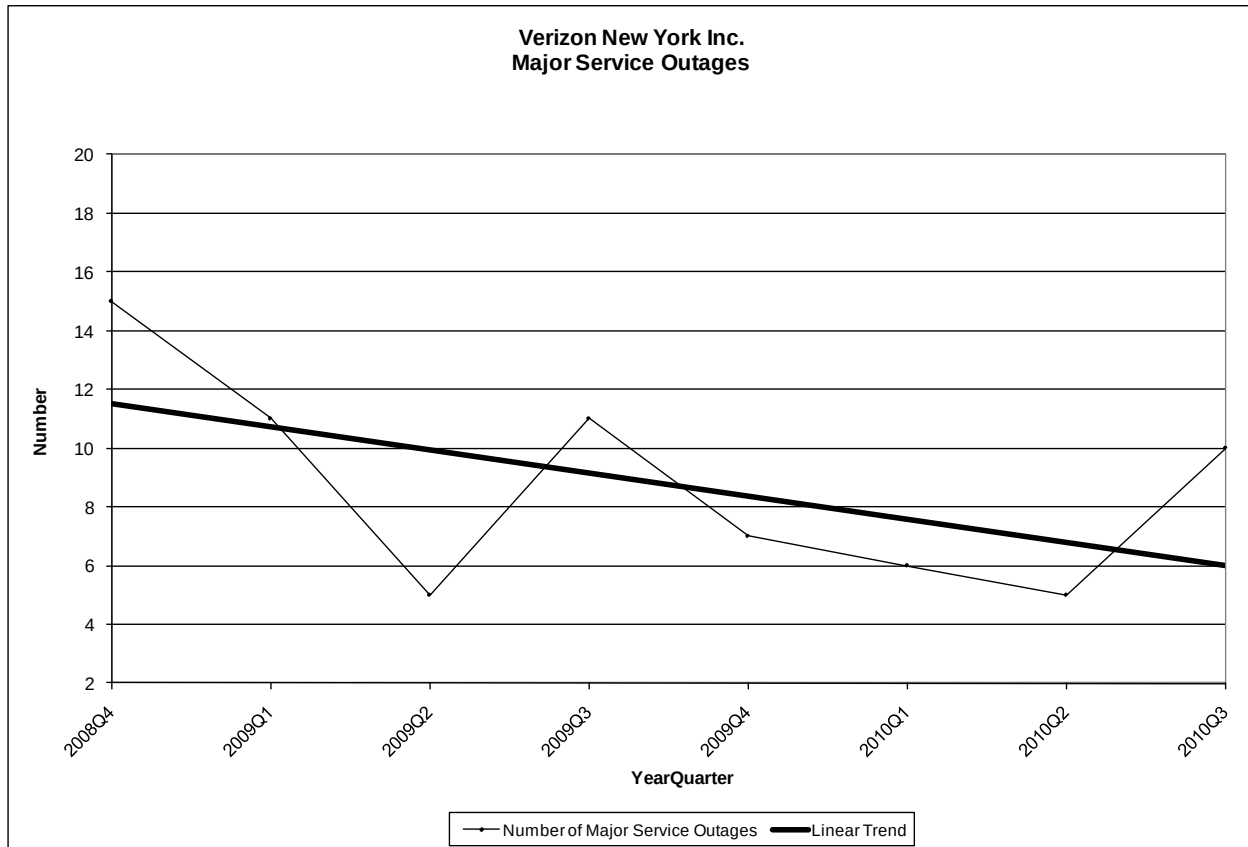
Timeliness of repairs problems occurred throughout the State as 26 of the 28 RSBs had OOS>24 SIR failures every month this quarter. According to the company, the level of trouble reports exceeds the available workforce. As previously mentioned, the company implemented an early retirement package for the craft force that took effect in late June which impacted workforce levels.

The following graph illustrates Verizon's overall decline in service quality as measured by the number of SIRs. As can be seen, the number of SIR failures in the third quarter of this year far outstrips performance in this regard over the last two years. Going forward, the company will be shifting its focus on "core" customers which is expected to address the growing SIR situation.



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 Verizon and other telecommunications service providers on a routine basis. As shown on the following graph, while the two-year trend shows improvement, major outages reported in the third quarter of 2010 shows an increase compared to the last three quarters.



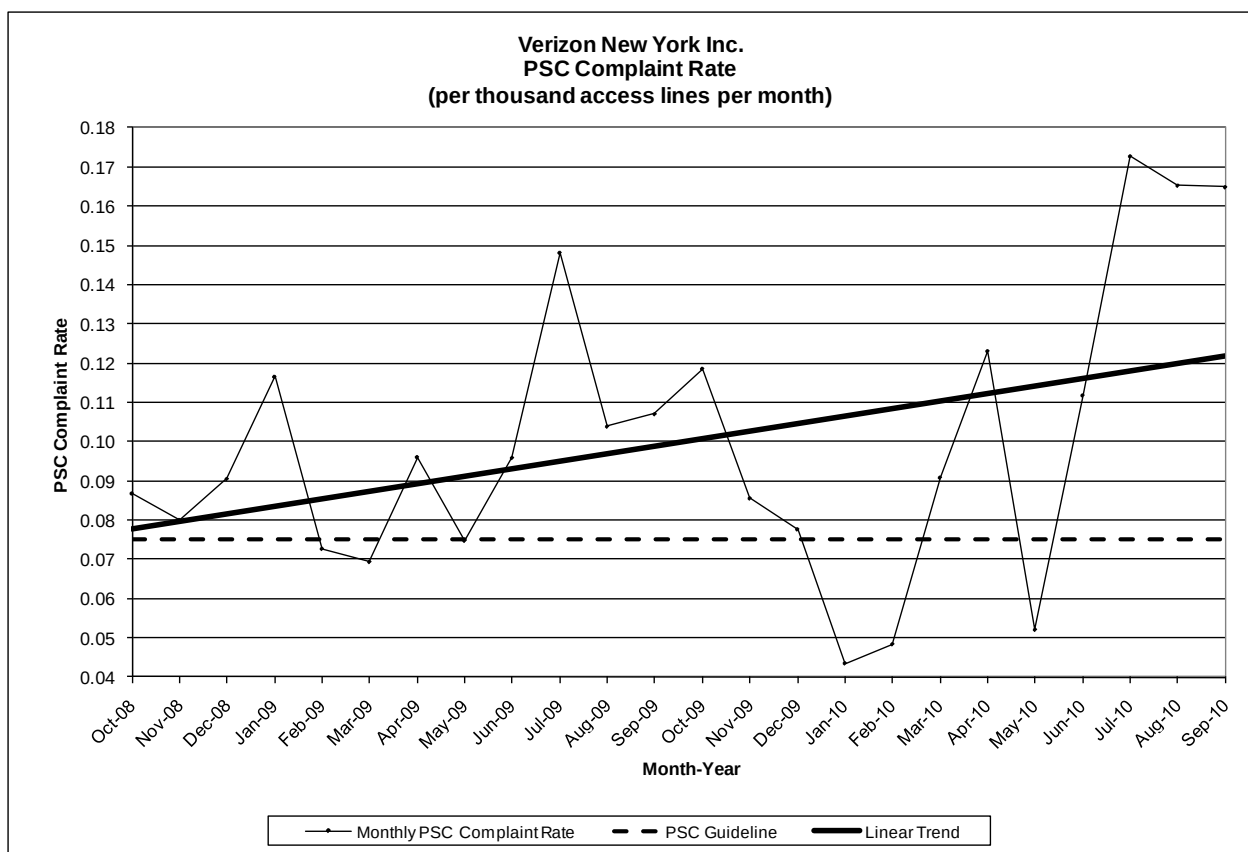
Special Services

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 Verizon on these retail services.

Special Services maintenance performance was generally at or near the thresholds of the Commission's Special Services Guidelines during the third quarter of 2010. Installation performance was generally good, with the exception of on-time installations for non-retail customers and delays on missed installation appointments. Performance was generally satisfactory for most other measures.

Complaints to the Commission

Complaints 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, not only is the PSC Complaint Rate trend worsening, third quarter performance was much worse, on a sustained basis, than at any recent time. This reflects the company's generally poor performance with regard to our agency's Service Standards. A large number (40%) of complaints relate to delayed repairs.



Performance, on a complaint rate basis, was worse (about 42%) during this quarter than the same quarter a year ago. Complaints for this quarter averaged about 72 per month as compared with 58 per month for the comparable time frame last year. In addition, service-related complaints in the third quarter of 2010 comprised a higher percentage of total complaints (78%) versus the third quarter of last year (68%). An increasing percentage of PSC Complaints involve delayed repairs.

CONCLUSION

The company's service quality performance, as measured under the Commission's Service Standards, shows the company performing poorly on a number of measures this quarter, including declining trends for timeliness of repairs, call center answer performance, SIRs, and PSC Complaints. Timeliness of repair problems occurred throughout the State as 27 out of 28 RSBs experienced at least one SIR during the quarter and 26 of the 28 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. Unfortunately, these efforts have not improved the company's timeliness of repair problems. Verizon's revised SQIP provides additional elements to address this continuing problem and there is a companion item on this session regarding that plan.

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 fourth quarter 2010 report.

This memorandum is for informational purposes only 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.