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STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

May 5, 2011

TO: THE COMMISSION

FROM: OFFICE OF TELECOMMUNICATIONS

SUBJECT: CASE 11-C-0173 – In the Matter of Quality of Service provided by Local Exchange Companies in New York State

This memorandum describes a report that is for informational purposes only. No action is required.

VERIZON NEW YORK INC.
FIRST QUARTER 2011 SERVICE QUALITY REPORT

SUMMARY

In December 2010, the Commission approved a new framework for service quality reporting for Verizon New York Inc. (Verizon or the company). That framework, the Service Quality Improvement Plan (SQIP), provides additional focus on “core” customers and eliminates several reporting requirements. Core customers are customers who lack competitive wireline alternatives to Verizon, who are Lifeline customers, or who are special needs customers. The new reporting requirements commenced in January 2011. The attached first quarter 2011 report is the initial quarterly report on Verizon’s performance under the new framework.

As detailed in the attachment, during the first quarter of 2011, Verizon continued to perform well in the area of network reliability, as measured by the Customer Trouble Report Rate, and met the repair thresholds for core customers. The company continues to struggle with meeting repair call center answer time performance standards and complaints from customers, including those related to delayed repairs, continue to increase. Staff meets with the company on a monthly basis to follow-up on concerns regarding service quality performance.

Respectfully submitted,

GARY P. HILDENBRANDT
Utility Engineer 2 (Telecommunications)

Reviewed by,

GREGORY C. PATTENAUE
Chief
Office of Telecommunications

BRIAN P. OSSIAS
Assistant Counsel
Office of General Counsel

APPROVED BY:

CHAD G. HUME
Director
Office of Telecommunications

Attachment

VERIZON SERVICE QUALITY REPORT

Executive Summary

In December 2010, the Commission approved a new framework for service quality reporting for Verizon New York Inc. (Verizon or the company),¹ the Service Quality Improvement Plan (SQIP). The new SQIP plan provides additional focus on “core” customers (i.e., customers who lack competitive wireline alternatives to Verizon, who are Lifeline customers, or who are special needs customers) and eliminated several reporting requirements. The new reporting requirements commenced in January 2011. This is the Department of Public Service staff’s (staff’s) first report on Verizon’s performance under the new framework; it provides the results for the first quarter of 2011.

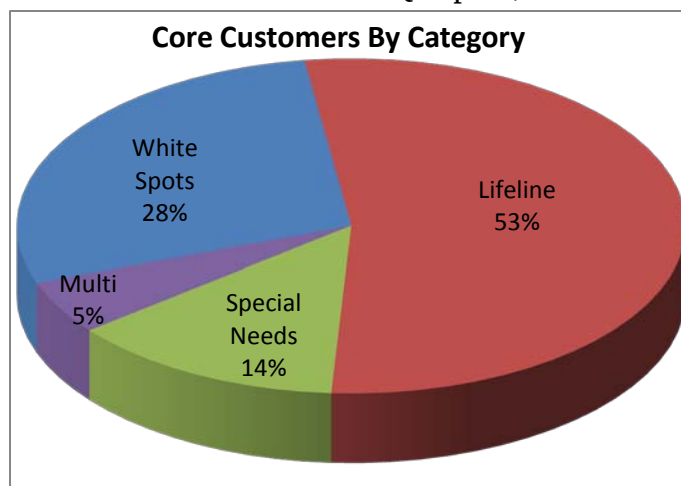
Overall, Verizon’s performance for Network Reliability, as measured by the Customer Trouble Report Rate (CTRR), remains good. With respect to repairs, Verizon successfully identified its core customers, made the appropriate system changes, and provided training to its employees. The company’s repair response time for core customers, while increasing over the first three months of 2011, remains within the Commission’s thresholds. Consumer complaints, from customers primarily involving service related issues, increased during the quarter. Staff continues to work with Verizon to improve its performance.

Background

Verizon, the largest incumbent local exchange carrier in New York State, serves approximately 4.8 million access lines from 539 central offices, half of the access lines it maintained seven years ago. Verizon’s wireline customer base continues to decline, in large part due to competitive alternatives, including wireless, voice services provided by cable companies, and other substitutes (including Voice over Internet Protocol). For the twelve months ending March 31, 2011, Verizon lost almost 585,000 (10.8%) of its access lines. Under the Commission’s Telephone Service Standards (Service Standards), (16 NYCRR Part 603), all local exchange carriers are required to

¹ Case 10-C-0202, Verizon New York Inc. - Service Quality Improvement Plan, Order Directing Verizon of New York Inc. to File a Revised Service Quality Improvement Plan (issued December 17, 2010).

report Customer Trouble Report Rates (CTRR). Because Verizon serves more than 500,000 access lines, it was formerly required to report on eight other metrics, addressing such things as timeliness of repairs and installations, responsiveness of customer call centers, and network call completion performance. Under the new SQIP plan, Verizon is allowed to discontinue reporting on the installation metrics and on the marketing offices' answer time performance. Further, reporting on the repair response time metrics will now be done at the "region" level (instead of at the Repair Service Bureau level) and will be limited to "special public utility commission" ("SPUC") customers. These SPUC, or core, customers are those customers who reside in areas without a landline telephone alternative to Verizon ("white spots"), who are Lifeline customers, or who are special needs customers (e.g., blind or disabled). SPUC customers make up about 8% of Verizon's customers and are comprised primarily of Lifeline customers.



Discussion

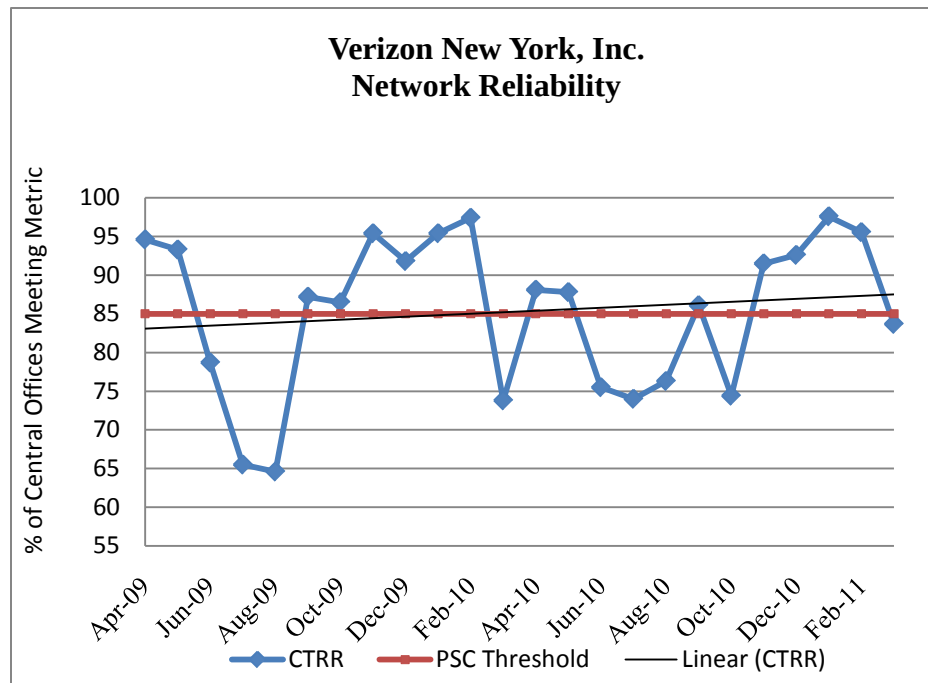
This report summarizes Verizon's performance results for the first quarter of 2011 and compares them to the Commission's Service Standards in the area of Network Reliability, Repair Performance, Answer Time Performance, and Service Inquiry Reports (SIRs). In addition, the report discusses major outages, Special Services performance, and consumer complaints.

Network Reliability

Network reliability, as measured in terms of the Service Standards' two CTRR metrics, reflects the frequency of network problems identified by customers. The company normally performs well on CTRR, as illustrated in the graph on the next page. The graph summarizes the performance of all 539 central offices (COs) as a group. At least 85% of the COs are expected to meet a threshold of 3.3 (or less) customer trouble reports per hundred access lines (RPHL) per month.² This statewide metric was missed, albeit slightly, in March 2011.

² The results shown are the percentage of central offices with a CTRR of 3.3 or less customer trouble reports per hundred access lines per month.

The second CTRR metric addresses individual COs, in which each is expected to meet a threshold of 5.5 (or less) RPHL per month. COs that have a problem meeting this metric are typically smaller and primarily serve more rural or seasonal areas. Two SIRs³ were filed on this metric for the Angelica and Byron central offices. The reasons provided by



Verizon for missing the CTRR threshold for these COs related primarily to inclement weather (snow, rain, and wind). The company believes that its Proactive Cable Maintenance program will correct these situations, along with using additional force from other departments to achieve this metric in these COs.

Repair Performance

Repair performance can be gauged by examining the results of the Service Standards' two maintenance metrics, specifically, Percent Out-Of-Service Over 24 Hours (OOS>24) and Percent Service Affecting Over 48 Hours (SA>48). Customer trouble reports are classified as out-of-service (i.e., cannot make or receive telephone calls) or as service affecting (e.g., noise/static on the line, cross-talk, or false ring). The two metrics require repair of 80% of associated customer trouble reports within the respective time frames every month at each reporting entity.

³ 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 at a particular entity. 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.

In the past, the reporting entity for the Service Standards' repair metrics was the Repair Service Bureau (RSB). The company discontinued its organization and operation on an RSB basis some years ago. To align maintenance service quality reporting with current functionalities and responsibilities, an area reporting basis was adopted. The company is divided into five operating areas (Upstate East, Upstate West, Midstate, Long Island, and New York City); these are now the reporting entities for timeliness of repair metrics. The following table provides the OOS>24 results for each of the five areas for the first quarter

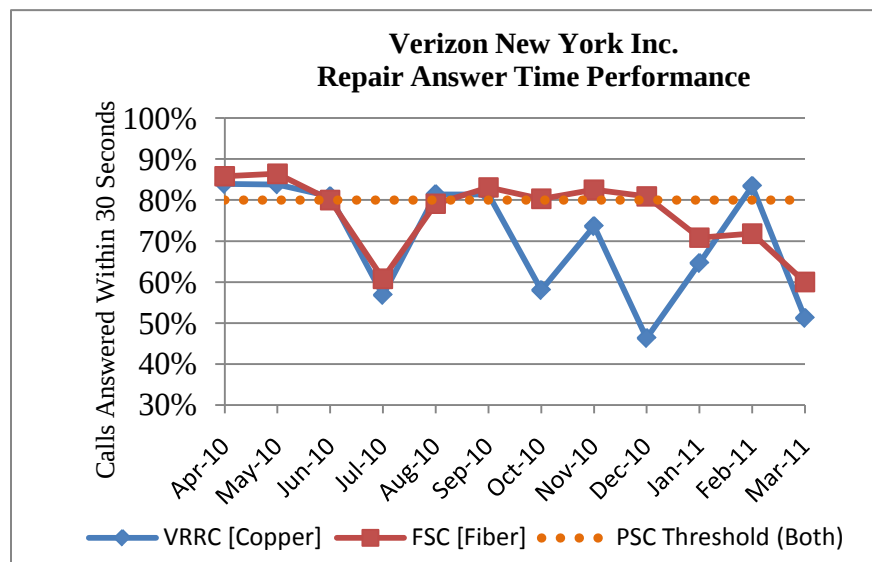
of SPUC-customer-only reporting. While the New York City region met the OOS>24 metric in January and March, it slightly missed it in February (at 21.76%). No other region missed the OOS>24 metric in any month in the first quarter of 2011. The SA>48 results are at a much lower, or better, level.

Area	OOS>24
New York City	19.59%
Long Island	7.99%
Midstate	10.01%
Upstate – East	12.33%
Upstate – West	11.17%
Company Wide	15.13%

Answer Time Performance

Verizon is now allowed to discontinue reporting on the marketing offices' answer time performance. Answer time is now reported only with regard to the two

repair call answer centers and the "LiveSource" operator center. The Service Standards specify that each month 80% or more of calls to a repair answer center should be answered within 30 seconds and that the average answer time for all calls each month to the "LiveSource" operator service should be three seconds or less.



The Verizon Resolutions Repair Center (VRRC) handles trouble reports from customers who are served by the legacy copper outside wire network. The company's Fiber Solutions Center (FSC) resolves trouble reports from customers served via the company's new fiber optic cabling (over which the company's FiOS service is

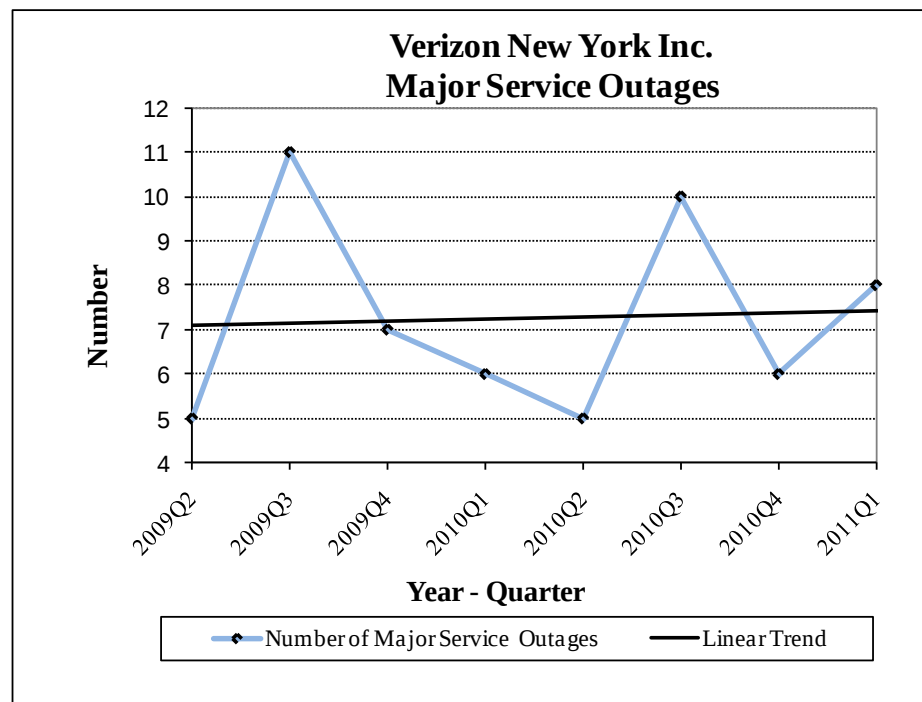
provided). The answer time service quality for VRRC and FSC, based upon one year of data, is illustrated in the graph. Only the VRRC met the threshold of the answer time metric (80% of calls answered within 30 seconds) and only in February. Both centers otherwise missed this metric each month in the first quarter of 2011. (A discussion of corrective action appears below.) Results for the “LiveSource” call center are not shown, because they are measured on a different basis than the repair answer centers and because no problem arose with operator service answer time performance.

Service Inquiry Reports

When monthly service performance in a measured entity (CO, area, call center, or final trunk group) repeatedly fails to meet the threshold level of a given metric, the company must submit a SIR. The company filed five SIRs during the first quarter of 2011. In addition to the two previously mentioned, in which individual COs did not meet the CTRR of 5.5 RPHL per month threshold, three SIRs were filed because the answer time threshold was missed (two for the VRRC and one for the FSC). The company states that it will utilize FSC personnel to help the VRRC staff and that additional targeted overtime will be used as needed. It also is examining offline work with intent to limit such.

Major Service Outages

The Service Standards require carriers to minimize major service outages and report these events to staff when they occur. Staff closely monitors network outages and investigates each event with Verizon and other service providers on a routine basis. As shown on the accompanying graph, the two-year trend is essentially flat.



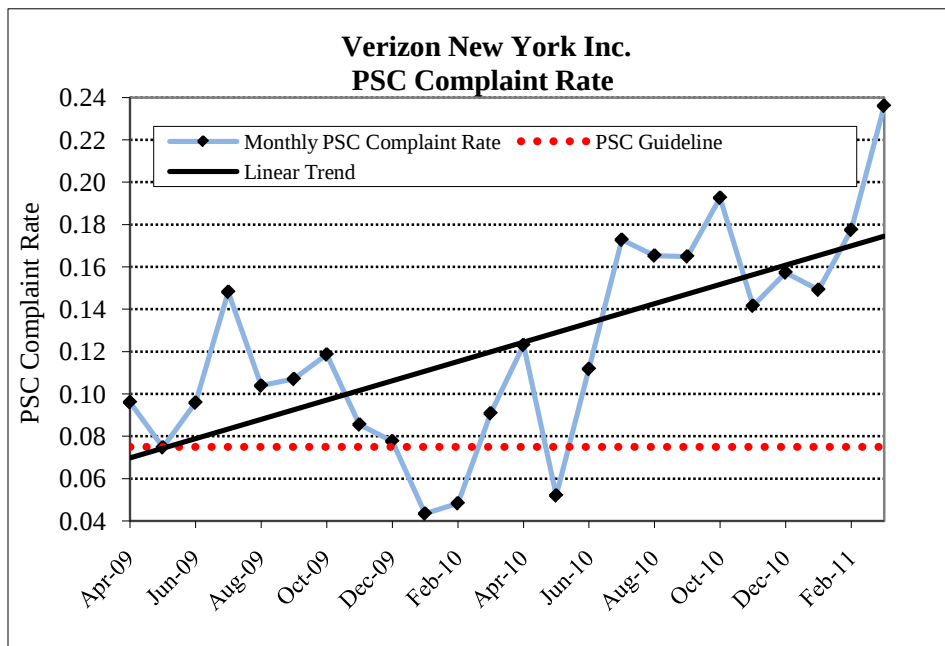
Special Services

Staff tracks the service quality performance of the company under the Commission's Special Services Guidelines. The specific data submitted is proprietary and addresses non-basic services (i.e., services generally provided to business customers or other service providers on a wholesale basis on circuits that require special engineering, including high-speed data circuits). The following information is general and does not include any nonproprietary data. The general summary is intended to provide an overall picture of the quality of service provided by Verizon on these services.

Special Services maintenance performance was generally at or near the thresholds of the Commission's Special Services Guidelines during the first quarter of 2011. Installation performance was generally good for Verizon's retail Special Services, with the exception of delays on missed installation appointments. The company also provided less than satisfactory installation service to its wholesale customers, particularly with regard to on-time installation performance. Verizon has begun to take actions to improve its wholesale installation results, and the percentage of on-time installations did improve markedly during the first quarter though not yet up to the threshold level prescribed by the Special Services Guidelines. Performance was generally satisfactory for other measures.

Complaints

While complaints from customers are not a part of the Service Standards and, therefore, do not generate SIRs, they 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, the complaint rate trend is worsening; and, the first quarter performance was worse than the actual trend. A large number (43%) of the complaints, relate to delayed repairs. While complaints are increasing, it is important to recognize



that a significant number of consumers who file complaints may have competitive options.

Performance, on a complaint rate basis, was three times worse during this quarter (1.87) than the same quarter a year ago (0.61). Complaints for this quarter averaged about 76 per month as compared with 28 per month for the comparable time-frame last year. In addition, service-related complaints in the first quarter of 2011 comprised a higher percentage of total complaints (83%) versus the first quarter of last year (74%).

Conclusion

The Commission's approval of Verizon's revised SQIP established a new reporting paradigm for the company. The revised SQIP provides focus on repairs for customers who do not have competitive wireline options. It eliminates reporting on certain service quality performance to more closely reflect the realities of competition, by moving closer to comparable treatment for competing providers, thereby, allowing the market to dictate service quality.

The company's first quarter 2011 service quality performance report shows that Verizon met the repair thresholds for its core customers and performed well on network reliability; and, it performed poorly on repair call center answer performance and customer complaints. Staff meets monthly with the company regarding service quality and will continue to monitor the company's service quality efforts.