

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

April 30, 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.
First Quarter 2010 Service Quality Report

SUMMARY

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

- The company met many of the service quality thresholds for the first quarter, however, it continues to perform poorly with respect to the timeliness of repair and the company is addressing poor performance through its Service Quality Improvement Plan.
- The company's answer time performance trend continues to miss the service standard for non-repair answer time performance.
- The trend for major service outages continues to improve.
- The company generally performed better than the long term trend for PSC complaints, although there was a spike in complaints during March 2010.

BACKGROUND

Verizon New York Inc. (VNY or the company) is the largest incumbent local exchange carrier in New York State, serving approximately 5.4 million access lines¹

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, or 4.3 million, are provided directly to end users.

from 539 central offices. Like other incumbent local exchange companies, VNY's customer base is declining, in large part due to competitive alternatives. During this quarter, the company lost approximately 147,000 (2.6%) access lines, an average of about 49,000 per month. For the twelve months ending March 31, 2010, VNY lost almost 10.6% of its access lines (641,000).² The company has about half of the access lines it had eight 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 first 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 93.2% of the time during this quarter, somewhat worse than

² These monthly line losses are less than the average monthly line losses for the twelve months ending March 2009 (63,700) and are less than the average monthly line losses for the twelve months ending March 2008 (63,800 per month). While VNY has lost access lines, on a parent company-wide basis, Verizon Communications Inc. reported increases in its wireless customers of 7.2% from the first quarter of 2009 to the first quarter of 2010 and also experienced an approximate 4.3% increase in wireline broadband connections over the same time period.

the first quarter 2009 performance of 96.2%. These results are discussed in more detail in this report.

Verizon New York Inc. First Quarter Service Quality Performance							
		2010			2009		
Category	Metric(s)	Opportunities	Met	Missed	Opportunities	Met	Missed
CTRR Combined		1620	97.3%	2.7%	1620	99.1%	0.9%
	CTRR <5.5	1617	97.3%	2.7%	1617	99.1%	0.9%
	85% CTRR <3.3	3	66.7%	33.3%	3	100.0%	0.0%
Timeliness of Repair		168	56.5%	43.5%	168	79.2%	20.8%
	OOS >24	84	39.3%	60.7%	84	66.7%	33.3%
	SA >48	84	73.8%	26.2%	84	91.7%	8.3%
Timeliness Of Installation		192	97.4%	2.6%	192	94.8%	5.2%
	IMA	96	95.8%	4.2%	96	97.9%	2.1%
	I w/i 5	96	99.0%	1.0%	96	91.7%	8.3%
Answer Time		39	59.0%	41.0%	39	56.4%	43.6%
Totals		2019	93.2%	6.8%	2019	96.2%	3.8%

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.

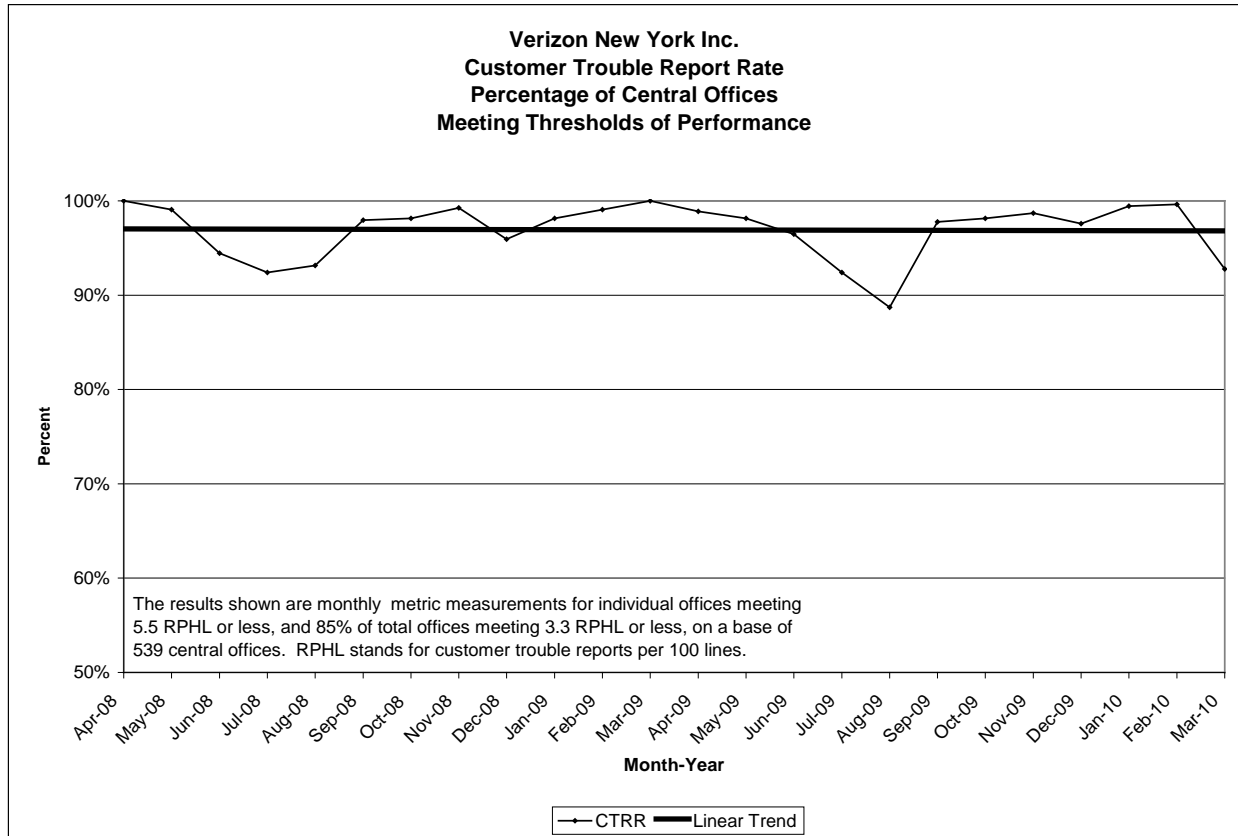
Customer Trouble Report Rate (CTRR)

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 first quarter, VNY's 539 central offices met or exceeded the monthly CTRR performance thresholds about 97% 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 March of the first 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. The Shokan and Cattaraugus central offices had to file Service Inquiry Reports³ this quarter for consistently exceeding the individual central office threshold level of 5.5 RPHL per month. The company's SIRs for this quarter indicate that Shokan experienced two physical plant problems and Cattaraugus had a large cable cut by an unknown contractor that accounted for the gross majority of its trouble reports.



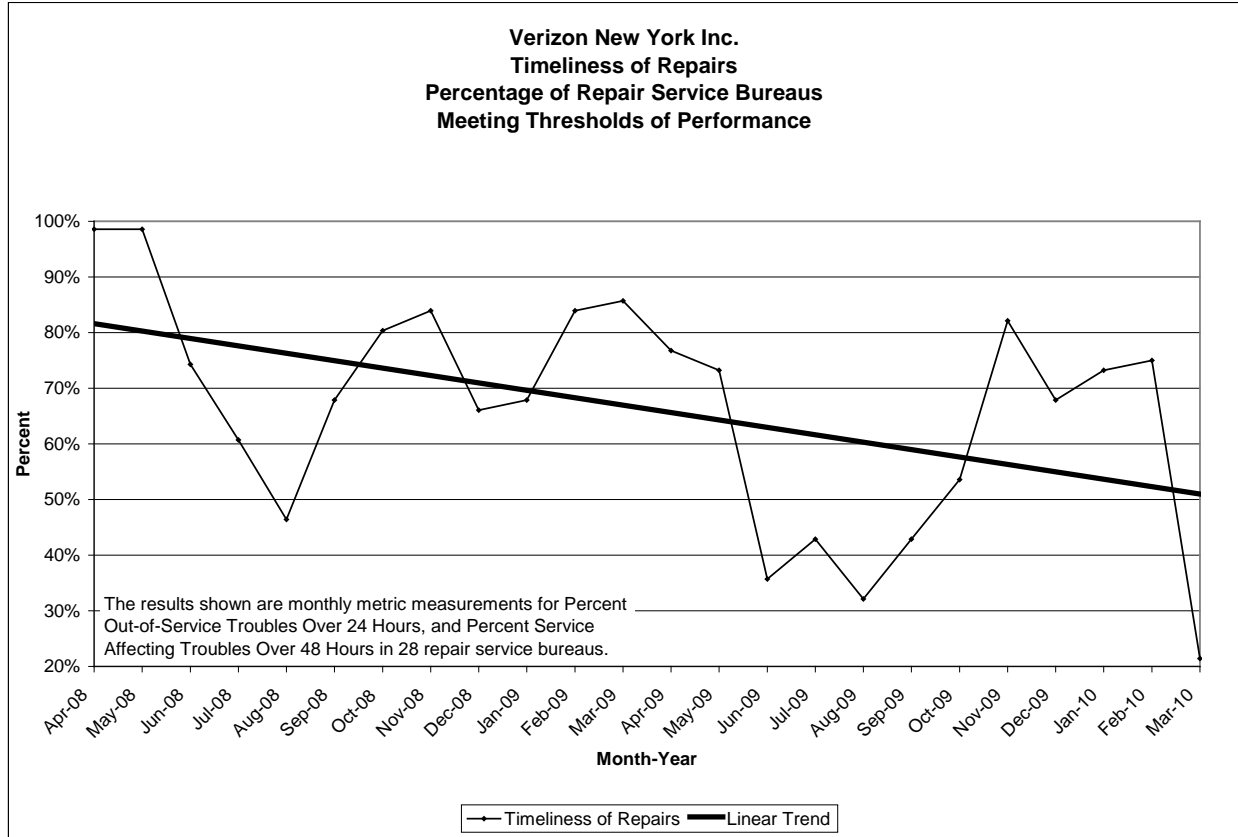
³ Service Inquiry Reports (SIRs) are required under 16 NYCRR §603.4 whenever a Service Standards' metric is not at or better than the threshold for the current month and any two of the previous four months. These reports identify specific regions where improvements are required, detail the reasons for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

Timeliness of Repairs

The company's twenty-eight repair service bureaus (RSBs) met the performance threshold about 57% of the time,⁴ which is significantly lower than the first quarter 2009 performance of about 79%. During March, those RSBs met the performance threshold at a rate of just 21.4%, a ten-year low.

The graph on the next page displays a two-year trend for timeliness of repairs performance. Staff continues to be concerned about the overall declining trend and the level to which timeliness of repairs has fallen. However, the company attributes the poor performance primarily to bad weather, specifically rain and high winds which increases trouble loads. There were two back-to-back snowstorms during the last week of February that covered the State, with total accumulations ranging from 15 inches to more than five feet. In addition, these storms were accompanied with some elevated winds, while the snow amounts made it difficult for the VNY crews to get to where repairs were needed. In March, much of the downstate area experienced two storms that brought three to seven inches of rain each. The initial storm in mid-March also included 50 to 70 miles-per-hour winds. The National Weather Service recorded all-time record rainfalls for the month of March at a number of weather stations on Long Island and in New York City.

⁴ Staff expects this number to be 100% because the timeliness of repair metrics themselves require that only 80% of repair problems be fixed within an expected interval (i.e., within 24 hours for out-of-service troubles and within 48 hours for service-affecting troubles).



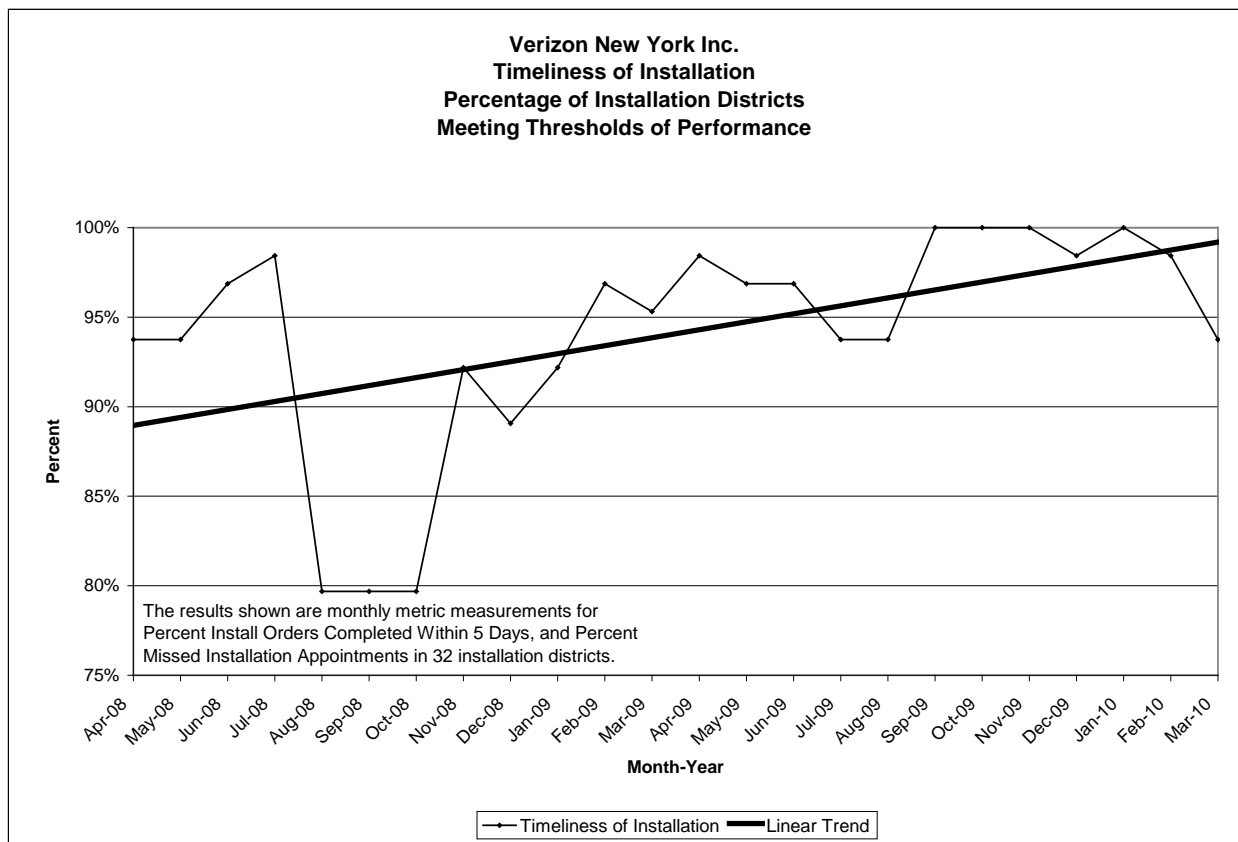
It is important to note that the Commission’s service standards relate to the quality of service under normal operating conditions and do not establish a level of performance during periods of severe storms affecting large number of customers.⁵ Due to the severity of these storms, staff analyzed how quickly the company restored service once a customer was out of service over 24 hours and finds that the percentage of customers out of service drops significantly at 48 hours and 96 hours. As illustrated below, during February and March 2010, the percentage of customers out of service for the upstate RSBs drops significantly after the first 24 hours, indicating that while customers were out beyond the required window, the large number of those were restored the following day.

⁵ See 603.1(c) of 16NYCRR

Upstate RSBs	February 2010			March 2010		
	% OOS>24	% OOS>48	% OOS>96	% OOS>24	% OOS>48	% OOS>96
	19.27	4.84	1.03	39.03	19.78	6.60

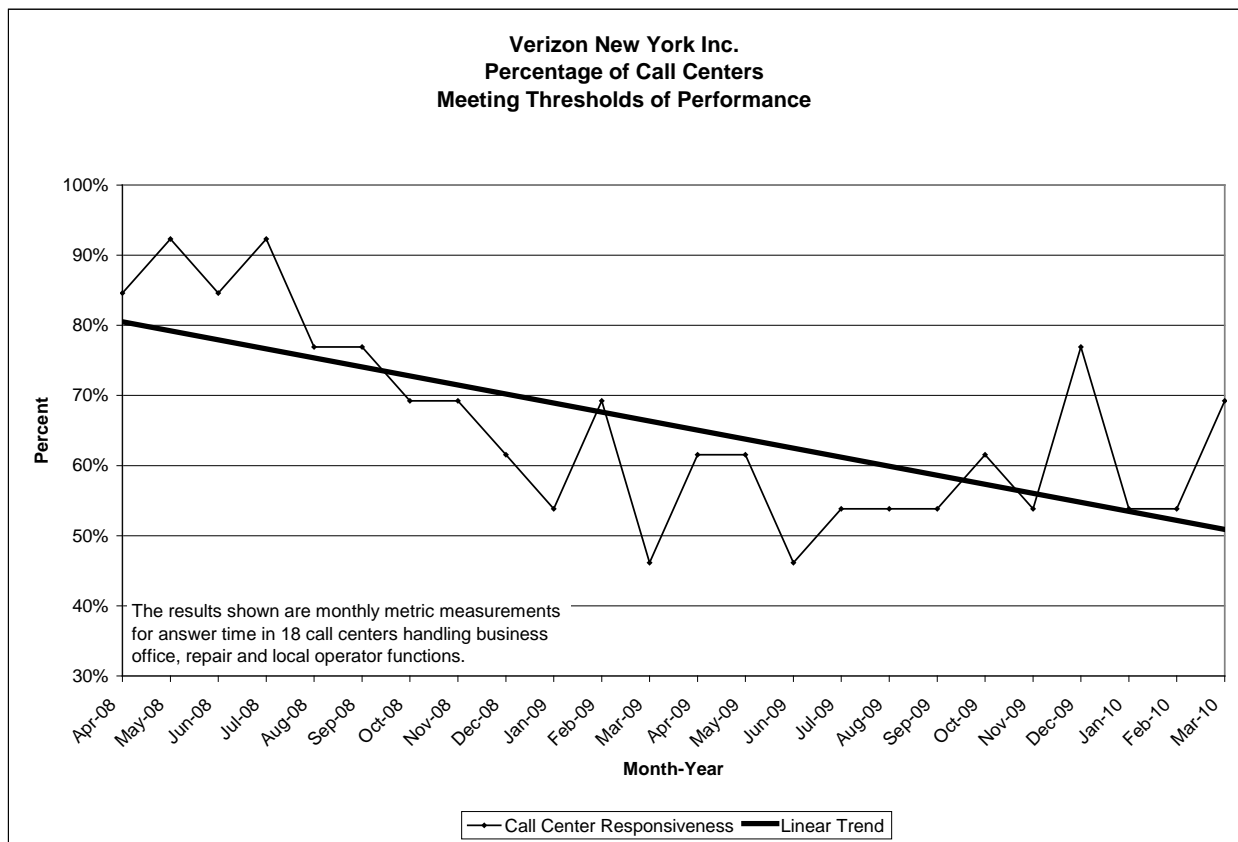
Installation Service

During this quarter the company performed well regarding timeliness of installation, as shown on the following chart, as VNY met the established monthly thresholds for its thirty-two installation districts more than 97% of the time this quarter, an improvement from the first quarter of 2009. 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.



Answer Time Performance

As shown on the following graph, answer time performance over the past two years has continued to decline. 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. Six 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) has not met the threshold level of performance for the last two and a half years. The following graph displays call center performance on a company-wide (i.e., all call centers combined) basis.



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)

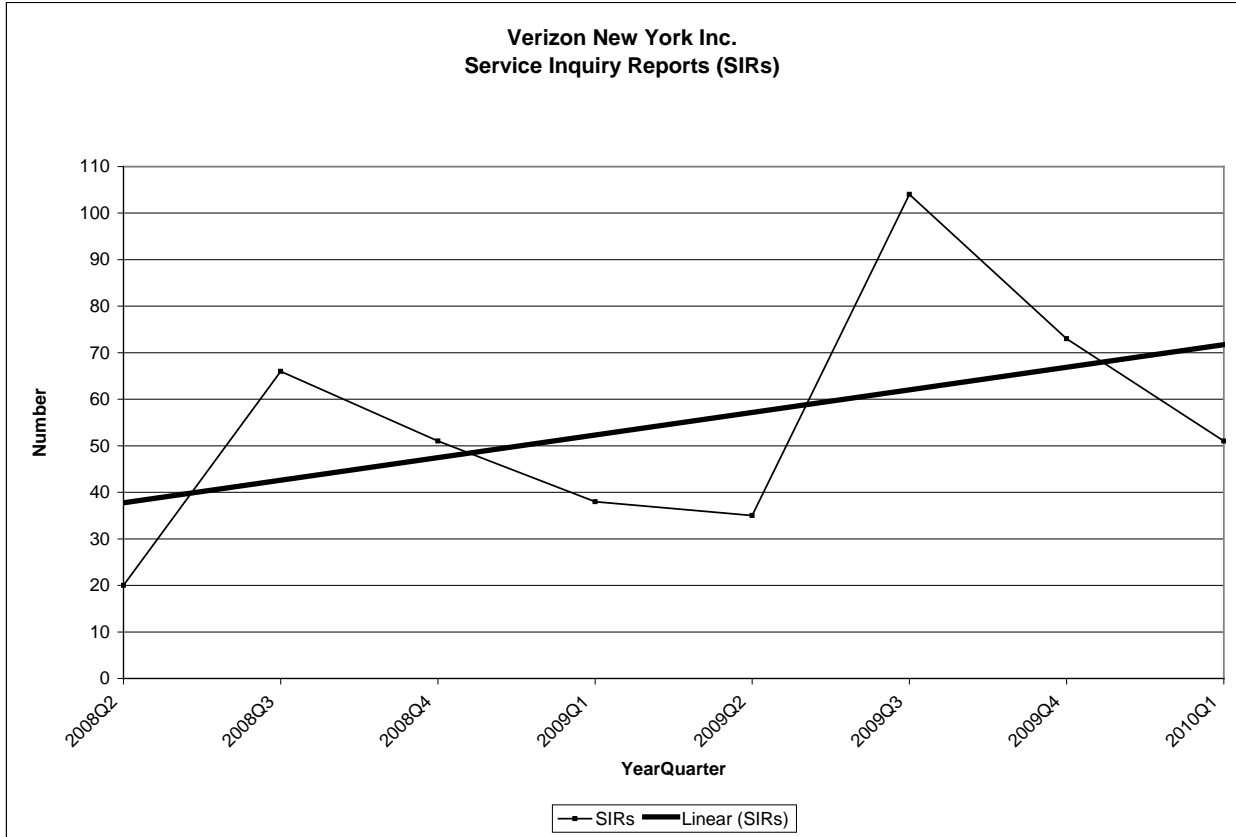
consistently fails to meet the threshold level of a given metric in the Service Standards, the company must submit a SIR. These reports identify specific regions where improvements are required, detail the reasons for poor performance, describe the corrective action being taken, and identify an expected improvement date.

The company had 51 SIRs in the first quarter of 2010, significantly above levels for the first quarter for each of the last nine years. The majority (35) of this quarter's SIRs relate to the Out-of-Service-Greater-than-24-Hours (OOS>24) metric. The 35 OOS>24 SIRs represent more than any first quarter over the last seven years. There are approximately 80,000 out-of-service trouble reports, statewide, every month.

Timeliness of repairs problems occurred throughout the State as 18 of the 28 repair service bureaus (RSBs) experienced at least one SIR during the quarter and five RSBs – West Brooklyn, East Brooklyn, Manhattan North, South Westchester, and East Hudson -- had OOS>24 SIR failures each month this quarter. According to the company, the primary problem causing long out-of-service times is that its outside plant fails and generates a large number of trouble reports when exposed to significant rainfall/winds. As previously discussed, the storms of February and March 2010 contributed to the SIR failures.

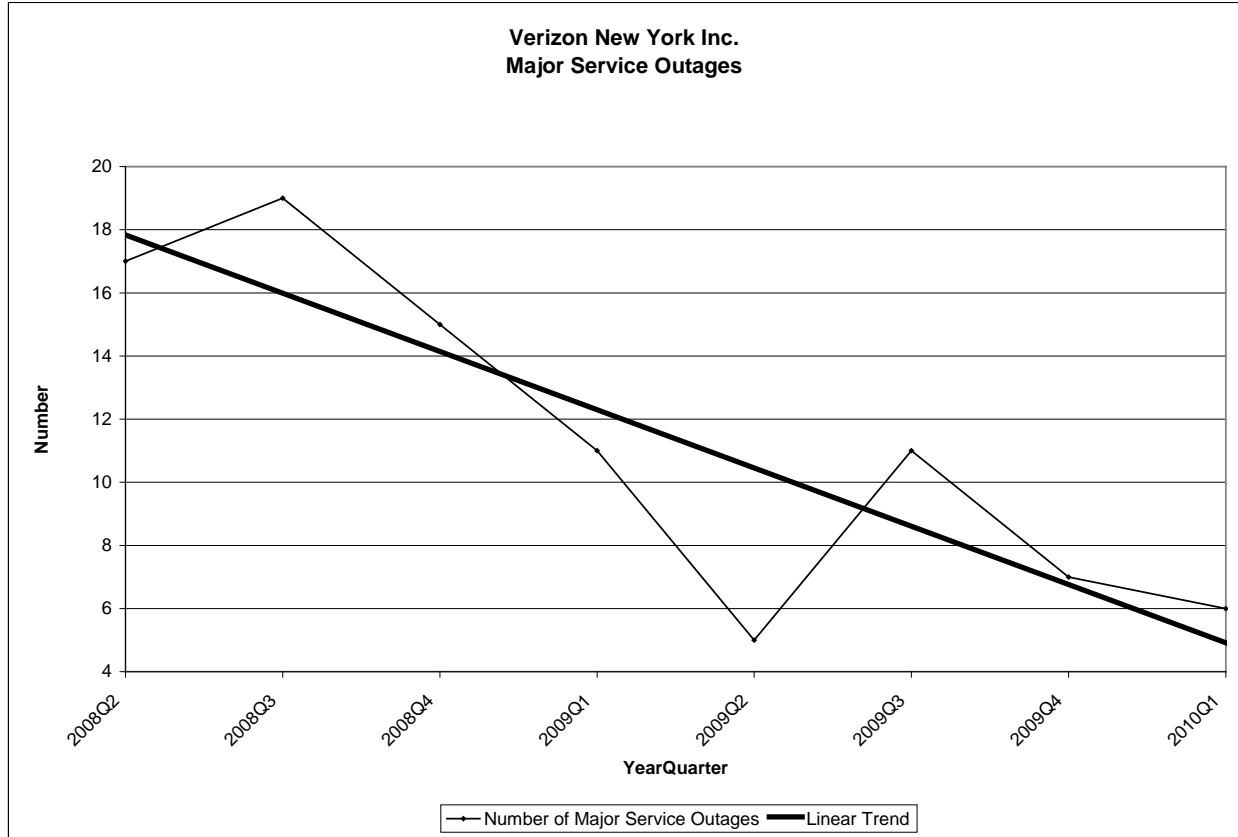
Due to staff's previously-stated concern regarding the continuing negative timeliness of repair trend, staff requested, and the company submitted and has in place its "2010 Service Quality Improvement Plan" (SQIP).⁶ The SQIP focuses on upstate repair performance and outlines actions that the company is taking which it believes will remediate timeliness of repair performance. VNY also requested that the Uniform Measurement Guidelines be amended to exclude repairs where subscribers have requested or accepted repair intervals for their convenience and for instances of no access.

⁶ A more detailed discussion of the SQIP and Staff's review of the SQIP are provided in a separate memo.



Major Service Outages

The standards also enjoin carriers to minimize major service outages and to report such events to Staff when they occur. The graph below shows the number of major service outages in each quarter over the last two years.



Staff closely monitors network outages and investigates such events with VNY and other telecommunications services providers on a routine basis. Major outages reported in the first quarter of 2010 show a decrease compared to last quarter (i.e., the fourth quarter of 2009) and compared to a year ago (i.e., the first quarter of 2009). As indicated in the graph, the number of reported major outages is trending lower when viewed over a two year span.

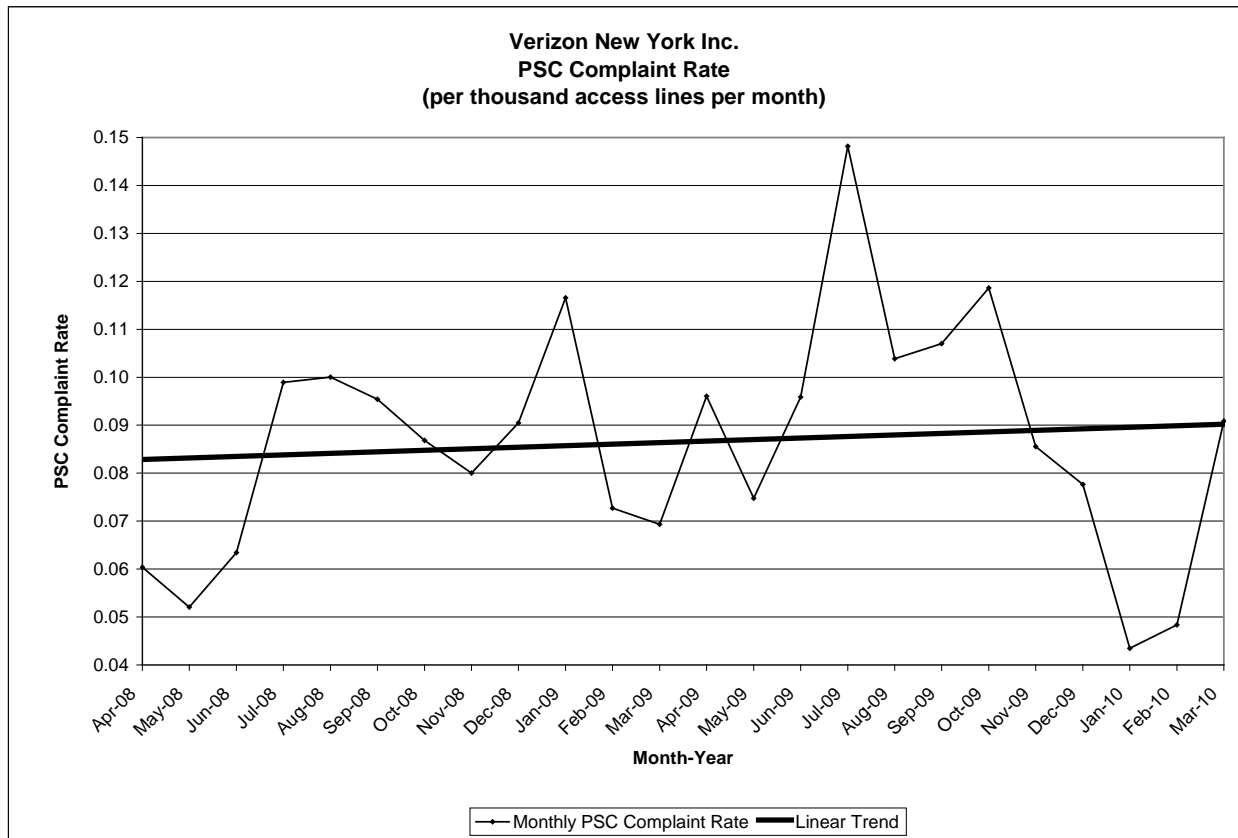
Special Services

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 first 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 chart, during this quarter, while the complaint rate trend continued to worsen, performance in the first quarter generally was better than that trend.



Performance, on a complaint rate basis, was better (29%) during this quarter than the same quarter a year ago. Complaints for this quarter averaged about 28 per month as compared with 44 per month for the comparable time frame last year. However, service-related complaints in the first quarter of 2010 comprised a significantly higher

percentage of total complaints (74%) as versus in the first quarter of last year (55%). 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), SIRs, and PSC complaints. The performance with respect to timeliness of repairs over the past two years continues to deteriorate. 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 18 out of 28 repair service bureaus (RSBs) experienced at least one SIR during the quarter and five RSBs had OOS>24 SIR failures each month this quarter. Staff notes that VNY's SQIP provides revised and additional elements to address this continuing problem and a more detailed discussion and analysis of the SQIP is provided in a companion memo to this report.

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 second 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.