

Filed Session of June 21, 2001
STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

May 25, 2001

TO: THE COMMISSION

FROM: OFFICE OF COMMUNICATIONS

SUBJECT: CASE 01-C-0491 - In the Matter of the Quality of Telephone Service Provided by Local Exchange Companies in New York State during the Calendar Year 2001, filed in C 25290.

CASE 93-C-0103 - Petition of Rochester Telephone Corporation for Approval of Proposed Restructuring Plan, filed in 93-C-0033 -- Status of Frontier Telephone of Rochester, Inc.'s Open Market Plan Service Quality Improvements.

Memorandum for Information Only. No action is required.

FRONTIER TELEPHONE OF ROCHESTER, INC.
First Quarter 2001 Service Quality Report

SUMMARY

This memorandum describes the quality of telephone service provided by Frontier Telephone of Rochester, Inc. during the first quarter of 2001, and the company's success in attaining its revised Open Market Plan service quality targets.^{1/} FTR achieved an Objective Level performance of 98.3% for the first quarter of 2001, compared to 97.1% for calendar year 2000. This is significantly better than the target performance level of at least 89.0% as specified in the Open Market Plan for 2001. The company was also better than the Public Service Commission Complaint targets on both a 12 and 24 month average basis. Service quality during the first quarter met service standard performance levels, and the company is on pace to meet its year 2001 Open Market Plan service quality targets.

^{1/} A description of the service metrics appears in Appendix A. A glossary of terms that may be unfamiliar appears in Appendix B.

BACKGROUND

Frontier Telephone of Rochester, Inc. (FTR) serves 530,955 access lines from 44 central offices. It is the second largest incumbent local exchange carrier in the state after Verizon New York Inc. (Verizon), and serves approximately 4.2% of the total lines in the state. Because FTR is classified as a large company (*i.e.*, serving more than 500,000 access lines) under the Commission's recently revised service standards,^{1/} it reports on all metrics addressed in the Commission's service standards. Companies serving fewer access lines do not have to report on all metrics.

FTR is operating under an incentive regulation plan, called the Open Market Plan (OMP, or the Plan), for the period January 1, 1995 through December 31, 2004. Service performance requirements of the OMP are based on the Commission's service standards previous to their recent modification. Measurements on this basis will continue as specified in the Plan unless it is modified or terminated as discussed below. The OMP, as modified in October 1998 and March 2000^{2/}, requires the company to provide Objective Level service at least 89% of the time on all the metrics of the Commission's service standards in 2001. The Plan also stipulates an upper limit of no more than one Surveillance Level Failure (three consecutive months or more of poor service performance for any service standard) in any calendar year of the Plan. Finally, the Plan defines acceptable limits for customer complaints to the Commission, and requires the company to perform annual customer satisfaction surveys.

If these requirements are not satisfied, the company incurs penalties consisting of:

^{1/} Title 16 NYCRR 603, as modified October 6, 2000 in Case 97-C-0139.

^{2/} Cases 93-C-0103, et al., Order Approving Proposed Modifications to the Open Market Plan (issued October 16, 1998).
Opinion No. 00-4, Opinion and Order Establishing New Terms of Open Market Plan and Rate Plan (issued and effective March 30, 2000)

1. A rebate to consumers of \$9 million if it fails to attain the percent Objective targets in each year; and,
2. A rebate to consumers of up to one half of one percent of total local service and intrastate toll revenue (approximately \$1 million) if it fails to meet the other service quality targets of the OMP.

The company incurred penalties in 1996, 1997, and 1998 for poor service quality performance and paid rebates to its customers. Service improved significantly for 1999 and the improvement has been maintained during 2000 such that no rebates have been necessary, and the Commission commended the company for its performance in two out of its three operating districts in both years.

Failure to meet the OMP service quality targets also requires that the company withhold quarterly dividend payments to its parent, Frontier Corporation, Inc. FTR had been withholding such payments since the beginning of 1997. On October 18, 2000, the Commission allowed FTR to resume dividend payments to its parent company.^{1/}

On January 19, 2001, FTR filed a petition seeking a waiver from the reporting requirements of the Commission's recently revised service standards for the remaining period of the Plan. It proposes to continue reporting service results consistent with its Plan requirements, and the Commission's service standards prior to their modification on October 6, 2000. This petition is being reviewed by staff. All FTR service performance in this memorandum is on the basis of FTR's Plan and the service standards prior to the October revision.

^{1/} Cases 93-C-0103 and 93-C-0033, Order Modifying Open Market Plan, (issued and effective October 18, 2000).

DISCUSSION

For the first quarter of 2001, FTR achieved a 98.3% Objective Level performance for all metrics, and is meeting, by a wide margin, its 2001 calendar year OMP goal of 89.0%. The 98.3% level for the first quarter compares to a 97.1% Objective Level performance for all of 2000. The following chart illustrates the company's performance for 2001 thus far relative to its year-end 2001 OMP service goals for all metrics and complaints to the Department of Public Service (PSC complaints).^{1/}

<u>OMP Measurement Category</u>	<u>Year-to-Date 2001</u>	<u>Calendar Year 2001 OMP Goal</u>	<u>Comment</u>
% Objective Level Measures - All Metrics	98.3%	=>89%	Objective Level Met
PSC Complaint Rate - 12 month average per 100,000 lines ^{2/}	3.30	=<4.7	Objective Level Met
PSC Complaint Rate - 24 month average per 100,000 lines	3.52	=<7.4	Objective Level Met
Number of Surveillance Level Failures	0	=<1	Objective Level Met

^{1/} Appendix C, attached, shows the company's performance on all service metrics for the fourth quarter of 2000 as compared to the fourth quarter of 1999, including those not specifically addressed in the OMP.

^{2/} This represents a monthly rate per 100,000 lines. In order to compare it to the PSC Complaint Rate at the bottom of Appendix C, it is necessary to multiply it by 12 (months), and divide it by 100.

FTR thus far in 2001 has achieved Objective Level service for at least 89% of its measurement opportunities, has not had more than one Surveillance Level Failure, has averaged PSC complaint rates of 4.7 or fewer complaints per 100,000 access lines per month for the last 12 months, and 7.4 or fewer complaints per 100,000 access lines per month for the last 24 months.

During the first quarter of 2001, FTR customers registered 27 complaints with the Commission, compared to 26 for the same period in 2000. For all of 2000, FTR customers registered 214 complaints. FTR's complaint rate meets Commission objectives.

<u>Incumbent Company</u>	<u>PSC Complaint Rate 12 Months Ending 3/31/01</u>
FTR	0.40
Verizon	0.51
All Other Companies	0.24
Complaint rate shows the number of complaints per 1,000 access lines. The Objective level is 0.5.	

CONCLUSION

Frontier Telephone of Rochester is on pace to attain its Objective Level OMP goal for the year 2001. In addition, service performance for the first quarter of this year was generally equal to performance during the same quarter of 2000. Staff will continue to monitor the company's progress toward attaining OMP Objective Level performance for the rest of 2001. This memorandum is for informational purposes only. No 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) Dial-Line Service, 3) Answer Time Performance, and 4) Installation Service. Staff receives monthly reports of various service measurements in these categories which are analyzed to evaluate the level of service quality delivered to consumers.

The Open Market Plan is based on service performance standards as stated in the rules prior to the substantial revisions adopted in October 2000. On January 19, 2001, FTR filed a petition seeking a waiver from the reporting requirements as specified in the recently revised service standards for the remaining period of its incentive plan. The company proposes to continue reporting service results consistent with its Plan requirements, and the Commission's service standards prior to their modification on October 6, 2000. Pending disposition of this petition, FTR is only reporting service results consistent with its OMP, and the pre-2000 service standards. The description that follows is consistent with the standards prior to the October 2000 revisions.

The Telephone Service Standards enjoin telephone utilities to strive to attain Objective Level service. Objective Levels are specifically defined by the Standards and described as a level of service which represents good quality service to consumers. On the low end of the service scale, the Standards employ the term "Weakspot Level" to denote a level of service below which immediate analysis and corrective action may be required. Three or more consecutive months of Weakspot results are usually considered a Surveillance Level Failure, and requires the filing of a Service Inquiry Report (i.e., a plan of corrective action) by the serving company, and a report to the Commission by Staff. At the end of this Appendix is an excerpt

from the pre-2000 version of the Service Standards, which shows the mandated Objective and Weakspot Levels.

Maintenance Service

Maintenance service is synonymous with repair or network reliability service. The most important measurement of maintenance service is the Customer Trouble Report Rate which is expressed as the number of consumer trouble reports to a carrier per 100 access lines per month. The trouble report rate is a direct indication of the telephone service provided to consumers.

The Telephone Service Standards set an Objective Level for monthly customer trouble report rate as 4.2 trouble reports per 100 access lines in each central office switching entity. Other measurements of maintenance service cover the clearing time on out-of-service troubles and the percentage of missed repair appointments.

Installation Service

Installation Service relates to the ability of the utilities to complete customer orders for new, or upgraded service. The primary service indicators for Installation Service are the Percentage of Regular Orders Completed Within Five Business Days and Percent Regular Appointments Not Met.

Answer Time Performance/Customer Contact Service

This category relates to the ability of customers to contact the telephone company for new service, for reporting a trouble condition, directory assistance, or other operator assisted calls. Customer Contact Service is measured separately for each type of company service requiring interface with the public. Thus, data is reviewed separately for answer performance on calls to repair service, business offices, directory assistance, intercept, and local operator assistance services.

Other Service Indicators

Measurements of other service indicators not included in the Service Standards (some of which are reported by the telephone companies), and reviewed by Staff on a monthly basis. Examples include the number and/or rate of consumer complaints to the Commission and coin telephone service.

SERVICE QUALITY MEASUREMENTS

SERVICE ELEMENT	REPORT NOMENCLATURE	SERVICE RATINGS	
		OBJECTIVE	WEAKSPOT
MAINTENANCE SERVICE: (1)			
Customer Trouble Report Rate	Report per 100 access lines	0.0 - 4.2	Over 7.0
Missed Repair Appointments	Percentage of missed appointments	0.0 - 10.0	Over 15.0
Out-Of-Service Clearing Time	Percentage of OOS over 24 hours	0.0 - 20.0	Over 30.0
INSTALLATION PERFORMANCE: (2)			
Regular Installations	Percentage installed within 5 days	85.0 - 100.0	Below 70.0
Installation Appointments	Percentage missed	0.0 - 3.0	Over 10.0
ANSWERING TIME PERFORMANCE: (3)			
Business Office	Percentage answered within 20 seconds	90.0 - 100.0	Below 85.0
Business Office	Percentage all positions busy	0.0 - 10.0	Over 15.0
Repair Service Bureau	Percentage answered within 20 seconds	90.0 - 100.0	Below 85.0
Repair Service Bureau	Average answer time (seconds)	12.0 - 16.0	Over 27.0
Directory Assistance	Percentage answered within 10 seconds	86.0 - 100.0	Below 83.7
Directory Assistance	Average answer time (seconds)	0.0 - 6.3	Over 6.9
Intercept	Percentage answered within 10 seconds	86.0 - 100.0	Below 83.7
Intercept	Average answer time (seconds)	0.0 - 6.3	Over 6.9
Toll & Assistance	Percentage answered within 10 seconds	90.8 - 100.0	Below 87.5
Toll & Assistance	Average answer time (seconds)	0.0 - 2.0	Over 4.1

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.

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 as of February, 1996.
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.
Intercept	The process of redirecting a telephone call to an operator or to a recording to another telephone number or message.
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.
Objective Level	A level of telephone service quality performance representing good service to consumers that local exchange carriers are to strive to consistently attain as defined in Title 16 NYCRR, Part 603.12(b).
OMP	Open Market Plan - An incentive rate plan specific to Frontier Telephone of Rochester, the former Rochester Telephone Company.
PRP	Performance Rate Plan - An incentive rate plan specific to Verizon New York, Inc., the former New York Telephone Company.
PSC Complaints	Consumer complaints filed directly with the Public Service Commission against telephone companies.

Rate Base Regulation	A method of regulation that determines the allowed rate of return for a carrier based on its level of investment and expenses.
Reseller	A certified carrier that uses the facilities of another carrier to provide services to consumers.
Surveillance Level Failure	Consistent telephone service quality performance at the Weakspot Level for three or more months in a row requiring the local exchange carrier to submit a corrective action plan to Commission staff as defined in Title 16 NYCRR, Part 603.13.
Weakspot Level	A level of telephone service quality performance below which immediate analysis and corrective action may be required as defined in Title 16 NYCRR, Part 603.12(c).

The following chart compares FTR's service quality performance in the first quarter of 2000 with its performance in the first quarter of 2001:

<u>Measurement Category</u>	<u>1Q/00</u>	<u>1Q/01</u>	<u>Comparison</u>
% Objective Level, Customer Trouble Report Rate	97.0%	98.5%	Better
% Weakspot, Customer Trouble Report Rate	1.5%	0.8%	Better
% Objective, Missed Repair Appointments	100.0%	100.0%	Same
% Weakspot, Missed Repair Appointments	0.0%	0.0%	Same
% Objective, Out-of-Service Over 24 Hours	100.0%	88.9%	Worse
% Weakspot, Out-of-Service Over 24 Hours	0.0%	0.0%	Same
Business Office Answer Time % Objective Level	100.0%	100.0%	Same
Business Office Answer Time % Weakspot	0.0%	0.0%	Same
Repair Service Answer Time % Objective Level	100.0%	100.0%	Same
Repair Service Answer Time % Weakspot	0.0%	0.0%	Same
Missed Installation Appointments % Objective Level	83.3%	100.0%	Better
Missed Installation Appointments % Weakspot	0.0%	0.0%	Same
% Installed within 5 days % Objective Level	100.0%	100.0%	Same
% Installed within 5 days % Weakspot	0.0%	0.0%	Same
No. of PSC Complaints-1QTR	26	27	Worse
PSC Complaint Rate/1000 Lines/Year-Ending 3/31	0.45	0.39	Better