STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: July 14, 2009
AT (OFFICE): NHPUC

FROM: Kate Bailey KMB

SUBJECT: **DT 07-011** FairPoint's Stabilization Plan Status Report and Liberty's Assessment of FairPoint's Stabilization Plan Status Report

TO: Commission
Executive Director

On July 8, 2009, FairPoint provided Staff and the OCA its Stabilization Plan Status Report. The report summarizes FairPoint's appraisal of its progress in normalizing operations as of June 30, 2009, the date by which FairPoint expected its operations would be back to business as usual.

On July 13, 2009, Liberty provided Staff with its assessment of FairPoint's Status Report. Liberty's assessment points out inconsistencies between data reported by FairPoint and Staffs' experiences in the three states, as well as inconsistencies in data reported by FairPoint, and areas FairPoint does not address in its report. Liberty concludes FairPoint cannot be considered to have returned to normalized operations.

Both reports are attached for filing in the docket. Staff recommends the Commission schedule a technical session to allow Staff, the Office of the Consumer Advocate and any interested party the opportunity to work through the Stabilization Plan Status Report and the supporting data in detail, and to determine specifically where FairPoint is in returning its operations to business as usual.

Attachments

FAIRPOINT STABILIZATION PLAN STATUS REPORT

JULY 8, 2009

Fairpoint Commuications created a Stabilization Plan on March 31, 2009. The purpose of the plan was to identify the areas of the business that needed improvement and develop an action plan to return to Business As Usual by the end of the second quarter 2009. This report will provide the current status of our drive to return to normalized operations. For the purposes of this report, normalized operations will be defined as service from a customer's perspective that equates to what they were receiving from FairPoint prior to cutover. It is important to note, that we do not consider normalized operations to be the optimum level of service we will be providing to our customers. Our objective is to utilize our new systems to provide better service than before cutover. This document reports on our results, and it should be noted that some of those results are still a function of workarounds in our systems. Our objective is to continue to improve the systems performance, automating all possible tasks and improving our service performance and our efficiencies. The report will focus on five primary areas to assess the progress made since the beginning of the second quarter. The first three areas measure the current state, and our ability to execute our business plan going forward. This includes the Call Centers, Order Flow and Billing. The other two areas we will report on are the order backlog and customer escalations. Although the issues in these areas are from events that occurred in the past, to deliver on our commitment of superior customer service, these areas need to be addressed. These five areas of the business encompass all the measurements in our Milestone reports, and are the critical items that define the customer experience.

For each of the five areas mentioned, this report will detail the progress made since cutover and how the current results compare to established benchmarks of success. In all the areas mentioned, there has been significant progress made during the second quarter. In most of the areas, additional systems improvements are needed to truly be at normalized levels. We will review each area, detail our past results, the current status and describe the action plans in place to reach normalized levels.

CALL CENTERS: There are many activities that take place in the call centers. This report will focus on one of the main priorities in the centers – answering the phone and talking to our customers. We will provide a status for three of our major centers that we have been measuring in detail since the inception of the stabilization plan. The three centers are the Consumer Call Center, The Business Call Center and the Repair Call Center. We have been measuring these centers daily and reporting weekly as part of our milestone reports. The two measurements we have reported on are percent of calls abandoned and the average wait time. In total these three centers accept over 200,000 calls/month from our customers.

Consumer Call Center: The Consumer Call Center is the largest of the three call centers tracked, and accepted 69% of the total call answered by the three centers. It has experienced a dramatic improvement since March and for the month of June operated at a normalized level. The following chart details the improvements made since the first quarter and the results attained measured against the objectives we established in the stabilization plan and that have been reported on with our weekly milestone reports.

MEASUREMENT	MARCH RESULTS	JUNE RESULTS	OBJECTIVE
Percent Calls Abandoned	**59%**	**2.75%**	**5%**
Average Wait Time	**15.12 Minutes**	**45 Seconds**	**1 Minute**

Although there are many reasons for the center's improvement, the biggest contributors have been the volume of calls returning to pre-cutover levels, strong management of the center, and the productivity level of the customer service reps (CSRs) working in the center. As noted in the stabilization plan, the average monthly call volume for the consumer center pre-cutover was 151,145 calls. This increased to 350,066 calls for the month of March. The call volume for May and June returned to normalized levels with the average volume for the past two months coming in at 151,746 calls/month. We have also initiated programs to improve the systems our CSR's are utilizing to service our customers. There have been weekly systems updates and improvements that have been put into the production environment since March. Additionally we contracted with an outside consulting firm (Aricent) with an expertise in our front end systems. The call center team working with this firm identified several time saving improvements to our front end system that has made a major difference in how we service our customers. June demonstrated the ability of our talented CSR's to provide excellent service to our customers. It is still critical that the systems they utilize remain stable. When a system issue occurs in the center, results are significantly impacted.

Repair Call Center: The Repair Call Center is the second largest of the three centers accepting 23% of the total calls from the three centers. This center has also experienced marked improvement from the levels achieved in March. As the chart below demonstrates, the repair center call also delivered normalized levels of service for the month of June.

MEASUREMENT	MARCH RESULTS	JUNE RESULTS	OBJECTIVE
Percent Calls Abandoned	**26.2%**	**5.5%**	**8%**
Average Wait Time	**8.37 Minutes**	**1.6 Minutes**	**3 Minutes**

It should be noted that the results in the repair center are very dependent on outside factors that impact the number of times our customers call into this center. The biggest factor is typically weather with events such as ice storms, persistent rain and other unusual events impacting their results. This was the case pre-cutover, and will continue to influence the center's results in the future.

Business Call Center: The Business Call Center is the smallest of the centers taking only 8% of the total calls that come into the three centers. The business call center has also experienced improvement from March, did not perform at a normalized level. The following chart shows both the progress attained as well as the shortfall compared to objective for this center.

MEASUREMENT	**MARCH RESULTS**	**JUNE RESULTS**	**OBJECTIVE**
Percent Calls Abandoned	**56.2%**	**17%**	**5%**
Average Wait Time	**16.6 Minutes**	**5 Minutes**	**2 Minutes**

The results in the business center are not a reflection of the team's talent that works in or manages the center, but rather a reflection of the increase workload that the center now handles. In the first quarter of 2009 approximately 100 account managers were added in Northern New England to directly work with our business customers. This has allowed us to work more closely with our business customers, but has also increased the work and demands of the business support center. To correct this current deficiency, a specific plan that includes adding additional customer service reps to the business center is underway. Some of these reps will be asked to move into these positions from other positions in the company allowing them to be at full speed to assist our customers quickly with a minimal amount of new training. We expect this center to consistently meet their objectives by the end of August. We also expect continued incremental improvement during the period between now and the end of August.

ORDER FLOW: In this section we will report on the status of the order flow for current orders. This will include an evaluation of the progress made from pre-order through provisioning for our wholesale orders as well as the processing of our retail orders. Specifically, we will review the status of the Manual CSR-CSI Process, Flow through Percentages by order type, and Unsubmitted orders.

Manual CSR-CSI Process: When the stabilization plan was created in late March 2009, we had systems issues that prevented the CLEC's from pulling CSR-CSI information automatically. Consequently we established a manual process. We agreed to continue to measure the number of manual requests we received as a good indicator of how the automated function was coming along. Once we saw the number of manual requests consistently come in at normalized levels we could conclude the automated process was working as designed. In the middle of March we were receiving over 40 new manual requests/day and had a backlog of over 100 requests. The objective was to get to a normalized level of approximately 4 requests/ day or 20/week. We were able to provide this capability as an automated process starting in April. We have continued to improve the accuracy of the information requested by the CLEC's and have been at normalized levels for over a month. The following chart summarizes our results from a starting point in March through June.

MEASUREMENT	MARCH	MAY	JUNE	OBJECTIVE
AVE. DAILY CSR-CSI REQUESTS	40	5.5	3.5	4

Flow Through Processing: A majority of our customer's requests for service are designed to "flow through" our systems to provisioning or completion without human intervention. A primary reason we initially had issues right after cutover in processing our customer's orders was a result of a higher percentage of orders "falling out" or not flowing through the system than anticipated. The order then required manual intervention to complete the transaction and the result was a delay in the delivery of the customer's request. There are many reasons an order falls out, but the primary reasons are a mismatch of customer information, such as the customer's address, a systems issue or a problem with the provisioning plan. It should also be noted that not all orders are designed to flow through. Most complex orders are designed to fall out for human handling. The higher the volume of orders, the more critical flow through is to efficiently run the business and deliver the service levels our customers deserve. The following chart shows our current results (flow through to provisioning) for different types of customer orders by order volume as well as the objective we have set for that order type.

ORDER TYPE	PERCENT OF ALL ORDERS	MARCH FT	CURRENT FT	OBJECTIVE
Retail POTS	44%	65%	97%	90%
Wholesale JB	21%	39%	97%	95%
Retail DSL	16%	61%	84%	90%
Wholesale CB	11%	43%	65%	90%
Wholesale AB	3%	21%	71%	75%
Retail Other	2%	56%	63%	75%
Wholesale DB	2%	16%	38%	75%
TOTAL	99%	54%*	87%*	89%*

*Represents weighted average

The weighted average for flow through of all orders is currently at 87% which is very close to our objective and dramatically better than the March results. We also moved back to our standard interval schedule on May 22nd and are delivering most of our new requests within this due date. We do however need to improve our flow through percentage for certain order types. This is especially true for Retail DSL and Wholesale CB orders. These two order types represent a significant number of customer orders and improvement is needed in flow through to consistently deliver these customer requests on time. We also need to insure that flow through for each product type stays consistent over the course of the month.

Unsubmitted Orders: As described in the stabilization plan, an unsubmitted order is one that has not yet moved into the provisioning system. In early March, unsubmitted orders were a major problem in our attempt to provision customer orders on time. Although there are many legitimate reasons for an order to be in the unsubmitted queue, at that time many orders were going into this queue incorrectly. On March 2, 2009 we had 7906 orders in the unsubmitted queue, and estimated normalized levels to be at 1500 – 2000. Since that time, the number of orders in the unsubmitted queue has remained relatively constant. For the months of April, May and June the number has ranged from 2284 to 2794 orders, and ended June with 2374 orders. It should be noted that although the number of orders stays relatively constant, the orders move in and out of this queue daily with virtually all orders still in this queue at the end of June having originated in June. The only exceptions were orders being held for customer reasons or facilities. This is still a queue that needs diligent follow up. Even in today's environment where the majority of times, orders are properly going into this queue, there is required work and follow up needed by the customer service group to move the orders forward. The number of orders in this queue will continue to vary between 1500 and 2500 depending on the order volume, but the primary measure of success is the ability of the customer service team to move orders through this queue as planned.

RETAIL BILLING: In the evaluation of billing, there are primarily two areas that are important to our customers. They want their bills on time, and they want them to be accurate. When we established the stabilization plan at the end of March, we had already returned to a standard billing cycle, so we didn't put any measurements in the plan to measure timely billing. From Cutover until March 9th there were a variety of delays and catch up to our billing cycles that inconvenienced our customers and caused high levels of dissatisfaction. Starting on March 9th, and through to today we have consistently sent out our bills to our customers on time. We have been measuring the accuracy of the bills daily calculating the percentage of bills with known defects. As errors are identified they are corrected in the customer's account, and the customer will typically see that adjustment on their next bill. The billing has continued to improve each month since cutover and has today returned to normalized levels. Within the industry, having an error rate < 1% is considered excellent, and as noted the current percentage of bills with known errors is < 1%.

MEASUREMENT	APRIL	MAY	JUNE	CURRENT	OBJECTIVE
BILLS WITH KNOW ERRORS	4.43%	3.60%	1.50%	.7%	1%

WHOLESALE BILLING: We currently don't have any wholesale bills with known billing errors, however there have been billing issues. Some of the resale bills were delayed in their delivery for several months, and a few CLEC's experienced a delay in receiving their access bills. Finally, primarily for the period between February and May, several payments from CLEC's were misapplied to the wrong account. The majority of all billing issues show up as a billing dispute with a specific CLEC and are resolve with each customer.

LATE PENDING ORDERS: A significant problem we have had since cutover has been the ability to deliver service on time. As discussed earlier in the flow through section, more orders than anticipated fell out for manual handling during the first few months following cutover. To add to this problem, when orders fell out for manual handling the manual process was new and in several instances needed to be modified to provide the required action. This further delayed a customer's order and added to the backlog. As mentioned all these actions have significantly improved for new orders, however a large backlog of pending orders that were past their due date remained to be handled. We have measured these orders in a variety of ways over the past few months. We started specifically measuring these late orders on April 14, 2009. At that time there were 13,999 orders that were past their due date with an order being defined as any transaction that either a wholesale or retail customer has asked us to execute. This could be an order for new service, a change order, a disconnect, or any request to take action. As the following chart shows, there has been significant progress in completing these orders, however more needs to be done to satisfy our customers.

MEASUREMENT	APRIL 14	MAY	JUNE	CURRENT	OBJ.*
LATE PENDING ORDERS	13,999	8,319	5,754	5,331	1315

***THIS OBJECTIVE IS AN ESTIMATE BASED ON CURRENT ORDER VOLUMES AND THE NUMBER OF CUSTOMER ORDERS AVAILABLE FOR FAIRPOINT TO TAKE ACTION.**

There are several legitimate reasons for orders to be in the system past their due date. This would include orders being held for facilities, orders held for customer reasons (customer requested) and orders where the wholesale customer didn't accept ported orders. The following is the current status of the 5,331 late pending orders:

TOTAL LATE PENDING ORDERS:	**5,331**
ORDERS COMPLETE IN SYSTEM BUT HELD:	**89**
HELD FOR CUSTOMER REASONS:	**249**
PORTS NOT ACCEPTED:	**804**
HELD FOR FACILITIES:	**173**
AVAILABLE FOR FAIRPOINT ACTION:	**4,016**

A large portion of our focus is completing the oldest orders first for both our retail and wholesale customers. Of the 4,016 orders, the following is a breakdown of the percentage of late orders still pending by month of origination:

MONTH	**OPEN ORDERS**	**PERCENTAGE OF OPEN ORDERS**
FEBRUARY	**4**	**0%**
MARCH	**66**	**2%**
APRIL	**86**	**2%**
MAY	**260**	**6%**
JUNE	**3600**	**90%**

In summary, there has been a substantial improvement in this area, but it still need attention. A dedicated team was put in place to focus on all pending late orders. This group will stay in place until the backlog of orders that FairPoint can address is reduced to normal levels. Although the average days to complete an order has decreased from 23 days in the March/April timeframe to 8 days for the past 6 weeks and therefore far fewer new orders are turning late, we need to continue to improve our systems performance to eliminate this issue.

CUSTOMER ESCALATIONS: Since cutover we have received thousands of customer escalation from the PUC's in the three states. These were driven by issues we encountered since cutover in billing, order processing and the call centers. We increased the size of our escalation group to handle these complaints as well as other orders that needed increased attention. These included orders for such reasons as medical emergencies and public safety. We also centralized the tracking of the escalations and started distributing all open and closed escalations to the states in May for verification. On May 1, 2009, we had 1384 open escalations that needed attention. These were divided fairly evenly between, billing questions, order issues and other questions or issues. As of June 30th, we are down to 532 open PUC escalations. Based on feedback from the states it is estimated that a normalized level of open escalations is 50/state or 150 in total. In addition to the customer advocacy reps that will continue to work these escalations, we have added customer service reps to work the escalations. These reps can do the work necessary to resolve a customer issue.

SUMMARY: The results noted above, clearly show significant improvement for all the operating areas of the business since March. This progress has allowed the company to return to many of its normalized activities. These have included quoting and delivering on standard product intervals and the resumption of our sales and marketing campaigns feature new promotions and offers. We are also more convince than ever that we have the right employees that are talented, experienced and dedicated to delivering outstanding service to our customers.

Our focus going forward needs to remain on giving these talented employees the tools they need to do their job. Our systems performance has seen major improvements since March, and has been a significant contributor to the progress we have made. There is however more that needs to be done in this area. The improved performance of our systems will be a major priority of the company. We will continue to add enhancement to our systems and fix the defects that have caused problems in our ability to provide excellent customer service.

Assessment of FairPoint's Stabilization Plan Status Report
Liberty Consulting Group
July 13, 2009

Introduction

On March 31, 2009, FairPoint Communications Inc. (FairPoint) issued a Stabilization Plan, which FairPoint stated was "designed to ensure FairPoint returns to Business as Usual by the end of the second quarter 2009." FairPoint's plan also identified the customer affecting issues it has experienced since it cutover from the Verizon Communications Inc. (Verizon) systems to the new systems and processes developed for FairPoint by Capgemini, and FairPoint's strategy for mitigating the impact of these issues on its customers. FairPoint issued an update to this plan on April 17 to address specific issues identified with the original plan, provide more detail on FairPoint's recovery and mitigation plans, and define specific milestones for critical areas of the business. Since the middle of April, FairPoint has provided daily status reports to members of the regulatory staffs (Staffs) in each of the three states and to the Liberty Consulting Group (Liberty) to show its progress toward meeting its end of the second quarter Business as Usual (BAU) commitment. FairPoint has also issued weekly "Milestone Update" reports, which are publicly available documents, and held weekly conference calls with Staff members and Liberty to discuss progress.

FairPoint provided a "Stabilization Plan Status Report" (Status Report) on July 8, 2009, which was intended to provide the current status of FairPoint's effort to return to BAU. FairPoint's report focused on five primary areas of its business:

- Call centers
- Order flow
- Service order backlog
- Billing
- Customer escalations to the regulatory staffs.

For each of these five areas, FairPoint's report reflects the progress it has made since cutover and highlights where additional improvements are needed to reach normalized levels, which FairPoint defines as "service from a customer's perspective that equates to what they were receiving from FairPoint prior to cutover." In its report, FairPoint contends that "there has been significant progress made during the second quarter," but that "[i]n most of the areas, additional systems improvements are needed to truly be at normalized levels." Although FairPoint uses the term "normalized levels" rather than "Business As Usual" in the Status Report, the implication is that FairPoint has admitted not achieving its original commitment to achieve BAU operations by the end of the second quarter 2009.

After release of FairPoint's Status Report, the Staff of the Vermont Department of Public Service requested Liberty to provide this summary assessment of the report. Although Liberty notes in this assessment some areas of inconsistency between the numbers reported in the Status Report and those provided in the daily reports to the Staffs, Liberty cannot verify the accuracy of the reported data in most cases. As a result, Liberty's assessment relies on an assumption that the data are accurate, except in a few cases where Liberty has contrary evidence. .

Assessment

For convenience, Liberty's assessment follows the same structure as FairPoint's Status Report, considering each of the five primary operational areas FairPoint identified in turn.

Call Centers

FairPoint has three main call centers: the Consumer Call Center, the Business Call Center, and the Repair Call Center. For the Consumer Call Center, which has the largest call volumes of the three, FairPoint reported that "[i]t has experienced a dramatic improvement since March and for the month of June operated at a normalized level." FairPoint cited many reasons for the improvement in this center including call volumes returning to pre-cutover levels, a strong management team, the productivity of the service representatives working in the center, and time saving improvements identified with the aid of an outside consulting firm (Aricent). FairPoint noted that it is critical for the systems used to remain stable, because system failures and defects significantly affect the center's ability to perform effectively.

FairPoint reported that its Repair Call Center has also experienced a "marked improvement" since March and delivered normalized levels of service for the month of June. FairPoint noted that the results in this center depend significantly on outside factors, such as poor weather conditions, which affect the volume of calls into the repair center. FairPoint indicated that such events affected the repair center's results prior to cutover and will continue to do so in the future.

FairPoint stated that its Business Call Center has experienced improvement since March but did not perform at normalized levels. FairPoint attributes the poor performance of this center to increased workload. According to FairPoint, this workload increase resulted from FairPoint's adding approximately 100 account managers to work directly with FairPoint's large business customers. This increase in the business sales force resulted in additional calls to the Business Call Center. FairPoint indicated that it is adding customer service representatives to the Business Call Center and expects this center to "consistently meet its objectives by the end of August."

Liberty's Assessment

Based on the data FairPoint quotes, Liberty generally agrees with FairPoint's assessment of its Consumer and Repair Call Centers' performance. FairPoint's data shows a marked improvement in the performance of both the Consumer and the Repair Centers. However, these improvements were marred in late June by the increase in the volume of calls into the Repair Center resulting from the service issues caused by the large amount of rain experienced in the northeast throughout the month and by a systems problem that affected the system response time for the service representatives in the Consumer Center in late June and early July. Liberty agrees with FairPoint's statement that it is critical that the systems remain stable for the call centers to perform efficiently. However, the FairPoint's call centers have been subject to systems problems since cutover, involving both systems performance and effectiveness. The problems were sufficiently severe that FairPoint engaged Aricent to help address these issues. The most recent performance problem calls into question whether the systems problems have been fully resolved and whether stability issues might cause continued problems with call center performance in the future.

FairPoint correctly indicates continued problems with the Business Call Center. However, Liberty believes that FairPoint's Status Report has ignored some key issues. Performance in this center has shown little improvement since the middle of April, when FairPoint began to report its results to Liberty and the Staffs. Furthermore, if FairPoint's explanation is correct that the poor results in this center result from the addition of account managers without a complementary addition to the Business Call Center staff to handle the additional work load created, it indicates a dual failure of the FairPoint management team in planning for the additional work in the center and a failure to react quickly to the problem.

Other call center problems have been reported to FairPoint by the Staffs that were not addressed by FairPoint in its report. For example, the Vermont Consumer Affairs and Public Information organization has reported that customers continue to complain about (1) being put "on hold" for an inordinate amount of time by FairPoint's service representatives and (2) having their call dropped by FairPoint while speaking with a service representative. FairPoint needs to investigate these problems to identify and report the root causes and the corrective action taken to resolve them.

Liberty concludes that FairPoint's reported data indicates its Consumer and Repair Call Center performance has greatly improved. However, as FairPoint notes in its Status Report, maintaining this improvement depends on the systems stability, which is still in doubt. FairPoint admits that it needs to continue improving its Business Call Center performance, and it remains to be seen whether that can be accomplished by the end of August, as promised. FairPoint also should examine other complaints about the call centers raised by the state Staffs.

Order Flow

Within the order flow category of issues, FairPoint includes wholesale per-ordering, retail order entry, and order flow-through.

The only pre-ordering issue FairPoint considered in the Status Report was Customer Service Record (CSR) inquiries. Systems issues experienced immediately after cutover generally prevented the competitive local exchange carriers (CLECs) from executing automated CSR inquiries. To compensate for this, FairPoint established a manual process for the CLECs to obtain the CSR data that they cannot obtain automatically. In its Status Report, FairPoint indicates that it was able to process automated CSR requests starting in April. FairPoint indicates that it has "continued to improve the accuracy of the information requested by the CLECs and have been at normalized levels for over a month," and quoted the success in reducing the number of manual CSR requests as evidence of this.

FairPoint states that "a primary reason we initially had issues right after cutover in processing our customer's orders was a result of a higher percentage of orders 'falling out' or not flowing through the systems than anticipated." Orders that do not flow-through require manual intervention to complete the transaction, resulting in service delivery delays. In the Status Report, FairPoint quoted flow-through rates for the seven different product types accounting for 99 percent of all orders. FairPoint's data shows the overall flow-through rate for these seven product types increased to 87 percent from 54 percent in March. FairPoint also states that "[w]e moved back to our standard interval schedule on May 22nd and are delivering most of our new requests within this due date." FairPoint acknowledges that more improvement is needed, especially for retail DSL orders and for wholesale number port ("CB") orders, for which FairPoint quotes current flow-through rates of 84 percent and 65 percent, respectively.

FairPoint explains that an "unsubmitted" order is one that has not yet moved into the provisioning system and that there are many legitimate reasons for this condition; however, immediately after cutover, many orders were incorrectly routed to the unsubmitted queue. After a significant decrease in unsubmitted orders by the end of March, the number of such orders has held relatively constant, with 2,374 at the end of June. FairPoint believes that the orders in the queue will continue to vary between 1,500 and 2,500, "but the primary measure of success is the ability of the customer service team to move orders through this queue as planned."

Liberty's Assessment

While it is true that the CLECs are having more success obtaining an automated CSR response, the "improved accuracy" of the information contained in the CSR pre-order response remains questionable. As recently as July 9, during the weekly call FairPoint holds with its CLEC customers, many CLECs complained about inaccurate and missing information in the CSRs responses. It appears that when the CLECs receive an inaccurate CSR they work directly with FairPoint personnel to obtain the correct data rather than issue a manual CSR request, accounting for some portion in the decline in manual CSR requests that FairPoint quotes as evidence of the accuracy of the CSR responses. Additionally, CLECs have had numerous problems with other pre-order transaction types, such as address validation and loop qualification, not discussed in FairPoint's report and it remains unclear whether all of these other pre-order issues have been resolved. Thus, it may be premature to claim that FairPoint's pre-order process is at normalized levels. FairPoint needs to devote more effort to investigate and resolve the pre-order problems the CLECs are still experiencing.

Liberty agrees with FairPoint that a major reason for the service delivery problems since cutover is that the actual flow-through rate did not meet expectations based on the pre-cutover test results reported by Capgemini. Liberty also agrees that FairPoint appears to have improved its flow-through rates since cutover. However, the flow-through rates quoted by FairPoint in its Status Report appear to be overstated for a number of reasons. First, the current flow-through results reported by FairPoint in its Status Report are generally much higher than the results reported to the Staffs and Liberty in the daily progress reports. The only exception to this is wholesale standalone directory listing (JB) orders. In the Status Report, FairPoint did not provide any explanation of how it obtained the quoted flow-through results, how they were calculated, or why they are different from the results reported in the daily reports. Second, an order cannot be counted as one that flowed through to provisioning until the order completes, because it may fall out for manual handling anywhere in the provisioning process. As such, orders that were received in June and flowed through to provisioning completion will make the initial flow-through percentages appear high. Orders that fall out for manual handling will take longer to provision and will not be counted in the flow-through percentages until provisioning is complete. As provisioning completes on these orders and they are included in the flow-through results, flow-through percentages will be reduced. Because FairPoint has not explained the flow-through calculations quoted in the Status Report, it is possible that they are based on recent orders that were received and do not include the orders that did not flow through and remain to be provisioned. Third, there has been an increase in the number of late retail and wholesale orders over the past few weeks, which is inconsistent with the vastly improved flow-through percentages reported by FairPoint.

Liberty agrees with FairPoint that there will always be some orders in the unsubmitted queue as a normal course of business, and as orders move out of this queue, they will be replaced by new orders coming into the queue. However, FairPoint failed to provide a justification to support that the current number of orders in the queue represents a BAU state. FairPoint should explain the different reasons why orders fall into this queue, how many orders FairPoint has in each category at the end of June, and the length of time the orders have been in the queue. Without this information, it is not possible to determine whether the number of unsubmitted orders might not be masking other problems. For example, if orders are in the queue due to a lack of the facilities needed to provision the requested service, there may be a problem with FairPoint's network inventory data, which FairPoint must address internally or with Verizon.

Another order flow issue not addressed in FairPoint's reports is the ability of the CLECs to have their directory listing orders included in the published directories. CLECs have complained that they have had trouble making and verifying successful completion of directly listing updates before the directories are published. This is a critical issue for the CLECs, and possibly for FairPoint's retail customers as well, which FairPoint must address before it can claim its order flow process is functioning at normalized levels.

Liberty concludes that FairPoint has made progress in order flow. However, even FairPoint admits it has not achieved BAU in all aspects of this area, and some of the evidence it provides for achieving partial BAU, such as for CSRs and flow-through, are suspect. In addition, there are additional areas needing attention besides those noted by FairPoint, such as, overall pre-ordering functionality and directory listing updates.

Retail & Wholesale Billing

FairPoint reports that it has been issuing timely retail bills since the end of March and that as of the end of June it has lowered its rate of bills with known errors to less than one percent, suggesting that its retail billing has returned to normalized levels. FairPoint states that there currently are no wholesale bills with known billing errors but that some wholesale billing issues show up as billing disputes with specific CLECs and are resolved with each CLEC customer.

Liberty's Assessment

Liberty agrees that, based on the data provided by FairPoint in its daily reports, FairPoint has met its objective of one percent or less of bills with known errors. However, this result may be a somewhat misleading based on how FairPoint determines what it considers a "known error." For example, some FairPoint customers recently received toll bills with the correct dialed numbers and rate for the call but the city name on the bill was shown as a city in the wrong state (*e.g.*. a call to an 802 number with Austin, Texas as the city name on the bill). FairPoint has told the Staffs that it does not consider these incidences to be billing errors, because the customer was charged the correct rate on the bill. As another example, FairPoint has told the Staffs that it does not count cases where customers have ported their service to a FairPoint competitor and but continue to receive bills from FairPoint, if that problem did not result from a known systems error. FairPoint has informed the Staffs that it believes there are relatively few remaining cases of such incorrect continued billing of former customers, but all three state Staffs report a high volume of continued complaints about this situation.

Additionally, FairPoint established a BAU objective of no more than $30,000 in daily bill adjustments to its retail bills by the middle of June. Based on the data supplied by FairPoint it has yet to meet this objective. FairPoint's average daily adjustments for the month of June was just over $73,000, yet FairPoint make no mention of this in its report. Finally, based on input from the Staffs in all three states, there are many more customer billing-related complaints against FairPoint than prior to cutover.

FairPoint indicates in its report that there were a number of wholesale billing issues which are being addressed with the carriers as billing disputes. However, FairPoint fails to provide the number of open wholesale billing disputes and how this number and the associated dollars compare to the level of pre-cutover billing disputes. Liberty is also aware that CLECs continue to complain about missing and incomplete bills.

Liberty concludes that FairPoint has not provided sufficient evidence that it has achieved normalized levels of service for either retail or wholesale billing results.

Late Pending Orders

FairPoint reports problems with timely service provisioning since cutover. It attributed this to two factors: (1) lower order flow-through success than was anticipated and (2) manual processes that were new and unfamiliar and sometimes needed to be modified. FairPoint states that its flow-through results and its manual processes have significantly improved for new orders received by FairPoint but a large backlog of late orders remains. FairPoint reports significant progress in reducing the number of late orders from 13,999 in mid-April to 5,331 currently. FairPoint concludes that while there has been substantial improvement, the late order issue still needs attention and that it has a dedicated team to address these late orders which will remain in place until the backlog is reduced to normal levels.

Liberty's Assessment

Liberty agrees that provisioning service on time has been a problem for FairPoint since cutover, and that much of the late order backlog was caused by deficient systems and was exacerbated by manual processes that did not work as designed and for which its employees were poorly trained. Liberty also agrees that, based on FairPoint's daily report, progress has been made to reduce the backlog since mid-April but that much more needs to be done to bring the backlog down to normalized levels.

While FairPoint did make significant progress in reducing the number of backlogged orders since April, FairPoint's daily reports to the Staffs indicate that this progress appears to have stopped.
Since the end of June, the number of late orders has been steadily increasing for both retail and wholesale services. This recent increase in late orders contradicts FairPoint's statement that its flow-through results and its manual process have significantly improved for new orders received by FairPoint. Unfortunately, the number of backlogged orders reported by FairPoint in its Status Report is not consistent with the numbers in FairPoint's daily reports to the Staffs. FairPoint needs to reconcile these numbers and report accurate data before an assessment can be made on the progress it is making in this area.

Additionally, FairPoint acknowledges that it still has much work to do to bring its late pending orders down to a BAU level. However, besides acknowledging a dedicated team working on the matter, FairPoint provides no detail on how or when it will accomplish this objective. FairPoint still has a very large number of past due orders with an inordinate number or orders that are greater than 20 days beyond their original due date (2,671 as of FairPoint's July 9 daily report) that remain to be provisioned.

Liberty concludes that while FairPoint has made progress in clearing out its order backlog, a significant amount of work remains to be done, especially in light of the recent increase in its backlog volumes. FairPoint must give this problem more focus and provide more detail on how and when it will be resolved.

Customer Escalations

FairPoint reports that since cutover it has received thousands of customer escalations from the PUCs in the three states, stating that these escalations were driven by billing, order processing and call center issues. FairPoint indicates that it increased the size of its escalation group and modified the escalation process, which it claims have reduced the number of open escalations from 1,384 to 532 between May 1 and June 30. FairPoint implies that through these methods and the addition of customer service representatives to work on escalations, it will, at some unspecified time in the future, bring the number of escalations down to a level of 150 across all three states, which it claims is a "normalized" level.

Liberty's Assessment

Liberty has no first-hand experience with the escalation process. However, based on conversations with consumer affairs representatives from all three state Staffs, Liberty questions to what extent FairPoint has accurately represented the status of addressing customer escalations. First of all, the Staffs continue to disagree with FairPoint's count of the number of open escalations, indicating that their count is higher. The Staffs also have indicated that they believe a level of 150 open escalations is significantly higher than they experienced in total prior to cutover. These numbers need to be reconciled before the status of customer escalations can be assessed.

Other Issues Not Addressed in FairPoint's Stabilization Plan Status Report

In addition to the operational areas addressed by FairPoint in its report, there are a number of other issues that FairPoint needs to address and correct before it can claim it is operating at normalized or BAU levels. Examples of these issues are:

- Improved performance to the wholesale carriers in all operational areas including, but not limited to:
    - Resolution of all pre-order issues
    - Proper execution of migration orders to ensure customers do not lose service
    - Return of proper demarcation information on service order response notifications.
    - Proper updates of external vendor data based for directory listing orders.
    - Accurate jeopardy notice responses
    - Accuracy and timeliness of provisioning completion notices and billing completion notices.
    - Elimination of invalid rejections preventing orders from flowing into FairPoint's Order Management system.
    - Improved communications to the CLECs on systems and process issues that affect them.

- Improved regression testing of software changes and upgrades to ensure that these upgrades do not introduce new problems in the systems. FairPoint experienced recent operational issues that were caused by software upgrades that were not fully tested. Three recent examples of this are the incorrect city names shown on customer's bills mentioned above, the inability for the CLECs to reserve a telephone number and problems experienced on wholesale number port orders when a software patch was installed to fix another problem. FairPoint cannot continue to have problems introduced into its systems by these software changes.
- Improved accuracy and consistency in the performance results reported by FairPoint.
- Improved mean time to repair results for trouble reports. Based on the daily reports supplied by FairPoint its average repair time results are generally higher than normalized business levels, especially for broadband services. Liberty is also aware of complaints from some CLECs about the length of time it is taking FairPoint to repair service for their customers.
- Improved systems functionality and stability. FairPoint's success is critically dependent of the new systems that Capgemini developed for FairPoint. Many of the problems that FairPoint experienced immediately after cutover were caused by these systems not operating as expected based on the pre-cutover system test results. Though many of the initial systems problems have apparently been resolved, FairPoint needs to identify and permanently resolve remaining systems defects, continue to improve system functionality in areas such as flow-through rates and accurate pre-order responses and ensure that the system availability and response times do not degrade as they recently did for the Consumer Call Center.

Finally, it is important to recognize that achieve a "normalized" level in a few areas is not going to significantly improve the customers' experience until all areas of FairPoint's business are operating properly. A breakdown in any one of the many areas critical to FairPoint success results in customer dissatisfaction.

Summary

While FairPoint has made progress in resolving the many problems it has experienced following cutover, FairPoint clearly did not meet the stated goal of its Stabilization Plan to return to business as usual or normalized operations by the end of the second quarter 2009. FairPoint has largely acknowledged this in its Status Report and identifies the areas where it feels it did not meet the BAU objectives, but there are a number of areas where the report falls short of explaining the true status and acknowledging all areas of performance problems.

Liberty is surprised that so many issues with the stability and functioning of FairPoint's systems continue to appear more than five months after cutover. Until these are resolved, it is uncertain when FairPoint will be able to fully return to normal operations. In particular, FairPoint must place a high priority on:

- Stabilizing the response times and availability of its systems

- Identifying and resolving remaining systems defects
- Improving systems testing procedures to ensure new defects are not introduced by software upgrades
- Improving systems flow-through.

Other outstanding issues of particular note are:
- Clean-up of order backlog
- Resolution of a large number of remaining wholesale issues
- Improved response time to resolve customer escalations
- Consistent and accurate reporting of results data
- Resolution of billing issues.

FairPoint has made progress toward normalization of its business, but much work remains to be done. Until all areas are functioning at expected levels for the business, FairPoint cannot be considered to have returned to normalized operations. The onus is on FairPoint to explain how and when it will ultimately resolve the remaining issues so it can truly state that it is providing service from a customer's perspective that equates to what they were receiving from FairPoint prior to cutover.