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September 3, 2009

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: DT 07-011 Verizon New England, Inc. et al and FairPoint Communications, Inc.
Transfer of Assets
Report of Technical Session of July 28 and July 30, 2009

Dear Ms. Howland:

On July 14, 2009, Staff submitted in the above referenced docket FairPoint's Stabilization Plan Status Report (Status Report) dated July 8, 2009, along with Liberty Consulting Group's (Liberty) July 13, 2009 assessment of FairPoint's Status Report. FairPoint asserted that it had made significant improvement for all of the operating areas of the business. Liberty agreed that FairPoint had made progress in many areas but it concluded that "there are a number of areas where the report falls short of explaining the true status and acknowledging all areas of performance problems." In order to assist its investigation into the status of FairPoint's efforts to achieve business-as-usual operations, Staff requested that the Commission schedule a technical session to allow Staff, the Office of the Consumer Advocate and any interested party the opportunity to discuss and ask questions regarding FairPoint's Status Report.

On July 21, 2009, the Commission issued a secretarial letter determining that, as part of its ongoing investigation of FairPoint's operational activities and service quality since cutover, and in order to establish a firm grounding for next steps, a recorded technical session in the nature of a deposition would serve as a useful means of discovery to better ascertain the facts as they apply to the level of FairPoint's operational progress. Accordingly, the Commission directed FairPoint to appear at a technical session on July 28, 2009 at 10:00 a.m. to review the Status Report and its supporting data, explain why certain indices in its Status Report have failed to improve, discuss FairPoint's plans for corrective actions, and answer questions on the Status Report from the parties to Docket No. DT 07-011. The Commission also directed Staff to file a report of the technical session and any recommendations for further action by August 7, 2009, and invited other parties to do the same. This deadline was subsequently extended to September 3, 2009.

On July 28, 2009, Staff conducted a technical session in the nature of a deposition in this docket. Because the technical session was not completed on July 28, Staff and the parties agreed to continue it on July 30. The session was recorded, and FairPoint witnesses were questioned by Staff and the parties, under oath. On July 28, participants included representatives from FairPoint Communications, Inc. (FairPoint), One Communications (One), BayRing Communications (BayRing), Pinetree Networks (Pinetree), Otel Telecom (Otel), Comcast, CWA, the Office of Consumer Advocate (OCA) and Staff. On July 28, the witness panel from FairPoint included Peter Nixon, Jeffrey Allen, Bryan Lamphere, Richard Murtha and Michael Haga. On July 30, participants included representatives from FairPoint, One, BayRing, Pinetree, Otel, Comcast, CWA, segTEL, the OCA and Staff. On July 30, the witness panel from FairPoint included Peter Nixon, Jeffrey Allen, Bryan Lamphere, Richard Murtha, Michael Haga, Patrick Block and David Bergeron.

Before questioning began on July 28, Peter Nixon provided a brief statement on FairPoint's operational status. Following that statement, Staff and parties questioned FairPoint on matters including, but not limited to, the consumer call center, the business call center, the repair call center, order flow, pre-orders, unsubmitted orders, retail billing and wholesale billing. This session commenced at 10:08 a.m. and adjourned at 5:00 p.m.

On July 30, FairPoint answered questions regarding other wholesale issues, late pending orders, customer escalations, general systems issues, wholesale billing, resale billing, organizational and personnel issues and the affect of FairPoint's financial condition on its operational capacity. This session commenced at 9:11 a.m. and adjourned at 6:04 p.m.

Oral data requests were also submitted to FairPoint during both sessions, and FairPoint filed responses to those requests on August 14. The transcript of the two-day technical session was made available on August 27, 2009.

Liberty attended the entirety of the two-day session and participated with Staff in questioning FairPoint witnesses. Following receipt and review of FairPoint's response to the oral data requests and the session transcript, Liberty provided written comments and recommendations. A copy of Liberty's comments and recommendations is attached.

This letter constitutes Staff's preliminary report of the technical session of July 28 and 30, however, Staff intends to supplement this report and make recommendations after the September 9 status conference scheduled to occur in Derry, New Hampshire.

Sincerely yours,

Robert D. Hunt

Robert D. Hunt
Staff Attorney

Enc.
cc: Service List

Comments on FairPoint's Stabilization Status
Liberty Consulting Group
September 2, 2009

Introduction

During Technical Sessions held by the New Hampshire Public Utilities Commission (Commission) on July 28 and 30, 2009, representatives from FairPoint Communications Inc. (FairPoint) provided updates on the status of the company's operations. In particular, FairPoint's representatives described the company's progress in "stabilizing" operations after the cutover of its operations support system from the Verizon Communications Inc. (Verizon) systems to new systems and processes developed for FairPoint by Capgemini. The Commission's Staff (Staff) asked the Liberty Consulting Group (Liberty) to comment on the information provided by FairPoint's representatives at the Commission's July Technical Sessions.

FairPoint's cutover from Verizon's systems took place at the end of January 2009; since that time, FairPoint's operations have experienced significant customer-affecting problems. On March 31, 2009, FairPoint issued a Stabilization Plan, which the company stated was "designed to ensure FairPoint returns to Business as Usual by the end of the second quarter 2009."[1] After the end of the second quarter, on July 8, 2009, FairPoint issued a "Stabilization Plan Status Report" (Status Report), which was intended to provide the then current status of FairPoint's effort to return to "Business as Usual." As Liberty noted in its July 13, 2009 Assessment of FairPoint's Stabilization Plan Status Report, "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."[2]

At the Commission's July 28 and 30 Technical Sessions, the FairPoint representatives continued to assert progress in stabilizing the company's operations.[3] The present report provides Liberty's assessment of these assertions. Liberty has been monitoring FairPoint's development, testing, and implementation of its new systems and processes since late 2007 on behalf of the New Hampshire Public Utilities Commission Staff as well as the staffs of the Maine Public Utilities Commission and the Vermont Department of Public Service (collectively, Regulatory Staffs). Hence, our assessment is based not only on the information FairPoint provided publicly at the July Technical Sessions, but also on information FairPoint has provided in public forums in all three northern New England states and information FairPoint has provided on a confidential basis to the three

[1] FairPoint Stabilization Plan, March 31, 2009, page 1.
[2] "Assessment of FairPoint's Stabilization Plan Status Report," the Liberty Consulting Group, July 13, 2009, page 9.
[3] DT 07-011, Verizon New England,*et al.*: Transfer of Assets to FairPoint Communications, Inc.; Transcript of the Technical Session regarding FairPoint's Stabilization Plan, July 28, 2009 *(July 28 Transcript)* at page 19,li ne 22 through page 20,li ne 2; also at page 25, lines 12 through 22.

state Regulatory Staffs and Liberty as part of our monitoring role, both before and after the Technical Sessions.

Assessment

Call Centers

FairPoint's representatives at the Technical Sessions reported that the company has made major improvements in call center performance since the first few months after cutover.[4] FairPoint stated that the consumer call center has been at pre-cutover performance levels for the last two months (June and July), aside from a few system stability problems that have now been resolved. The company indicated that repair centers have also been operating at pre-cutover performance levels, except for periods during recent storms when the repair center call volumes increased significantly.[5] FairPoint indicated that until recently the business call center had been experiencing some performance problems, but that in the middle of July the center's performance improved significantly so that it is now operating at pre-cutover levels.

Based on the information FairPoint reports daily to the Regulatory Staffs, Liberty agrees that call center performance has improved substantially on some key measures: the percentage of incoming calls abandoned, the average wait time, and the "service level" (*i.e.*, percentage of calls answered within 20 seconds). FairPoint's monthly quality-of-service reports also provide some comparison with pre-cutover performance. According to these reports,[6] Verizon had a 1.4 percent abandoned rate for repair calls in 2007; this rate was also 1.4 percent in 2008 under both Verizon and FairPoint management. In 2007, Verizon answered 87 percent of the repair service calls and 69 percent of the "business office and other" calls within 20 seconds; the equivalent 2008 numbers were 82 and 73, respectively. The service levels FairPoint reports in the daily reports for the consumer and business call centers during July and August 2009 and in the most recent quality-of-service report for July 2009 compare favorably with these pre-cutover numbers. According to the quality-of-service report, 73 percent of "business office and other" calls were answered within 20 seconds during July 2009.

The repair center's numbers are not as good. The quality-of-service report shows a 30 percent service level and a 23.6 percent call abandonment rate in July for the repair center, which is consistent with the daily reports FairPoint provides to Staff and significantly below the pre-cutover levels. However, the daily reports show that the repair center improved significantly from July to August, although its performance is not yet at the 2007 and 2008 levels.As noted, FairPoint has explained that part of the reason for the poor July repair center performance was the bad weather during that month.

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[4] July 28 Transcript at page 14, line 10 through page 15, line 18.
[5] July 28 Transcript at page 77, line 19 through page 78, line 11.
[6] http://www.puc.nh.gov/Telecom/Filings/FairPoint/Quality_of_Service_Reports

What these measures do not provide is an indication of the customers' experience once they reach the call centers. It would be helpful to have such measurements as the number of issues resolved without repeat calls, the number of customer call-backs required, the number of call transfers required, the average time required to transfer calls, and the number of calls dropped during a call transfer.

FairPoint has often noted in the past that call center performance is highly dependent on the ratio between the volume of calls to the centers and the number of call center representatives. Liberty's analysis of the improvements in performance since mid-April suggests that the major source of the improvement results from a substantial drop in the number of calls to the centers. Without data on the reasons for the calls, it is not possible to determine with certainty why the volume has dropped off so much. However, FairPoint has reported that in the March time frame, the call centers were still receiving a significant number of calls about delayed bills and repeated calls about provisioning delays and errors.[7] Since FairPoint appears now to have returned most retail bills to their normal billing cycles and has rectified some of the more extreme provisioning issues, it is reasonable to assume that a significant reason for the call volume decline results from these factors.

FairPoint has also indicated that it has introduced system and process improvements in the call centers.[8] It is reasonable to assume that these improvements have also helped to improve performance, but Liberty has no direct evidence to support this contention.

Two recent trends affecting, respectively, the repair and business call centers illustrate the significant dependence of the call center performance on call volume. The number of calls to the repair center increased and the center's performance deteriorated significantly from late June through the middle of July, which corresponded to a period of significant rainstorms in the northern New England region. Similarly, the call volumes to the business call center remained high and its performance poor until mid-July. FairPoint has explained that one reason for this result is that the company increased the business sales force without increasing the number of call center representatives to handle new orders[9]. These two trends illustrate that some increases in call center volumes are relatively predictable or, as in the case of the weather-related calls, manageable in the short run through alternative approaches to handling such calls. FairPoint should consider approaches to mitigate the effects of predictable volume increases in the future.

Order Flow

FairPoint representatives at the Technical Sessions addressed two areas that FairPoint normal classifies as order-flow issues: "unsubmitted" retail orders and the "flow-through" rates of both retail and wholesale orders.

[7] July 28 Transcript at page 53, line 7 through line 24.
[8] July 28 Transcript at page 49, line 18 through page 50, line 22; also at page 55, line 10 through page 56, line 6.
[9] July 28 Transcript at page 69, line 17 through page 70, line 13; also at page 78, lines 5 through 11.

FairPoint classifies a retail order as "unsubmitted" when a customer has initiated the order but it has not yet moved into the provisioning systems. Since early July, the number of such orders has held relatively constant at between 2,000 and 2,500. Although this number is larger than FairPoint originally indicated was a business-as-usual level, FairPoint representatives at the Technical Sessions continued to maintain that the current level is within the expected range for normal business operations, as FairPoint had indicated in its July 8 Status Report.[10]

There are a number of valid reasons for orders to fall into the unsubmitted category, such as the need for credit checks and third-party verification. However, FairPoint has yet to provide evidence that such legitimate reasons can explain the large number of unsubmitted orders. Liberty is aware that orders have failed to move to the provisioning systems because of system problems and system user errors in the past, and it is unclear how many orders are still subject to these problems.

FairPoint has indicated that the relevant measure of success for progress on its unsubmitted orders is not the number of orders that are in the unsubmitted queue but the length of time that the orders remain in the queue.[11] In its July 8 Status Report FairPoint states, "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 in this queue at the end of June having originated in June.... 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."[12] At the Technical Sessions, Staff asked for information on the length of time orders have remained unsubmitted. FairPoint's response[13] indicates that a significant percentage of the orders remain unsubmitted for greater than 30 days,[14] which is inconsistent with FairPoint's remarks in its July 8 Status Report. FairPoint needs to explain why so many orders remain unsubmitted for more than a month.[15]

"Flow-through" refers to the ability of orders to move through FairPoint's systems to the initiation of any required manual provisioning steps (*e.g.*, dispatch of a technician to a customer's premises) or to full order completion without manual intervention. Although flow-through doesn't guarantee accurate and timely provisioning, a high flow-through rate is preferable, because manual intervention after order "fallout" can cause service delivery delays and provisioning errors. More complicated orders are difficult to automate; hence, such orders are typically not designed to flow through. For this reason,

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[10] July 28 Transcript at page 181, line 7 through page 183, line 22.
[11] July 28 Transcript at page 182, line 22 through page 183, line 9; also at page 184, lines 5 through 11.
[12] FairPoint Stabilization Plan Status Report, page 5.
[13] FairPoint Response to Oral Data Request No. 10.
[14] Liberty also notes that the total number of unsubmitted orders FairPoint reported in its response to Oral Data Request No. 10 is significantly smaller than the number FairPoint reported in the daily reports to Staff. FairPoint has explained to Liberty that this difference results from the fact that the daily reports include certain miscellaneous orders, including a large number of test orders, that were not processed by the consumer and business call centers.
[15] Liberty understands the FairPoint plans to revise its response to Oral Data Request No. 10. However, it is still important that FairPoint explain how orders can remain unsubmitted for many weeks.

FairPoint's designed flow-through rates are less than 100 percent. Nevertheless, FairPoint's systems were operating significantly below the designed rate in most order categories after cutover.

The flow-through numbers in FairPoint's July 8 Status Report indicate a marked improvement in the flow-through rates for most categories of orders since March. In fact, these numbers suggest that the most common types of orders (those for retail POTS and wholesale standalone directory listings) are operating above FairPoint's target flow-through levels. However, Liberty notes that the flow-through numbers FairPoint quoted in the Status Report are higher than those the company provided in the daily reports to the Regulatory Staffs. The Commission's Staff made an oral data request of FairPoint at the Technical Sessions to explain the discrepancy. In response,[16] FairPoint indicated that the company derived the flow-through numbers quoted in the Status Report from several sources, which apparently provided inconsistent information. Since two of the sources quoted are internal reports that Liberty has never reviewed, Liberty could not determine with certainty why the numbers show discrepancies. However, Liberty suspects that the discrepancies result from different ways of measuring flow-through, not all of which are equally valid. For example, the one source that Liberty has reviewed is the July 2 daily report. For the numbers FairPoint derived from that report, the company indicates that it used the flow-through rate for orders submitted and completed in July quoted in the July 2 daily report. This is a misleading number because the only orders submitted in July and completed by July 2 will necessarily have a very short provisioning interval and are thus much more likely to flow through, thereby skewing the number higher than a flow-through rate sampled over a longer time period of order completions.

The conclusion Liberty draws from our analysis of FairPoint's quoted flow-through rates is that these numbers are misleading. FairPoint needs to use more reliable numbers to track flow-through in its reports, as even the FairPoint representatives at the Technical Sessions admitted.[17]

Provisioning

The number of late orders was one of the most important provisioning issues addressed during the Technical Sessions. FairPoint has been provisioning a significant number of both retail and wholesale orders beyond the committed due dates since cutover. In the months since cutover, FairPoint has improved on-time provisioning performance to some extent. In the Technical Sessions, FairPoint representatives stated that the number of late orders had actually reduced to a level less than that FairPoint had last October, before cutover. FairPoint based these numbers on data received from Verizon's systems last fall.[18] FairPoint appeared to imply that this indicates that provisioning performance is now at pre-cutover levels. However, Liberty notes that comparing the absolute numbers

[16] FairPoint Response to Oral Data Request No. 6.
[17] July 28 Transcript at page 115, lines 16 through 22.
[18] DT 07-011, Verizon New England, *et al.*: Transfer of Assets to FairPoint Communications, Inc.; Transcript of the Technical Session regarding FairPoint's Stabilization Plan, July 30, 2009 *(July 30 Transcript)* at page 119, line 12 through page 121, line 17.

of late orders can be very misleading. Order volumes can change over time and vary seasonally. In addition, without examining the pre-cutover data, it is difficult to determine whether FairPoint is using comparable numbers.

Percentages of pending orders that are late provide much better measures of on-time performance. From FairPoint's daily reports it is easy to calculate (1) the percentage of pending orders that are late and (2) the percentage of late pending orders that are late greater than 20 days. Both these numbers indicate that FairPoint's on-time provisioning performance continues to be poor and there has been no material improvement in this performance since the end of June, including the period from the time of the Technical Sessions to the present.

Since June, the percentage of late retail orders of all types has averaged around 40 percent; for the wholesale orders, the average has been around 30 percent. For many types of orders, the performance has been worse. For example, standalone orders for directory listings comprise the most common type of wholesale orders by far; these orders are relatively easy to provision on time and their inclusion in the wholesale total obscures the fact that other ordering types have poorer results. In fact, for other wholesale order types, the percentage of late orders is comparable to that for the retail orders. This means that for most types of orders, FairPoint is provisioning only 60 percent or fewer of the orders on time. These numbers are much worse than typical industry provisioning standards, which are usually 95 percent or better provisioned on time.

Furthermore, a significantly large number of late orders are very late. Since June, the percentage of late retail orders that are late for more than 20 days has averaged around 40 percent; for wholesale orders, the percentage late for more than 20 days has averaged around 50 percent.

This late provisioning problem is clearly very serious and not improving. Since the time of the Technical Sessions, Liberty has begun to work with FairPoint to try to diagnose the causes for the late provisioning. That analysis is continuing, but Liberty's tentative initial conclusions are that (1) order fallout, caused by various systems issues or order entry problems, are often, but not always, the initial source of the string of events leading to late orders, but (2) flaws in the manual processes once the orders fall out of the system flows appear to be the most frequent reason the orders are late. If further analysis continues to support these tentative conclusions, it is quite possible that FairPoint can address some of the most serious immediate customer-affecting problems with relatively simple modifications of their processes, training, and staffing. Meanwhile, FairPoint can focus on improving the systems flow-through and ease of the systems use, which can minimize user errors; the company continues to introduce software corrections and improvements and has already initiated a Request for Information process to seek outside help from firms knowledgeable about telecommunications systems and processes and the systems applications the company is using. In this process, FairPoint must make sure that it thoroughly tests software changes; the company has acknowledged that the process of introducing software changes to fix defects and introduce enhancements has sometimes produced additional errors.[19]

During the Technical Sessions, FairPoint's representatives indicated that order fallout often occurs because of problems with database inventories.[20] That is, the systems cannot complete an order automatically because a customer's account information, such as the premises address or assigned network equipment, appears incorrectly or is missing in the internal databases. As Liberty pointed out prior to cutover, some problems of this sort were likely because of the complexity of extracting the data from Verizon's systems and converting and placing it into FairPoint's systems. Liberty has tentatively confirmed from our recent analysis of late orders with FairPoint that inventory problems are the initial reason why some orders fall into a manual work queue that eventually causes them to be late.Howe ver, at this point, it appears that some such problems are occurring not because of incorrectly converted Verizon data at cutover but because of inconsistencies in FairPoint's internal databases introduced in the period shortly after cutover when FairPoint was using various *ad hoc* processes to try to push delayed orders to completion.

FairPoint's representatives at the Technical Sessions indicated that the company has initiated a "switch-to-bill" audit to help address some of the inventory problems.[21] Such an audit will help assure that a customer's actual service features and equipment appear correctly in FairPoint's internal databases. However, there are other inventory items, such as addresses, which would not be uncovered through this audit. Based on Liberty's initial analysis, inconsistencies between the data in different internal databases is an issue. Therefore, FairPoint should consider additional audits to reconcile these databases.

As mentioned previously, order flow-through does not guarantee accurate and timely provisioning of the customer's service request. For example, FairPoint reports that its flow through performance for wholesale standalone directory listing orders is 99 percent. However, CLECs have complained that many of their completed orders are not appearing correctly in FairPoint directory assistance database. Recently, FairPoint discovered a flaw in the provisioning plan logic for such orders through which CLECs received order completion notices before the updates were sent to the external directory assistance database vendor. This and other similar problems[22] suggest that FairPoint needs to review its provisioning plans to ensure that they accomplish all necessary tasks in the proper sequence to accurately provision the requested service.

FairPoint also needs to assure that all the necessary databases are updated in a timely fashion. For example, as noted during the Technical Sessions, it is not clear that FairPoint

[19] July 30 Transcript at page 179, line 15 through page 180, line 18.
[20] July 28 Transcript at page 88, line 19 through page 89, line 2; July 28 Transcript at page 91, lines 20 through 22; July 30 Transcript at page 97, lines 14 through 19; and July 30 Transcript at page 166, line 12 through page 167, line 7.
[21] July 28 Transcript at page 95, lines 1 through 7; also at page 154, line 12 through page 156, line 12.
[22] For example, July 30 Transcript at page 53, lines 9 through 12; and FairPoint Response to Oral Data Request No. 4.

is providing timely updating of customer service records once an order completes.[23] FairPoint also acknowledged at the Technical Sessions that it currently has no plans to speed the process of updating the databases to include an address when the address is found to be missing, which currently takes up to five days.[24]

Billing

FairPoint representatives at the Technical Sessions contended that consumer retail bills are "predominantly accurate."[25] They claimed that after the initial, largely anticipated, billing delays in the first month or two after cutover, the retail bills have been on time.[26] Furthermore, they contended that less than one percent of the bills have "known" billing errors,[27] although at the time of the Technical Sessions the company was still introducing daily updates to the billing systems to correct for billing errors.[28] On the other hand, the company's representatives admitted that the quality of wholesale and complex retail bills is not yet at pre-cutover levels.[29]

FairPoint's claim that there are few remaining consumer retail billing issues conflicts with other evidence. The average daily billing adjustments reported in the daily reports to the Regulatory Staffs continue to be high and larger than the $30,000 business-as-usual objective the company established in the Stabilization Plan. In addition, the Commission's Consumer Affairs Division, like the corresponding organizations in Maine (the Maine Public Utilities Commission's Consumer Assistance Division) and Vermont (the Vermont Department of Public Service's Consumer Affairs & Public Information Division), has reported that the largest proportion of customer complaints about FairPoint involve billing issues. FairPoint's representatives at the Technical Sessions concurred, adding that about 60 percent of the complaints are associated with billing.[30]

Further questioning of the company's representatives at the Technical Sessions indicates that FairPoint's definition of a "known" billing error is fairly narrow.[31] The definition appears to be restricted mainly to known errors in the systems that produce the bills. However, these systems are at the end of a long chain of other systems and processes, any of which can generate input errors to the billing systems. For example, if portions of an order to transfer a customer to another carrier fail or if FairPoint fails to provision an order to change a customer's service accurately, the customer will receive a bill that is inaccurate from the customer's perspective, even if the billing systems themselves performed the correct actions based on the information they were provided. A number of such problems are already known to have happened; for example, FairPoint continued to

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[23] July 28 Transcript at page 158, line 13 through page 160, line 6.
[24] July 28 Transcript at page 168, line 10 through page 172, line 4.
[25] July 28 Transcript at page 15, line 19 through page 16, line 1.
[26] July 28 Transcript at page 206, line 22 through page 207, line 2.
[27] July 28 Transcript at page 15, lines 20 through 23.
[28] July 30 Transcript at page 178, line 22 through page 179, line 14
[29] July 28 Transcript at page 16, lines 7 through 9.
[30] July 28 Transcript at page 18, lines 14 through 16.
[31] July 28 Transcript at page 193, line 2 through page 194, line 3.

bill a number of customers who transferred their service to other carriers[32] because the portion of the orders to delete the customers from FairPoint's databases failed.[33] Liberty's recent work analyzing late provisioned orders with FairPoint is also revealing that a number of billing errors are actually caused by provisioning failures. FairPoint also acknowledged that additional billing errors not currently classified as "known" can occur because of errors in the customer records, either because the information was missing at cutover or because of FairPoint data conversion errors.[34]

There was relatively little discussion at the Technical Sessions on complex retail bills; however, there was considerable discussion of wholesale billing problems. Among the wholesale billing problems revealed during this discussion and subsequently are:[35]

- Application of one carrier's payments to another carrier's account, and insufficient communication with the carriers when payments are misapplied
- Missing invoices for resale accounts
- Inaccurate usage invoices
- Problems with the daily usage feeds, including formatting issues and levels of usage inconsistent with pre-cutover levels
- Missing access bills
- Missing directory listing bills (FairPoint noted at the Technical Sessions that it issued some directory listing bills in late July for the first time since cutover.[36] After the Technical Sessions, Liberty became aware that a number of CLECs have questioned the accuracy of the directory listing bills.)
- Inaccurate updating of the bills to reflect recent provisioning
- CLEC complaints about the efficiency and timeliness of the bill dispute process.

Liberty concludes that FairPoint has a number of issues with both retail and wholesale billing. Resolution of these issues will require a careful examination of FairPoint's end-to-end processes and not simply a narrow focus on billing systems and processes; a number of problems occurring upstream of the billing systems appear as billing errors to the customers.

Customer Escalations

FairPoint's representatives at the Technical Sessions admitted that FairPoint is not yet at pre-cutover levels in the handling of customer complaints, both those escalated to FairPoint by the Commission's Staff and the Regulatory Staffs in Maine and Vermont and "executive complaints" made directly to FairPoint. After billing, the most common complaint from customer escalations involves late orders and other provisioning issues.

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[32] FairPoint Response to Oral Data Request No. 11.
[33] FairPoint indicated that it considers such errors to be known billing errors but only after they are identified. However, "[t]ypically, at this point, they have not [been identified]." See July 28 Transcript at page 194, line 23 through page 195, line 6.
[34] July 28 Transcript at page 194, lines 4 through 21.
[35] July 28 Transcript at page 210, line 13 through page 229, line 4; also at page 236, line 21 through page 247, line 15.
[36] July 30 Transcript at page 275, line 24 through page 275, line6.

The Commission's Consumer Affairs Division and the similar organizations in Maine and Vermont have indicated that the volume of complaints continues to far exceed the pre-cutover levels and, although smaller than at some times earlier in the year, has not decreased materially in the last few months. These organizations also report that FairPoint has also been very slow to resolve the complaints and to communicate with the regulatory staffs on the status of the complaint. Furthermore, the Regulatory Staffs report a significantly higher number of open complaints than FairPoint.

The company's representatives indicated that its objectives are to reduce volume of complaints and to improve the speed of addressing the complaints. They indicated that their objective was to contact the customers within 24 hours of a complaint.[37] However, the data the company provided in response to a data request from the Technical Sessions indicates there were about 300 complaints per month in New Hampshire from May through July 2009 compared to pre-cutover monthly numbers that averaged close to 50. Similarly, these complaints were handled in an average of around 4 days before cutover, but they took an average of 11 days to resolve in the May through July period.[38]

Since the time of the Technical Sessions, FairPoint has continued to work with the state Regulatory Staffs to resolve these issues. The company hosted representatives from all three states at a meeting in Portland to review the process for reviewing and resolving customer escalations. They have also been working with the state staffs to resolve the discrepancies in the number of open complaints. Based on discussions with the Regulatory Staff members responsible for handing the escalations and our own observation of FairPoint's provisioning and billing problems, Liberty has found that there are often multiple sources for the provisioning and billing problems for many of the customers. As a result, it often takes a long time for FairPoint to diagnose and correctly identify the underlying problems and initial superficial analysis can often lead to miscommunication about the true causes. On the other hand, Liberty believes that many of these issues might be readily curable if FairPoint can quickly fix some of its internal manual provisioning processes.

Reporting Accuracy

When questioned at the Technical Sessions, FairPoint representatives contended that the data they have reported both in the public status reports and the daily reports to the regulatory staffs is accurate.[39] However, Liberty and the regulatory staffs have often found reported data that is inconsistent with other available information or discontinuities in the data trends that suggest reporting errors. The CLECs have also complained of inaccuracies in FairPoint's wholesale Carrier-to-Carrier and Performance Assurance Plan reports. Such likely reporting errors don't prevent the usefulness of the data for some purposes, such as a general understanding of performance trends, as long as the user is careful in analyzing the data and only a qualitative understanding is necessary. However,

[37] July 30 Transcript at page 152, line 9 through page 154, line 6.
[38] FairPoint Response to Oral Data Request No. 36.
[39] July 28 Transcript at page 21, line 2 through page 22, line 10.

for other purposes, such as the assessment of retail and wholesale performance penalties, the potential of such errors is very troubling. Liberty believes that FairPoint should perform a thorough review of the accuracy of its reports.

FairPoint has also acknowledged that in the process of introducing software corrections to fix defects they have sometimes introduced additional errors.[40] They need to work to improve this situation.

Summary and Recommendations

FairPoint's performance is much improved since cutover in a few areas, the most notable being the performance of the call centers. In addition, as FairPoint's representatives noted during the Technical Sessions, the performance of the company's network has been relatively unaffected by cutover; customers are able to make and receive calls much as they did prior to cutover.[41]

However, significant problems remain in a number of areas, and the company has made relatively little progress in resolving these problems during the last two months. The most significant problem areas noted during the Technical Sessions involved:

- The flow of orders, including the frequency of order fallout and continued difficulties submitting orders into the provisioning systems
- The high percentage of late orders and orders late for a significant length of time for both retail and wholesale customers
- Billing errors and other problems for both retail and wholesale customers
- Slow resolution of customer problems referred to FairPoint by the Regulatory Staffs and poor communication about the status of those problems
- Accuracy of reported data.

Some of these issues have underlying sources that may take some time to resolve, particularly those associated with system design. However, Liberty believes that there are steps FairPoint can take in the short run to significantly alleviate these problems. These include:

- Thorough review of the manual processes required when orders fail to flow through the systems as expected, to identify and introduce process improvements
- Closer and more careful management of the existing manual processes
- Adequate staffing of the manual processes
- Better training of employees in the use of the manual processes and the importance of assuring end-to-end management of transaction processing
- Thorough review of the data reporting process, to identify and correct reporting errors
- Audit the internal systems to assure that the customer account and inventory data is consistent among the various databases.

[40] July 30 Transcript at page 179, line 15 through page 180, line 18.
[41] July 28 Transcript at page 17, lines 13 through 16.

Liberty also recommends that FairPoint:

- Take steps to mitigate the impact of weather-related increases in volumes to the call centers and that of other changes in call volumes that are predictable
- Revise some of the measures used to monitor the company's progress in improving its operations; a particularly problematic measure currently is that for the flow-through percentage
- Continue to work with the state Regulatory Staffs to reconcile the discrepancies in the number of open customer escalations and improve the process of communicating the status of the complaints.