DECISION MEMORANDUM

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FROM:LORI MANN

DATE:MAY 11, 1995

RE:PROCEDURE FOR CASE NO. USW-S-95-2;

SERVICE QUALITY STANDARDS FOR U S WEST

On December 13, 1994, the Commission issued Order No. 25826, the final Order in the 1994 Revenue Sharing case which, among other things, proposed adopting specific measurable quality of service standards for U S WEST.  The Commission also proposed that penalties be assessed if the standards are not reached.  The penalties are to be assessed against specific standards and cumulatively could total as much as $19 million.  The Commission proposed that these service quality standards be adopted beginning with the 1995 revenue sharing year.  The proposed service quality standards are attached.  All parties were invited to file comments discussing the standards and suggesting improvements or changes.  Comments were to be filed no later than February 9, 1995.  Comments were timely filed by U S WEST and Citizens Telecommunications Company.

At the same time, Order No. 25923 directed the Staff to work with U S WEST to implement modifications to the Revenue Sharing Plan or create an alternative form of regulation (AFOR).  A report is due to the Commission no later than June 1, 1995 and is to include their recommendations for continuing or modifying the sharing plan or developing a replacement to the sharing plan.  A separate docket will be created to address that issue.

On March 15, 1995, the Commission issued Order No. 25923 which was the final reconsideration Order in Case No. USW-S-94-3.  The Commission found that in order to avoid confusion and provide a clear process for considering the proposed service quality standards, this matter should be made a separate case and was assigned Case No. USW-S-95-2.  Order No. 25826 and the comments filed by the companies were made a part of the record in this new case.

COMMENTS

Citizens Telecommunications:  Citizens did not take a specific position on the Commission’s proposed service quality standards, reporting requirements and penalties for U S WEST.  Citizens believes that if standards are mandated, they should be crafted so as to not result in a company incurring excessive costs and administrative burdens from measuring and reporting.  Citizens noted that the proposed standards for U S WEST were taken generally from US WEST’s existing reports or systems.  Citizens believes it is appropriate to take a company’s existing systems into account when adopting new service standards.

Citizens also urged the Commission to consider the cost of installing new equipment to measure compliance and the effect on a company not having fully digital switches in all exchanges.  The frequency of reports should also be considered to ensure that reported information is useful and not overly burdensome to generate.  Citizens believes that specific standards and reporting requirements should be implemented only if it is clear that they would benefit the public by directly contributing to increased service quality without imposing unnecessary costs.

U S WEST:  In its comments, U S WEST states that in 1992 it initiated in-depth research to find out what customers actually wanted from their telecommunications provider.  Through this research project, called “Voice of the Customer,” the Company has attempted to determine the areas and the levels of performance customers expect.  Based upon this research, U S WEST has identified four service quality priorities which are referred to as Basic Service Measurements (BSMs).  According to the Company, these measures represent key areas of focus for service quality improvement.  “Performance indicators” have also been established which set targets in each of the BSM areas.  The four BSMs are: access, missed commitments, appointments offered, and held orders.

US WEST concluded that the objectives derived from the Voice of the Customer research could not be achieved using the existing processes and systems.  The Company found itself utilizing systems that were created as much as 50 years ago.  In some cases, incompatibility between these systems caused further delay and difficulty.  In analyzing the gap between customer expectations and system capabilities, U S WEST came to the conclusion that it was necessary to undertake a “re-engineering” of these systems and processes to remove incompatibilities and delays.  Thus, when the Company embarked upon its re-engineering efforts last year, its purpose was to significantly improve customer service to meet increasing customer expectations and build customer loyalty.

U S WEST readily admits that the initial implementation of its re-engineering efforts has been less than perfect.  The outcome was a decline in service quality that garnered headlines.  U S WEST is aware of the impact of its service quality problems and attendant publicity on customers and on its relationships with regulators.

Proposed Service Quality Standards:  U S WEST expressed concern about the linkage between the proposed standards and customer expectations.  U S WEST also has concerns about its ability to measure and the value of measuring some of the information seemingly required by the proposed standards.  The following is a summary of U S WEST’s response to the specific service quality proposals.

1.  Repair

1.  Trouble reports/100 lines/month.  The first standard sets a target of no more than 4.5 trouble reports per 100 lines for residence and small business customers.  Although U S WEST had used this indicator as an internal measurement, after continued evaluation of the customer research, the Company now believes this standard is not the best measurement.  The raw number of trouble reports per 100 lines does not give a qualitative picture of the aspects of service over which U S WEST has control.  U S WEST believes the BSMs for repair appointments offered and missed repair commitments are better indices in capturing customer expectations.  To the extent that the identification of chronic repair areas is of interest, the Company recommends a collaborative process with the Commission to review the areas with chronic problems and discuss U S WEST action plans to correct the problems.

2.  Percentage of out-of-service reports not cleared within 24 hours.  U S WEST notes that the Commission currently has a rule addressing this concern.  However, two modifications to the existing standard are proposed.  First, it is proposed that a full months’ credit be given for each additional 24-hour period that the customer is out-of-service.  According to U S WEST, this would require a labor-intensive modification to current Company practices.  U S WEST states that there is no justification for this modification, particularly as it is drafted to apply solely to U S WEST.

The proposal also appears to attempt to modify the existing practice whereby companies calculate and report their out-of-service credits.  This has been the subject of considerable discussion between the Staff and U S WEST.  In fact, U S WEST has been advised that the Staff is currently reviewing all companies in order to establish consistency in calculating and reporting these measurements.  To require U S WEST to revise the methodology it uses to calculate its out-of-service ratios may produce a different number, but will not demonstrate a deteriorating trend, nor will it serve to identify a single customer who was entitled to the credit who did not receive it.

3.  Access to Repair Bureau.

a.  Percent of busy signals/reorders received

b.  Percent of calls not answered by an employee within 60 seconds

c.  Percent of calls not answered within 10 minutes.

U S WEST believes that providing easy and responsive access to both its business and repair offices is an important aspect of giving high quality service.  U S WEST does not, however, agree that the standard target for access should be 90% answered in 60 seconds for provisioning and repair.  Rather, U S WEST believes it is more appropriate to answer 80% of the calls within 20 seconds.  U S WEST has observed that historically its customers have reacted negatively to waiting longer than four rings to reach a customer representative.  Four rings approximates the 20 second interval that U S WEST advocates.  U S WEST cautions that answering 80% of calls within 20 seconds represents an aggressive target that the Company does not consistently meet today and will take some time to achieve.

The other two proposed access standards do not measure customer expectations.  The Company currently does not track these proposed indicators and it is concerned about the need to do so.

2.  Provisioning

1.  Held Orders.  U S WEST agrees that held orders are an appropriate indicator of customer expectations for service quality.  However, the Company does not agree with the proposed methods for defining held orders or with the proposed targets.  The proposal states that the date for a held order should revert back to the date the order was initially taken.  U S WEST’s position is that an order should be considered held when the customer due date is missed.  Numerous customers request service days or even months before they will need the service.  By using the date the order was initially taken, customers’ expectations are not being measured and the held order results are inaccurate and overstated.

In addition, U S WEST does not agree with the proposed requirement that month-end held order counts be averaged over the year and compared with a fixed standard of 100.  Such a standard does not tie directly with customer expectations and fails to take into account growth, seasonal construction limitations and other unique circumstances which affect the provision of service.  As an alternative, U S WEST suggests that it meet with the Commission Staff on a monthly basis to review held order status and the Company’s plans for addressing them.

2.  Orders for Service Receiving a Due Date Greater Than Two Days.  U S WEST agrees with this proposed service standard.  U S WEST is striving to achieve a target frequency rate of 80%, which is more aggressive than the proposed 75% target.  U S WEST cautions, however, that achieving and maintaining this level of success will be difficult because U S WEST is in a transition period with its service improvement process.

Proposed Penalties:

U S WEST believes the proposed penalties are inappropriate for two reasons.  First, the monetary penalties as envisioned produce across-the-board credits to Title 61 customers.  The person who may have had to wait for installation because of lack of facilities receives exactly the same “benefit” as the customer who experienced nothing but excellent service.  This is not a rational approach to the service quality issue.

Second, the penalties appear on an “all or nothing basis.”  With each standard, if the Company misses a particular target by a fraction of a percent, it will be subject to the same penalty as if the Company missed the target by multiples of the target level.  U S WEST asserts that this is not rational, particularly where there is no evidence to support that any of the standards represent a recognized industry standard or a quantification of the legal standard of adequate service.  This approach is even more troubling to U S WEST when no other company will be subject to these standards.

The Company believes that the solution to these problems is to work collaboratively with the Commission to create programs such as the out-of-service credit to benefit customers who have had difficulty with their service.  This could be accomplished as a modification to the Revenue Sharing Plan or, for the industry as a whole, through rulemaking.

As stated earlier, Order No. 25923 created this separate docket for considering the proposed service quality standards.  Currently, Staff is meeting with U S WEST regarding the Revenue Sharing Plan/AFOR.  One of the areas of discussion is whether local rates should be tied to service quality, i.e., rates would go down when service quality falls below certain standards or rates would go up if the service quality standards are met.

UPDATE ON SERVICE QUALITY CONCERNS

Attached is a March 24, 1995 decision memorandum from J. Cusick in which the service outage rule and U S WEST’s non-compliance thereof is discussed.  Also attached is a March 30, 1995 memorandum from B. Barker which presents an update on U S WEST complaints for 1995.  While improvements have been made, Ms. Barker notes the continued delays in repair and provisioning.

COMMISSION DECISION

How does the Commission envision this case proceeding—on a parallel track with the AFOR case, on its own without regard to the AFOR case, on hold to see whether service quality standards are included in the AFOR case, something else?

Lori Mann

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