

FairPoint Post-Cutover Status Report
Liberty Consulting Group
October 28, 2009

Introduction

The Liberty Consulting Group (*Liberty*) issued reports on April 1, July 13, September 2, and September 8, 2009, describing FairPoint Communications Inc.'s (*FairPoint's*) substantial customer affecting service problems arising out of the cutover at the end of January 2009 from back-office operations support provided by Verizon Communications Inc. (*Verizon*) to new processes and systems developed for FairPoint by Capgemini. These reports have also described and evaluated steps FairPoint has taken to alleviate these problems. Liberty has provided the reports as part of our cutover monitoring on behalf of the staffs of the Maine Public Utilities Commission, the New Hampshire Public Utilities Commission, and the Vermont Department of Public Service (collectively, *Regulatory Staffs*).

As Liberty's reports have indicated, substantial problems remain despite the steps FairPoint has taken. The most visible of these problems are: (1) continuing delays in completing customer orders, (2) errors in customer bills, and (3) slow response to customer complaints. Furthermore, Liberty's reports have indicated that it is likely to take considerable time for FairPoint to achieve service levels that were expected when the new systems were originally proposed and even to achieve pre-cutover service levels without ad hoc manual processes.

In the September 8 report, Liberty made three recommendations for short-term steps FairPoint can take to substantially alleviate customer impacts while the company is working to rectify the fundamental system and process failures it has experienced:

- Establish end-to-end management oversight of the manual ordering and provisioning processes and instill a sense of urgency throughout all levels of FairPoint's staff to quickly resolve customer ordering, provisioning, and billing problems.
- Improve the process for determining the root causes of current problems in order to identify and implement immediate as well as long-term systems and process improvements.
- Conduct a cross-system inventory validation and reconciliation to identify data discrepancies between the systems and to synchronize the data in its systems in order to reduce unexpected order fallout.

In the current report, Liberty provides a brief summary of the key changes since the September 8 report, with particular attention to how FairPoint has addressed Liberty's three recommendations.

Since September 8, Liberty has:

- Met with FairPoint subject matter experts in Portland, ME on September 17 and September 30 to discuss the process for determining the causes for late orders and billing errors
- Met with FairPoint subject matter experts in Portland, ME on September 29 to discuss the process for reconciling data discrepancies
- Observed meetings in Portland, ME between FairPoint and CLEC representatives to examine the causes of wholesale ordering and provisioning problems
- Held weekly status calls with the Regulatory Staffs
- Observed weekly calls between FairPoint and the Regulatory Staffs
- Observed weekly calls between FairPoint and the CLECs
- Attended a joint committee meeting of the Vermont state legislature on September 24
- Attended meetings of the Vermont Public Service Board on September 30 and October 6.

FairPoint's Reported Status

FairPoint continues to provide daily status reports to the Regulatory Staffs, containing information on ordering and provisioning, billing, call center, and complaint escalation performance. In addition, FairPoint issued the first two of its planned series of bi-weekly status reports or “dashboards” on October 13 and 27. Although some of the measurements quoted in the daily status reports and the bi-weekly status reports differ, Liberty examined the results that can be directly compared and found the two reports to be consistent.

Ordering and Provisioning

The FairPoint dashboard indicates that the company is currently provisioning more than 22 percent of all orders late. Moreover, there is considerable variability in performance depending on order type. Not only is the overall on-time provisioning performance poor but many types of orders are experiencing much worse performance than the average.

The following table shows the status of late orders on October 25, the end of the most recent reporting period for FairPoint’s dashboard. The table shows that 19 percent of pending retail POTS orders, 40 percent of pending retail DSL orders, and 51 percent of all other pending retail orders were late. Furthermore, 34 percent, 22 percent, and 52 percent respectively of the late orders of each of those retail order types were late for more than 20 days. In most cases, the performance for disconnection orders is even worse than that for all other kinds of orders; late provisioning of disconnection orders have led to a number of errors on customers’ bills in the past.

Late Retail Orders on October 25

Service Type	New or Change Orders		Disconnects		Total	
	Late	Late >20	Late	Late >20	Late	Late >20
Total	26%	30%	55%	33%	33%	31%
POTS	20%	31%	17%	49%	19%	34%
DSL	30%	25%	68%	19%	40%	22%
Other	40%	39%	71%	66%	51%	52%

The next table shows the wholesale order status. Although 25 percent of all pending wholesale Local Service Request (LSR) orders were late on October 25, which is better than the retail rate of 33 percent, this overall late LSR percentage is somewhat misleading. Only 4 percent of standalone directory listing orders, which comprise 30 percent of all pending LSR orders and are generally the easiest wholesale orders to complete, were pending late. For number porting orders, which comprise 51 percent of all pending LSR orders, 26 percent were pending late. The results were significantly worse for the rest of the wholesale orders, particularly those in the “LSR (other)” category, which includes orders for such important services as unbundled loops; 54 percent of LSR (other) orders and 33 percent of Access Service Request (ASR) orders were pending late. Furthermore, the percentage of all types of wholesale late pending orders that are late for more than 20 days is very high and significantly higher than for retail orders.

Late Wholesale Orders on October 25

Service Type	New or Change Orders		Disconnects		Total	
	Late	Late >20	Late	Late >20	Late	Late >20
LSR (total)	27%	70%	16%	57%	25%	69%
LSR (DL)	3%	47%	5%	86%	4%	66%
LSR (NP)	26%	78%	----	----	26%	78%
LSR (other)	55%	62%	48%	49%	54%	60%
ASR	31%	58%	37%	62%	33%	60%

In summary, FairPoint’s timeliness in completing both retail and wholesale orders remains poor overall, although generally worse for wholesale orders other than those that are the easiest to provision. A much higher percentage of late wholesale than retail orders are very late (more than 20 days).

A comparison with earlier FairPoint daily status reports indicates that the current pending late order results for retail POTS and DSL, although they continue to be sub-standard, are generally better than they were in the middle of the summer, indicating that FairPoint is making some progress in reducing the retail order backlog for these service types. However, Liberty has not been able to discern any material improvement for other retail orders and most wholesale service types.

Both the daily reports and bi-weekly dashboard indicate that the order flow-through rate¹ continues to be well below the anticipated rate for FairPoint's new operations support systems for all reported order types except wholesale standalone directory listing orders. For example, FairPoint reported in the October 27 dashboard that 19.3 percent of retail orders completed during the week of October 19 that were designed to flow through FairPoint's systems failed to do so. The comparable flow-through failure rates for wholesale number porting orders and all other wholesale LSR orders, except directory listing orders, are 38.5 and 43.8 percent respectively, which are even worse than the retail results. These poor flow-through rates indicate that a significant number of orders are unexpectedly "falling out" of FairPoint's systems for manual handling, thereby contributing to FairPoint's poor on-time provisioning performance. Liberty notes that FairPoint's numbers include orders pending at the beginning of the week, which might suggest that the poor results for these order types may be occurring because they include the completion of orders submitted many weeks ago before any system enhancements to improve flow-through may have been implemented. However, FairPoint's daily reports show results consistent with the numbers quoted above even when restricting consideration only to orders submitted during October.

Another ordering result FairPoint reports in the daily reports is the number of "unsubmitted" retail orders. These are orders that FairPoint has recorded in the system used by its retail service representatives but has not yet been able to successfully enter into the provisioning systems. In many cases, the reason for the lack of progress in provisioning those orders is normal; for example, some orders remain unsubmitted for a period because FairPoint is still awaiting a credit check for new customers. However, there is currently a steady state of around 2,100 unsubmitted orders daily, and this number is only slightly less than the number in mid-summer. Liberty continues to believe the number of unsubmitted orders is much larger than what should be expected in the normal course of business and may indicate continued order-entry system problems. Liberty has requested that FairPoint provide more information about the unsubmitted orders, showing the reason the orders are held in the unsubmitted queue and the length of time the orders have been held in this queue. FairPoint has not yet provided this information.

Liberty also notes that there is a group of wholesale orders in a similar status to that of the unsubmitted retail orders. These are the so-called "Acknowledge/Accept" orders, for which the wholesale carrier has an acknowledgement that the order has been received by FairPoint's wholesale user interface but is still waiting for a Firm Order Commitment (FOC) from FairPoint's provisioning system. As with unsubmitted retail orders, it is normal for some orders to be in the Acknowledge/Accept status because of the time required to return a FOC. However, orders should not remain in that category for a long time (generally no more than about 24 hours at worst). At this point, FairPoint is not reporting the number of wholesale Acknowledge/Accept orders or the average time orders remain in that status. Liberty has recently asked for this data from FairPoint.

¹ The flow-through rate is the fraction of orders that move through FairPoint's systems to the initiation of any required manual provisioning steps, such as dispatch of a technician to a customer's premises, or to full order completion without manual intervention.

Status of Other Processes

One bright spot in FairPoint's reported results continues to be retail call center performance. This was a major problem in the spring, but the earlier problems appear to be largely resolved now. The "service levels" (percent of calls answered within 20 seconds) are generally high for the retail calling centers, typically above 80 percent and often above 90 percent, particularly for the consumer and repair centers. Furthermore, the number of calls abandoned is small, typically less than one percent of all calls to the consumer and repair centers.

FairPoint's trouble report rate and repeat trouble rate as reported in the dashboard are generally good (approximately 0.40 per 100 lines and 0.05, respectively), although the trouble report rate is often slightly higher in Vermont than in the other two states. On the other hand, the percentage of repair appointments met and percentage of troubles cleared in 24 hours are not good; FairPoint generally is reporting 80 percent or fewer repair appointments met and 60 percent or fewer troubles cleared in 24 hours.

FairPoint has indicated that it will report its percentage of bills adjusted on a monthly basis with this data reported on its November 9 report for the first time. Currently the dashboard reports only the percentage of "known" billing errors. Liberty has noted in the past, and FairPoint has acknowledged, that these percentages are likely to significantly undercount the number of errors customers will perceive in their bills, because it does not include several types of errors, including many produced by provisioning errors. As Liberty has noted before, a good portion of the billing errors appear to be caused by provisioning errors. The daily reports to the Regulatory Staffs show the dollar amount of FairPoint billing adjustments. These adjustments continue to be higher than expected in the normal course of business.

FairPoint's reported number of "PUC complaints" also continues to be high. The most recent dashboard shows 83 open complaints in Maine, 188 in New Hampshire, and 220 in Vermont. The Regulatory Staffs have noted that the number of complaints and the time required to resolve the complaints continue to be considerably higher than prior to cutover.

FairPoint's Response to Liberty's Recommendations

End-to-End Oversight of Manual Provisioning

FairPoint created a group in mid-September with overall responsibility to monitor and coordinate all FairPoint's manual provisioning processes and work queues. FairPoint has appointed an experienced and knowledgeable manager to lead this group and has staffed it with competent workers. Liberty met with the manager of this group on September 30 to discuss the process for monitoring order status and managing the manual ordering process. Liberty believes that the group's process should be adequate, assuming it

receives full cooperation across all the FairPoint organizations managing manual steps in the provisioning process; there are a number of such organizations across FairPoint.

As noted above, despite the creation of this new group, FairPoint has made limited progress in reducing the percentage of late orders, except for retail orders. The manager of this group is working to rectify the situation. It is very important for the group to focus on making substantial additional progress soon, particularly for wholesale orders and orders that are late greater than 20 days.

Root-Cause Analysis

FairPoint's new group responsible for end-to-end provisioning management is also responsible for analysis of the root causes of FairPoint's provisioning problems. This is reasonable, assuming the group has the time and resources to perform such analysis, because the analysis can be made a natural by-product of monitoring order status. At this point, it is too early to tell, however, whether the approach of combining the two functions will be effective.

FairPoint also invited CLEC representatives to Portland on two separate occasions, September 15 and 16 and again on September 29 and 30, to review problematic wholesale orders. The process used was similar to that Liberty observed in late August, as described in our September 8 report. The CLECs provided examples of actual pre-order and order transactions that had experienced problems in proceeding through FairPoint's systems. FairPoint's subject matter experts displayed the transaction status and history in FairPoint's systems. FairPoint and the CLECs then worked jointly to determine the root cause of the problems. At the end of the two sessions, FairPoint and CLECs made a list of the top twelve causes for wholesale problems that need to be resolved. It is noteworthy that data reconciliation problems between FairPoint's systems were at the top of this list. FairPoint created an action item list based on these sessions and reviews progress on resolving the issues with the CLECs weekly.

Data Reconciliation

FairPoint has charged its Revenue Assurance group with responsibility for identifying and correcting missing and inconsistent data in FairPoint's customer and network inventory systems. Liberty met with the leader of this group on September 29 to discuss his process. FairPoint has engaged a consultant with expertise in large database management to assist with this project. Liberty also met representatives from this consultant at the meeting and watched a demonstration of the software tool provided by the consultant to identify and correct database discrepancies.

Liberty believes that FairPoint's data reconciliation process is a reasonable one and should be effective if vigorously and fully pursued. Liberty did note to FairPoint that there were some gaps in the list of FairPoint systems undergoing the data reconciliation process, the most important of which is the GE Smallworld system, which contains some

key loop inventory data. FairPoint promised to add this and other missing systems to its reconciliation process.

Although introducing this process is a promising development, Liberty has seen relatively few results from it. Aside from a limited “switch to bill audit” trial conducted in Vermont to determine the feasibility of the software tool, the only other data reconciliation work Liberty is aware of is a four-system comparison of the majority of FairPoint’s DSL line data. Liberty understands from FairPoint that the DSL data comparison uncovered a significant number of database discrepancies that need to be reconciled. Liberty is awaiting further information from FairPoint on its plans to extend these database comparisons to other services such as POTS and wholesale lines.

Other Matters

As Liberty has noted in the past, in addition to addressing short-term performance issues, FairPoint needs to rectify the fundamental failure of its systems and processes to operate at the expected levels. Since the time of Liberty’s last report on September 8, FairPoint hired Accenture, a leading consulting firm with experience in telecommunications operations support systems, to analyze its current systems and process problems and propose solutions to them by the end of November. Liberty plans to meet with Accenture and FairPoint to discuss the progress of this analysis; this meeting is tentatively scheduled for mid-November.

Summary

FairPoint continues to have significant problems in providing adequate service to its customers in a number of areas. Most prominent among these are service ordering and provisioning, billing, and the handling of customer complaints. Although FairPoint has made some progress in addressing these issues in the last few months, the progress has been minor and not uniform. For example, although FairPoint has made some progress in reducing the number and percentage of the majority of late retail orders, the company has made no significant progress for late wholesale orders.

FairPoint has begun responding to Liberty’s three proposals for alleviating some of the most prominent current service problems while working to solve the more fundamental problems. FairPoint has established processes for end-to-end management of manual provisioning, root-cause analysis of ordering and provisioning failures, and reconciling inventory databases. However, these new processes have shown only limited results to date. The next few weeks will be key in determining whether these processes are adequate and whether they are being pursued aggressively enough by FairPoint.

On October 26, FairPoint announced that it has voluntarily initiated a Chapter 11 proceeding. It remains to be seen what, if any, impact this proceeding will have on FairPoint’s ability to resolve its service problems.