

REPORT OF FAIRPOINT'S ACTIONS AND ACCOMPLISHMENTS
IN CONNECTION WITH
AUDIT OF WHOLESALE PERFORMANCE ASSURANCE PLAN AND METRICS

I. BACKGROUND AND INTRODUCTION

In Docket No. DT 01-006, in conjunction with its efforts to obtain relief from the FCC under Section 271 of the Communications Act, Verizon New England Inc. ("Verizon") proposed to the Commission, and eventually obtained approval of, a wholesale service performance assurance plan ("PAP") and its underlying Carrier to Carrier metrics ("C2C") modeled on the performance enforcement mechanisms previously approved by the New York and Massachusetts public utilities commissions.¹ Such a plan had been held by the FCC to be convincing evidence that the regional Bell Operating Companies would continue provisioning high quality service to CLECs after obtaining Section 271 authority.

As part of its settlement of various issues related to the purchase of Verizon's assets in northern New England, FairPoint agreed to adopt the terms of the existing PAP.² The 2008 settlement agreement among the Joint Petitioners and Staff approved in Docket No. DT 07-011 also contemplated that an audit would be conducted of FairPoint's wholesale performance assurance plan (PAP). In the event that a simplified PAP had not been adopted by June 1, 2010, or if efforts to develop a simplified PAP had terminated before that date, the audit would be conducted of FairPoint's existing PAP. By Secretarial Letter dated February 25, 2011, later affirmed in Order No. 25,221 dated May 6, 2011, the Commission determined that an audit of the existing PAP should be conducted. In that Order, the Commission described the goals of the audit:

- to determine whether there are reasonable assurances that FairPoint's reported data is accurate for purposes of a new PAP;³
- to determine whether all significant problems with the PAP have been identified;⁴
- to determine whether any particular items in the PAP should be eliminated;⁵

¹ Order No. 23,940 (March 29, 2002). A very similar PAP and associated C2C Guidelines were also approved by the Maine Public Utilities Commission and Vermont Public Service Board as well.

² DT 07-011, Order No. 24,823 at 30 (Feb. 25, 2008). The version under which FairPoint currently operates was approved by the Commission in 2005. DT 05-096, Order No. 24,504 (Aug. 19, 2005).

³ Order No. 25,221 at 14 (citing to *Application by Bell Atlantic New York for Authorization to Provide In-Region, InterLATA Service in the State of New York*, 15 FCC Rcd 3953, 433 (1999)).

⁴ *Id.* at 23.

- to determine whether FairPoint has applied the current PAP properly or, if it has not, where its weaknesses lie so that they may be addressed in developing the new PAP.⁶

The Commission's stated intentions were largely prospective, looking forward to the development of a new Wholesale Performance Plan (WPP):

[W]ithout . . . a common understanding of each metric and the processes used to collect data for measurement, knowledge of how the metric data is accumulated, recorded, classified, and validated; and knowledge of whether it is timely reported and whether the bill credits are appropriately calculated, it may be difficult to understand whether the metrics selected by FairPoint for its proposed WPP, as its simplified PAP, are appropriate and sufficient. Thus, we find that an audit of the current PAP will lead to useful information. . . . The Commission . . . views an audit of the current PAP as a necessary step in determining the scope and nature of any future PAP.⁷

From October 2011 to December 2012, The Liberty Consulting Group ("Liberty") conducted an audit of FairPoint's administration of the PAP for the period covering calendar 2011. Liberty grouped the audit work according to the following five elements:

- PAP Conformance with Requirements
- Data Validation
- Metric Replication
- PAP Implementation and Bill Credit Validation
- PAP Structure Evaluation

In its Audit Report, dated December 19, 2012, Liberty reported 115 "defect findings" across all the PAP metrics that were within the scope of the audit. These reported findings were comprehensively described and analyzed in the Audit Report, and were also summarized in Table B-1 of the Report. Based on its analysis of these findings, Liberty also generated a list of 11 recommendations.

II. REPORT OF ACTIONS AND ACCOMPLISHMENTS

At the time of the issuance of the Audit Report, FairPoint had acknowledged most of the 115 reported findings and had either remedied them or established plans to do so. Attachment 1 of this report provides a summary description of the final resolution of the reported findings, using a format based on Table B-1 of the Audit Report.

⁵ *Id.* at 17.

⁶ *Id.*

⁷ Order No. 25,221 at 18.

In regard to the 11 recommendations in the Audit Report, FairPoint has, for all practical purposes, fully implemented these recommendations, as described in the following sections.

Recommendation 1: Correct the system problems and metric calculation logic errors that Liberty has identified.

Liberty's analysis identified a number of errors that affected the quality of FairPoint's reported PAP/C2C metric results across all the metric domains. Of the 115 findings that Liberty reported, 26 were specifically related to this recommendation. All of these were corrected as of May 2013, primarily through revisions to the CAMP systems software, as well as sweeping improvements to FairPoint's internal processes.

Recommendation 2: Enhance data retention policy by retaining some additional data that can help in researching past months' reported metrics.

At the time of the issuance of the Audit Report, FairPoint had implemented a new data retention policy that Liberty considered to be major step forward in enhancing the ability to review and audit reported metric values from past months. Since that time, FairPoint has enhanced these capabilities by now also retaining the monthly MARCH data, which is used in the calculation of one metric.

Recommendation 3: Determine the net impact of the calculation errors on metric reports and bill credits during 2011.

In the Audit Report, Liberty surmised that many of the findings that it made in regard to FairPoint's metric calculations could have the potential to significantly affect the metric values and hence the PAP bill credits. Liberty suggested that FairPoint first address all the calculation related findings that Liberty had reported and then recalculate the metrics for each month, focusing on the August through December 2011 period because there were no data retention issues for that period with the limited exception of the MARCH data, noted above.

As Liberty recommended, FairPoint recalculated the monthly PAP aggregate reports for the month of August 2011 and, at the recommendation of Staff, for the entire fourth quarter of 2011. These reports are provided in Attachments 2 through 5. Furthermore, because Liberty's analysis focused primarily on PAP metrics calculations for the months of August and December 2011, FairPoint has also included Attachments 6 and 7, which provide detailed analyses of the August and December 2011 metrics for which a changed "met" or "miss" score contributed to changes (up or down) in the reported Market Adjustment dollars.

As Liberty suggested in the Audit Report, the recalculated PAP reports provide insight as to the potential impact on Market Adjustment dollars of the systems changes and process enhancements FairPoint implemented. As Liberty indicated in the Audit Report, not all of the reported findings are relevant to the recalculated PAP reports. Specifically, FairPoint found that 38 of the reported 115 audit findings do not involve the recalculated reports. For example, some findings do not directly impact PAP metrics calculations, as they involve C2C metrics that are

not also PAP metrics.⁸ Other findings concern issues related to documentation or the quality assurance review process which do not directly impact PAP metric calculations.⁹ Some findings were based on Liberty's interpretation of the C2C Guidelines or PAP documentation.¹⁰ (FairPoint has nonetheless sought to clarify these provisions in the proposed Wholesale Performance Plan.) Two findings involved hypothetical rather than actual scenarios.¹¹ One finding relates to CLEC ordering errors that must be dealt with on an exception basis.¹² Other findings are cared for in the WPP and therefore are not reflected in the recalculated reports.¹³ Finally, there were simply data acquisition issues (since addressed) that made certain data unavailable for the recalculated PAP reports.¹⁴

Nevertheless, the systems and process changes addressing the remaining 77 findings are reflected in the recalculated PAP reports. Only 36 of the solutions implemented contributed to a change in Market Adjustment dollars in one or more of the months recalculated as a result of a metric changing from a "met" to a "miss" or a "miss" to a "met."¹⁵ Also noteworthy, changes in performance results of only 39 of a total of 209 PAP metrics contributed to a change in Market Adjustment dollars in one or more of the four months.¹⁶

Overall, recalculated PAP results for August, October, November, and December 2011 indicate Market Adjustment dollars on a combined four month basis are \$217,730 or approximately 15% lower than initially reported.¹⁷ Table 1, below, compares the market adjustment dollars originally reported with the recalculated market adjustment dollars for the four months:

⁸ *I.e.* findings 53, 54, 55, 56, 89 and 90.

⁹ *I.e.*, findings 1 and 2.

¹⁰ *I.e.*, findings 96 and 99.

¹¹ *I.e.*, findings 36 and 63.

¹² *I.e.*, finding 49.

¹³ *I.e.*, findings 6, 17, 22, 27, 68, 79 and 85.

¹⁴ *See* findings 18, 19, 20, 23, 31, 32, 37, 38, 39, 46, 61, 65, 67, 92, 100, 101, 104, and 105.

¹⁵ Additionally, some changes in metric results contributed to a reallocation of Market Adjustment dollars.

¹⁶ Many metrics appear in more than one section of the PAP and may trip penalties under one or more service segments of the PAP.

¹⁷ Basic knowledge of the mechanics of the NH PAP is helpful in understanding the calculation of Market Adjustment dollars. Attachment 8 provides a high level summary of this aspect of the NH PAP plan.

Table 1

Month	Original Reported Market Adjustment Dollars	Recalculated Market Adjustment Dollars	Difference	Percent Change
August	\$132,831	\$106,944	- \$25,887	-19.5%
October	\$394,373	\$277,574	-\$116,799	-29.6%
November	\$381,525	\$335,686	-\$45,839	-12.0%
December	\$512,515	\$483,310	-\$29,205	-5.7%
Total	\$1,421, 244	\$1,203,515	-\$217,730	-15.0%

Looking at each of the service segments, Market Adjustment dollars under the Mode of Entry (MOE) service segmentation category are lower for the four months on a combined and individual month basis. Specifically, the MOE category on a combined four month basis is reduced by a total of \$284,197 or approximately 40%. Table 2, below, compares the MOE Market Adjustment dollars originally reported with the recalculated MOE Market Adjustment dollars for the four months:

Table 2

Month	Original Reported MOE Market Adjustment Dollars	Recalculated MOE Market Adjustment Dollars	Difference	Percent Change
August	\$84,202	\$32,432	-\$51,770	-61.5%
October	\$183,779	\$144,501	-\$39,278	-21.4%
November	\$263,057	\$137,534	-\$125,523	-47.7%
December	\$176,812	\$109,186	-\$67,626	-38.2%
Total	\$707,850	\$423,653	-\$284,197	-40.1%

On the other hand, Market Adjustment dollars under the Critical Measures service segmentation category are higher on a combined four month basis and in three of four months. Specifically, the Critical Measures category on a combined four month basis increases by \$133,295 or approximately 35%. Table 3, below, compares the Critical Measures Market Adjustment dollars originally reported with the recalculated Critical Measures Market Adjustment dollars for the four months:

Table 3

Month	Original Reported Critical Measures Market Adjustment Dollars	Recalculated Critical Measures Market Adjustment Dollars	Difference	Percent Change
August	\$46,194	\$73,119	\$26,925	58.3%
October	\$141,928	\$132,716	-\$9,212	-6.5%
November	\$116,980	\$195,637	\$78,657	67.2%
December	\$77,676	\$114,601	\$36,925	47.5%
Total	\$382,778	\$516,073	\$133,295	34.8%

Market Adjustment dollars under the Individual Rule Payments category increase on a combined four month basis a total of \$1,507 or approximately 24%. Individual Rule Payments are lower in August but are higher in October, November and December. Table 4, below, compares the Individual Rule Market Adjustment dollars originally reported with the recalculated Individual Rule Market Adjustment dollars for the four months:

Table 4

Month	Original Reported Individual Rule Market Adjustment Dollars	Recalculated Individual Rule Market Adjustment Dollars	Difference	Percent Change
August	\$2,435	\$1,393	-\$1,042	-42.8%
October	\$333	\$358	\$25	7.5%
November	\$1,488	\$2,516	\$1,028	69.1%
December	\$2,043	\$3,539	\$1,496	73.2%
Total	\$6,299	\$7,806	\$1,507	23.9%

Market Adjustment dollars under the Special Provisions service segmentation category are decreased on a combined four month basis by a total of \$68,333, which is attributable to elimination of the Special Provisions dollars in the month of October. No dollars were allocated in August or November under the Special Provisions category in the original or recalculated reports. There is no change in the Special Provisions dollars in December. Table 5, below, compares the Special Provisions Market Adjustment dollars originally reported with the recalculated Special Provisions Market Adjustment dollars for the four months:

Table 5

Month	Original Reported Special Provisions Market Adjustment Dollars	Recalculated Special Provisions Market Adjustment Dollars	Difference	Percent Change
August	\$0	\$0	\$0	0.0%
October	\$68,333	\$0	-\$68,333	-100.0%
November	\$0	\$0	\$0	0.0%
December	\$255,984	\$255,984	\$0	0.0%
Total	\$324,317	\$255,984	-\$68,333	-21.1%

No Market Adjustment dollars were allocated in any of the four months under the Change Control category in either the original or recalculated reports.

Recommendation 4: Use a more complete and balanced process for reviewing and adjusting metric values.

As Liberty recommended, FairPoint has broadened its reviews to include a more balanced examination of metric values, with a focus on improving the quality of the wholesale and retail analog results reported by CAMP. These processes now include conducting comparable reviews of wholesale metric values that CAMP determines have met the standard. Retail performance is reviewed monthly as well.

Recommendation 5: Implement a quality control process for all aspects of its PAP reporting.

As Liberty recommended, FairPoint has implemented a process for routinely reviewing:

- The source data extract process used to populate CAMP
- The logic and data used for creating derived data fields
- The logic, data and the quality of the look-up tables used for product identification
- The logic used for selecting transactions for results calculation
- The logic used to identify exclusions
- The logic used to calculate metric values
- The accuracy of manual calculations
- The quality of the reported values

FairPoint also performs regression testing of changes made to the source system data and CAMP code to ensure the changes have been correctly implemented.

Recommendation 6: Minimize the use of manual calculation processes.

While, as Liberty noted, it is impractical for FairPoint to eliminate all manual calculations, FairPoint's systems and process improvements have reduced reliance on manual spreadsheet population.

Recommendation 7: Correct the flaws in the PAP statistical and bill credit calculations Liberty has identified.

The specific calculations that Liberty suggested in this recommendation, Findings 114 and 115, have been implemented as of July 2012 and July 2013, respectively.

Recommendation 8: Review and modify the process for identifying products and assigning internal product codes.

CAMP USOC-to-product-code mapping tables were updated as of November 2012. Furthermore, the CAMP product matching algorithm has been modified to ensure all products are accurately populated in the product code look-up table.

Recommendation 9: Implement controls that ensure that all source system records needed for metric calculation are included in the daily and monthly updates to CAMP.

The CAMP system has been updated to reduce the use of secondary data sources, and system improvements have been implemented to ensure that all orders are captured.

Recommendation 10: Review the metric guidelines and metric calculation business rules to ensure that the reported values provide the intended measurement of the wholesale processes.

FairPoint worked in conjunction with the staffs of all three commissions and the CLECs to reach consensus on a simplified PAP structure as well as on the majority of metrics to be reported in the WPP. FairPoint and the CLECs then worked together over many months to revise and clarify the metrics Guidelines (metric definitions and calculations) to ensure the metric values provide the intended measurement of the wholesale process.

Recommendation 11: Review the current business rules, system and process documentation to correct all errors and make the documentation complete and consistent with the calculation processes.

As this recommendation implies, this is an ongoing process. FairPoint's Metrics Methods and Procedures documentation is under continual review, with updates performed as needed. FairPoint's Operations Performance Metrics staff has an ongoing process to review and update technical documentation as applicable.

III. CONCLUSION

FairPoint has made a concerted and conscientious effort to address the issues that were raised in the Audit Report. As described in the preceding sections of this report, FairPoint has remedied or suitably addressed each of the 115 factual findings that Liberty presented in the Audit Report. Furthermore, FairPoint has adopted all of the 11 recommendations that Liberty made in the Audit Report and has reasonably demonstrated that overall the CLECs have not been harmed by any calculation errors and have been compensated in accordance with the terms of the PAP.

While serving the purpose of identifying defects that required remedying, the audit also was intended to inform the negotiations for a new WPP. Considering that (1) the new WPP is for the most part complete, (2) that FairPoint has resolved the issues that Liberty identified, and (3) that FairPoint has adopted all of Liberty's recommendations, the intent of the PAP audit has been satisfied. FairPoint therefore requests that the Commission declare that the audit, and this portion of its investigation, are complete and find that, as of this date, FairPoint has satisfied the PAP audit conditions of Section 9.4 of the 2008 Settlement Agreement in DT 07-011.