

Filed Session of March 21, 2007

**STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE**

March 1, 2007

TO: THE COMMISSION

FROM: OFFICE OF TELECOMMUNICATIONS

SUBJECT: CASE 06-C-0502 - In the Matter of Quality of Service provided by Local Exchange Companies in New York State.

This memorandum is for informational purposes. No action is required.

CITIZENS COMMUNICATIONS
Fourth Quarter 2006 Service Quality Report

SUMMARY

The quality of telephone service provided by the local exchange subsidiaries of Citizens Communications during the fourth quarter of 2006:

- Met Commission-established performance thresholds for the local exchange subsidiaries of Citizens Communications, d/b/a Frontier, 99.4% of the time (and 98.8% for the year),
- Shows no significant deviations from historical performance trends, and
- Meets all merger-related and other service requirements for Citizens' subsidiaries.

BACKGROUND

Citizens Communications is a holding company that serves over 2.4 million access lines in 24 states. In New York State, it owns the incumbent local exchange companies of Citizens Telecommunications Company of New York, Inc. (Citizens of NY), Frontier Telephone of Rochester, Inc. (FTR), Frontier Communications of New York, Inc. (Frontier of NY), Frontier Communications of Ausable Valley, Inc. (Ausable),

Frontier Communications of Seneca-Gorham, Inc. (Seneca-Gorham), Frontier Communications of Sylvan Lake, Inc. (Sylvan Lake), and Ogden Telephone Company (Ogden). Through these subsidiaries, Citizens Communications serves about 760,733¹ access lines in New York State through 210 central offices. Overall, Citizens Communications serves a significant portion – about 7.5% – of the total access lines in the state but has lost approximately 18,000 access lines since the previous quarter, primarily in its Citizens NY and FTR subsidiaries.

The geographic areas and lines (as of Dec. 31, 2006) served by each subsidiary is shown in the following table:

Citizens Communications' Local Exchange Subsidiaries in New York		
<i>Subsidiary</i>	<i>Access Lines Served</i>	<i>Geographic Area Served</i>
Citizens of NY	267,069	Parts of 31 Counties Statewide
Frontier of Rochester	379,994	Parts of Genesee, Livingston, Monroe, Ontario, Steuben, Wyoming and Yates Counties
Frontier of NY	65,209	Parts of Orange and Ulster Counties
Frontier of Ausable Valley	6,273	Parts of Clinton, Essex and Franklin Counties
Frontier of Seneca-Gorham	8,459	Parts of Ontario and Yates Counties
Frontier of Sylvan Lake	15,858	Part of Dutchess County
Ogden	17,871	Part of Monroe County
NYS Corporate Total	760,733	

Under the Commission's Service Standards, 16 NYCRR 603, each incumbent local exchange carrier is only required to report Customer Trouble Report Rate (CTRR) if it serves 500,000 or fewer lines, and each subsidiary of Citizens Communications currently serves fewer than 500,000 lines. However, FTR reports on additional metrics as part of a permanent condition of its now expired incentive plan, the Open Market Plan (OMP), as explained later in this memorandum. Appendix A contains

¹ Of these lines, about 880 are on a resale basis.

a summary of the Commission's Telephone Service Standards as well as the other metrics still applicable to FTR. Appendix B is a glossary of terms used in this memorandum.

DISCUSSION

This report groups and summarizes performance results for the fourth quarter of 2006. Detailed results by metric and entity are being measured as required by the standards and tracked by Staff, but are not presented in detail unless it is necessary to explain a significant service problem. The Service Standards contain four groups of metrics measuring maintenance, installation, network, and answer time performance. Of these four, only maintenance is addressed below. As previously mentioned, Citizens' local exchange subsidiaries are required to report only Customer Trouble Report Rate (CTRR) on a routine basis. Other regulatory requirements related to service quality are also discussed.

Overall and as shown in the following table, the Citizens' local exchange subsidiaries met Commission established thresholds of performance 99.4% of the time during the fourth quarter, and 98.8% of the time for the entire year on those metrics they are required to report. These overall results are discussed in more detail in this report.

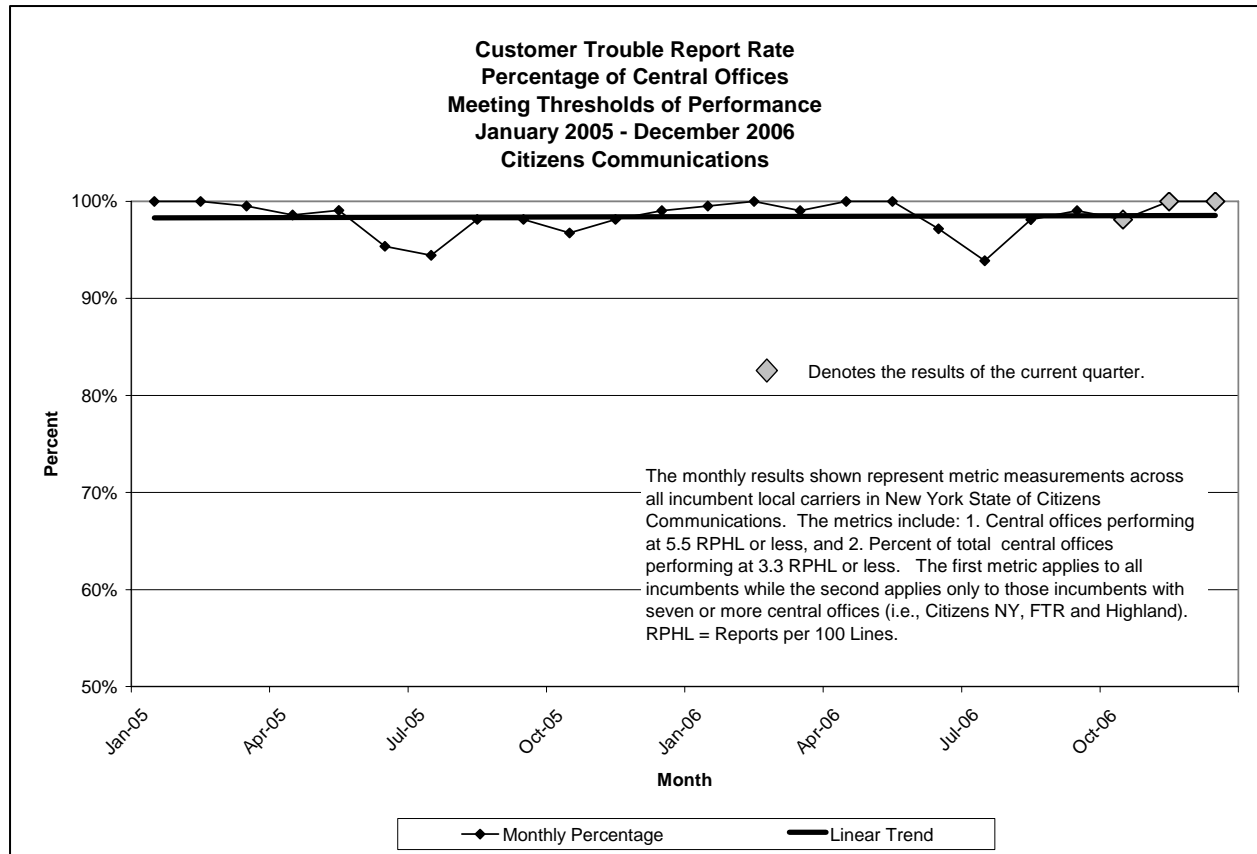
Citizens Communications Frontier ILEC Companies Frequency of Meeting Thresholds of Performance By Metric and Category of Metrics 4th Quarter and Year-to-Date							
		2006					
<i>Category</i>	<i>Metric</i>	<i>4th Quarter</i>			<i>Year-to-Date</i>		
		<i>Opportunities</i>	<i>% Met</i>	<i>% Missed</i>	<i>Opportunities</i>	<i>% Met</i>	<i>% Missed</i>
CTRR Combined		636	99.4%	0.6%	2,544	98.8%	1.2%
	a) CTRR <5.5	627	99.4%	0.6%	2,508	98.8%	1.2%
	b) 85% CTRR <3.3	9	100.0%	0.0%	36	94.4%	5.6%

CTRR= Customer Trouble Report Rate. "CTRR<5.5" is per central office with a monthly threshold of 5.5 trouble reports per 100 lines, or less.
"85% CTRR<3.3" applies to those subsidiaries with 7 or more offices and has a threshold of 85% of total offices at a monthly performance of 3.3 trouble reports per 100 lines, or less.

Maintenance Service

The subsidiaries' central offices generally met the Commission's established levels of CTRR performance. The following chart shows that during the fourth quarter all of the 210 central offices met or exceeded the monthly CTRR performance thresholds of the standards.² This performance is above the historical trend. Citizens avoided severe weather throughout the quarter in their serving territory, and CTRR levels reflect this. Staff notes that no central office of any subsidiary exceeded 5.5 reports per 100 lines (RPHL) consistently month-over-month in the quarter.

² Performance for two CTRR metrics of the standards are combined in the chart: 1) A threshold level of 5.5 RPHL or less per central office per month for all seven subsidiaries, and 2) A threshold level of 85% or more central offices at 3.3 RPHL or less per month for those three subsidiaries serving seven or more central offices (Citizens NY, FTR and Frontier Communications of NY).



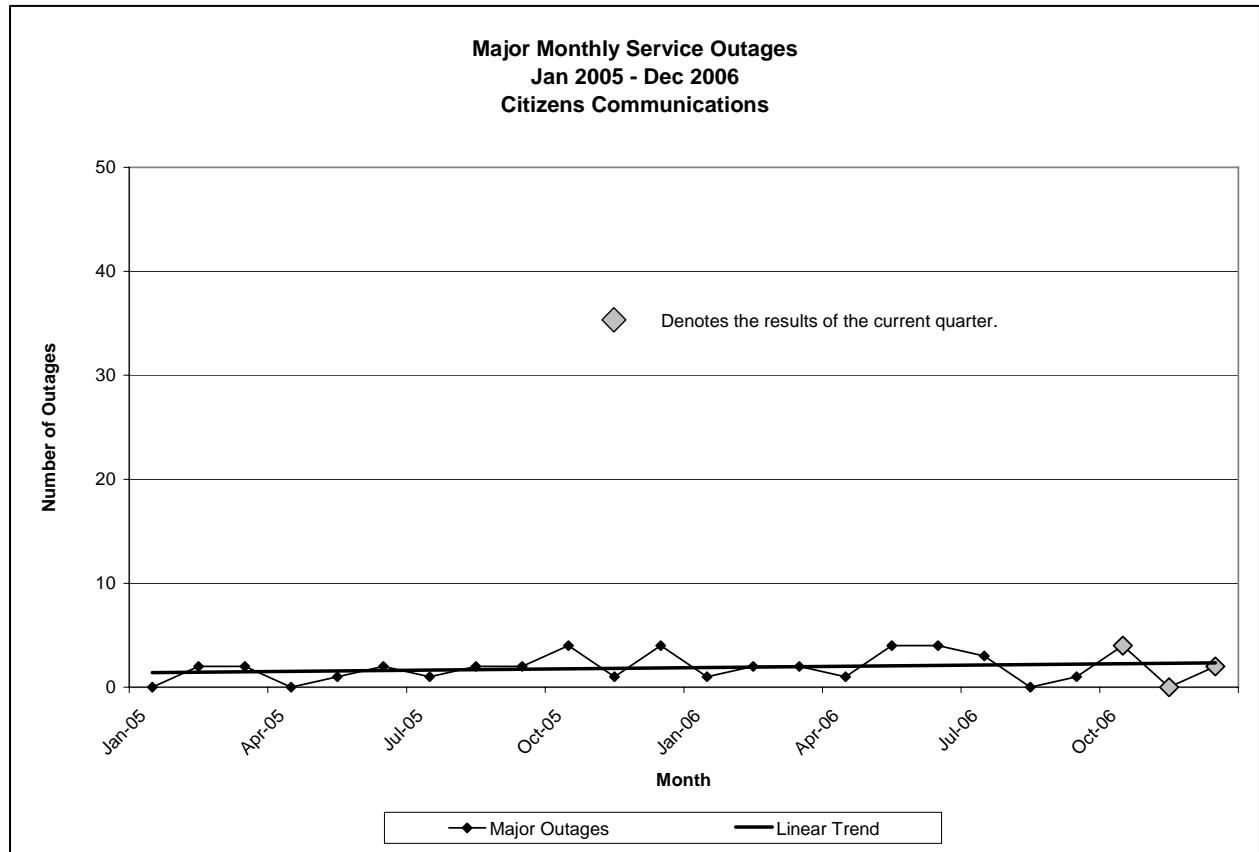
Service Inquiry Reports

When service results in a measured entity (e.g., central office) consistently fail to meet the threshold performance level of a given metric, the appropriate subsidiary must submit a Service Inquiry Report³ detailing the reasons for the poor performance as well as the corrective action taken. There are no situations this quarter that required the filing of a Service Inquiry Report.

³ A Service Inquiry Report is triggered when performance in any three out of five consecutive months (including the current month) falls below the threshold level for any metric of the standards except Final Trunk Group Blockages which is three consecutive months.

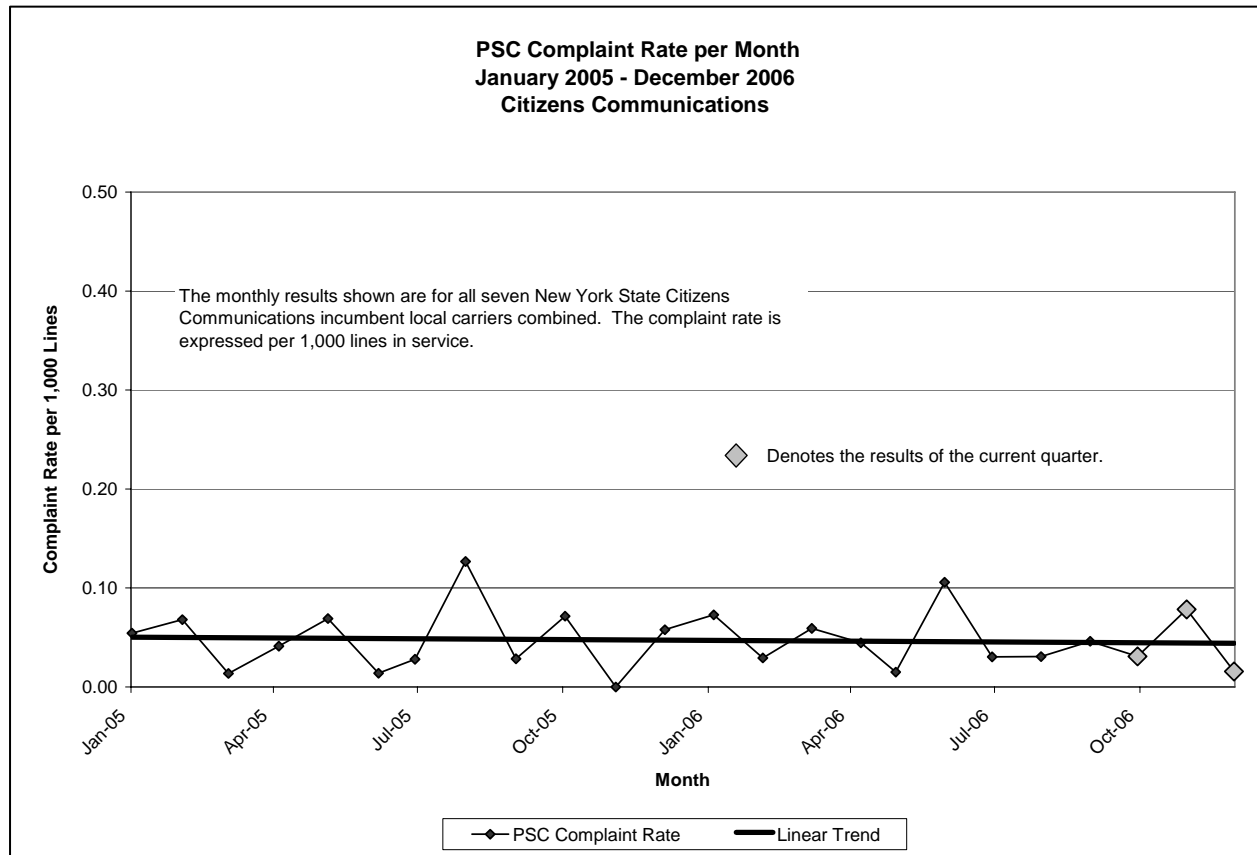
Major Service Outages

The standards also enjoin carriers to minimize major service outages, and to report such events to Staff when they occur. There were six such outages during the fourth quarter, compared to four during the last quarter. The overall trend remains good as shown in the following chart.



Complaints to the Commission

Complaints are not a part of the Commission’s Service Standards, but serve as an independent measure of service quality apart from performance reported by the carriers under the standards. The following chart shows essentially steady performance in the rate of consumer complaints to the Commission concerning the combined Citizens subsidiaries. The complaint rates for two of the three months of the quarter are within the threshold level of 0.074 or less per 1,000 lines per year, and consistent with the long term trend.



Merger-Related and Other Service Quality Progress

Merger requirements relating to service quality were established for most subsidiaries, and continued for FTR, when Citizens Communications acquired the former Frontier local exchange subsidiaries on July 2, 2001.

All subsidiaries except FTR are required to maintain a performance level of 90% or more of a given subsidiary’s central offices at or below a CTRR level of 3.3 reports per 100 access lines in any 12-month period ending each calendar quarter. Failure to do so requires notification to the Director of the Office of Telecommunications of the cause of the failure and plans for improvement. All subsidiaries met this quarterly goal.

FTR's service quality requirements of the Open Market Plan relating to a potential for a dividend restriction if service quality goals are not met continue even though the OMP itself expired on December 31, 2004.⁴ In each calendar year, FTR must achieve 90% or better performance on monthly metric measurements, avoid more than one Surveillance Level Failure,⁵ and maintain a low rate of complaints to the Commission. If FTR does not, its dividend payments to its holding company, Citizens Communications, must be withheld until service improves. FTR achieved this requirement for calendar year 2006. Details on its performance in this regard are shown in Appendix A.

CONCLUSION

The local exchange subsidiaries of Citizens Communications operating in New York State met or exceeded the Commission's Service Standards for the fourth quarter of 2006, consistent with their historical performance. Frontier Telephone of Rochester met its calendar year 2006 service requirements relating to dividend payments.

⁴ Several aspects of the OMP are permanent and did not expire. These are related to the formation of a holding company. On April 5, 2005, FTR filed a petition to remove all permanent OMP conditions relating to its holding company arrangement. The petition is being reviewed and there will be a settlement conference with interested parties. It will be reported to the Commission later this year.

⁵ Surveillance Level Failure is defined in Appendix A.

All merger-related service performance targets of the other subsidiaries have been met during this quarter. This memorandum is for informational purposes and no action is required.

Respectfully submitted,

BRUCE J. MILLER
Utility Engineer 3

Reviewed by,

GREGORY C. PATTENAUDE
Chief, Carrier Performance
Office of Telecommunications

SAUL M. ABRAMS
Assistant Counsel

Approved by,

ROBERT H. MAYER
Director
Office of Telecommunications

Attachments

OVERVIEW OF SERVICE QUALITY MEASUREMENT

The primary criteria for measuring telephone service quality are the Telephone Service Standards, which were adopted by the Commission in 1973 (Opinion No. 73-40, Case 26158) and revised in 1989, 1991, and 2000. The Service Standards appear as Part 603 of 16 NYCRR and require measurement of service quality in four separate categories: 1) Maintenance Service, 2) Installation Service, 3) Network Service, and 4) Answer Time Performance. Within these categories there are 10 metrics, each with its own threshold level of expected performance. There are also a number other requirements in the standards which are not expressed in terms of a metric such as minimizing service interruptions and maintaining procedures for operating under emergency conditions. These are grouped into a category called “Other” in this appendix. Staff receives monthly reports of service measurements in these categories that are analyzed to evaluate the level of service quality delivered to consumers.

Maintenance Service

Maintenance Service measures the reliability of the telephone network, and how quickly it is repaired when a customer experiences a problem. There are three metrics as follows: (1) Customer Trouble Report Rate (CTRR), measured by the number of customer reported troubles per 100 lines in service; (2) Percent Out-of-Service Trouble Reports Not Cleared within 24 Hours (OOS >24); and (3) Percent Service Affecting Trouble Reports Not Cleared within 48 Hours (SA>48).

CTRR is measured in two ways. First, performance in each of Citizens’ 210 central offices should meet an expected performance level or threshold of 5.5 or less Reports per 100 Lines (RPHL). Second, for each of those Citizens subsidiaries that serve more than seven central offices, 85% of each subsidiary’s offices should perform in a threshold range of 3.3 or less RPHL. All subsidiaries of Citizens are not required to report OOS>24 and SA>48. For OOS>24, the threshold is that no more than 20% of all out-of-service conditions take longer than 24 hours to be repaired. For non-out-of-service conditions or SA>48, the threshold is that no more than 20% of all such troubles take longer than 48 hours to be repaired. Taken together, these two metrics ensure that every customer reported trouble condition has an expected repair interval of either 24 or 48 hours.

Installation Service

Installation Service measures the utility’s ability to provide basic service to a new customer.⁶ There are two metrics for installation service as follows: (1) Percent

⁶ Basic service is defined as the first residence line or the first 5 business lines to a customer, excluding other types of service orders for such things as additional features (e.g., Call Waiting, Caller ID), or additional lines beyond these minimums.

Basic Service Installations Completed Within 5 Days (% Installed in 5 days), and (2) Percent Missed Basic Installation Appointments (% Missed Installations). The thresholds for these are 80% or higher, and 10% or less, respectively. No subsidiaries of Citizens are required to report Installation Service.

Network Service

Network Service measures the ability of the telephone network to complete interoffice calls by measuring the percentage of total calls that are blocked on final trunk groups, the last available route to complete an interoffice call. The threshold for this metric is the identification of each final trunk group that consistently (i.e., for three consecutive months) has calls blocked in excess of 3% of total calls within the busy hour. The intent is to be sure that unusual levels of call blocking during the typical busy hour do not occur. No subsidiaries of Citizens are required to report on this metric.

Answer Time Performance

Answer Time Performance measures how quickly the company answers the telephone in each call center when customers call for service. There are three metrics for answer time performance that are specific to the type of call center including repair, business office and local operator assistance.⁷ The thresholds are 80-100% of calls answered within 30 seconds for each repair and business office, and an average speed of answer of 0-3 seconds for each local operator assistance call center. No subsidiaries of Citizens are required to report Answer Time Performance.

The following chart summarizes the metrics and associated thresholds of expected performance of the previously discussed groupings of metrics in the standards.

⁷ Companies may report Local Operator Assistance either as a percentage of calls answered within 10 seconds, or as an average speed of answer time.

SERVICE QUALITY MEASURES		
Effective October 2000		
SERVICE ELEMENT	REPORT NOMENCLATURE	PERFORMANCE THRESHOLD (Monthly)
MAINTENANCE SERVICE: ⁽¹⁾		
Customer Trouble Report Rate (Initial Reports) Per individual central office entity	Reports per 100 access lines	5.5 or less
Percentage of total entities (for those providers with 7 or more offices) at 3.3 or less	Reports per 100 access lines	85.0 or more
Out-Of-Service Clearing Time	Percentage of OOS over 24 hours	20.0 or less
Service Affecting Clearing Time	Percentage of S. A. over 48 hours	20.0 or less
INSTALLATION SERVICE: ⁽²⁾		
Basic Service Installations	Percentage installed within 5 days	80.0 or greater
Missed Basic Service Installation Appointments	Percentage missed	10.0 or less
NETWORK SERVICE:		
Final Trunk Group Blockages	Percentage of calls blocked	3.0 or less
ANSWERING TIME PERFORMANCE: ⁽³⁾		
Business Office	Percentage answered within 30 seconds	80.0 or greater
Repair Service Bureau	Percentage answered within 30 seconds	80.0 or greater
Local Operator Assistance ⁽⁴⁾	Percentage answered within 10 seconds	90.0 or greater
Local Operator Assistance ⁽⁴⁾	Average answer time (seconds)	3.0 or less
^{1.} Overall Customer Trouble Report Rate results shall be reported at the central office entity level. All other Maintenance Service results shall be reported at the appropriate maintenance administrative entity level. ^{2.} All Installation Performance results shall be reported at the appropriate installation administrative level and shall exclude those instances where the subscriber requests a later date or where substantial construction is required. ^{3.} All Answering Time Performance results shall be reported at the appropriate administrative entity levels. ^{4.} Measured either as a percent of answered calls or as an average answer time, but not both.		

OTHER

Service Inquiry Reports

The standards define localized situations that might require corrective action by the utility. In general, any consistent, non-threshold performance in a measurement entity (central office, bureau, district, call center or final trunk group) for any of the previously discussed metrics requires the company to file a Service Inquiry Report, a report identifying the cause of the performance and any corrective action being taken.

Major Service Outages

The standards also enjoin carriers to minimize major service outages, and to report such events to Staff when they occur. Such interruptions can occur for any number of reasons including damage to cables by contractors, fire, floods and terrorists activities. Such interruptions include both physical and cyber incidents that affect a company's network, facilities, services or operations.

Special Services

The Commission also has Special Service Guidelines addressing the quality of service utilities are expected to provide on Special Services⁸ in the areas of ordering, maintenance and installation quality. These guidelines are not part of the Commission's Rules and Regulations, but have been established via Commission order. Staff receives monthly service quality reports on these types of services only from Verizon, as it is the only carrier currently meeting the reporting criteria as defined in the Special Services Guidelines.

Complaints to the Commission

While not a service standard, the number of complaints against a utility is a measure of service quality. Traditionally, such complaints are stated as a rate per 1,000 lines per year so that comparisons between companies can be made. The threshold used to indicate good performance is set at 0.074 or lower per year.

SERVICE REQUIREMENTS OF THE OMP

The Open Market Plan⁹ (or, the Plan) is based on service performance standards as stated in the rules prior to the substantial revisions adopted in October 2000. While the Plan expired on December 31, 2004, some requirements relating to holding company arrangements were permanent and did not expire. One of those requirements links annual service quality performance to the potential to withhold dividend payments to FTR's parent company, Citizens Communications. Essentially, FTR must achieve the annual service quality targets of the OMP in order to continue to make dividend payments.

⁸ Special Services are non-basic services, most of which are non-switched, and require engineering design review before being installed. Some may require construction of fiber facilities. They include alarm, video, foreign exchange and other services, but the majority demanded are high speed data circuits of 1.5 megabits and higher transmission rates.

⁹ Case 93-C-0103 – Petition of Rochester Telephone Corporation for Approval of Proposed Restructuring Plan.

The following chart shows the service measurements of the standards prior to modification in October 2000 that are used for determining if FTR can continue to make dividend payments, and do not apply to other companies.

SERVICE QUALITY MEASURES				
Prior to October 2000				
SERVICE ELEMENT	REPORT NOMENCLATURE	SERVICE RATINGS		
		OBJECTIVE	WEAKSPOT	
MAINTENANCE SERVICE: (1)				
Customer Trouble Report Rate	Report per 100 access lines	0.0 - 4.2	Over	7.0
Missed Repair Appointments	Percentage of missed appointments	0.0 - 10.0	Over	15.0
Out-Of-Service Clearing Time	Percentage of OOS over 24 hours	0.0 - 20.0	Over	30.0
INSTALLATION PERFORMANCE: (2)				
Regular Installations	Percentage installed within 5 days	85.0 - 100.0	Below	70.0
Installation Appointments	Percentage missed	0.0 - 3.0	Over	10.0
ANSWERING TIME PERFORMANCE: (3)				
Business Office	Percentage answered within 20 seconds	90.0 - 100.0	Below	85.0
Business Office	Percentage all positions busy	0.0 - 10.0	Over	15.0
Repair Service Bureau	Percentage answered within 20 seconds	90.0 - 100.0	Below	85.0
Repair Service Bureau	Average answer time (seconds)	12.0 - 16.0	Over	27.0
Directory Assistance	Percentage answered within 10 seconds	86.0 - 100.0	Below	83.7
Directory Assistance	Average answer time (seconds)	0.0 - 6.3	Over	6.9
Intercept	Percentage answered within 10 seconds	86.0 - 100.0	Below	83.7
Intercept	Average answer time (seconds)	0.0 - 6.3	Over	6.9
Toll & Assistance	Percentage answered within 10 seconds	90.8 - 100.0	Below	87.5
Toll & Assistance	Average answer time (seconds)	0.0 - 2.8	Over	4.1
<p>1. Overall Customer Trouble Report Rate results shall be reported at the central office entity level. All other Maintenance Service results shall be reported at the appropriate maintenance administrative entity level.</p> <p>2. All Installation Performance results shall be reported at the appropriate installation administrative level and shall exclude those instances where the subscriber requests a later date or where substantial construction is required.</p> <p>3. All Answering Time Performance results shall be reported at the appropriate administrative entity levels. Utilities can report either the percent answered within the specified time, or the average, but not both.</p>				

FTR must provide Objective Level service at least 89% of the time on all metrics in the Service Standards each year. It also can experience no more than one Surveillance Level Failure (three consecutive months or more of poor service performance for any metric) in any calendar year, and meet defined limits for customer complaints to the Commission.

On April 5, 2005, FTR filed a petition to terminate all remaining requirements of the OMP, characterizing them as obsolete, discriminatory and unnecessary. The petition is being reviewed by Staff and will be reported to the Commission later this year.

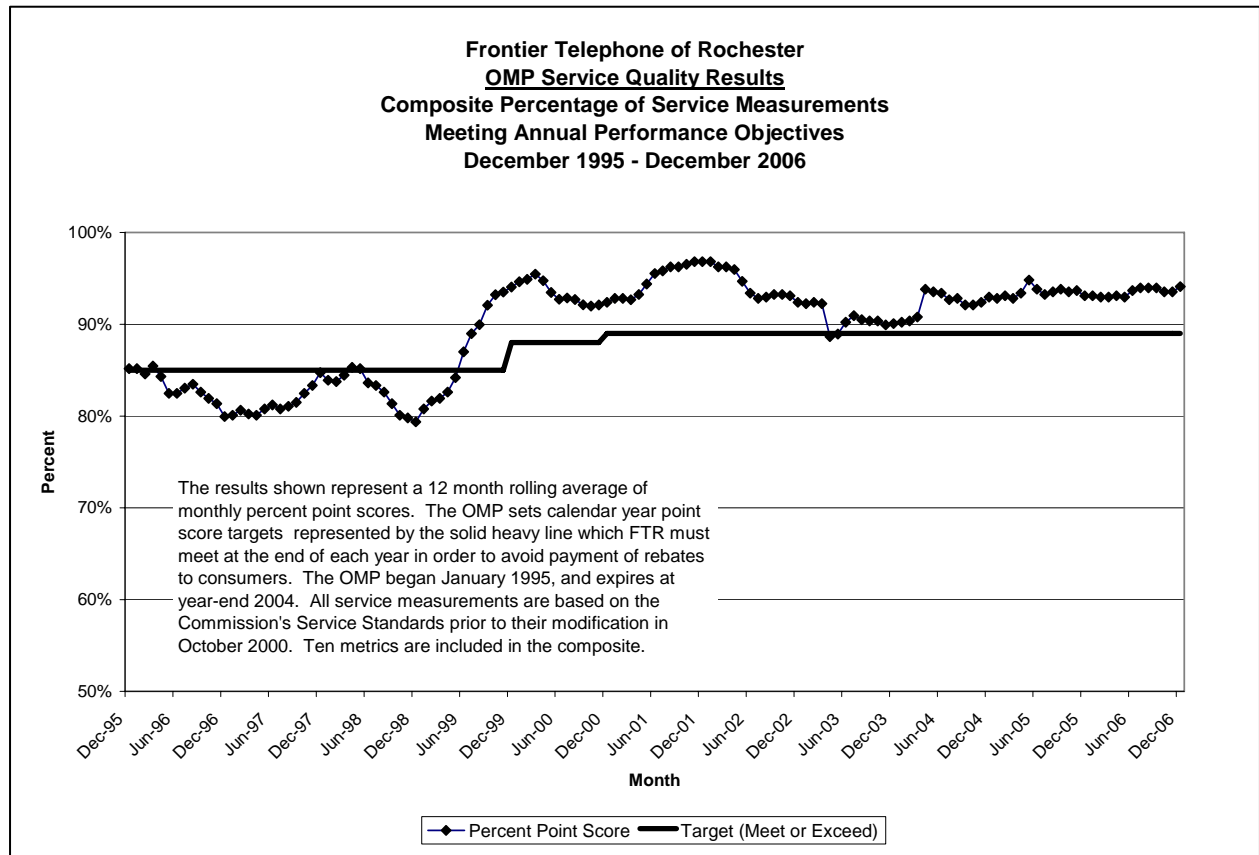
Open Market Plan Service Quality Status

FTR is on target to meet its year-end 2006 service performance targets in order to continue to make dividend payments to Citizens Communications. This is shown in the following table.

FTR's OMP Service Performance			
<i>OMP Measurement Category</i>	<i>12 Months-to-Date Dec 2006</i>	<i>Calendar Year 2006 OMP Goal</i>	<i>Comment</i>
% Objective Level Measures – All Metrics	98.3%	=>89%	Met
PSC Complaint Rate – 12 month average per 100,000 lines	0.44	=<4.7	Met
PSC Complaint Rate - 24 month average per 100,000 lines	0.42	=<7.4	Met
Number of Surveillance Level Failures	1	=<1	Met

The single Surveillance Level Failure noted in the table above is associated with business office answer time during the first quarter of 2006. The company has since improved its answer time performance.

The following chart illustrates the company's performance over the past nine years of the OMP, in terms of a 12-month rolling average of the Percent Objective Level Measure. That is, the chart depicts the frequency that FTR met or exceeded the expected level of performance on a group of ten metrics and 58 measured entities, or a total of 696 measurements per year.



Glossary

CLEC	Competing Local Exchange Carrier – Any one of many local exchange carriers (LEC) competing with an incumbent LEC. It may be reselling the incumbent carrier's services or be providing service via its own facilities.
ILEC	Incumbent local exchange carrier – Any one of the 40 traditional, full service, facilities-based, wireline telephone carriers providing local exchange telephone service as of February, 1996.
Incentive Rate Plan	A method of regulation that substitutes for rate base regulation wherein the carrier agreeing to such a plan is generally allowed the ability to earn a higher rate of return than would normally be allowed under rate base regulation in exchange for certain guarantees to the regulator such as no change in rates over a given period of time, and a level of service quality that, if not met, would result in rebates to consumers.
Intercept	The process of redirecting a telephone call to an operator or to a recording to another telephone number or message.
LEC	Local Exchange Carrier - A term designating the group of carriers providing local exchange telephone service consistent with the Commission's requirements for such carriers. It includes all ILECs and CLECs.
Objective Level	A level of telephone service quality performance representing good service to consumers that local exchange carriers are to strive to consistently attain as defined in Title 16 NYCRR, Part 603.12(b) prior to October 2000.
OMP	Open Market Plan – An incentive rate plan specific to Frontier Telephone of Rochester, the former Rochester Telephone Company.
PSC Complaints	Consumer complaints filed directly with the Public Service Commission against telephone companies.
Rate Base Regulation	A method of regulation that determines the allowed rate of return for a carrier based on its level of investment and expenses.
Reseller	A certified carrier that uses the facilities of another carrier to provide services to consumers.

Service Inquiry Report	Consistent telephone service quality performance outside of the Threshold range for three out of five months (including the current month) requiring the local exchange carrier to submit a corrective action plan to Commission Staff as defined in Title 16 NYCRR, part 603.
Surveillance Level Failure	Consistent telephone service quality performance at the Weakspot Level for three or more months in a row requiring the local exchange carrier to submit a corrective action plan to Commission staff as defined in Title 16 NYCRR, Part 603.13 prior to October 2000
Target	A set level of expected performance used to characterize performance as established in an incentive rate plan (e.g., VIP and PRP) for various aspects of service quality.
Threshold Level	A level of telephone service quality performance which separates good service from less than desirable service as defined in Title 16 NYCRR, Part 603.
Weakspot Level	A level of telephone service quality performance below which immediate analysis and corrective action may be required as defined in Title 16 NYCRR, Part 603.12(c) prior to October 2000