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Decision 99-04-003 April 1, 1999

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Citizens Telecommunications Company of California Inc. (U-1024-C) to review its New Regulatory Framework for the Regulation of Telecommunications services provided in the State of California.	Application 97-10-021 (Filed October 1, 1997)

FINAL OPINION

1. Summary

The service quality of Citizens Telecommunications Company of California, Inc. shows improvement. Continuation of the Service Quality Assurance Mechanism will be addressed in the company's 1999 new regulatory framework review. This proceeding is closed.

2. Background

On October 1, 1997, in compliance with Ordering Paragraph 6 of Decision (D.) 95-11-024, Citizens Telecommunications Company of California, Inc. (CTC-California) applied for review of its new regulatory framework (NRF). CTC-California proposed review of eight issues. (See Attachment A.)

On March 26, 1998, CTC-California moved to withdraw all issues except for the relief requested in relation to CTC-California's service quality assurance mechanism (SQAM). On April 9, 1998, the Office of Ratepayer Advocates (ORA) filed a response supporting CTC-California's motion to defer portions of its NRF review, but opposing its request for relief from SQAM. On April 21, 1998, CTC-California replied in opposition to ORA's response.

On August 6, 1998, the Commission dismissed all issues, with the exception of Issue No. 2. (D.98-08-011, Ordering Paragraph 1.) Further, we ordered that Issue No. 2 be decided based on the documentation already on file. (Id., Ordering Paragraph 2.) Finally, we ordered CTC-California to include all dismissed issues, with the exception of Issue No. 2, in a NRF review application to be filed no later than 150 days following the Commission's order in Rulemaking (R.) 98-03-040.[1] (Id., Ordering Paragraph 3.)

This application was initially classified as a Rule 4(b)(2) proceeding. That is, it was determined that Article 2.5 of the Commission's Rules of Practice and Procedure (regarding Senate Bill (SB) 960 Rules and Procedures) applied to this matter.

Rule 4.2(b)(2) specifies that Article 2.5, and SB 960 rules and procedures, apply to formal proceedings filed before January 1, 1998 when "there has not, as of January 1, 1998, been a prehearing conference held or a determination made to hold a hearing in the proceeding, and the Commission, assigned Commissioner, or assigned Administrative Law Judge thereafter determines, by ruling or order, that a hearing should be held in the proceeding." In this matter, the application was filed before January 1, 1998, a PHC was not held before January 1, 1998, and a determination had not been made by January 1, 1998 to hold a hearing. The Commission, however, subsequently ruled that this proceeding would "be decided on the documentation currently on file in this proceeding." (D.98-08-011, Ordering Paragraph 2.) Thus, no hearing was found to be needed. As such, Article 2.5 and SB 960 do not now apply.

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[1] R.98-03-040 is the NRF review application of Pacific Bell and GTE California Incorporated. The decision in R.98-03-040 was mailed on October 13, 1998. Thus, CTC-California's NRF application is due no later than March 12, 1999.

The draft decision of Administrative Law Judge Mattson in this matter was mailed to the parties on March 2, 1999, in accordance with Public Utilities Code Section 311(g) and Rule 77.1 of the Rules of Practice and Procedure. Comments were filed on March 22, 1999 by CTC-California, and reply comments were filed on March 29, 1999 by ORA. Appropriate changes are made herein based on the comments and reply comments.

3. Service Quality Assurance Mechanism and Improvements Program

Appendix B to D.95-11-024 is the adopted Service Quality Assurance Mechanism and Improvements program we ordered for CTC-California. It is reproduced as Attachment B to this present decision as well. In summary, it requires that CTC-California:

1. Be subject to a SQAM, including potential penalty provisions, applicable to:
    a. dial service;
    b. trouble report service answering time;
    c. business office answering time; and
    d. reporting of General Order (GO) 133-B service measures.
2. Be subject to service quality improvements, including:
    a. correction of the GO 133-B quarterly reports for 1991, 1992 and 1993 to reflect directory assistance operator answering time service performance (except for October 1992 through July 1993 when CTC-California did not have service measuring equipment in place);
    b. improvement in service by 30% from the 1992 level reported in the customer survey of the Division of Ratepayer Advocates (DRA)[2] within three years in five specific areas:
        1) static or noise on the line;
        2) busy signal or recording before a customer finishes dialing;

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[2] The Division of Ratepayer Advocates is the predecessor organization to ORA.

3) required redials because the call does not go through the first time;
4) telephone installation and repair service problems; and
5) customer dissatisfaction with CTC-California's resolution of billing problems.

c. reduction in overall service outages by 40% and service outages relating to equipment failures by 50% (excluding connecting company outages) from 1993 service outage levels over three years, and

d. determination of achieving these improvement measures by comparing the results of the 1992 DRA survey of CTC-California's customers with the results of an identical future survey of CTC-California's customers.

4. Positions of Parties

CTC-California reports that, other than pursuant to permitted exceptions,[3] it has met each SQAM criteria each month since the effective date of D.95-11-024, and has not been subject to any SQAM penalty provision. It states it filed reports as required for 1991, 1992, and 1993, and has continued to file GO 133-B quarterly reports timely. It asserts it has corrected the five problem areas for which improvement was ordered by 30% from the 1992 level, and met those goals sooner than the three years allowed. That is, CTC-California points out it had until November 1998 (three years from November 1995, the date of D.95-11-024) to meet those goals, but met the goals in 1997. Finally, it claims that, while required to reduce overall service outages by 40%, it has improved this measure by 70% and, while required to reduce equipment failures by 50% (excluding

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[3] SQAM provides exceptions for any month in which there is a declaration of natural disaster or state of emergency by a federal, state or local authority; during the month in which CTC-California implemented rate changes ordered in D.95-11-024; and during the month in which CTC-California implemented its new billing system, and one month thereafter. (See Attachment B, pages 2 and 3, items 7, 8, and 9.)

connecting company outages), it has improved this measure by 77.5%, both by 1997.

CTC-California concludes that SQAM is no longer needed or appropriate for two reasons. First, CTC-California says it has made significant service quality improvements in less than two years, and has met or exceeded all goals. Also, CTC-California asserts that the Commission rejected an ORA recommended SQAM for Roseville Telephone Company (Roseville) similar to that imposed on CTC-California because Roseville showed progress was being made. CTC-California believes its progress justifies elimination of SQAM. Finally, CTC-California points out that SQAM provisions specifically allows CTC-California to request its elimination. (See Attachment B, page 3, item 11.)

Second, according to CTC-California, facilities-based and resale local exchange competition requires CTC-California to maintain and improve service quality to build a loyal customer base and retain customers. CTC-California asserts it faces no less risk from competition than does Roseville, it would be inconsistent to keep SQAM for CTC-California but refuse to impose it on Roseville, and there is no reason to believe CTC-California's service quality will deteriorate from the levels it has worked hard to achieve.

ORA reviewed CTC-California's application and supporting testimony and concurs that CTC-California is in compliance with SQAM. ORA, however, recommends continuation of SQAM. ORA says SQAM serves as a permanent incentive for CTC-California to remain in compliance with minimum service quality standards.

5. Discussion

Issue No. 2 is: "Review of CTC-California's service quality experience both in general and in reference to the Service Quality Assurance Mechanism and

Improvements." Our decision here does not include Issue No. 8, regarding whether there is a need "to continue the SQAM penalty."

The parties do not dispute that CTC-California's service quality has improved. At the same time, we note possible minor discrepancies between our Service Quality Assurance Mechanism and Improvements program and CTC-California's report and performance under that program.

For example, CTC-California was directed to improve service by 30% from the 1992 level stated in the DRA customer survey regarding five specific areas. CTC-California's report does not specify the 1992 levels, and does not clearly state the percentage improvement from the 1992 base. For instance, according to CTC-California, the percentage of lines reporting noise and static on the line was 4.2% in 1993. CTC-California says the percentage improved to 2.3% in 1997 (for year-to-date through August 1997). CTC-California points out that this was achieved even with total access lines increasing by 22,950 from 1993 through 1997.

While this is a clear improvement, CTC-California was directed to make the comparison using the results of a survey identical to the 1992 survey of DRA. (See Attachment B, page 4, item 5.) CTC-California does not explain why a survey identical to the 1992 survey was not undertaken.

At the same time, however, CTC-California says it developed a consistent method for measuring progress. Further, the data shows definite improvement that more than satisfies the 30% mandate. That is, a 30% improvement from a level of 4.2% in 1993 (using 1993 instead of 1992 as the base) would reduce the percentage to 2.9%. The reported percentage of 2.3% beats the 30% improvement target.

We note a similar possible discrepancy with CTC-California's performance under SQAM. CTC-California failed to meet the business office answering time standard during two months (April and May 1996) when it implemented Caller I.D. Those two months, in combination with a business office answering time failure in July 1996, would appear to have triggered a SQAM penalty. CTC-California allowed itself an exception, however, for April and May 1996, asserting Caller I.D. was a Commission-ordered change in service. Because CTC-California applied the exception, no SQAM penalty was triggered.

SQAM applies with three limited exceptions: natural disaster, rate changes ordered in D.95-11-024, and implementation of CTC-California's new billing system. (See Attachment B, pages 2-3, items 7-9.) The pleadings do not assert that an exception for Caller I.D. was allowed due to natural disaster or a rate change ordered by D.95-11-024. Assuming the allowed exception was related to CTC-California's new billing system, the pleadings do not make clear that implementation of Caller I.D. was part of implementation of CTC-California's new billing system.

Nonetheless, ORA stated that, based on its review, CTC-California was in compliance with SQAM. Moreover, whether or not an exception applies for implementation of Caller I.D., other SQAM measures were met and no penalty for any other measure was applied.

Overall, the pleadings show, and we are satisfied, that CTC-California has made improvements in its service quality. That is, SQAM requirements for dial service, trouble report service answering time, business office answering time (with the possible exception noted above) and reporting of GO 133-B service measures have been met. Also, whether or not exact comparisons are made with a 1992 base as required in D.95-11-024, improvements have been made in the five specifically identified problem areas. Moreover, overall service outages, and service outages related to equipment failures (excluding connecting company outages), have been significantly reduced.

This inquiry is limited to Issue No. 2. As such, we need not consider, or decide, now whether SQAM should be eliminated (as recommended by CTC-California) or continued (as recommended by ORA). Rather, D.98-08-011 directed that CTC-California include Issue No. 8 in its NRF application, and we will address the issue there.

Finding of Fact

While there are possible minor discrepancies between the Service Quality Assurance Mechanism and Improvements program adopted in D.95-11-024 and CTC-California's report and performance under that program, CTC-California's service quality shows improvement.

Conclusions of Law

1. All NRF review issues except Issue No. 2 were dismissed from this proceeding by D.98-08-011.

2. CTC-California was ordered in D.98-08-011 to include all dismissed issues except Issue No. 2 in a NRF review application to be filed no later than 150 days following the Commission's order in R.98-03-040.

3. This order should be effective today to resolve pending issues in this proceeding without delay, to clarify the issues addressed here and those to be addressed in CTC-California's 1999 NRF proceeding, and allow consideration of further NRF issues (including continuation or elimination of SQAM) in CTC-California's 1999 NRF review application without delay.

FINAL ORDER

IT IS ORDERED that:

1. The service quality both in general, and in reference to the Service Quality Assurance Mechanism and Improvements program adopted in Decision 95-11-024, of Citizens Telecommunications Company of California, Inc.

(CTC-California) shows improvement. Continuation of the CTC-California's Service Quality Assurance Mechanism will be addressed in CTC-California's 1999 new regulatory framework proceeding.

2. This proceeding is closed.

This order is effective today.

Dated April 1, 1999, at San Francisco, California.

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

ATTACHMENT A

CTC-CALIFORNIA PROPOSED ISSUES FOR NRF REVIEW

1. Review of the extent to which CTC-California's NRF meets each of the Commission's regulatory goals as defined in Decision 89-10-031.
2. Review of CTC-California's service quality experience both in general and in reference to the Service Quality Assurance Mechanism and Improvements.
3. Reduction in the number of reports CTC-California must file annually.
4. Adjustment in the rate of return adopted for CTC-California in Decision 95-11-024.
5. Adjustment in the NRF sharing requirements to be more consistent with the sharing mechanisms adopted for other NRF companies.
6. Review of the pricing flexibility rules adopted for CTC-California once CTC-California files its Wholesale Tariffs as provided in Decision 97-09-115.
7. Clarification of the rule for approval of new Category II services to provide that when a tariff and supporting price floor studies are filed for a new Category II service, review and approval should occur within forty days after filing.
8. Review of whether there is a need to continue the SQAM penalty in light of CTC-California's experience with service quality since NRF, the Commission's recent decision in the Roseville Telephone Co. NRF proceeding, and the fact that CTC-California's territory will be opened to local exchange competition on February 2, 1998 for facilities-based carriers and April 1, 1998 for resale competition.

(END OF ATTACHMENT A)

SERVICE QUALITY ASSURANCE MECHANISM AND IMPROVEMENTS
CITIZENS UTILITIES COMPANY OF CALIFORNIA

Service Quality Assurance Mechanism

A Service Quality Assurance Mechanism (SQAM) as set forth in Exhibits 104, 105, 106, and 107 and summarized herein, shall be applicable to Citizens Utilities Company of California (CUCC) under the following terms and conditions:

1. The SQAM shall be applicable to:

    - o Dial Service
    - o Trouble Report Service Answering Time ("TRSAT")
    - o Business Office Answering Time ("BOAT")
    - o Reporting of GO 133-B Service Measures ("Reporting")

2. The GO 133-B service standards that CUCC must meet on a monthly basis to avoid triggering a SQAM refund are:

    - o Dial Service--98% of customer-dialed calls over the local and toll message network must be competed without the calls encountering an equipment and/or all-paths-busy condition
    - o TRSAT--80% of calls must be answered within 20 seconds
    - o BOAT--80% of call must be answered within 20 seconds
    - o Reporting--see Section 10

3. A SQAM customer refund shall be triggered only if a reporting entity fails to meet the GO 133-B service standards in Section 2 in three months within any period of six consecutive months. The SQAM shall be applied to the third month in which the subject entity failed to meet the GO 133-B standards. Thereafter, the SQAM shall be triggered for each subsequent month within a six-month period in which the subject entity fails to meet the GO 133-B service standards. The failing penalized month is counted a failed month in the six-month rolling timeframe. No failed month for which a SQAM customer refund is triggered shall be counted more than once.

4. Once a customer refund is triggered under Section 3, CUCC shall issue a refund to those access lines served by the entity that failed to achieve the GO 133-B service standards in an amount determined by the following calculation:

   o The total amount of the customer refund ("Total Refund") shall be equal to the number of calls that fail to meet the GO 133-B service standards in Section 2 multiplied by the following Assurance Rate:

      TRSAT--$5.25 per failed call

      BOAT--$12.00 per failed call

      Dial Service--$0.45 per failed call

      (If CUCC is unable to determine the number of uncompleted customer-dialed calls for the entity, an Assurance Rate of $1.00 per access line served by the failing entity shall apply.)

   o The individual customer refund shall be equal to the Total Refund divided by the number of access lines served by the entity that failed to achieve the GO 133-B service standards.

5. CUCC shall issue the customer refund via a surcredit set forth in CUCC's annual price cap filing on October 1 of each year. CUCC may, at its option, apply such surcredit for one or more months in order to make the required refund. CUCC shall submit the workpapers showing the calculations for the credit amount per line, and the period for which credit is applied, with its annual price cap filing.

6. The SQAM shall become effective on the first day of the first full month following the effective date of the final decision in A.93-12-005, CUCC's general rate application. No month prior to and including the month in which the decision is issued shall be counted in a six-month period described in Section 3.

7. The SQAM shall not be applicable for any affected entity for any month in which there is a declaration of natural disaster or state of emergency issued by a federal, state, or local authority authorized or permitted by law to issue such declarations. Such months shall be deemed to be passes regardless of the affected entity's achieved service performance.

8. The SQAM shall not be applicable for any TRSAT and BOAT entity during the month in which CUCC is required to implement the rate modifications ordered by the Commission's final decision in A.93-12-005.

9. The SQAM shall not be applicable for TRSAT and BOAT during the month in which CUCC implements its new billing system and for one month thereafter.

10. CUCC shall file GO 133-B monthly service performance results on an overall company basis with its GO 133-B quarterly reports. If CUCC fails to report a failing reporting unit in its quarterly reports for any service measurement of GO 133-B, a penalty of $1.00 per access line for each month that the failing reporting unit does not report shall be applied. Refunds shall be distributed to the customers of the reporting unit in accordance with Section 5.

11. CUCC may request discontinuance of the SQAM within three years or at the time of its review under New Regulatory Framework.

12. CUCC shall not recover from its ratepayers the costs of calculating and implementing this SQAM.

<u>Service Quality Improvement</u>

CUCC has agreed to develop service improvement programs and work to achieve service quality improvements in accordance with the Division of Ratepayer Advocates' (DRA) recommendations identified below. No penalties are associated with these recommendations at this time.

1. CUCC shall correct within 90 days of the date of this order the GO 133-B quarterly reports for 1991, 1992, and 1993 to reflect DAOAT service performance with the exception of DAOAT performance results from October 1992 through July 1993 when CUCC did not have service measuring equipment in place.

2. CUCC shall reduce the rates for the following problems by at least 30% from the 1992 level reported in DRA's customer survey within three years beginning with the effective date of the Commission decision in this proceeding:

(1) Static or noise on the telephone lines,

(2) Busy signal or recording before a customer finished dialing the number,

(3) Redial the called number because the call did not go through the first time,

(4) The rate of telephone installation and repair service problems, and

(5) The rate of dissatisfaction with billing problem resolutions and billing errors.

3. CUCC shall reduce the service outages relating to overall service outages by 40% and equipment failures by 50% (excluding connecting company outages) from the 1993 service outage level over the next three-year period beginning on the effective date of the decision in this proceeding.

4. CUCC shall provide its planned service improvement programs to the Commission Advisory and Compliance Division for review within 90 days after a Commission decision in this proceeding. These programs shall specify how CUCC will seek to achieve the improvements specified in Sections 2 & 3.

5. CUCC's achievement of these service quality recommendations shall be determined by comparing the results of DRA's 1992 survey of CUCC's customers with the results of an identical future survey of CUCC's customers.

(END OF APPENDIX B)

(END OF ATTACHMENT B)