STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's on motion, to establish service quality standards, including enforcement provisions, for Ameritech Michigan.
/

Case No. **U-12598**

INITIAL BRIEF OF THE
MICHIGAN PUBLIC SERVICE COMMISSION STAFF

I. Introduction

The Michigan Public Service Commission ("Commission") commenced this contested case proceeding in accordance with its duty to establish and enforce quality standards for the provision of telecommunications services in this state and to preserve the provision of high quality basic local exchange service. MCL 484.2202(b)and (c); MSA 22.1469(202)(b)and (c); September 7, 2000 Order and Notice of Hearing. The Attorney General, AT&T Communications of Michigan, Inc. and TCG Detroit, Michigan Pay Telephone Association, Worldcom, KMC Telecom, and XO Michigan intervened. The Commission's action was necessitated by the severe deterioration of the quality of service provided by the Michigan Bell Telephone Co, d/b/a Ameritech Michigan ("Ameritech") as demonstrated by an overwhelming number of customer complaints to the Commission Staff ("Staff") and elected officials, testimony in statewide hearings, and Ameritech's own admission. (4 Tr. 322; Exhibits S-13, S-14, S-15 and R-1; U-12571).

Staff and the Attorney General have submitted proposed standards that have been designed to enhance and preserve high quality telecommunication services for Michigan customers through measurable and enforceable provisions. (4 Tr. 244; 248). The standards emphasize accountability to each customer for services purchased and provide for adequate monitoring and incentives for compliance.

Ameritech proposes a continuation of the status quo with its attendant lack of accountability or liability for substandard service. The company attributes the deplorable status of its current service quality to factors beyond its control; namely, weather, economic growth, and staff reductions. However, as noted by the Attorney General, "[w]ith proper planning, foresight and timely actions Ameritech has control over most of these factors". (4 Tr. 238).

> Ameritech proffered the position that its service quality problems were caused by factors beyond the company's control; namely, workforce reductions, economic growth, and rainfall. To the extent weather is an issue, I believe this goes more to the issue of Ameritech's failure to properly maintain and update existing plant facilities in the past in order to combat problems associated with high levels of precipitation. It is not clear why weather would uniquely affect only Ameritech exchanges in Michigan, or for that matter only negatively affect the Ameritech states and not surrounding states or other LECs in those states. I am not aware that service quality investigations have been opened for other LECs in the Ameritech states, so the issue appears to be uniquely related to Ameritech and not other LECs. Weather is not the common denominator or factor for service quality problems, Ameritech's territories and it's inadequate facilities are the common denominator which points to other problems. If weather was a major contributing issue (and not inadequate plant facilities), then weather-related problems would significantly affect service quality for other LECs and in other Ameritech states and LECs in states surrounding the Ameritech states. This is not the current situation. Exhibit BCO-2 includes some of the primary service quality reports reported under the SBC/AM merger terms with the FCC. These reports appear to show that service quality problems are largely isolated in the Ameritech states and not the SBC states. I don't believe that just the Ameritech states (and just the Ameritech exchanges in these states) had extraordinary weather conditions which exceeded those in virtually every SBC state. This is what one would have to conclude to buy off on Ameritech's assertions. (4 Tr. 239-240; Exhibit I-5).

In addition, it is unclear how the company could have been caught off guard by years of sustained economic growth.

> If there has been 10 years of sustained economic growth, then Ameritech has had at least 9 years of advance notice to prepare for this in order to avoid

> service problems which began about a year ago according to them. It is obvious that economic growth could not have caught Ameritech off-guard a year ago, when Ameritech already had 9 years of experience with this sort of sustained growth without any significant service quality problems. If Ameritech did not learn from 9 years of experience then this points up to serious deficiencies in planning and managerial decision-making. Also, I don't believe that economic growth in Michigan (and the Ameritech region) necessarily exceeds that in other SBC states where service quality has not been a problem. If economic growth was consistently and appreciably greater in the Ameritech region than in the SBC states, then it is unclear why Michigan has been one of the last states to implement DSL. If Michigan was unique in some manner with significant and unprecedented economic growth, then it would appear that SBC would have made DSL deployment in Michigan an extremely high priority instead of having Michigan lag the other SBC states. Exhibit BCO-2, includes some of the primary service quality reports reported under the SBC/AM merger terms to the FCC. These reports appear to show that service quality problems are largely isolated in the Ameritech states and not the SBC states. I don't believe that every Ameritech state had economic prosperity that exceeded every SBC state. This is what one would have to conclude to buy off on Ameritech's assertions.
> (4 Tr. 238-239; Exhibit I-5).

Finally, Ameritech's failure to anticipate the impact of a company-induced employee exodus cannot seriously be deemed a circumstance beyond its control. Ameritech management bears the responsibility for ensuring that its workforce and network are sufficiently equipped to provide quality service.

II. The Current Standards Have Not Served Ameritech's Customers Well

Ameritech contends that the current service quality standards have served its customers well. (4 Tr. 93). This contention is belied by the 33,000 Ameritech customers waiting for repairs in September, 2000 (4 Tr. 320), a record level of complaints received by Staff from Ameritech customers (Exhibit S-13), and volumes of testimony from frustrated and angry customers throughout the state. (U-12571). Complaints by Ameritech customers have far exceeded complaints against another provider in the state. When compared to complaints received against other providers, Ameritech is in a league all its own. (Exhibit S-15). Clearly, the current standards have failed to ensure high quality telecommunication services for Ameritech's customers.

The current standards have permitted, to the detriment of customer service and without liability, a substantial reduction in Ameritech's workforce, the company's failure to properly update and maintain its existing plant facilities and the company's failure to properly plan for economic growth. (4 Tr. 238-240; 322-323; Exhibits R-1; I-5; S-19 and S-20). The company has utilized technology that has lowered the data capabilities of the network. (4 Tr. 195; 321). The resultant impact of the failure of the current service quality standards has been experienced by Ameritech customers throughout the state and threatens economic development in the state.

The existing standards are incapable of measurement, unenforceable and deprive customers of a concrete set of expectations for service quality or any avenue of redress for the provision of substandard service. Ameritech faces no monitoring, accountability or liability for noncompliance with the existing standards. Staff has developed proposed standards that are measurable and provide for adequate monitoring, customer accountability and liability for noncompliance. (4 Tr. 327; Exhibit S-21). Standards adopted by the Commission should reasonably apprise customers of the level of service quality to be expected for monies paid and avenues of recourse for substandard service. This concept, embraced by Ameritech,[1] would provide for the individual measurement[2] of service quality, the tracking of service orders, repairs and billing issues, and recourse when the quality of service provided to a specific customer fails to meet the standards. (4 Tr. 325). Ameritech's proposal does not meet this goal.

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[1]Ameritech embraced the operations of Federal Express and as an "efficient approach". (4 Tr. 194).

[2]The Attorney General advocates repair speed measurement on a wire center, or at a minimum, exchange center basis. (4 Tr. 255). Even Ameritech acknowledged the need for measurements at the wire center or exchange level. (4 Tr 159; 174-174).

> Just like the Federal Express analogy. If Federal Express doesn't deliver the package in 24 hours by 10:00 a.m. the next day, the customer doesn't pay for it. The customer could look up online, find out what the status is, get an answer to where it is at, find out if it was delivered, who has got it. In [Ameritech's] system, the customer doesn't even know if they dropped the trouble report and what the status is. They can't even follow up because they can't get past the automated answering system that doesn't give them any answers.
> (4 Tr. 384).

The continuation of "benchmark" standards is inopposite to the provision of quality customer service. Federal Express does not credit customers for substandard service on only those occasions when the company determines that 90% of its packages are not delivered on time. Customers of telecommunication services in the state should expect no less than what they receive for any other services bought and paid for.

A recurrence of the current state of Ameritech's service quality can be prevented if the company is required to upgrade its network. Moreover, there is a need for the expeditious identification of network problems. Finally, standards developed by this Commission should exceed those of other states to encourage economic development and deter other providers from relocating to jurisdictions with better service quality.

III. Project Pronto

In its September 7, 2000 Order and Notice of Hearing, the Commission stated:

> The Commission notes that Ameritech Michigan has identified Project Pronto as an important component of its plan for improving the quality of its service, but the Commission is also aware that some of Ameritech demonstrate Michigan's competitors have indicated that the technology is not one that they can use. Ameritech's filing shall therefore demonstrate that its proposed standards are consistent with the competitive policies of the Michigan Telecommunications Act and do not confer an anticompetitive advantage on Ameritech Michigan.
> (September 7, 2000 Order and Notice of Hearing, p. 2).

Ameritech has, however provided no information that would tend to demonstrate that "Project Pronto" would result in improved service quality. In fact, the company was not responsive to the

Attorney General's efforts to obtain information regarding Project Pronto through the discovery process. Ameritech has, however, acknowledged that the installation of technology under the implementation of "Project Pronto" has caused difficulty with higher speed modems for Internet access. (4 Tr. 195; 243; 321).

IV. Overview of the Proposed Standards

In general, Staff's proposed standards (Exhibit S-21) would require that the company respond to customers and Commission Staff in a timely manner, maintain and produce records for the adequate monitoring the company's compliance with the standards, and maintain its network in a fashion designed to promote quality service and competition. The standards provide for enforcement for noncompliance, and redress for dissatisfied customers. Ameritech's stated preference for a continuation of the existing standards is not surprising. Under those standards, the company is held to no discernible standard and is answerable to neither its customers nor the Commission.

An overview of several matters of significant customer concern are prompt repair, installation of new service, answer time and the use of an Ameritech-supplied cellular telephone for service delays exceeding a certain timeframe. Below is a comparative chart of Key Standards addressing these concerns and the parties' proposals on those items:

HIGHLIGHTS OF SUGGESTED STANDARDS

DESCRIPTION	STAFF POSITION S-21	AG POSITION
1.1 Reports – Outages Final Status	90 minutes 30 days	Keep current rule
2.1 Written estimates of rates for service + technical specifications	Required	--
2.2 Answer time-Business Office	3 minutes	20 seconds/Live person
2.3 Automatic Credits for service problems	Required	Specific recommendations
2.4 Listing of numbers is local calling area	Required	--
2.6 Procedures for dealing with complaints Contact customer Final response Correct credit report	48 hours 48 hours 10 days 15 days	--
2.8 Operator answer time	10 seconds	Repair calls 25 seconds
2.9 Billing disputes Investigations completed	15 days	--
4.1 Electrical code violations repaired	48 hours	
4.2 Out of service credits Commitment times	1/30 for first 4 days $25/day after 4 days (48 hrs. free cell phone) Within 2 hours	Loaner cell phone 2 times monthly rate 24 hours 5 days 100% credit
5.3 Missed commitments Failure to call back	$25 credit $50	5 days install ½ install credit
5.4 Billing error	$25 per error	--
5.6 Call completions	99%	--
5.9 Line transmission requirements Loss	 8.5 db	 Keep current
Current	20 ma	Keep current
Noise	20 dbrnc	Keep current
Power influence	80 dbrnc	--
Data rate	56 kbs	--
6.2 Monthly reports required if Failure to investigate report in 10 days Failure to restore service in 24 hours Failure to answer calls in 3 minutes Failure to place new installs 3 days	 95% 95% 95% 95%	Report on wire center basis 2 month exception; Monthly report 24 Hr. 95% 5 days 95% Repair Answer 25 Sec 95%
65 Trouble Rpt/100 lines		4 Trouble Rpt/100 lines
Commitments		90%

In addition, Staff recommends that the company be required to publish, on all bill statements and in each telephone directory, the name of the company's CEO, president, or a designated representative along with a mailing address and telephone number for the receipt of customer complaints.

Service quality will be enhanced if the company is required to provide technical specifications for all regulated services. Staff's proposed standards would permit individual customer measurement of the performance of purchased services through the company's publication of the technical specifications of its product offerings in a manner that sets forth a methodology for measurement. (4 Tr 327).

Staff further recommends the establishment of a Michigan Standards Institute (MSI) to be modeled after the Alliance for Telecommunications Industry Solutions (ATIS)/Network Reliability Council (NRC). (4 Tr. 329). The MSI would deal with Ameritech-specific service quality issues on a going-forward basis for a limited time. (4 Tr. 330). If this process has a positive impact on the timely identification and resolution of service quality deficiencies, it could be expanded and applied to all companies on a state-wide basis.

Finally, Staff recommends the adoption of a service quality labeling program which would result in the publication, by telecommunication providers, of quality specifications and product prices.

V. Conclusion

When competition is vigorous, standards may be minimized because the marketplace will dictate the provision of quality service. However, when customers lack choice, economic development is threatened and service quality problems become evident, stringent standards are appropriate to ensure the provision of high quality basic local exchange service. (4 Tr. 319). It cannot seriously be argued that vigorous competition currently exists in Michigan. Protective regulation is required is periods of transition from monopoly to competition to ensure adequate service quality and economic growth, and Staff's proposed standards are designed to meet those goals and should be adopted by the Commission.

Respectfully submitted,

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

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Dated: November 9, 2000

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion, to establish service quality standards, including enforcement provisions, for Ameritech Michigan. _____/

Case No. **U-12598 (efile)**

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss
COUNTY OF INGHAM)

Pamela A. Walters, being first duly sworn, deposes and says that on November 9, 2000, she served a true copy of the Initial Brief of the MPSC Staff upon the following parties by depositing the same in a United States postal depository enclosed in an envelope bearing postage fully prepaid, plainly addressed as follows:

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Subscribed and sworn to before me this 9th day of November, 2000.

Tina L. Bibbs

Tina L. Bibbs, Notary Public
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My Commission Expires: 11/13/03