

# Consumer Services Activity Report

# Telephone Utilities 1994



Pennsylvania Public Utility Commission  
*Bureau of Consumer Services*



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## **Telephone Utilities: 1994**

**July 1995**

*Pennsylvania Public Utility Commission  
Bureau of Consumer Services  
Mitchell A. Miller, Director*

*Any opinions or conclusions reached are those of the Bureau of Consumer Services and do not necessarily reflect the opinion of the Pennsylvania Public Utility Commission.*

*with the assistance of*

*THE PENNSYLVANIA STATE UNIVERSITY  
Department of Agricultural Economics and Rural Sociology  
The Consumer Services Information System Project (CSIS)  
Drew Hyman, Director*

*(July 1995)*

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# 1 INTRODUCTION

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Since 1988, the Bureau has presented information about the telephone industry in the Consumer Services Activity Report: Telephone Utilities, because of the uniqueness of the regulations governing the telephone industry and the vastly changing telecommunications environment. This report highlights the Pennsylvania Public Utility Commission's Bureau of Consumer Services' (BCS) complaint activity related to the telephone industry. It provides an overview of the performance of the five major telephone companies: ALLTEL Pennsylvania, Inc. (Alltel), Bell Atlantic-Pennsylvania, Inc. (Bell), Commonwealth Telephone Company (Commonwealth), GTE North Incorporated (GTE) and United Telephone Company of Pennsylvania (United).

The Bureau of Consumer Services was created by Act 216 of 1976. Its responsibilities were clarified in Act 114 of 1986 which confers four primary responsibilities on the Bureau. The first of these is to "...investigate and issue final determinations on all informal complaints received by the Commission." The second legislative mandate states that "The Bureau shall on behalf of the Commission keep records of all complaints...and shall at least annually report to the Commission on such matters." In this regard, the Bureau's Division of Research and Policy maintains a sophisticated information system through a contract with The Pennsylvania State University. This allows the Bureau to both access pertinent information regarding complaints and to use statistics from complaints to evaluate utility performance. The third legislative mandate requires that the Bureau "...shall advise the Commission as to the need for formal Commission action on any matters brought to its attention by the complaints." The Bureau uses complaints in a number of ways to identify failures of utility operations or problems which require formal Commission action.

A number of studies have found that only a minority, often a small minority, of dissatisfied persons complain about unsatisfactory products or services. The Bureau's experience reflects this fact as it has frequently found that a seemingly small number of individual complaints from utility customers may represent management failures or other systemic problems in utility operations.

Support for evaluating utilities is secured by aggregating data from thousands of complaints to provide information about how effectively utilities meet consumers' needs and whether their activities comply with Commission standards. The Bureau communicates the results of this analysis periodically to companies so that they can act independently to resolve problems before a formal Commission action becomes necessary. In many cases, companies that have taken advantage of this information have been able to resolve problems and improve service. However, companies that have failed to act

responsibly to resolve problems have been subjected to fines and rate case adjustments of expenses and revenues.

This report provides a comprehensive analysis of telephone company data for the year 1994. In addition, the report presents 1993 data as a basis for trend analysis. The data analyzed in this report consist of complaint statistics from the Bureau's Consumer Services Information System (CSIS) and the Bureau's §64.201 Reporting System, a data system based on the collection statistics reported annually by telephone companies as required by Chapter 64. Data collected through the §64.201 Reporting System provide a valuable resource for measuring changes in telephone company collection performance. In addition, the complaint, collection and compliance analyses for Alltel have been adjusted for 1993 to reflect the company's 1994 merger with the former Brookville and Murraysville Telephone Companies.

There are four complaint handling performance measures that are presented in Chapter 4. The first measure, consumer complaint rate, shows the relative frequency of consumer complaints and is a basic quantitative problem indicator. Justified percent, the second measure, is a qualitative measure of company complaint handling. The third and most important measure of company complaint handling is justified complaint rate. Justified complaint rate is a qualitative and quantitative measure of company effectiveness at handling consumer complaints. This measure was refined this year to improve the evaluation of company performance. An explanation of the new method for calculating this rate will be presented later in Chapter 4. The fourth measure is response time which is a qualitative measure of company responsiveness to resolving consumer complaints.

The Bureau provides feedback to major telephone companies on these same complaint handling measures in the form of Quarterly Automated Report Formats (ARFS). Because of this quarterly feedback, all of the companies reviewed in this report are well acquainted with the complaint handling measures used here, with the Bureau's approach to interpreting these measures, and with their performance on these measures in 1994. An explanation of these measures is included in Chapter 4 for readers who encounter them for the first time.

Chapter 6 of this report focuses on telephone company failures at complying with the Commission's regulations. Here, the informal compliance process is explained and highlights of the 1994 compliance activity are discussed.

Because this report focuses exclusively on the five major telephone companies, those complaints directed at either non-major companies or interexchange companies are eliminated from the performance measures and analyses presented in Tables 2 through 4 and Graph 1. Beginning this year, the Bureau's analysis of complaint data (justified percent, residential consumer complaints, justified complaint rate and response time) for

non-major telephone companies will be issued to them under a separate cover. Another treatment of telephone case data involves the purging of telephone cases that do not involve residential service since the Bureau's regulatory authority in Chapter 64 is confined to residential accounts. Thus, all cases that involve commercial accounts are deleted from all performance measures and analysis. Non-evaluative cases in which the customer did not contact the company prior to registering a complaint to the Commission are excluded from analysis in Table 3 and Graph 1. Residential customer contacts that did not require investigation by BCS, such as problems over which the Commission has no jurisdiction, rate protests and routine information requests, are also excluded from Table 3 and Graph 1. These latter classifications of non-investigatory contacts are called inquiries by BCS. In addition, telephone cases are divided into three groups: Chapter 64 complaints, Non-Chapter 64 complaints and Chapter 64 suspensions (these distinctions are fully explained in Chapter 3). Finally, Major Company Profiles have been provided to highlight individual company performance.

## 2 COMPANY PROFILES

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This chapter presents a brief synopsis of each major telephone company's performance in 1994. Each company profile contains utility specific highlights that are drawn from the telephone complaint, collections and compliance chapters of the report. In addition, the profiles contain a brief sketch of each company's overall customer service performance which is based on company performance in complaint handling, collection and compliance. However, the profiles are not comprehensive evaluations of companies, nor do they contain detailed descriptions of the major performance measures that are used to evaluate companies.

The Bureau developed company profiles to provide readers with a quick reference to the noteworthy findings of a given utility's customer service performance. Readers are encouraged to review the full report before drawing conclusions regarding telephone company performance.



<i>Measure</i>	<i>1993</i>	<i>1994</i>	<i>Industry Average 1994</i>
Justified Complaint Rate	.18	.24	.27
Response Time (days)	9	4	10
Percentage of Revenues Written Off	1.59%	2.74%	2.35%
Violation Rate	3.78	5.17	---

The following profile highlights several noteworthy findings regarding Alltel's 1994 customer service performance:

- Alltel lost its ranking as the most effective major company at handling consumer complaints because the company's justified complaint rate increased from .18 in 1993 to .24 in 1994.
- Alltel's response time was five days faster in 1994 than in 1993. As a result of this improvement, Alltel had the best response time in 1994.
- As a result of a dramatic increase (72%), Alltel's percentage of revenues written off as uncollectible jumped from 1.59% in 1993 to 2.74% in 1994.
- Alltel again experienced the largest increase in the number of verified violations among the major telephone companies.
- Alltel's overall customer service performance ranking was average in 1994.

# Bell Atlantic-PA



<i>Measure</i>	<i>1993</i>	<i>1994</i>	<i>Industry Average 1994</i>
Justified Complaint Rate	.36	.35	.27
Termination Rate	2.59%	2.39%	2.04%
Percentage of Revenues Written Off	2.88%	2.88%	2.35%
Violation Rate	3.51	5.08	---

The following profile highlights several noteworthy findings regarding Bell's 1994 customer service performance:

- Bell and GTE were ranked the least effective major companies at handling consumer complaints in 1994.
- Although Bell had fewer terminations in 1994 than in 1993, Bell's termination rate (2.39%) was the highest in the industry in 1994.
- Bell's percentage of revenues written off as uncollectible remained stable from 1993 to 1994, leaving the company with the second highest percent of revenues written off in the industry in 1994.
- Bell experienced a 47% increase in the number of verified violations from 1993 to 1994.
- Bell's overall customer service ranking deteriorated from average in 1993 to worse than average in 1994.

# Commonwealth



<i>Measure</i>	<i>1993</i>	<i>1994</i>	<i>Industry Average 1994</i>
Justified Complaint Rate	.25	.15	.27
Percentage of Revenues Written Off	1.20%	1.00%	2.35%
Response Time (days)	7	7	10
Violation Rate	3.06	3.77	---

The following profile highlights several noteworthy findings regarding Commonwealth's 1994 customer service performance:

- With a justified complaint rate of .15, Commonwealth is ranked the most effective at handling consumer complaints in 1994.
- Commonwealth's response time remained 7 days from 1993 to 1994 and was next to the best in the industry in 1994.
- Commonwealth's percentage of revenues written off as uncollectible was less than half the industry's average and the lowest among major companies in 1994.
- Commonwealth's violation rate of 3.77 places it on an upward trend over the last three years, going from 1.5 violations per 10,000 residential customers in 1991 to almost 4 verified violations per 10,000 residential customers in 1994.
- Commonwealth's performance improved from 1993 to 1994. As a result of this improvement, Commonwealth's overall customer service performance ranking was significantly better than the industry average in 1994.



<i>Measure</i>	<i>1993</i>	<i>1994</i>	<i>Industry Average 1994</i>
Justified Complaint Rate	.36	.34	.27
Termination Rate	3.29%	1.98%	2.04%
Weighted Arrearage	1.95	2.64	1.85
Percentage of Revenues Written Off	5.14%	3.91%	2.35%
Violation Rate	4.42	6.90	----

The following profile highlights several noteworthy findings regarding GTE's 1994 customer service performance:

- GTE and Bell were ranked the least effective major companies at handling consumer complaints in 1994.
- As a result of a decrease in the number of terminations, GTE's termination rate dropped from 3.29% in 1993 to 1.98% in 1994.
- GTE's weighted arrearage score went from 1.95 in 1993 to 2.64 in 1994. As a result of this increase, GTE had the worst weighted arrearage score in the industry in 1994.
- GTE substantially reduced its percentage of revenues written off as uncollectible from 1993 to 1994. However, the company's percentage of revenues written off as uncollectible remains the highest among major companies.
- This year's 6.9 violation rate represents GTE's worst compliance performance in seven years.
- Of all the major companies, GTE's overall customer service performance ranking was significantly worse than average in 1994. Although GTE made substantial gains in the area of collections from 1993 to 1994, it was not enough to improve GTE's overall ranking.





<i>Measure</i>	<i>1993</i>	<i>1994</i>	<i>Industry Average 1994</i>
Justified Complaint Rate	.37	.27	.27
Overdue Percent	21.2%	21.4%	25%
Termination Rate	2.32%	2.26%	2.04%
Percentage of Revenues Written Off	1.29%	1.22%	2.35%
Violation Rate	2.60	3.97	---

The following profile highlights several noteworthy findings regarding United's 1994 customer service performance:

- United's effectiveness at handling consumer complaints improved from 1993 to 1994. The company's justified complaint rate went from .37 in 1993 to .27 in 1994.
- United had the lowest percent of customers overdue in 1994.
- United experienced a modest decline in its percentage of revenues written off as uncollectible, which gave United the next to lowest percentage of revenues written off as uncollectible.
- United's violation rate of 3.97 verified violations per 10,000 residential customers represents the highest violation rate for United in the last eight years.
- United's overall customer service performance ranking slipped from being significantly better than average in 1993 to better than average in 1994.

# **3 OVERALL COMPLAINT ACTIVITY**

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The Bureau's customer contacts for the telephone industry fall into two basic categories: consumer complaints and "other contacts." Other contacts may involve inquiries, opinions and requests for information. Contacts about rate protests or contacts that require referrals to companies for initial action, referrals to other Commission offices, or referrals to the appropriate agencies outside the PUC are also included in the "other contact" category (see Appendix E).

## **Consumer Complaints**

The Bureau handles complaints against local telephone companies and other telecommunication providers. Generally, the problems consumers encounter with other entities are part of an informal complaint filed against either a local company or a long distance company. During 1994, the Bureau handled 6,549 complaints from residential and commercial consumers about problems they had with telecommunication service providers as compared to 6,363 in 1993. Of these 6,549 complaints, 5,767 were filed by residential consumers against local telephone companies. Within this universe of complaints, 5,695 were against the five major telephone companies. In 725 cases regarding all local telephone companies, the Bureau saved customers a total of \$204,150 through billing adjustments.

## **Consumer Complaint Handling**

The handling of consumer complaints against utilities is the foundation for a number of Bureau programs. The complaint process provides an avenue through which consumers can gain redress for errors and improper treatment by utilities. The Bureau's Field Services Division receives and investigates consumer complaints. The Division's Telecommunications Complaint Unit handles telephone complaints related to billing, service, credit, deposits, rates and company operations. The Telecommunications Unit not only receives and investigates complaints but it also handles numerous requests for payment arrangements. In addition, this unit is responsible for enforcing the Commission's Coin Telephone Regulations and Reseller Regulations.

Commission regulations require that customers seek to resolve problems directly with their utilities prior to registering a complaint with the Commission. In view of this, the Bureau seeks to foster improvements in utility complaint handling operations so that complaints will be properly handled by utilities, and customers will not find it necessary to appeal to the Commission. Since the Bureau receives complaints from only a fraction of

dissatisfied customers, this effort has benefits that go far beyond reducing the Bureau's work load. First, customer complaints to the Bureau may be the result of systemic or recurring problems a utility can address without the Bureau's intervention. The Bureau encourages companies to identify and address these problems before their customers seek the Bureau's assistance. This can benefit many customers and thus reduce the number of customers who are dissatisfied and contact companies to register disputes. Second, improvements in complaint handling save utility resources because customers will not find it necessary to appeal to the Commission. Thus, companies can both expend less of their resources on answering Commission complaints and improve their overall customer relations.

## **Telephone Complaint Analysis**

The Bureau evaluates telephone complaint handling by analyzing telephone complaint statistics that are available through the Bureau's Consumer Services Information System (CSIS). Each telephone complaint (case) is coded for many variables before it is entered into the CSIS. The coding system enables the Bureau to aggregate cases for selected companies, specific problem areas and so on. The proceeding discussion will focus on how the Bureau analyzes company performance on each case.

### ***Open, Closed & Evaluated Cases***

When a customer initially presents a case to the Bureau, it is considered to be "open." At this time the BCS codes initial information about the type of problem and the utility involved. From this initial information, the Bureau calculates complaint rates as presented in Table 2. A case is considered closed once the Bureau has completed its investigation and rendered a decision. Because there is more information available on cases that are closed, these cases are used to identify specific problem areas and evaluate telephone company performance relative to these problems. This process, known as case evaluation, is the process whereby closed cases are examined by the Bureau to determine how well and how timely utilities handled customer disputes prior to the Bureau's involvement. The complaint analyses presented subsequent to Table 2 are based on complaints that have been closed and evaluated by the Bureau.

### ***Case Evaluation for 1994***

As with the previous year, the Bureau continued to receive a high volume of consumer complaints from the telephone industry. Specifically, the Bureau received more than 4,971 complaints from Bell's customers. The Bureau did not have the resources to perform case evaluation on each of the consumer complaints filed by customers of Bell. Approximately 68% of the complaints against Bell involve requests for payment

arrangements. The Bureau's decision to continue with sampling for case evaluation in 1994 stemmed from a 1993 agreement reached between the BCS and Bell. Under this agreement, Bell would handle future requests for payment arrangements according to a new collection procedure called Extended Payment Agreements (EPAR). Given the fact that Bell would be handling payment requests differently in the future, it seemed less critical for the Bureau to evaluate and provide feedback for all the cases which Bell handled under the former procedure. Therefore, the percentage of Bell cases that were evaluated is lower than it has been historically. Nonetheless, the BCS evaluated over 2,000 Bell cases to arrive at the performance assessments contained in this report.

## **Specific Problems**

In order to evaluate how major companies handle specific telephone problems, closed cases were divided into three groups: Chapter 64 complaints, Non-Chapter 64 complaints, and Chapter 64 suspensions. Again, this complaint information is primarily based on closed and evaluated cases rather than on cases that were "still open" at the time the 1994 data set was closed by BCS. Therefore, all of the cases that are presented in Table 2 are not reflected in Chart 1 because a number of the cases in Table 2 were "still open" at the time this data was aggregated.

### ***Chapter 64 Complaints***

The Commission implemented 52 PA Code Chapter 64, the "Standards and Billing Practices for Residential Telephone Service" in 1985. Chapter 64 requires companies to provide residential telephone service based on a uniform set of standards and procedures. These regulations govern how companies handle residential account billing, payments, credit, security deposits, suspension, termination, collection and customer complaints.

One important provision of Chapter 64 requires companies to inform customers of their right to contact the Commission if they are not satisfied with the way the company handled or resolved their dispute. Even if the customer is eventually satisfied with the resolution of a dispute, the customer is entitled to appeal rights. Customer contacts that go beyond an initial inquiry are considered disputes and must be recorded as such. If, however, the customer indicates satisfaction with the explanation or resolution at the conclusion of the initial inquiry, the contact is not considered a dispute. When the customer contacts the PUC, the dispute is then an informal complaint.

In 1994, telephone customers filed approximately 1,149 Chapter 64 informal complaints with the Commission. Of course, these informal complaints represent only a fraction of Chapter 64 disputes that customers registered directly with the major telephone companies. Although companies are required to report the total number of disputes

handled, it is evident that some of the dispute statistics reported by companies over the last eight years are inaccurate. These inaccurate dispute statistics combined with documented instances of noncompliance with the dispute notification procedures themselves, leads the Bureau to believe that the reported number of complaints filed is lower than it would be if both the dispute and reporting procedures were followed correctly. In other words, the Bureau believes that the companies' failure to advise all customers of their due process appeal rights may have kept some customers from complaining to the Commission.

### ***Non-Chapter 64 Complaints***

Primarily, informal complaints that deal with matters not covered under Chapter 64 concern problems related to the delivery of telephone service. Many of these complaints deal with matters that are covered under Chapter 63, the "Quality of Service Standards for Telephone," which went into effect July 30, 1988. Chapter 63 establishes uniform service standards and service objectives for local telephone companies. Some of the items covered under these regulations are service installations, local dial service, operator handled calls, and Automatic Dialing Announcing Devices (ADADs). Other problems are not addressed by either the Chapter 63 or Chapter 64 regulations, yet are the subject of informal complaints. Some of these complaints involve problems dealing with the yellow pages, the conduct of company personnel, unsatisfactory telephone numbers and the lack of equal access to long distance carriers. The Bureau, through the Consumer Services Information System (CSIS), has been tracking complaints related to service problems for the last fifteen years. In 1994, customers filed 761 non-Chapter 64 complaints against the major companies.

### ***Chapter 64 Suspensions***

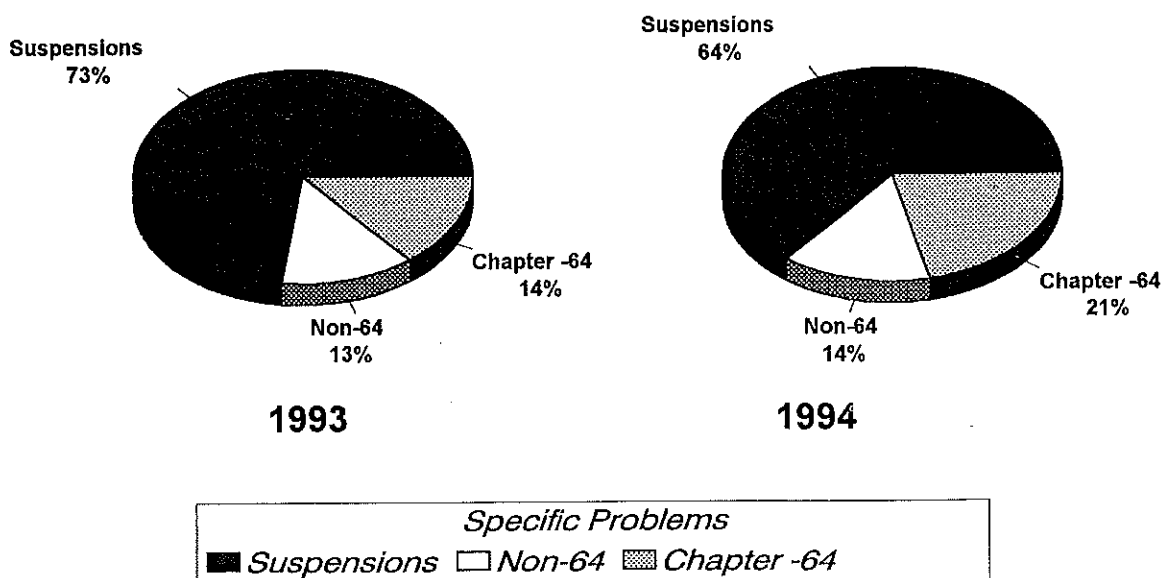
In Chapter 64, suspension is defined as a temporary cessation of service without the consent of the customer. Termination of service, according to Chapter 64, is the permanent cessation of service after a suspension without the consent of the customer. Most informal complaints relating to the cessation of telephone service are registered during the suspension phase. The Bureau's Consumer Services Information System (CSIS) separates informal complaints involving suspension of telephone services from informal complaints involving termination of telephone services. However, the data for both suspensions and terminations are combined here for complaint analysis.

Under Chapter 64, a customer contact in response to a suspension notice is a dispute (as the term is defined in §64.2) only if the contact includes a disagreement with respect to the application of a provision of Chapter 64. Where informal complaints involving telephone service suspension are concerned, failure to negotiate a payment arrangement does not in itself mean that a dispute exists. Consequently, in this report, informal

telephone complaints to the Commission that are a result of failed payment negotiations have been separated from informal telephone complaints that represent an appeal of a dispute.

Finally, Chapter 64 does not require local exchange carriers to include the Bureau of Consumer Services' phone number on the suspension or termination notice, whereas Chapter 56 does require the other utilities to do so. It is possible that because the phone number for the PUC is not included on the telephone company notices, some customers with informal complaints regarding cessation of their telephone service do not attempt to contact the Bureau. Nevertheless, in 1994, customers facing suspension or termination of one, or any combination of their telephone services — basic, toll and nonbasic — filed approximately 3,435 informal complaints against the major telephone companies.

**Chart 1 — Specific Telephone Complaints**



***Comparison of Specific Problems***

Chart 1 presents a comparison of the three groups of complaints for 1993 and 1994. The most common problems are related to suspension of service. The number of suspension cases dropped from 3,827 in 1993 to 3,435 in 1994. This means the

proportion of suspension cases represented dropped from 73% in 1993 to 64% in 1994. The Bureau handled more Chapter 64 billing complaints in 1994, 1,149 as compared to 676 in 1993. As shown in Chart 1, this represents a 7% increase in the proportion of billing-related complaints. At the same time, the number of non-chapter 64 service complaints increased from 744 in 1993 to 761 in 1994. The proportion of non-chapter 64 complaints increased by 1%. A more detailed account of these complaints can be found in Appendix D.

Although the majority of the telephone cases the Bureau handles are related to payment agreements, the Bureau believes that it is important to focus attention on other problems consumers complain about. Efforts on the part of the Bureau and companies to address payment problems seem to be having a positive result with a decrease in the number of cases related to payment agreements. For the first time in seven years, the Bureau witnessed a dramatic increase in the number of billing related complaints. Whether or not this is the beginning of an upward trend remains to be seen. In either case, the Bureau will be focusing more of its attention on complaints that are related to billing disputes. Next year's 1995 report will highlight the Bureau's efforts in evaluating company performance in this area.

### **Chapter 64 Disputes**

More than 20% of the complaints handled by the Bureau begin as a Chapter 64 billing dispute between the company and the customer (see Chart 1). Chapter 64 defines a "dispute" as a disagreement between an applicant, a customer, or a customer's designee and a local exchange carrier with respect to the application of this chapter including but not limited to credit determinations, deposit requirements, the accuracy of amounts billed or the proper party to be charged. If a customer indicates dissatisfaction at the conclusion of an initial inquiry, then the company must treat the contact as a dispute and maintain a record of the contact. Companies are also required to inform customers of their right to appeal to the Commission if they are not satisfied with how the company handled their dispute. A customer dispute becomes an informal complaint when the customer contacts the Commission.

Chapter 64 requires that local telephone companies report the number of disputes they handle each year. When a company fails to report a number of disputes at least equal to the number of Chapter 64 complaints its customers have registered with the Bureau, then it is obvious that the company has failed to maintain and report accurate dispute statistics. The Bureau believes this is one indication that customers are not being advised of their right to appeal to the Commission. Also, high numbers of disputes may reflect that companies are identifying and documenting disputes properly. Documented instances of noncompliance with the dispute provisions combined with inaccurate dispute statistics

reported by companies over the last eight years raise the concern that many customers were not advised of their due process appeal rights. This not only reduces the number of informal complaints received by the Bureau, but also casts serious doubts about the accuracy of company dispute data.

### ***Dispute Rate***

As previously mentioned, the 1,149 Chapter 64 complaints received in 1994 represent only a fraction of disputes registered by customers with major companies. According to company data, there were 33,433 disputes handled by the five major companies in 1994. The raw number of disputes does not permit easy comparisons between companies. The differences in company size make it difficult to compare companies based on raw numbers alone. Thus, a uniform measure is calculated to compare how often customers register disputes with a company. The dispute rate, as shown in Table 1, is the number of disputes per thousand residential customers (see Appendix B for the number of residential customers). The "dispute rate" is calculated by dividing the annual number of disputes by the monthly average number of residential customers. A high dispute rate may be a reflection of a company's ability to identify and document disputes; while a low dispute rate may indicate that a company is not properly identifying disputes.

In 1994, the dispute rate for major companies ranged from 1.68 to 10.44. The vast difference in dispute rates clearly indicates that all companies may not be properly identifying, documenting or reporting disputes. Although companies are required to report the total number of disputes handled, it is evident that some of the dispute statistics reported by companies over the last eight years are inaccurate. These inaccurate dispute statistics combined with documented instances of noncompliance with the dispute notification procedures themselves, lead the Bureau to believe that the number of complaints filed is still lower than it would be if both the dispute and reporting procedures were followed correctly. The Bureau believes that the companies' failure to advise all customers of their due process appeal rights may have kept many customers from complaining to the Commission. In light of this, the Bureau will continue to encourage companies that have reported questionable dispute statistics to properly identify disputes and advise customers of their right to file a complaint with the Commission.



**Table 1 — Chapter 64 Disputes**

Company	1993		1994		1993-1994
	N	Dispute Rate	N	Dispute Rate	Percent Change in N
Alltel	430	2.65	388	1.68	-10%
Bell	40,664	11.29	26,985	7.37	-34%
Commonwealth	468	2.81	511	3.01	9%
GTE	1,698	3.93	2,811	6.19	66%
United	2,773	10.78	2,738	10.44	-1%
<b>Total</b>	<b>46,003</b>		<b>33,433</b>		<b>-27%</b>
<b>Average</b>		<b>6.29</b>		<b>5.74</b>	

***Among the findings revealed in Table 1:***

- Although Commonwealth reported a 9% increase in Chapter 64 disputes, the dispute rate is relatively low. According to the company, this low dispute rate is a result of Commonwealth's service representatives' abilities to identify customer concerns more readily and resolve customer issues before they become a dispute. However, based on the apparent violations gleaned from Commonwealth's consumer complaints, the Bureau believes that Commonwealth has not fully addressed its problems with identifying disputes.
- For a second consecutive year, Bell experienced a decrease in the number of recorded disputes. Bell had the largest decrease (34%) in reported disputes from 1993 to 1994. In 1993, Bell adopted a procedure in which certain follow up situations were no longer classified as disputes. According to Bell, the company did not make any additional changes to this procedure in 1994.
- GTE reported a 66% increase in the number of disputes from 1993 to 1994. According to GTE, the company concentrated on training contact personnel to more efficiently recognize customer disputes. The Bureau is encouraged by GTE's efforts.

- Alltel had a 2% decrease in recorded disputes from 1993 to 1994. According to Alltel, the merger of Brookville and Murraysville into Alltel affected the number of disputes reported during 1994. The contact personnel from the former companies treated all calls to the company's Action Line as disputes regardless of whether or not the customer was satisfied with the outcome. The company changed the way former companies' personnel handled these calls to be consistent with the definition of dispute.
  
- United's recorded disputes were relatively stable from 1993 to 1994.

# 4 TELEPHONE COMPLAINTS

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Wide differences in the number of residential customers served by the major telephone companies make comparisons of these companies based on raw numbers of complaints difficult. The need to compare the volume of complaints has led to the calculation of a uniform measure, the number of complaints per thousand residential customers, termed the "complaint rate" (see Appendix B for the number of residential customers). Complaint rate data are derived from the number of residential consumer complaints opened by BCS against companies. High complaint rates<sup>1</sup> often indicate situations that require investigation. Thus, the Bureau uses information on complaint rates to reveal patterns and trends that help to focus BCS research and compliance activities. The discussion below provides an overview of Bureau activity relative to major telephone company complaint rates along with some preliminary findings.

Telephone complaints include all complaints regarding billing, rates/tariffs, credit/deposits, service, suspension and requests for payment arrangements. The Commission has established a process in which the companies play the primary role in handling consumer complaints until negotiations between the customer and the company fail. Thus, high rates of complaints to the Bureau can indicate that a company is unable to effectively resolve consumer problems. Alternately, significant decreases in the frequency of problems over time may indicate that a company is improving, assuming utility compliance with Chapter 64 regulations. However, a high number of complaints is not necessarily an indicator of bad performance if the percentage of justified complaints is low. That is why the Bureau uses another measure called justified complaint rate as the primary measure of utility complaint handling effectiveness.

## 1994 Residential Complaints

The total number of complaints against major telephone companies remained stable from 1993 to 1994. While there were 5,695 complaints in 1993, the Bureau received 5,646 complaints in 1994 (see Table 2). As in 1993, the Bureau deliberately took steps to maintain adequate telephone access for utility customers who wish to contact the Commission regarding a consumer complaint. This action may still have an impact on some of the complaint measures presented in this report. While the measure of "justified percent" should be unaffected by access to BCS, measures based on the number of complaints received by the BCS will be affected. Two such measures are the complaint

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<sup>1</sup> *Complaint Rate = Total Number of Consumer Complaints/(Monthly Average Number of Residential Customers/1000)*

rate and justified rate. All other things being equal, increased customer access to BCS would tend to increase the number of utility complaints registered with BCS for 1994. Therefore, some caution should be expressed when making multi-year comparisons of the complaint rate and justified rate. Comparisons among companies within the same year should be unaffected by BCS access as all customers attempting to contact the Commission would be likely to have the same probability of reaching the BCS irrespective of the utility serving them.

**Table 2 — Residential Consumer Complaints**

Company	1993		1994		1993-1994
	N	Complaint Rate	N	Complaint Rate	Percent Change in N
Alltel	95	.59	101	.61	6%
Bell	4,956	1.38	4,971	1.36	No Change
Commonwealth	107	.64	86	.51	-20%
GTE	309	.72	306	.67	-1%
United	228	.89	182	.69	-20%
<b>Total</b>	<b>5,695</b>		<b>5,646</b>		<b>-1%</b>
<b>Average</b>		<b>.84</b>		<b>.77</b>	

***Among the highlights from Table 2:***

- Although complaints against Bell remained stable, Bell had the highest complaint rate (1.36) in the industry in 1994 and for the last three years.
- United was one of two companies to experience a 20% decrease in consumer complaints. Even so, United had next to the highest complaint rate (.69) in 1994.
- GTE's complaint rate (.67) was the third highest in the industry in 1994.
- Alltel was the only major company to experience an increase (6%) in consumer complaints from 1993 to 1994. However, the company's complaint rate is next to the lowest in the industry.

- Commonwealth experienced a significant decrease in consumer complaints (20%) from 1993 to 1994. Commonwealth's complaint rate (.51) was the lowest in the industry in 1994.

### **Case Outcome - Justified Percent**

One of the Bureau's primary goals in regard to telephone companies is to see that companies handle customer disputes effectively before they are brought to the Bureau's attention. This goal is intended to have two positive effects. First, proper dispute handling minimizes customer dissatisfaction, thus preventing unnecessary complaints to the Bureau. Second, proper dispute handling guarantees that most customer complaints to the Bureau will be resolved in the company's favor. The Bureau measures complaint outcome or resolution in terms of consumer complaints that are found to be valid or "justified." Commission regulations require that telephone customers contact their utilities to resolve their complaints prior to seeking PUC intervention. Although exceptions are permitted under certain circumstances such as emergencies, the Bureau's policy is to accept complaints only from customers who indicate that they have been unable to work out their problems with their company.

The Bureau uses case outcome to identify whether or not correct procedures were followed by the utility in responding to the customer's complaint prior to the intervention of the Bureau. Specifically, a consumer's case is considered "justified" in the appeal to BCS if it is found that, prior to BCS intervention, the company did not comply with PUC orders or policies, regulations, reports, Secretarial Letters or tariffs in reaching its final position. A BCS case that is "justified" is a clear indication that the company did not handle a dispute properly or effectively, or in handling the dispute, the company violated a rule, regulation or law. There are two additional complaint resolution categories. "Unjustified" complaints are those cases in which the company demonstrates that correct procedures were followed prior to BCS intervention. "Inconclusive" complaints are those in which insufficient records or equivocal findings make it difficult to determine whether or not the customer was justified in the appeal to the Bureau. However, inclusive findings should not restrict companies from reviewing these cases carefully since they may be a source of both present and future problems. The majority of cases fall into either the "justified" or "unjustified" category. The following discussion focuses on those cases that are determined to be "justified."

**Table 3 — Residential Justified Percent**

<b>Company</b>	<b>Justified Percent 1993</b>	<b>Justified Percent 1994</b>	<b>Net Change 1993-1994</b>
Alltel	36%	41%	5%
Bell	40%	27%*	-13%
Commonwealth	47%	32%	-15%
GTE	57%	52%	-5%
United	44%	39%	-5%
<b>Average</b>	<b>45%</b>	<b>38%</b>	<b>-7%</b>

\*Based on a probability sample of cases

***Among the highlights from Table 3:***

- GTE had fewer cases deemed justified in 1993 than in 1994. Nevertheless, GTE's percent of justified complaints (52%) was the highest in the industry in 1994.
- Alltel was the only major company to experience an increase (5%) in justified complaints from 1993 to 1994. As a result, Alltel had the next to highest percent of justified complaints among the major companies in 1994.
- Commonwealth's percent of justified complaints dropped from 47% in 1993 to 32% in 1994. This represents a 15% decrease in justified complaints, the largest in the industry.
- United's percentage of justified complaints decreased (5%) from 1993 to 1994.
- Bell experienced a significant decrease (13%) in justified complaints from 1993 to 1994. For the first time in seven years, Bell had the lowest percent of justified complaints (27%) in the industry. The Bureau commends the company for reducing its justified complaints.

## Justified Complaint Rate

Changes in company policy can affect both the volume of BCS consumer complaints and the effectiveness of a utility's complaint handling (as measured by the percent of cases that are justified). In the past, it was possible for a company to improve in just one measure and draw praise from the Bureau even though it performed poorly in the other measure. However, the Bureau's research has shown that both of these complaint measures are actually intermediate measures and not "stand-alone" measures of performance.

In response to this problem, the Bureau uses a performance measure called "justified complaint rate," which reflects both the volume and percent of cases justified. In addition, this measure takes into consideration the number of residential customers of the utility so that a company can be compared and contrasted with the other companies within its industry. The Bureau has been using the "justified complaint rate" as a performance measure for a number of years. In its ongoing effort to improve the complaint evaluation process, the Bureau refined the measurement of justified complaint rate by adjusting the formula to more accurately give equal weight to the quantitative measure of volume and the qualitative measure of justified percent of consumer complaints. In the earlier formula, the justified complaint rate was calculated by multiplying the consumer complaint rate volume of consumer complaints for each 1,000 customers by the percentage of the company's cases found to be justified. In the revised formula, the numerator is the number of "justified" consumer complaints, thus emphasizing the Bureau's concern with customer complaints that have been mishandled by the utility. For comparison to 1994 performance, the 1993 statistics have been recalculated using the revised formula. (See Table 4 for justified complaint rates for 1993 and 1994). The new formula for justified complaint rate is shown below:

$$\text{Justified Complaint Rate} = \frac{\text{Number of Justified Consumer Complaints}}{\text{Number of Residential Customers}/1000}$$

The Bureau perceives this indicator to be a bottom line measure of performance that evaluates the "effectiveness" of company complaint handling as a whole and, as such, allows for general comparisons to be made among companies and across time.

**Table 4 — Justified Complaint Rate**

<b>Company</b>	<b>Justified Rate 1993</b>	<b>Justified Rate 1994</b>	<b>Net Change 1993-1994</b>
Alltel	.18	.24	.06
Bell	.36	.35*	-.01
Commonwealth	.25	.15	-.10
GTE	.36	.34	-.02
United	.37	.27	-.10
<b>Average</b>	<b>.30</b>	<b>.27</b>	<b>-.03</b>

\*Based on a probability sample of cases

***Among the highlights from Table 4:***

- Bell and GTE were ranked the least effective major companies at handling consumer complaints in 1994.
- United's effectiveness at handling consumer complaints improved from 1993 to 1994. The company's justified complaint rate went from .37 in 1993 to .27 in 1994.
- Alltel lost its ranking as the most effective major company because the company's justified complaint rate jumped from .18 in 1993 to .24 in 1994.
- With a justified complaint rate of .15, Commonwealth is ranked the most effective at handling consumer complaints in 1994.

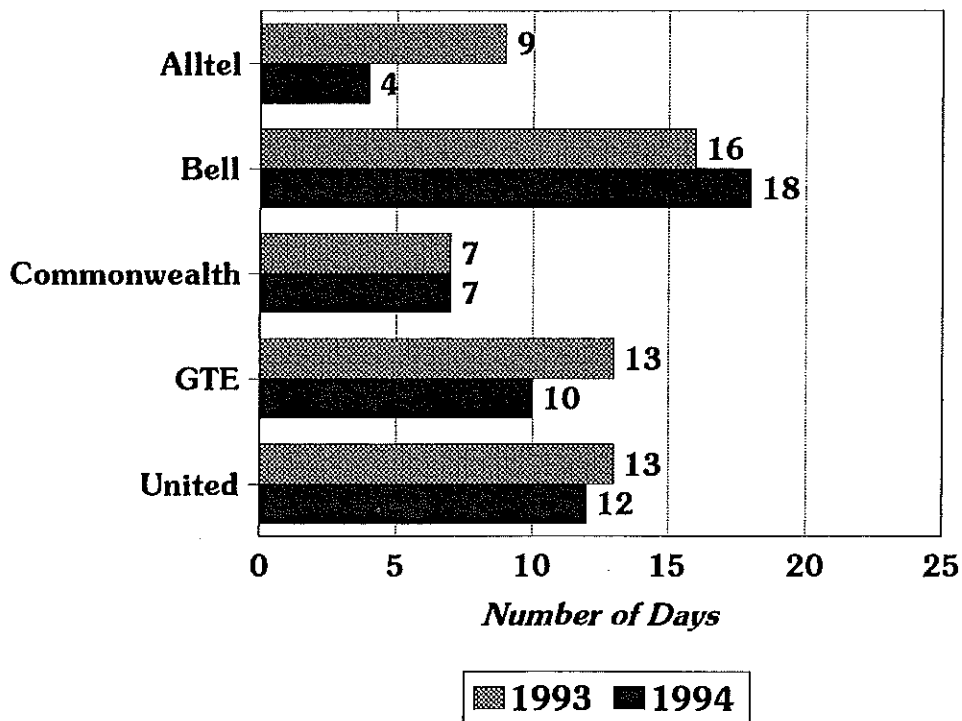
**Response Time**

Response time is the time span in days from the date of the Bureau's first contact with the company regarding a complaint to the date on which the company provides the Bureau with all of the information needed to resolve the complaint. Response time quantifies the speed of a utility's response ("responsiveness") in resolving BCS complaints. In this report, response time is presented as the mean number of days for each company.



Response time is important because a short response time may indicate that a company has easy access to complete records and is able to present these records to the Bureau in an organized and understandable format. The complaint records are required by Commission regulations and their routine presence indicates that companies may generally have the resources on hand that are necessary to resolve a dispute before it becomes necessary for the Bureau to become involved. For these reasons, the Bureau focuses its analysis on significant improvements or declines in response time performance, as well as failure to improve on conspicuously bad performance.

**Graph 1 — Response Time**



Bell's 1994 data is based on a probability sample of cases

***Among the findings revealed in Graph 1:***

- Bell's response time deteriorated from 1993 to 1994, so the company's response time of 18 days was the worst in the industry in 1994.
- Although United's response time was one day faster in 1994, the company's response time was ranked next to the worst in the industry.

- GTE's response time improved from 13 days in 1993 to 10 days in 1994.
- Commonwealth's response time remained 7 days from 1993 to 1994 and was next to the best in the industry in 1994.
- Alltel's response time was five days faster in 1994 than in 1993. As result of this improvement, Alltel had the best response time in the industry in 1994.

## **Chapter Summary**

### ***Consumer Complaints***

Overall, the number of complaints against the major telephone companies leveled off from 1993 to 1994. Consequently, the average complaint rate for the telephone industry went from .84 to .77 during this period. The telephone industry had significantly more billing related complaints and fewer suspension related complaints from consumers.

### ***Justified Complaints***

Justified complaints represent company failures at complying with Chapter 64 or Chapter 63 regulations and other procedures that govern telephone service. Generally, the overall percentage of justified complaints declined from 1993 to 1994. Less than 40% of the complaints filed against companies were not handled properly in 1994. While it is encouraging that the proportion of justified complaints declined, companies must continue to ensure that all complaints are handled properly.

### ***Justified Consumer Complaint Rate***

The Bureau refined the justified complaint rate to improve the evaluation of company performance. Justified complaint rate is the most important performance measure of customer complaint handling. It is a critical indicator of effectiveness. As a group, the major telephone companies' overall effectiveness at handling consumer complaints improved slightly from 1993 to 1994. The Bureau encourages all companies to take the appropriate steps so customer problems are handled properly by the company before they reach the Bureau.

### ***Response Time***

As a group, it took the major telephone companies less time to respond to consumer complaints in 1994 than in 1993. These findings are encouraging since it appears that companies are once again moving to fulfill their regulatory responsibilities.

# 5 COLLECTIONS

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For the last ten years, the Bureau has been monitoring the telephone industry's collection activities through its billing and collection statistics. This information is reported by all local telephone companies in response to the reporting requirements outlined in 52 PA Code §64.201, the "Annual Local Exchange Carrier Reporting Requirements" (see Appendix C). Under these requirements, all local exchange carriers (LECs) must annually provide the Bureau with account information related to residential billing and collections.

It is important to evaluate telephone billing and collection activities for two reasons. First, the analysis of suspension and termination statistics can be used to help insure that companies are complying with Chapter 64 regulations and treating customers fairly. Second, the analysis of statistics related to bills, overdue accounts and write-offs supports evaluation of the efficiency and effectiveness of telephone company collections activities. These evaluations can contribute directly to more effective regulatory activities by the Bureau, better compliance by companies and better treatment for customers. All of these can reduce company expenses in the long run. In short, the telephone billing and collection statistics provided by companies and the telephone complaint data are tools for assessing or evaluating company performance in customer services and recommending company improvement in problem areas.

The reporting requirements now contained in §64.201 are inconsistent with billing and suspension provisions at Sections 64.21 and 64.63, do not reflect the current status of the telephone industry's billing and collection practices and do not permit timely reporting of key collection statistics. Consequently, the collection statistics reported by LECs, as currently required by §64.201, are inadequate to evaluate company performance relative to billing and collection. The Commission at a public meeting held April 13, 1995 adopted an order that will revise the present reporting requirement to: (1) reflect changes in the telephone industry which have occurred such as multiple balance billing (by basic, nonbasic, and toll); (2) separately identify LEC revenues and write-offs; (3) clarify existing wording; (4) make reporting more uniform and (5) increase the frequency of reporting to enable the Commission to better monitor LECs' customer service.

On May 24, 1995 the Independent Regulatory Review Commission approved regulations that will revise §64.201, the LEC reporting requirements (see Appendix C, Table 2). The Bureau believes that these revisions will correct the current reporting deficiencies and improve the overall quality of telephone collection data. The final regulations require telephone utilities to provide the Commission with reliable residential collection data in a report format that reflects multiple balance billing. This revised reporting format will enable the Commission to identify the nature of payment problems, to

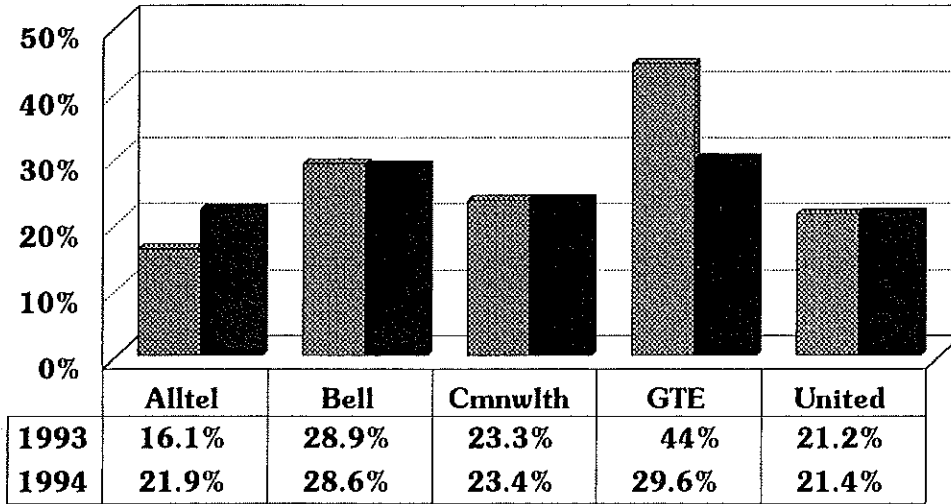
assess the true financial risk of amounts owed and written off for services for which LECs are at risk and to evaluate the impact of uncollectible revenues on ratepayers. In addition, LECs with 50,000 or more residential customers are required to file quarterly reports to ensure that the Commission can effectively monitor the effects of changes in company policy and respond quickly to any adverse impacts these policies may have on residential customers.

Meanwhile, the Bureau's analysis of companies' collection practices will be limited until the revisions to the reporting requirements are fully implemented. Even so, the conclusions below regarding overdue accounts, terminations and weighted arrearages are generally sound. Unfortunately, the Bureau cannot provide the Commission with a complete analysis of telephone companies' service suspensions and write-offs until all companies are required to report this information in the multiple balance billing format. Again, the Bureau is hopeful that it will be able to provide the Commission with a thorough assessment of the telephone industry's collection practices once these reporting deficiencies are corrected through full implementation of the revised reporting requirements.

### **Overdue Customers**

In an average month in 1994, there were 1,258,899 telephone customers that were delinquent in paying their telephone bills. Comparisons among companies of the number of telephone customers who are in arrears cannot be made purely on a numerical basis because of substantial differences in company size. The Bureau uses the percentage of customers who are overdue to make this comparison. The Commission can use this statistic to monitor how well telephone companies are managing overdue accounts and to indicate the level of risk that companies face. In practice, the percentage of customers who are overdue reflects a company's relative success at collecting its bills (see Graph 2).

**Graph 2 — Percentage of Customers Overdue**



■ 1993 ■ 1994

Cmnwlth=Commonwealth

***Among the findings revealed in Graph 2:***

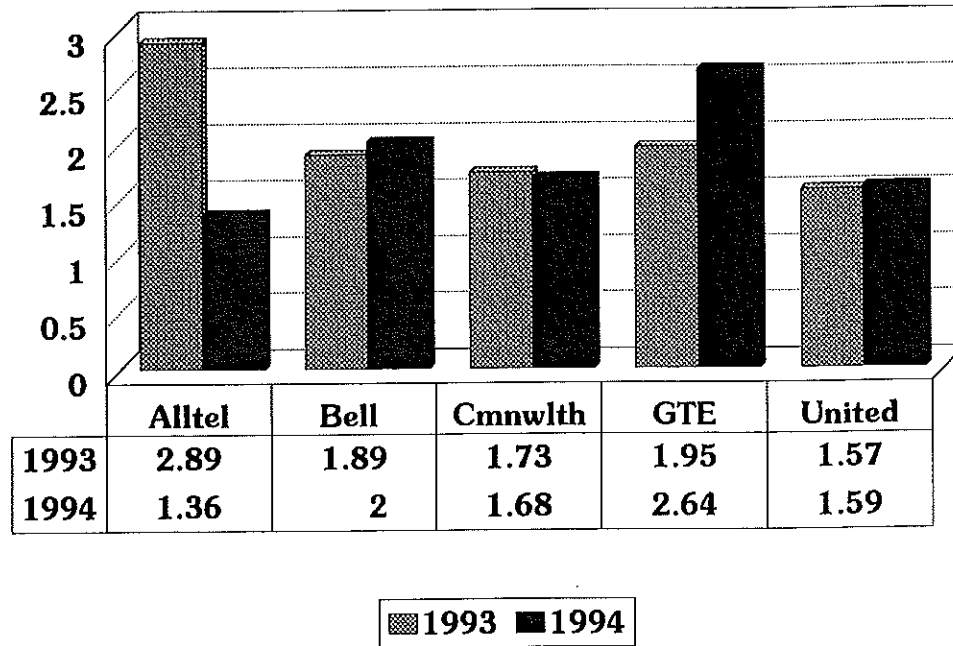
- GTE was considerably more successful at collecting unpaid bills in 1994 than in 1993. Even so, for the fourth consecutive year, GTE had the highest percentage (29.6%) of customers overdue among the major companies. The Bureau commends the company for its efforts in substantially reducing overdue accounts.
- Bell's percentage of overdue customers remained stable in 1994.
- Commonwealth's percentage of overdue customers remained stable from 1993 to 1994.
- Alltel's percentage of overdue accounts increased from 1993 to 1994. However, Alltel's percentage of customers overdue (21.9%) was next to the lowest among major companies in 1994.
- United had the lowest percent of customers overdue in 1994.

## Weighted Arrearage

The amount of money owed by overdue residential customers may indicate the financial risk faced by individual telephone companies. These amounts varied substantially from company to company in 1994. Therefore, the Bureau uses the statistic called weighted arrearage to make comparisons of the extent of payment problems among companies. The weighted arrearage balances out the differences in arrearages which are due to differences in bill amounts. Weighted arrearage is calculated by dividing the monthly average overdue bill by the monthly average bill. Thus, the effectiveness of telephone company collection activities can be evaluated by identifying the number of average bills in the average overdue bill.

The Bureau's research shows that it is difficult to collect bills that have gone unpaid for a long time. Generally, the older the arrearage, the greater the risk that the account will be written-off. Thus, the lower the weighted arrearage score, the better the collection system performance. Graph 3 compares individual company weighted arrearage scores for 1993 and 1994.

**Graph 3 — Weighted Arrearage**



Cmnwlth=Commonwealth

### ***Among the findings revealed in Graph 3:***

- GTE's weighted arrearage score went from 1.95 in 1993 to 2.64 in 1994. As a result of this increase, GTE had the worst weighted arrearage score in the industry in 1994. The Bureau encourages GTE to explore what additional improvements the company can make to reduce arrearages.
- In 1994, Bell experienced a slight increase in its weighted arrearage score which resulted in the company's having the next to the worst weighted arrearage score.
- Commonwealth's weighted arrearage score improved from 1993 to 1994.
- United had next to the best weighted arrearage score (1.59) in 1994. United's weighted arrearage score represented a little more than one and a half average bills.
- Alltel experienced a substantial improvement in its weighted arrearage score. The company's weighted arrearage score went from 2.89 in 1993 to 1.36 in 1994. This is the first time in five years that Alltel's weighted arrearage score is not the worst in the industry. In fact, Alltel's weighted arrearage score is the best in the industry for 1994. The Bureau commends the company for its efforts.

### **Suspension of Basic Telephone Service**

Suspension is the temporary cessation (i.e., interruption) of telephone service without the customer's consent and is typically due to the customer's failure to pay the telephone bill in a timely manner. Companies must follow proper suspension procedures as outlined in Chapter 64 before a customer's service can be suspended for nonpayment. In addition to the disruption that suspensions cause customers, a significant financial impact occurs to both the customer and the company. First, significant costs are incurred by the company through sending notices, making contacts with customers and carrying out suspension. Second, customers are required to pay substantial fees to secure reconnection of their service. This points to the need for a long-term analysis of suspension statistics and suspension practices. Therefore, it is important to examine suspension statistics that reflect the extent to which suspension is used (see Table 5).

According to the major companies there were over 200,000 residential service suspensions in 1994. However there is little uniformity in how companies track and report their suspension data. Alltel, Bell and United can identify how many suspensions of basic

service they have in a given month, but GTE and Commonwealth cannot. Therefore, the 1994 service suspension figures for GTE and Commonwealth are inflated compared to those reported for Alltel, Bell and United because they include basic, nonbasic and toll suspensions. GTE claims that information regarding the separation of suspension by service categories was not available. Commonwealth is able to report basic service suspensions separately, but since this is not required by Chapter 64, the company decided not to report these statistics separately. In order to correct this problem, companies will be required to report basic service suspensions as part of the Commission's revisions to §64.201 reporting requirements.

**Table 5 — Number of Residential Service Suspensions**

<b>Company</b>	<b>1993</b>	<b>1994</b>	<b>Percent Change 1993-1994</b>
Alltel	12,864	14,436	12%
Bell	272,844	153,900	-44%
Commonwealth	23,508	23,508	1%
GTE	87,816	59,844	-32%
United	14,652	12,144	-17
<b>Total</b>	<b>411,684</b>	<b>264,132</b>	<b>-36%</b>

***Among the findings revealed in Table 5:***

- Bell experienced a very significant decrease (44%) in the number of basic service suspensions from 1993 to 1994. Bell, in cooperation with BCS, made significant changes to the company's collection policies and procedures related to customer payment agreements in 1993. It appears that these procedures have made a positive impact on the companies ability to negotiate reasonable payment arrangements for basic service.
- GTE's suspensions fell 32% from 1993 to 1994. According to GTE, the company has been more proactive in identifying customers with special circumstances and can offer these customers payment arrangements to keep them on the system.



- United experienced a 17% drop in its number of basic service suspensions from 1993 to 1994.
- Commonwealth's suspensions remained stable from 1993 to 1994.
- Alltel experienced a 12% increase in the number of suspensions from 1993 to 1994.

### ***Suspension Rate***

As is true with other performance measures, differences in company size make it difficult to compare companies based on raw numbers of suspensions. Thus, a uniform measure is calculated to compare how often companies resort to suspension of residential service. The suspension rate, as shown in Table 6, is calculated by dividing the annual number of suspensions by the monthly average number of residential customers. This rate represents the percentage of residential service suspensions.

**Table 6 — Suspension Rate<sup>†</sup>**

Company	1993	1994
Alltel	7.92%	8.68%
Bell	7.58%	4.20%
Commonwealth	14.11%	14.03%
GTE	20.34%	13.18%
United	5.69%	4.63%
<b>Average<sup>*</sup></b>	<b>11.13%</b>	<b>8.94%</b>

†Annual suspensions as a percentage of the monthly average number of residential customers  
 \*Mean of Scores

Please Note: Suspension rates for Alltel, Bell and United represent basic service suspensions. Suspension rates for Commonwealth and GTE include basic, nonbasic and toll service suspensions.

**Among the findings revealed in Table 6:**

- As a group, the suspension rate for the telephone industry was lower in 1994 than in 1993. Alltel was the only company to experience an increase in its suspension rate from 1993 to 1994. The four other major companies (Bell, Commonwealth, GTE and United) experienced decreases in their suspension rates during this period.

### **Termination of Service**

Termination is the permanent cessation of service without the customer's consent. Termination of service occurs after a customer's service has been suspended. Companies have more suspensions than terminations because customers must go through the suspension process before their service is terminated. Many suspended customers pay their bills and avoid termination. Once termination takes place they cease to be customers. If customers who have their service terminated wish to reestablish their service, they must apply for service as new applicants - under 52 PA Code, Chapter 64 - with rights that are more limited than when they were established customers. This requirement makes it important for the Commission to examine both basic service suspensions and terminations. The major telephone companies terminated 108,420 residential service accounts in 1994 (see Table 7).

**Table 7 — Number of Residential Service Terminations**

<b>Company</b>	<b>1993</b>	<b>1994</b>	<b>Percent Change 1993-1994</b>
Alltel	3,228	3,252	1%
Bell	93,132	87,480	-6%
Commonwealth	3,144	2,772	-12%
GTE	14,220	8,988	-37%
United	5,976	5,928	-1%
<b>Total</b>	<b>119,700</b>	<b>108,420</b>	<b>-9%</b>

***Among the findings revealed in Table 7:***

- GTE terminated significantly fewer residential accounts in 1994 than in 1993. The Bureau finds this 37% decrease encouraging since it means that fewer households lost phone service in 1994.
- Bell had fewer terminations in 1994 than in 1993. Again, it appears that changes in Bell's collection procedures related to payment agreements may have enabled more customers to maintain their phone service.
- Commonwealth had fewer service terminations in 1994.
- Alltel's service terminations remained somewhat stable from 1993 to 1994.
- United's service terminations stayed the same in 1994.

***Termination Rate***

The Bureau calculates a uniform measure to compare how often companies terminate residential service. As with the suspension rate, the termination rate represents the percentage of residential customers whose service was terminated. The termination rate, as shown in Table 8, is calculated by dividing the annual number of terminations by the monthly average number of residential customers. For example, if the termination rate is 4%, then it means that the equivalent of 4% of the residential customers have service terminated annually (see Table 8).

**Table 8 — Termination Rate<sup>♦</sup>**

<b>Company</b>	<b>1993</b>	<b>1994</b>
Alltel	1.99%	1.95%
Bell	2.59%	2.39%
Commonwealth	1.89%	1.63%
GTE	3.29%	1.98%
United	2.32%	2.26%
<b>Average<sup>*</sup></b>	<b>2.42%</b>	<b>2.04%</b>

♦Annual terminations as a percentage of the monthly average number of residential customers.

\*Mean of Scores

***Among the findings revealed in Table 8:***

- Although Bell had fewer terminations in 1994, Bell's termination rate (2.39%) was the highest in the industry in 1994.
- Considering the significant decrease in the number of GTE's terminations, it is not surprising that the company's termination rate dropped from 3.29% in 1993 to 1.98% in 1994.
- United's termination rate remained stable from 1993 to 1994.
- Alltel's termination rate was next to the lowest in the industry in 1994.
- Commonwealth had the lowest termination rate (1.63%) in 1994 and the company maintained the lowest termination rate in the industry for the third consecutive year.

## **Residential Billings Written Off As Uncollectible**

Overdue accounts directly affect the cost of utility service in two ways. First, the cost of collecting hundreds of thousands of unpaid bills is substantial. Second, once an account is terminated, companies may issue a final bill for the amount that is owed. If companies are unable to collect final bills, they may write these amounts off as an uncollectible expense. These expenses increase the cost of service for all customers. Toll service accounts for the largest portion of unpaid telephone bills. Major companies reported that 60% of their overdue bills were due to unpaid toll services. Much of that unpaid toll service was service provided by long distance companies and other service providers. Long distance companies and other phone service providers may contract with local phone companies to bill and collect these toll charges. Most major companies have contracts with long distance companies for collecting unpaid toll bills. It is difficult for the Bureau to determine what portion of unpaid toll service is really an uncollectible expense for local companies since companies do not provide a breakdown of bills, revenues, and write-offs by basic, local toll and long distance toll service charges.

Uncollectibles can be presented as either gross write-offs or net write-offs. Gross write-offs are the amount of money in overdue accounts written off as uncollectible for the entire calendar year. Net write-offs are gross write-offs minus the amount of any previously written-off amount which was recovered by the company during the year. In 1994, telephone companies reported over \$92 million in gross write-offs and nearly \$79 million in net write-offs. Write-offs (within limits) are treated as an expense in traditional rate filings. This means that these losses may be recovered in the rates that customers pay. Unfortunately, the exact impact of write-offs cannot be reflected here because the statistics necessary for analyzing such an impact are not accurately reported by companies. In addition to providing the necessary statistics, companies should also be required to give the multiple balance breakdowns so the Bureau can assess the true impact of uncollectibles from various services.

In order to measure and compare the telephone industry's collection system performance relative to uncollectible accounts, the Bureau uses the statistic, "percentage of revenues written-off as uncollectible." The percentage of revenues written-off as uncollectible for telephone companies is calculated by dividing net write-offs by gross revenues. The Bureau uses telephone companies' net write-offs because they reflect the amounts actually lost. By using net write-offs in this calculation, the BCS can better measure the effectiveness of the telephone industry's ongoing collection activities (see Table 9).

**Table 9 — Percentage of Residential Billings  
Written Off As Uncollectible**

Company	1993	1994	Percent Change 1993-1994
Alltel	1.59%	2.74%	72%
Bell	2.88%	2.88%	No change
Commonwealth	1.20%	1.00%	-16%
GTE	5.14%	3.91%	-24%
United	1.29%	1.22%	-6%
<b>Average*</b>	<b>2.42%</b>	<b>2.35%</b>	<b>-3%</b>

\* Mean of Scores

***Among the findings revealed in Table 9:***

- GTE substantially reduced its percentage of revenues written off as uncollectible from 1993 to 1994. GTE attributes this improvement to the concentrated efforts of the company's National Credit Management Center. While the Bureau is encouraged by these efforts, GTE has more work to do in this area since its percentage of revenues written off as uncollectible remains the highest in the industry.
- Bell's percentage of revenues written off as uncollectible remained stable from 1993 to 1994, leaving the company with next to the highest percentage of revenues written off in the industry in 1994.
- As a result of a dramatic increase (72%), Alltel's percentage of revenues written off as uncollectible jumped from 1.59% in 1993 to 2.74% in 1994. The Bureau urges Alltel to make a concerted effort to reduce write-offs.
- United experienced a modest decline in its percentage of revenues written off as uncollectible, which gave the company the next to the lowest percentage of revenues written off as uncollectible.

- Commonwealth's percentage of revenues written off as uncollectible was less than half of the industry's average and the lowest among major companies in 1994. Commonwealth attributes these positive results with uncollectibles to the use of outside collection agencies which met with greater success in the collection of written-off accounts.

## **Chapter Summary**

### ***Overdue Accounts***

Overall, the percentage of customers overdue decreased from 29.2% in 1993 to 26.7% in 1994. This means that more than one in four residential customers was reported as having an overdue telephone bill during 1994. This level of overdue customers is significant because of the level of potential risk overdue bills present. Only through more effective collection policies can companies reduce the number of overdue customers and reduce the potential risk of uncollectible bills.

### ***Weighted Arrearage***

The weighted arrearage scores show that the major companies performance in this area varied. In 1994, the average overdue bill for the telephone industry represented slightly less than two months of average bills. Since it is harder for companies to collect older arrearages, the older the arrearage is, the more likely it will be written off. The Bureau urges the industry to continue to make improvements in collecting unpaid bills.

### ***Suspensions and Terminations***

As a group, the suspension rate for the telephone industry was higher in 1993 than in 1994. With the exception of Alltel, major companies (Bell, Commonwealth, GTE and United) experienced a decrease in their suspension rates. Unfortunately, the Bureau cannot determine what type of service suspensions (basic, nonbasic or toll) caused the rates to decrease in 1994 because this suspension information is not provided by basic, nonbasic and toll.

The major telephone companies had fewer service terminations in 1994. The Bureau believes that it is important to determine how suspension practices impact on the number of service terminations. However, the Bureau finds it difficult to determine how many basic service suspensions ended in terminations because of the way companies collect and report their residential basic suspension data.

### ***Residential Billings Written-Off As Uncollectible***

From 1993 to 1994, the percentage of revenues written off as uncollectible by major telephone companies decreased 3%. At first glance, this appears to be a modest decrease. Nevertheless, this comparatively modest decrease represents millions of dollars in revenue for the industry.



# 6 COMPLIANCE

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The activities of the Bureau of Consumer Services (BCS) include efforts to ensure that public utilities' practices and procedures conform to the standards of conduct for residential service established in statute and regulation, particularly 52 Pa. Code, Chapter 64. The purpose of Chapter 64 as stated in Section 64.1, is to "...establish and enforce uniform, fair, and equitable residential telephone service standards governing account payment and billing, credit and deposit practices, suspension, termination, and customer complaint procedures." During 1994, the BCS engaged in the following activities to improve compliance with applicable statutes and regulations relating to the treatment of residential telephone accounts: (1) in conjunction with the Commission's Law Bureau, BCS participated in an informal investigation consistent with sections 506 of the Public Utility Code, 66 Pa. C.S. 506, and 52 Pa. Code §3.113; (2) through a Customer Service Audit, BCS continued working with one particular utility to correct apparent compliance and customer service problems involving the utility's collection department; (3) BCS continued to use the informal compliance process whereby the Bureau provides utilities with specific examples of apparent violations of Chapter 64 so that utilities can use the errors to pinpoint and correct inappropriate practices.

## **Informal Investigations**

In February 1994, the BCS and the Law Bureau, consistent with Sections 506 of the Public Utility Code, 66 Pa. C.S. §506 and 52 Pa. Code §3.113, initiated an informal investigation of Commonwealth Telephone Company's compliance with 52 Pa. Code Chapter 64. To date, BCS has reviewed training materials, practices and procedures, and documents made available to it through the investigation. In addition, BCS staff has interviewed numerous Commonwealth Telephone employees regarding their duties and responsibilities relating to compliance with Chapter 64 as well as their perspective of Commonwealth's internal compliance process and how the company uses the BCS informal compliance process. Commonwealth is in the process of addressing those issues identified in the investigation.

## **Customer Service Audit**

In September 1993, after visiting Bell collection centers throughout the state, interviewing managers and collection representatives, observing contacts with customers, and examining training manuals and job aids, the Bureau of Consumer Services provided Bell Atlantic of Pennsylvania with recommendations directed at improving the company's delivery of customer service in the collections area. Based on concerns expressed by Bell

that the new procedures were not achieving what they were designed to, Bureau staff visited one collection center and determined that Bell had not properly implemented the Bureau's recommendations from the 1993 report. After a meeting with Bell, both Bell and BCS agreed that follow-up visits were needed to determine, among other things, the effects of the changes Bell implemented related to its collection policies and procedures. Also, in light of information gleaned from the informal compliance process that Bell was having significant problems with identifying and handling customer disputes, the Bureau requested and Bell agreed that a review of Bell's dispute handling process was appropriate as part of the field visits.

Beginning in the fall of 1994, Bureau staff again conducted interviews with customer service representatives and office managers and observed telephone contacts between Bell representatives and residential customers. Bureau staff then prepared a detailed report which was provided to Bell in May 1995, detailing staff's findings, presenting relevant information on which the conclusion of each finding was based, and where appropriate, recommending corrective action. As part of this audit, the Bureau will continue to monitor Bell's performance to determine its effectiveness in implementing the recommendations. As indicated earlier, the original focus of this review, to improve the company's delivery of customer service in the area of collections, has been expanded to include dispute handling. The Bureau anticipates that employing this audit method in addition to the informal compliance process will aid in ensuring that Bell representatives apply consistent standards in identifying disputes.

### **Informal Compliance Process**

The Bureau's primary compliance effort remains its informal compliance process. This process provides utilities with specific examples of apparent violations of Chapter 64. Utilities can use the information to pinpoint and voluntarily correct deficiencies in their customer service operations. The informal compliance process uses consumer complaints to identify, document, and notify utilities of apparent violations. A utility that receives notification of an apparent violation has an opportunity to refute the allegation of a violation. Failing to satisfactorily disprove the allegation, the utility is to take appropriate corrective action to prevent further occurrences. Corrective actions may entail modifying a computer program; revising the text of a notice, bill, letter or company procedure; or providing additional staff training to insure the proper implementation of procedures. The notification process also affords utilities the opportunity to receive written clarifications of Chapter 64 provisions and Commission and Bureau policies.

During 1993 and 1994 the Bureau determined that there were 4,042 informally verified violations of Chapter 64 by the five major local telephone companies under the PUC's jurisdiction. The significance of these informally verified violations is frequently

underscored by the fact that many informally verified violations represent systematic errors that are widespread and affect numerous utility customers. However, because the Bureau receives only a small fraction of the complaints customers have with their utility companies, the Bureau has only limited opportunities to identify such systematic errors. Therefore, the informal compliance process is specifically designed to identify systematic errors. Utilities must then investigate the scope of the problem and take corrective action.

Utilities that wish to avoid BCS compliance actions have several options. First, they may take advantage of the Bureau's informal compliance process. They can also develop their own information system to identify compliance problems by reviewing complaints before they come to the Commission's attention. Companies that analyze their mistakes and take appropriate corrective action can prevent the ill will generated when customers are denied their rights. Additionally, by tracking violations and treating them as potential error signals, utilities can locate problematic procedures and employee errors that cause violations and complaints. Company operations can then be improved to the satisfaction of the PUC, utility customers, and the utility management.

### **Data Analysis**

The following data and analysis come from the informal complaints filed with the PUC by residential customers during 1993 and 1994. The informally verified violation statistics for the five major telephone companies are presented by company and year in Table 10 and Graph 4. The data in Tables 11 and 12 show the sections of Chapter 64 most commonly violated by the five major companies based on compliance findings for the past two years.

The Bureau of Consumer Services views each informally verified violation as an error signal. A single infraction can suggest a system-wide misapplication of a particular section of the regulations. Because consumers are reluctant to complain, and because the PUC gets involved with only a small fraction of the total number of complaints to utilities, there is sufficient reason to believe that there are many violations occurring which will go undetected by the PUC. Therefore, the apparent violations that do come to the attention of the Bureau warrant careful analysis and consideration by the affected utility. The informal compliance process is intended to help utilities in their identification of deficiencies and consideration of corrective action. Additionally, findings from the other methods used by BCS to effect compliance with Chapter 64 support the perspective that informally verified violations often represent larger compliance problems.

Several considerations are important to keep in mind when viewing the aggregate informally verified violation figures. First, the data on the number of violations do not consider the causes of the individual violations. Some violations may be more serious

because of their systemic nature, and therefore may show ongoing or repetitive violations. Other violations may be more serious because they involve threats to the health and safety of utility customers.

Another consideration to keep in mind when viewing aggregate violation figures is that, as a performance measure, they are most important because they demonstrate infractions of PUC regulations. Therefore, while a utility may show a significant decrease in an aggregate figure, it should be kept in mind that the criterion for outstanding performance is zero violations.

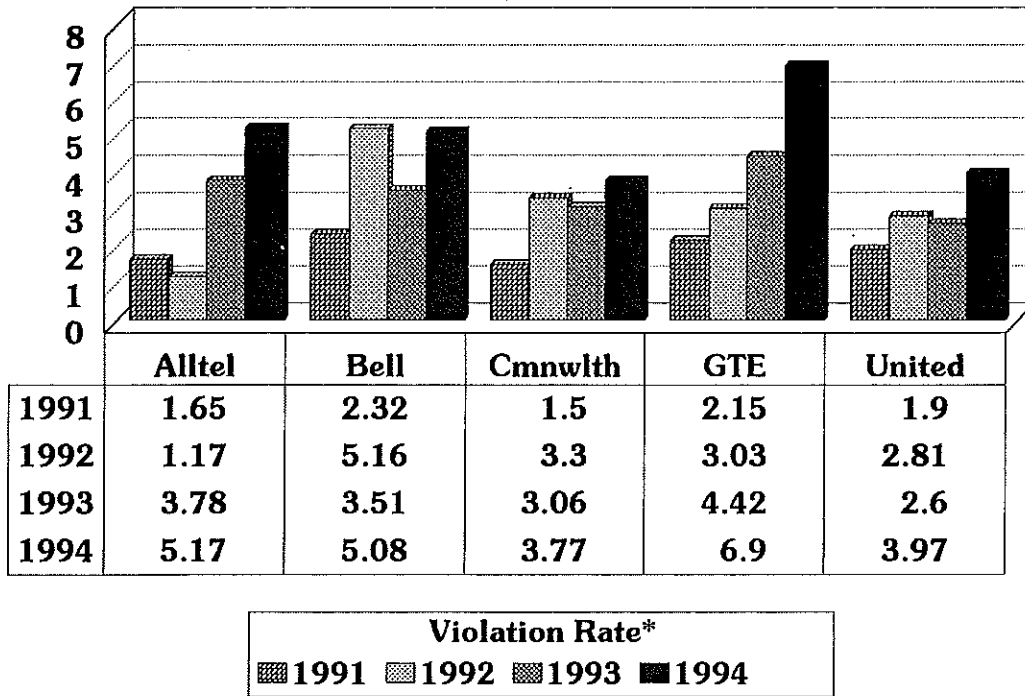
For these reasons, the aggregate figures presented in Tables 10-12 are considered by BCS along with other information that is case specific. The value of the aggregate figures is to depict apparent trends over time and point out extreme deviations.

**Table 10 — Informal Violations of Chapter 64**

<b>Company</b>	<b>1993 Verified</b>	<b>1994 Verified</b>	<b>1994 Pending</b>	<b>1994 Total*</b>
Alltel	43	86	1	87
Bell	1,264	1,859	383	2,242
Commonwealth	51	64	7	71
GTE	191	313	33	346
United	67	104	13	117
<b>Total</b>	<b>1,616</b>	<b>2,426</b>	<b>437</b>	<b>2,863</b>

\* The total number of apparent violations for 1994 (column 4) is comprised mostly of informally verified violations (column 2) and a smaller proportion of pending violations (column 3). The total number of violations for 1994 may increase as new violations are discovered and cited from customer complaints that originated in 1994, but are still under investigation by the Bureau. The final total number of apparent violations for 1994 may be equal to or even greater than the number reported in column four. The data used for this chapter was retrieved from the BCS' Compliance Tracking System as of May 10, 1995.

**Graph 4 — Violation Rate - 1991-1994**



**CMNWLTH = Commonwealth**

\* *The violation rate is the number of verified violations per 10,000 residential customers. The violation rate takes into consideration the number of violations in conjunction with the number of customers for each utility and therefore is a useful measure for making standard comparisons among utilities of unequal sizes. However, because the violation rate cannot distinguish systematic violations, the Bureau prefers to use the violation rate for each company as a general gauge of that company's compliance performance from year to year rather than for comparison to an industry average.*

***The highlights from Table 10 and Graph 4 include the following:***

- As presented in Table 10, compliance performance for the telephone industry has precipitously declined from 1993 to 1994 as the number of violations sharply increased.
- Not one of the five major telephone companies experienced a decrease in informally verified violations. Instead, each of the companies experienced, at a minimum, a 25% increase in violations from 1993 to 1994.
- Bell experienced a 47% increase in the number of verified violations from 1993 to 1994. After the outcome of the pending violations is determined, Bell's violation rate of 5.08 verified violations per 10,000 residential customers will most likely increase enough to surpass the 1992 violation rate of 5.16. Although not presented in Graph 4, a review of the data from 1987 through 1994 shows that this year's violation rate will be the highest for Bell since 1988.
- GTE experienced a 64% increase in the number of verified violations from 1993 to 1994. The 313 verified violations recorded in 1994 translates into a violation rate of 6.9 violations per 10,000 residential customers. A review of the data from 1987 through 1994, which is available in prior reports, reveals that this year's 6.9 violation rate represents GTE's worst compliance performance in seven years. The degree of deterioration causes concern.
- United, after experiencing a slight decrease of 6% in verified violations from 1992 to 1993, had a discouraging 55% increase from 1993 to 1994. The data presented in Table 10 and Graph 4 does not include the years prior to 1991; however, review of that data from previous years which is available in prior reports provides details of special interest. United's violation rate of 3.97 verified violations per 10,000 residential customers represents the highest violation rate for United in the last eight years.
- Commonwealth experienced a 25% increase in the number of verified violations from 1993 to 1994. Commonwealth's violation rate of 3.77 places it on an upward trend over the last three years, going from 1.5 violations per 10,000 residential customers in 1991 to almost 4 verified violations per 10,000 residential customers in 1994.

- Alltel again experienced the largest increase in the number of verified violations among the major telephone companies. After almost tripling the number of violations from 1992 to 1993, Alltel doubled the number of violations from 1993 to 1994 for a record 86 violations. That translates into a violation rate of 5.17, which means that in 1994, Alltel had 5.17 verified violations per 10,000 residential customers.

### **Distribution of Informally Verified Violations**

Tables 11 and 12 show the areas of Chapter 64 where compliance problems are most serious for the five major companies. Because about 78% of the residential telephone customers in Pennsylvania served by the five major companies are Bell customers and because more than 77% of the verified violations belong to Bell of Pennsylvania, the four other major companies are presented together in a separate table (Table 12). These tables can help the telephone companies focus on those areas of Chapter 64 most in need of company effort and attention.

**Table 11 — Most Commonly Violated Areas of Chapter 64  
Bell Atlantic-PA**

Section	1993		1994	
	N*	% <sup>■</sup>	N*	% <sup>■</sup>
§64.12-19 - Payment & Billing Standards	25	2%	83	4%
§64.21 - Separate Billing	0	---	0	---
§64.31-34 - Credit & Deposit Standards Policy	20	2%	36	2%
§64.61-63 - Grounds for Suspension	91	7%	82	4%
§64.71 - Notice Requirement Prior to Suspension	36	3%	51	3%
§64.72 - Suspension Notice Information	82	6%	152	8%
§64.73 - Notice of Suspension While Dispute Pending	9	1%	20	1%
§64.74 - Procedures Prior to Suspension	103	8%	147	8%
§64.101-107 - Emergency Provisions/Suspension of Service	13	1%	32	2%
§64.121 - Authorized Termination	48	4%	75	4%
§64.123 - Termination Notice Information	26	2%	42	2%
§64.133 - Termination While Dispute Pending	12	1%	16	1%
§64.141-142 - Dispute Procedures - Telephone Company	627	50%	908	49%
§64.153 - Informal Complaint Procedures	146	12%	161	9%
§64.181 - Restoration After Suspension	17	1%	24	1%
All Other Sections	9	1%	30	2%
<b>Total</b>	<b>1,264</b>		<b>1,859</b>	

<p>★ N = Number of verified violations.          ■ % = Percentage of the total number of verified violations.</p>
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***The highlights from Table 11 include the following:***

- Violation data continue to show that Bell has significant problems in the area of identifying and handling customer disputes. Previous reports show that over the last eight years, failure to fully comply with the dispute procedures set forth at §64.141-142, appears as either the number one or number two compliance problem for Bell. This, however, is the first time that it appears as the number one compliance problem two years in a row. In both 1993 and 1994 the actual number of verified violations of the dispute procedures is the highest in eight years, resulting in the highest percentage of total verified violations. In the past, violations of these provisions comprised only one-fourth to one-third of the total number of verified violations; whereas, in 1993 and in 1994, they constitute one-half.
- Compliance performance in the area of dispute handling appears to be in serious decline. Although dispute recognition and handling has always been a common compliance problem for Bell, performance in this area in the last two years should signal a need for the company to review dispute procedures and revise them where needed and then train the employees in a manner that habituates them to the use of effective dispute procedures.
- On a positive note, there were zero violations of the Separate Billing Provision (§64.21) of Chapter 64, in 1993 and again in 1994. Although data from prior years is not presented in this table, it was reviewed, showing that back in 1991, violations of this provision comprised 15% of Bell's total verified violations. Bell took corrective action by revising its termination notices and consequently decreased the number of verified violations to less than 1% in 1992. Prior to 1991, violations related to this provision could be expected to average 4% of the total violations.
- Informally verified violations of the Chapter 64 provisions that set forth procedures upon customer contact before suspension (§64.74), although up from 1993, remain relatively low compared to 1988 and 1989 when these violations comprised over a quarter of the total violations. Bell should continue working toward assuring that all its customers facing suspension receive the information to which they are entitled.

**Table 12 — Most Commonly Violated Areas of Chapter 64  
Alltel, Commonwealth, GTE, and United**

Section	1993		1994	
	N <sup>★</sup>	% <sup>■</sup>	N <sup>★</sup>	% <sup>■</sup>
§64.11-21 - Payment and Billing Standards	17	5%	33	6%
§64.32-34 - Credit Standards	14	4%	23	4%
§64.61-63 - Grounds for Suspension	24	7%	17	3%
§64.71-74 - Notice Procedures Prior to Suspension	93	26%	73	13%
§64.121 - Authorized Termination	18	5%	17	3%
§64.123 - Termination Notice Information	6	2%	8	1%
§64.133 - Termination While Dispute Pending	0	0%	13	2%
§64.141-142 - Company Dispute Procedures	138	39%	342	60%
§64.153 - Informal Complaint Procedures	22	6%	20	4%
§64.192 - Record Maintenance	6	1%	5	1%
All Other Sections	14	4%	16	3%
<b>Total</b>	<b>352</b>		<b>567</b>	

<p>★ N = Number of verified violations.          ■ % = Percentage of the total number of verified violations</p>
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***The highlights from Table 12 include the following:***

- Dispute handling continues to be *the* problem for these four major telephone companies. The numbers presented in Table 12 combine the total number of verified violations for Alltel, Commonwealth, GTE and United presented individually in Table 10. When creating Table 12, the most commonly violated areas of Chapter 64 were broken out for individual companies in order to arrive at a total for all four companies. Although data on most commonly violated areas of Chapter 64 are not presented for each company individually, it should be emphasized that data analysis was done for the individual companies before combining the data for Table 12 to assure that

no one company's performance would skew the data for the others. Two-thirds of Commonwealth's and GTE's verified violations in 1994 deal with company dispute procedures. Over half of United's verified violations for 1994 are related to dispute procedures. The data for Alltel show that four out of every ten violations from complaints registered with this Bureau in 1994 involve a failure to follow the company dispute procedures. The actual number of violations of §64.141 through §64.142 for these four companies more than doubled from 1993 to 1994. Alltel, GTE and Commonwealth all have more than twice as many verified violations of the dispute procedures in 1994 than in 1993. United has four times as many verified violations in that same period.

- Of the ten specific sections of Chapter 64 identified as the most commonly violated areas, only three show a discernible reduction in the number of verified violations from 1993 to 1994. The companies showed the greatest improvement in applying the provisions dealing with notice procedures prior to suspension. The 93 verified violations of §64.71-74 make up 26% of the total verified violations in that year; whereas, in 1994, there were 20 fewer violations comprising 13% of the total. It is still the second most commonly violated area of Chapter 64.
- The sections of Chapter 64 regarding Payment and Billing Standards posed a problem for these companies in 1994. In 1993, the verified violations of these sections comprised 5% of the total number of verified violations or 17. In 1994, that percentage became 6% of a much larger total number; the actual number of verified violations of these provisions almost doubled. This increase is particularly disheartening because last year's report noted that this was the only area where companies showed a measurable improvement.
- A new area of concern is §64.133. This provision prohibits companies from suspending or terminating a service until the resolution of a properly registered dispute. In 1993, there were no recorded verified violations of this provision; in 1994, there were 13 verified violations.

## **Chapter Summary**

Although this year's compliance picture appears bleak, some patterns emerge which indicate the possibility of improvement in the future. The number of informally verified violations gleaned over the last two years demonstrates that the telephone industry has not achieved routine compliance with the Chapter 64 residential service regulations. All five of

the major companies suffered a decline in compliance performance from 1993 to 1994. For some, the decline was significant.

The emergence of dispute handling as the number one compliance problem for all five major companies brings with it bad news and good. The bad news is that after ten years, companies are still unable to properly identify and handle disputes. The good news is that Customer Service Audits by the Bureau of Consumer Services in addition to the informal compliance process, may serve to uncover the reasons why determining customer satisfaction, properly identifying disputes, and treating disputes in accordance with the company dispute procedures set forth in Chapter 64 poses such a problem for the local telephone companies.

# 7 CONCLUSION

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This seventh annual telephone report presents the Bureau's assessment of the telephone industry's customer service performance for the year 1994. The primary focus of this report is the Bureau's complaint handling activity relative to the five major companies: Alltel, Bell, Commonwealth, GTE, and United. This report provides a comprehensive analysis of telephone complaints, an analysis of telephone company collection activities, and an analysis of telephone violation statistics.

## **Telephone Company Performance**

The Bureau uses quantitative and qualitative performance measures to evaluate company performance. The first measure is the consumer complaint rate which is a measure of relative complaint frequency. Justified percent is a qualitative indicator which measures the quality of companies' complaint handling. Justified rate is the most important measure of companies' effectiveness at handling complaints by accounting for quality and quantity. The fourth measure is response time. Telephone response time reflects the quality of dispute handling and the record keeping that is required under PUC regulations. In addition to the analysis related to consumer complaints, the Bureau provides an analysis of measures related to unpaid accounts to compare company performance at billing and collection. Finally, a review of violation statistics assesses companies' performance at operating in compliance with the Commission's regulations.

## **Telephone Complaints**

From 1993 to 1994, the total number of complaints against the telephone industry remained stable. The number of complaints went from 5,695 in 1993 to 5,646 in 1994. However, there were significant changes in the types of complaints filed against the telephone industry. The number of billing related complaints increased substantially, while service related complaints increased slightly and suspension related complaints declined.

The Bureau uses several performance measures to assess the quality of company customer services. The justified complaint rate is the most important indicator of a company's overall effectiveness at handling customer complaints. This year the Bureau refined this measure to give more consideration to the quality of complaint handling. Simply put, the new justified complaint rate is a better indicator of company effectiveness. With the exception of one company, the major telephone companies' effectiveness improved slightly from 1993 to 1994.

## Collection Statistics

Over the last five years, the quality of collection information has shown some improvement. However, the overall reliability of this data is poor. This problem is primarily due to deficiencies in the reporting requirements and further compounded by companies providing the Bureau with inaccurate and incomplete data. The Commission, at a public meeting held April 13, 1995, adopted an order that will revise the present reporting requirement to: (1) reflect changes in the telephone industry which have occurred such as multiple balance billing (by basic, nonbasic, and toll); (2) identify local exchange carrier revenues and write-offs; (3) clarify existing wording; (4) make reporting more uniform; and (5) increase the frequency of reporting to enable the Commission to better monitor customer service. On May 24, 1995 the Independent Regulatory Review Commission approved these final regulations that will revise the reporting requirements. The Bureau believes that these revisions will correct the current reporting deficiencies and improve the overall quality of telephone collection data.

Although the Bureau is unable to provide a comprehensive analysis of all the important aspects of telephone company collection practices (i.e. suspension, write-offs), the Bureau's findings based on the remaining collection statistics suggest that telephone industry collection practices were not entirely effective. The number of service terminations decreased 9% from 1993 to 1994. The average amount owed in overdue telephone bills, as measured by weighted arrearage scores, decreased 8% from 1993 to 1994. Telephone industry uncollectibles, as measured by net write-offs, increased from \$76 million in 1993 to over \$78 million in 1994. It appears from the data reported that the telephone industry's collection performance needs improvement. Yet, the Bureau cannot conduct a thorough assessment of the telephone industry collection practices or effectively monitor changes in collection practices until the revisions to the current requirements are fully implemented.

## Compliance

The Chapter 64 Standards and Billing Practices for Residential Telephone Service are an example of the Pennsylvania Public Utility Commission's concern with consumer issues and rights. These regulations were intended to benefit all residential telephone ratepayers by replacing the wide disparities in practices and procedures present within the telephone industry in Pennsylvania ten years ago with fair, equitable, and uniform standards governing account payment and billing, credit and deposit practices, suspension, termination, and customer complaint procedures. The information in this report demonstrates that the Commission, primarily through its Bureau of Consumer Services (BCS), is fulfilling its enforcement responsibilities relative to Chapter 64. The report shows that the five major telephone companies have not fully met their responsibility under Chapter 64. Although the Chapter 64 regulations have been in effect for ten years, the

four thousand informally verified violations gleaned by BCS investigators from informal complaints in the last two years indicate that the local telephone companies have not fully incorporated Chapter 64 into their daily customer service operations. More specifically, with 50% of the verified violations related to dispute identification and handling, the companies apparently have not fully incorporated the Chapter 64 dispute procedures into their daily customer service operations and have not established uniform standards for identifying and handling disputes.

The goal of the Bureau of Consumer Services is to effect full compliance with these Chapter 64 standards. Through the compliance activities reviewed in this report, the BCS will continue its efforts to ensure that all residential telephone ratepayers who receive telephone service from local exchange carriers regulated by the PUC are treated in a fair and equitable manner. The Bureau will continue to use the informal compliance notification process, informal investigations, customer service audits and formal complaints to effect compliance with these PUC standards. The telephone companies would do well to concentrate on implementing an effective dispute resolution process; one that enables company representatives to properly identify, investigate and adequately respond to disputes.

### **Individual Company Performance**

This report presents an assessment of individual company performance as well as telephone industry performance. The Bureau of Consumer Services evaluates and ranks company customer service performance in three areas: complaint handling, collections and compliance. The Bureau's assessment of individual performance, as measured by the performance measures discussed earlier, shows that company performance ranged from significantly better than average to significantly worse than average. Of all the major companies, GTE's performance was significantly worse than average in 1994. Although GTE made modest gains in the area of collections from 1993 to 1994, it was not enough to improve GTE's overall customer service ranking. Bell's overall customer service ranking deteriorated from average to worse than average in 1994. Alltel's customer service performance was average. United's performance slipped from being significantly better than average in 1993 to better than average in 1994. Commonwealth's performance was significantly better than the industry average in 1993. However, the performance measures used to evaluate major companies' customer service demonstrate that none of the major companies showed substantial improvement in all three areas, particularly in the area of compliance.

Finally, the Bureau has urged the major telephone companies to make a sincere effort to improve their customer services performance. There is substantial evidence that companies that make a sincere effort to improve their customer services operations have

been successful. Thus, it is the Bureau's policy to help companies with their efforts at monitoring customer service operations. The Bureau provides companies with periodic reviews of their collection and complaint procedures. In addition, the Bureau provides most of the data used in this report to companies each quarter. With these tools, companies that seek to improve their performance and confront problems can determine causes for problems. Moreover, companies can then correct problems and respond appropriately before Bureau intervention becomes necessary. However, the Bureau will focus its compliance efforts on those companies that choose to ignore problems and do not act to address deterioration of their customer service performance.



## APPENDIX A

**Table 1 — Residential Complaints (1990-1994)**

Company	Number of Complaints				
	1990	1991	1992	1993	1994
Alltel	70	46	42	95*	101
Bell	2,250	2,802	3,746	4,956	4,971
Commonwealth	68	43	37	107	86
GTE	211	230	211	309	306
United	90	84	135	228	182
<b>Total</b>	<b>2,689</b>	<b>3,205</b>	<b>4,171</b>	<b>5,695</b>	<b>5,646</b>

**\*Combined total of Alltel, Brookville & Murraysville**

**Table 2 — Percent Change in Number of Residential Complaints (1990-1994)**

Company	Percent Change in N				Percent Change in N 1990-1994
	1990 - 1991	1991 - 1992	1992 - 1993	1993 - 1994	
Alltel	-34%	-9%	52%	6%*	44%
Bell	25%	34%	32%	No Change	121%
Commonwealth	-37%	-14%	189%	-20%	26%
GTE	41%	-16%	46%	-1%	45%
United	-7%	61%	69%	-20%	102%
<b>Total</b>	<b>19%</b>	<b>30%</b>	<b>36%</b>	<b>-1%</b>	<b>110%</b>

**\*Combined total of Alltel, Brookville & Murraysville**

**Table 3 — Complaint Rate  
(1990 - 1994)**

Company	Complaint Rate				
	1990	1991	1992	1993	1994
Alltel	.65	.42	.38	.59	.61 <sup>†</sup>
Bell	.64	.79	1.04	1.38	1.36
Commonwealth	.43	.27	.23	.64	.51
GTE	.43	.59	.49	.72	.67
United	.37	.34	.53	.89	.69
<b>Average</b>	<b>.57</b>	<b>.46</b>	<b>.53</b>	<b>.84</b>	<b>.77</b>
<b>1990-1994 (Average Rate)</b>		<b>.63</b>			

<sup>†</sup>Combined total of Alltel, Brookville & Murraysville

## APPENDIX B

**Table 1 — Residential-Commercial Complaints  
Industry Proportion  
(1994)**

Industry	Total Consumer Complaints	Residential Consumer Complaints	Percent Residential	Commercial Consumer Complaints	Percent Commercial
Electric	2,095	1,916	91%	179	9%
Gas	1,419	1,334	94%	85	6%
Telephone	6,549	5,925	90%	624	10%
Water	732	695	95%	37	5%
Other	37	36	97%	1	3%
<b>Total</b>	<b>10,832</b>	<b>9,906</b>	<b>91%</b>	<b>926</b>	<b>9%</b>

**Table 2 — Monthly Average Number of Residential Customers  
(1994)**

Alltel	166,373
Bell	3,660,290
Commonwealth	169,707
GTE	453,914
United	262,183
<b>Total</b>	<b>4,712,467</b>

## APPENDIX C

**Table 1 — §64.201 Reporting Requirements**

- (1) Average number of residential customers
- (2) Average customer bill per month
- (3) Average number of overdue customers per month
- (4) Amount overdue bill per month
- (5) Average number of customers suspended per month
- (6) Average number of suspension notices per month
- (7) Average number of accounts terminated per month
- (8) Gross revenues from all residential accounts
- (9) Gross and net write-offs of uncollectible accounts
- (10) Total number of customer disputes handled

## APPENDIX C

**Table 2 — §64.201 Revised Reporting Requirements**

- (1) The average number of residential accounts per month.
- (2) The average residential customer bill per month for each of the following:
  - (i) Basic service.
  - (ii) Nonbasic service.
  - (iii) Toll service.
  - (iv) Total amount due (i+ii+iii).
- (3) The average number of overdue residential accounts per month.
- (4) The average overdue residential customer bill per month for:
  - (i) Basic service.
  - (ii) Nonbasic service.
  - (iii) Toll service.
  - (iv) Total amount overdue (i+ii+iii).
- (5) The average number of residential basic service suspension notices sent per month.
- (6) The average number of residential basic service suspensions per month.
- (7) The average number of residential basic service terminations per month.
- (8) Local exchange carrier gross revenue from all residential accounts separated as follows:
  - (i) Basic service.
  - (ii) Nonbasic service.
  - (iii) Toll service.
  - (iv) Total revenue (i+ii+iii).
- (9) Local exchange carrier gross write-offs of uncollectible residential accounts separated as follows:
  - (i) Basic service.
  - (ii) Nonbasic service.
  - (iii) Toll service.
  - (iv) Total gross write-offs (i+ii+iii).
- (10) Local exchange carrier net write-offs of uncollectible residential accounts separated as follows:
  - (i) Basic service.
  - (ii) Nonbasic service.
  - (iii) Toll service.
  - (iv) Total net write-offs (i+ii+iii).
- (11) The total number of Chapter 64 disputes handled.

## APPENDIX D

### Table 1 — Consumer Complaints Specific Problems

CHAPTER 64					
Company	1993 N	Complaint Rate	1994 N	Complaint Rate	1993-1994 % Change in N
Alltel	13*	.08	36	.22	177%
Bell	487	.14	922*	.25	89%
Commonwealth	33	.20	26	.15	-21%
GTE	102	.24	101	.22	-1%
United	41	.16	64	.24	56%
<b>Total</b>	<b>676</b>		<b>1,149</b>		<b>70%</b>
<b>Average</b>		<b>.16</b>		<b>.22</b>	
NON-CHAPTER 64					
Alltel	30*	.18	22	.13	-27%
Bell	544	.15	611*	.17	12%
Commonwealth	23	.14	13	.08	-43%
GTE	89	.21	86	.19	-3%
United	58	.23	29	.11	-50%
<b>Total</b>	<b>744</b>		<b>761</b>		<b>2</b>
<b>Average</b>		<b>.18</b>		<b>.14</b>	
SUSPENSIONS					
Alltel	31*	.19	29	.17	-6%
Bell	3,594	1.0	3,244*	.89	-10%
Commonwealth	23	.14	24	.14	4%
GTE	79	.18	74	.16	-6%
United	110	.43	64	.24	-42%
<b>Total</b>	<b>3,837</b>		<b>3,435</b>		<b>-10%</b>
<b>Average</b>		<b>.39</b>		<b>.32</b>	

<p>*Includes Brookville and Murraysville          *Based on a probability sample of cases</p>
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## APPENDIX D

### Table 2 — Justified Percent Specific Problems

#### CHAPTER 64

Company	1993	1994	Net Change 1993-1994
Alltel	46%*	42%	-4%
Bell	44%	31% <sup>†</sup>	-13%
Commonwealth	78%	38%	-40%
GTE	63%	53%	-10%
United	37%	45%	8%
<b>Average</b>	<b>54%</b>	<b>42%</b>	<b>-12%</b>

#### NON-CHAPTER 64

Alltel	23%*	23%	No Change
Bell	38%	24% <sup>†</sup>	-14%
Commonwealth	5%	31%	26%
GTE	49%	37%	-12%
United	29%	24%	-5%
<b>Average</b>	<b>29%</b>	<b>28%</b>	<b>-1%</b>

#### SUSPENSIONS

Alltel	45%*	55%	10%
Bell	40%	26% <sup>†</sup>	-14%
Commonwealth	43%	25%	-18%
GTE	56%	66%	10%
United	55%	39%	-16%
<b>Average</b>	<b>48%</b>	<b>42%</b>	<b>-6%</b>

<p>*Includes Brookville and Murraysville  <sup>†</sup>Based on a probability sample of cases</p>
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## APPENDIX D

### Table 3 — Response Time Specific Problems

CHAPTER 64			
Company	Average Time in Days 1993	Average Time in Days 1994	Net Change 1993-1994
Alltel	9*	5	4
Bell	20	19 <sup>♦</sup>	1
Commonwealth	8	6	2
GTE	13	11	2
United	14	13	1
<b>Average</b>	<b>13</b>	<b>11</b>	<b>2</b>
NON-CHAPTER 64			
Alltel	9*	4	-5
Bell	21	19 <sup>♦</sup>	-2
Commonwealth	6	5	-1
GTE	14	9	-5
United	12	11	-1
<b>Average</b>	<b>12</b>	<b>10</b>	<b>-2</b>
SUSPENSIONS			
Alltel	9*	3	-6
Bell	14	17 <sup>♦</sup>	3
Commonwealth	8	9	1
GTE	14	8	-6
United	14	13	-1
<b>Average</b>	<b>12</b>	<b>10</b>	<b>2</b>

<p>*Includes Brookville and Murraysville  <sup>♦</sup>Based on a probability sample of cases</p>
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## APPENDIX D

### Table 4 — Justified Complaint Rate Specific Problems

CHAPTER 64			
Company	1993	1994	Net Change 1993-1994
Alltel	.04*	.10	.06
Bell	.06	.08 <sup>♦</sup>	.02
Commonwealth	.17	.08	-.09
GTE	.16	.13	-.03
United	.07	.13	.06
<b>Average</b>	<b>.10</b>	<b>.10</b>	<b>No Change</b>
NON-CHAPTER 64			
Alltel	.05*	.04	-.01
Bell	.05	.04 <sup>♦</sup>	-.01
Commonwealth	.01	.03	.02
GTE	.10	.08	-.02
United	.05	.03	-.02
<b>Average</b>	<b>.05</b>	<b>.04</b>	<b>-.01</b>
SUSPENSIONS			
Alltel	.09*	.11	.02
Bell	.25	.23 <sup>♦</sup>	-.02
Commonwealth	.07	.05	-.02
GTE	.10	.12	.02
United	.25	.11	-.14
<b>Average</b>	<b>.15</b>	<b>.12</b>	<b>-.03</b>

<p>*Includes Brookville and Murraysville  <sup>♦</sup>Based on a probability sample of cases</p>
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## APPENDIX E

### Major Problem Categories for Inquiries and Opinions\* 1994

Category	Number	Percent
Referral to company	7,941	39.1
Referral to Other BCS/Other Bureau	2,248	11.1
Referral to Other Agency	4,394	21.6
Specific Information Request	3,980	19.6
Rate Protest and Opinion	554	2.7
Opinion - General	222	1.1
Company Changed	143	0.7
Duplicate	102	0.5
Verbally Dismissed	102	0.5
No Jurisdiction	87	0.4
Other	542	2.7
<b>Total</b>	<b>20,315</b>	<b>100.0</b>

\*Includes non-telephone inquiries and opinions.