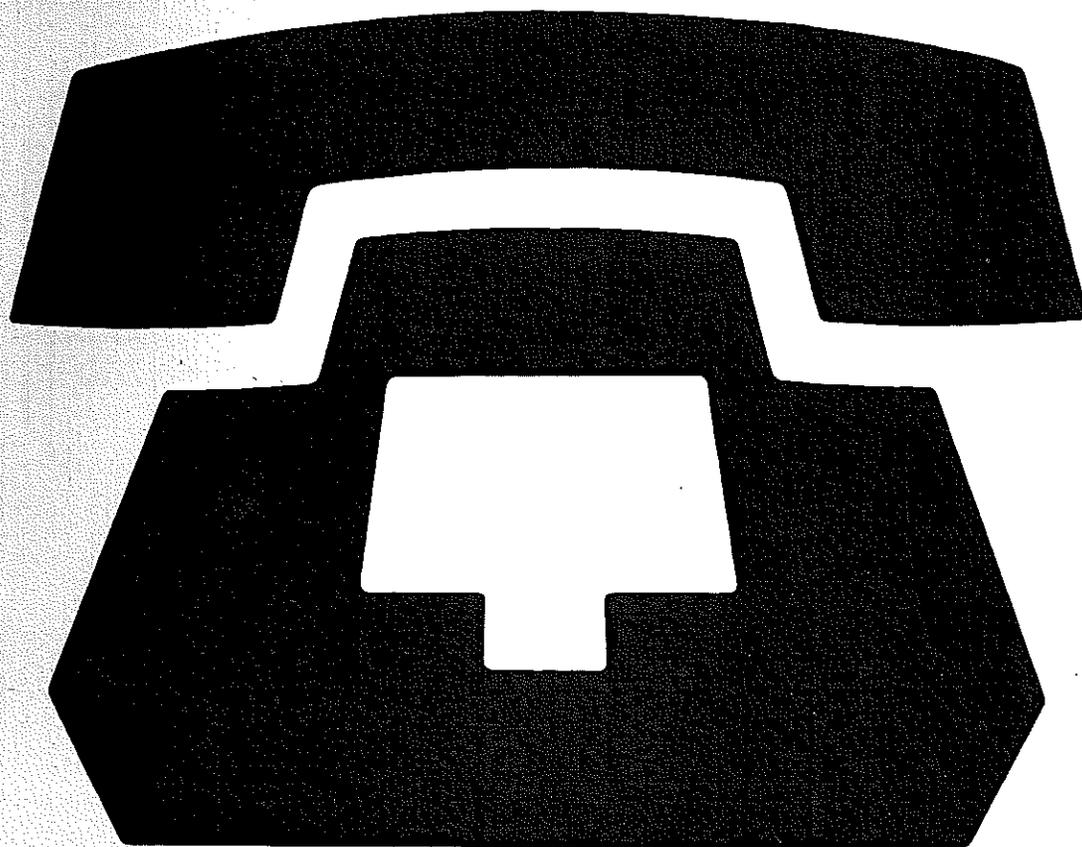


Consumer Services Activity Report

Telephone Utilities 1989



Pennsylvania Public Utility Commission
Bureau of Consumer Services
Joseph W. Farrell, Director

FOR IMMEDIATE RELEASE

Annual Telephone Activity Report
Bureau of Consumer Services
Pa. Public Utility Commission
(This is the Bureau's Summary of the Report)

This is the second annual telephone activity report which evaluates telephone consumer complaints to the Public Utility Commission's Bureau of Consumer Services. The report covers activity related to the six major telephone companies. These companies are Alltel, Bell, Commonwealth, Continental (Contel), General, and United. Contacts regarding this report should be with Joseph W. Farrell, Director, Bureau of Consumer Services (717) 783-5391.

During 1989, the Bureau handled 2,665 complaints from residential customers regarding problems with major telephone companies. Several studies have found that only a small percentage of dissatisfied consumers complain about unsatisfactory products or services. Only a fraction of these consumers seek assistance from regulatory agencies to resolve their complaints. The Bureau's experience reflects this fact. Over the past twelve years, the Bureau has found that a seemingly small number of individual complaints from utility customers are often indicators of problems that many consumers encounter with their utility companies.

Report Highlights

- * In 485 of the contacts regarding the major companies, the Bureau recovered \$116,434 for telephone customers through billing adjustments in 1989.
- * The telephone industry improperly handled more consumer complaints in 1989 than in 1988. Overall, major companies had 15% more complaints that were deemed justified in 1989. As an industry, the major telephone companies compare very unfavorably to the electric, gas, and water industries on the percent of justified complaints.
- * Based on several measures of company performance, Bell's overall customer service performance was the worst in the telephone industry in 1989. Bell had the worst justified rate, an important measure of company effectiveness, and had next to the highest violation rate in 1989. Bell's response time of 35 days was the worst in the industry in 1989. The Bureau is very concerned with Bell's performance.
- * In contrast to Bell, Commonwealth's overall customer service performance was the best in the industry in 1989. Commonwealth scored well above the industry average on several measures. Commonwealth had the lowest violation rate and the best justified rate in the industry. In addition, Commonwealth's response time of 14 days was the best in the

industry. It appears that Commonwealth was the most effective major telephone company at handling customer problems.

- * On an average, it took major telephone companies two days longer to respond to the Bureau of Consumer Services about complaints in 1989 than it did in 1988.
- * One out of five residential customers of major telephone companies was behind in paying their telephone bills in an average month in 1989.
- * From 1988 to 1989, four out of the six major companies' compliance performance improved, yielding a 57% decline in the number of verified violations. Commonwealth was well above the rest of the major companies with the best record in keeping down violations. General had the next best record in this respect. United and Bell were well below the industry average. United and Alltel were the only major companies whose compliance performance deteriorated in 1989. Alltel had the worst violation rate in 1989.

Policy Issues

Consumers also complain to the Commission about problems they have with other entities that provide telephone service. Most often, these complaints are part of a complaint about a local telephone company or long distance company. In many cases, these problems are related to the policy issues discussed below.

COCOT Enforcement

The Bureau continues to receive complaints concerning coin telephones. These complaints are often about the higher rates customers are charged to use Customer Owned Coin Operated Telephones (COCOTs). In these cases, customers unknowingly accessed an Operator Service Provider whose charges exceeded that of their preferred carrier.

Slamming

The term "Slamming" describes the unauthorized changing of a residential customer's easy access (1 plus) long distance provider. Typically, a consumer receives a call from someone representing a long distance carrier advocating the benefits of changing to their service. Even though the consumer does not authorize a change, the long distance carrier orders the local exchange company to change the customer's long distance provider. While the Bureau received only 16 "Slamming" complaints in 1989, the industry reports widespread complaints about this practice from their customers.

900 Numbers

The Bureau has received a steady flow of consumer complaints disputing both the charges and the services offered by 900 information providers. Complaints about these types of calls include not being told there is a cost to call the 900 number, not receiving the gift or prize in response to the call or not being able to obtain the advertised information. Although 900 call blocking is available to most telephone customers, it appears that few customers know about it.

Interexchange Carrier Billing Complaints

The Bureau continues to receive numerous complaints from consumers about interexchange carrier (long distance) charges that are billed by the local company. The problem from the customers' perspective appears to be a lack of coordination between the interexchange company and the local company. Moreover, customers are confused about whether the interexchange carrier or the local company is responsible for handling their complaints.

DETAILED REPORT FINDINGS

The following presents the findings of the report in more detail.

Telephone Complaints

Consumer complaints involve problems related to billing, credit and deposits, rates, and service. Company complaint handling performance is evaluated and compared by using four measures.

- 1) The consumer complaint rate is a measure of relative complaint frequency that takes into account the number of customers served by each company. Unusually high complaint rates can reveal patterns or trends that warrant further investigation by the utility and perhaps the Bureau.
 - * Bell had the worst complaint rate among the six major companies for the second consecutive year.
 - * Commonwealth experienced the largest percentage decrease in the number of complaints from 1988 to 1989. As a result of this decrease Commonwealth's complaint rate improved to the best in the industry in 1989.
 - * Complaints against United increased by 6% from 1988 to 1989. This resulted in United's complaint rate dropping from the best in the industry.

- 2) Justified percent represents the percent of cases which are justified. Justified percent is a qualitative indicator which measures the quality of companies' complaint handling. A case is considered "justified" if it is found that the company has not handled a dispute properly or effectively or that the company was in violation of a rule, regulation or law.
- * Commonwealth's ranking for the percent of justified complaints is the worst among the major companies in 1989. This is not surprising since Commonwealth experienced a substantial increase (26%) in its percent of justified complaints from 1988 to 1989.
 - * United experienced a significant increase (28%) in its percent of justified complaints, the largest increase among major companies from 1988 to 1989.
 - * Of all the major companies, Contel was the only company that reduced its percent of justified complaints from 1988 to 1989. Contel's justified percent rating was the best in the industry in 1989.
- 3) The justified rate is one of the most important measures of companies' effectiveness. Justified rate combines the quantitative and qualitative measures of company performance. The justified rate is calculated by multiplying the consumer complaint rate by the justified percent.
- * Bell's effectiveness continued to deteriorate from 1988 to 1989. Bell was the least effective at handling consumer complaints in 1989.
 - * Alltel showed a significant deterioration in its effectiveness from 1988 to 1989. Alltel was the next to the least effective company at handling consumer complaints in 1989.
 - * United's effectiveness at handling consumer complaints deteriorated significantly from 1988 to 1989.
 - * General was the only major company which was more effective at handling complaints in 1989. In fact, the performance of General and Commonwealth was the best in the industry in 1989.
- 4) Response time measures a company's responsiveness to BCS consumer complaints. Response time reflects the quality of dispute handling and record keeping which is required under PUC regulations. A slow response time may indicate that a company may be generally unresponsive to customer disputes.

- * Bell's response time of 35 days is the worst in the industry. In fact, it took Bell two days longer to respond to consumer complaints in 1989 than in 1988. Bell's response time remains a source of concern to the Bureau.
- * Contel's response time increased by four days from 1988 to 1989. This resulted in Contel having the next to worst response time for the second consecutive year.
- * General should be concerned about a 33% increase in response time over the past year.
- * Commonwealth's response time of 14 days was the best response time in 1989.

Collections Statistics

The Bureau monitors telephone company collection activities through data that is reported annually to BCS by the companies. These statistics are used to evaluate the telephone industry's collection practices. Because of serious reporting deficiencies the Bureau and the Commission are not in a position to thoroughly review the telephone industry's collection activities or assess the telephone industry's performance. The Bureau plans to address this problem in the coming months so as to be able to provide a more complete collections analysis in future reports.

For 1989, it appears from the initial findings that the telephone industry's collection practices improved in some areas and declined in other areas.

- * In an average month in 1989, there were 1,137,428 residential customers behind in paying their telephone bills. About 21% of residential telephone customers are overdue in an average month. Bell had the highest percentage of overdue customers for the third consecutive year.
- * Alltel's average overdue bill was comprised of more than three months of average bills, the largest among major companies in 1989.
- * The percentage of revenues written-off as uncollectible remained stable from 1988 to 1989. Yet, more than \$53 million was written-off by major companies in 1989. Bell's write-offs at 2.79% of residential billings are considerably higher than the industry average write-off of 1.52% of billings.

Compliance

The violation statistics for 1989 show that the telephone industry has yet to achieve routine compliance with Public Utility Code (Chapter 64) regulations. However, from 1988 to 1989 four out of the six major companies' compliance performance did improve yielding an overall 57% decline in the number of verified violations.

- * United and Alltel were the only major companies that experienced an increase in the number of violations from 1988 to 1989.
- * Bell had 895 verified violations in 1989, a welcomed improvement over the 2,280 violations in 1988. However, in 1989 Bell still had more than twice as many violations as in 1987, indicating the potential for further significant improvements in the near future.
- * Commonwealth had the lowest violation rate per 10,000 customers in 1989. It also represents the first time in two years that one of the major companies had a violation rate of less than one violation per 10,000 residential customers.

CONCLUSION

Individual telephone company performance in the areas of complaints, collections, and compliance deteriorated from 1988 to 1989. In overall performance, two of the major companies were well below the telephone industry's average. Bell's overall performance was the worst in the industry. Alltel's overall performance was also worse than the industry average. On the positive side, Contel's, United's, and General's overall performance was better than the industry average. Commonwealth's customer service performance was the best in the industry. Nevertheless, none of the major companies showed substantial improvement in all three of the areas noted above. The Bureau will continue to urge telephone companies to make a sincere effort to improve their customer services performance.

with the assistance of

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

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Consumer Services
Telephone Activity Report: 1989

July 1990

**PA PUBLIC UTILITY COMMISSION
BUREAU OF CONSUMER SERVICES
JOSEPH W. FARRELL, DIRECTOR**

ANNUAL TELEPHONE ACTIVITY REPORT - 1989

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I. INTRODUCTION

This report highlights the Pennsylvania Public Utility Commission's Bureau of Consumer Services complaint activity relative to the telephone industry. It provides an overview of the performance of the six major telephone companies: Alltel, Bell, Commonwealth, Continental (Contel), General and United. Prior to 1988, all telephone complaint handling activity was presented as part of the annual "Consumer Services Activity Report". However, the Bureau believes that it is best to present telephone information in a separate report because of the uniqueness of the regulations governing the telephone industry and the vastly changed regulatory environment. The telephone complaint information presented here can be used by the Commission to assess the effectiveness of telephone regulations and to set future telecommunications policy.

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 Planning maintains a sophisticated information system through a contract with 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. Finally, the fourth legislative mandate requires the Bureau to "...assist and advise the Commission on matters of safety compliance by public utilities."

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 results of this analysis are periodically communicated 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 fail 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 1989. In addition, 1988 data is provided 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. As with the Bureau's Collection Reporting System (CRS), which contains collection statistics for the electric and gas industries, data collected through the §64.201 Reporting System provide a valuable resource for measuring changes in telephone company collection performance.

Since this report focuses exclusively on telephone companies, cases are divided into three groups: Chapter 64 complaints, Non-Chapter 64 complaints, and Chapter 64 suspensions (these distinctions are fully explained below). The performance measures in this report are the same as those used in the recently released "Consumer Services Activity Report". The first measure, consumer complaint rate, shows the relative rate of consumer complaints and is a basic quantitative problem indicator. The two qualitative measures included in this report are response time and justified percent. In addition to these measures, a new measure of justified complaint rate is presented in this report. Justified complaint rate is an evaluative measure which combines complaint rate and justified percent. An explanation of this measure is included in Chapter VII.

The Bureau provides feedback to major telephone companies on these same complaint handling measures in the form of Quarterly Automated Reports 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 1989. An explanation of these measures is included (in Chapters IV, V, & VI) for readers who encounter them for the first time.

Chapter IX and Appendix A of this report focus on telephone company failures at complying with the Commission's regulations. They explain the Bureau's informal compliance process and discuss the highlights of its compliance activity from 1988-1989.

Since this report focuses exclusively on the major telephone companies, telephone complaints directed at either non-major companies or interexchange companies are eliminated from the performance measures and analysis presented below. The Bureau's regulatory authority in Chapter 64 is confined to residential accounts. Another treatment of telephone case data involves the purging of telephone cases which do not involve residential service. Thus, all cases that involve commercial accounts are deleted from all performance measures and analysis. Also, non-evaluative cases, cases in which the customer did not contact the company prior to registering a complaint to the Commission, are excluded from analysis. Finally, residential customer contacts which 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. This latter classification of non-investigatory contacts are called inquiries by BCS.

II. OVERALL ACTIVITY

The Bureau's customer contacts for the telephone industry fall into three basic categories: inquiries/opinions, mediation requests and consumer complaints. However, customer contacts for the telephone industry are considered either consumer complaints or inquiries.

Inquiries/Opinions and Complaints

There are telephone-related contacts on file for 1989 which required no follow-up beyond the initial contact to the Bureau. Many of these customer contacts involved requests for information, rate protests and opinions. Other contacts required referrals to companies for initial action, to other Commission offices, or to the appropriate agencies outside the PUC.

During 1989, the Bureau handled 2,806 complaints from consumers about problems with their local telephone companies related to billing and collection, service delivery, etc. Of these consumer complaints, 2,665 were against the six major telephone companies. In 485 of these contacts regarding major telephone companies, the Bureau saved customers a total of \$116,434 through company billing adjustments. Unlike the electric, gas and water utilities, the Bureau classifies contacts from telephone customers requesting assistance in negotiating payment as consumer complaints.

Consumers also complained to the Bureau about the problems they have with other entities that provide telephone service. Generally, the problems consumers encounter with other entities are part of an informal complaint filed against either a local telephone company or a long distance company. In 1989, the Bureau handled 93 complaints that involved operators of Audiotex information services, 71 complaints that involved Operator Services Providers (OSP), 58 complaints that involved Customer Owned Coin Operated Telephones (COCOTS) and 44 complaints that involved both OSPs and COCOTS. In addition, consumers registered 104 complaints that were exclusively against long distance companies. Many of the problems expressed in these complaints are the basis for the unresolved policy issues discussed below.

Policy Issues

COCOT Enforcement

The Bureau of Consumer Services continues to receive complaints concerning coin telephones. These complaints are often from customers who unknowingly accessed an Operator Service Provider whose charges exceed that of their chosen carrier. Customers may be particularly surprised to find that they are charged higher Operator Service Provider rates even though they

use a calling card from their chosen carrier. Virtually every complaint received by the Bureau of Consumer Services has been justified based on the responses of the owners of the public telephones. The Bureau of Consumer Services is concerned that this indicates that the problems regarding the provisions of public coin telephone service and the rates charged for that service are more widespread than indicated by the number of complaints. As multiple complaints regarding specific coin telephone owners are received it may be necessary to utilize greater resources in enforcing the important coin telephone regulations.

900 Numbers

The Bureau of Consumer Services has received a steady flow of consumer complaints disputing both the charges and the services offered by 900 information providers. These services are reached by dialing a 900 number. The charges for these calls can vary from \$.50 to \$50.00. While the charges are usually set by the 900 information provider, they appear on the local phone bill. Based on our complaints, these providers continue to find new gimmicks to market their services. We have gone from Adult and Gab lines to Rock Star lines and most recently Gift or Prize offers which must be claimed via a 900 number. Complaints about these types of calls include not being told there is a cost to call the 900 number, not receiving the gift or prize in response to the call or not being able to obtain the advertised information.

Currently blocking of 900 numbers is available to most Pennsylvania telephone customers. However, it appears that the availability of the blocking service is not well known. In addition, local exchange carriers are prohibited from suspending or terminating service for nonpayment of most 900 number charges. The Bureau of Consumer Services strongly supports a policy of one-time billing adjustments to customers who dispute 900 number charges.

Interexchange Carrier Billing Complaints

The Bureau continues to receive numerous complaints from consumers about interexchange carrier (long distance) charges that are billed by the local exchange carrier. The problem from the customers' perspective appears to be a lack of coordination between the interexchange and local exchange carriers and diffuse responsibility for handling consumer complaints. Between June 1989 and July 1990, the Bureau received approximately 150 complaints of this nature. Most of these complainants were not treated by the local exchange carrier or the interexchange carrier in accord with the Commission's Chapter 64 dispute handling procedures. Moreover, most of the complainants found

their way to the Commission even though they were not informed of their right to appeal to the PUC.

Presently, the matter is before the Commission for hearings to determine who has responsibility for handling a complaint about interexchange carrier charges that are billed by arrangement through the local exchange carrier. The issue involves whether customers can deal with one entity for both local and interexchange carrier complaints or whether interexchange carriers are to handle complaints arising from their services even though the customer is billed for these services by their local telephone company.

Slamming

The term "Slamming" describes the unauthorized changing of a residential customer's easy access (1 plus) long distance provider. Typically, a consumer receives a call from someone representing a long distance carrier advocating the benefits of changing to their service. Even though the consumer does not authorize a change, the long distance carrier orders the local exchange company (i.e., Bell, United, General) to change the customer's long distance provider. There are other scenarios but the outcome is the same--the customer unknowingly has their long distance service provider changed.

To date, the Bureau has been forced to take a reactive role in consumer complaints about this issue because the Bureau only has authority over the services of local exchange companies. For this reason, we are only able to require the appropriate change in long distance companies at no charge and remove any other inappropriate charges.

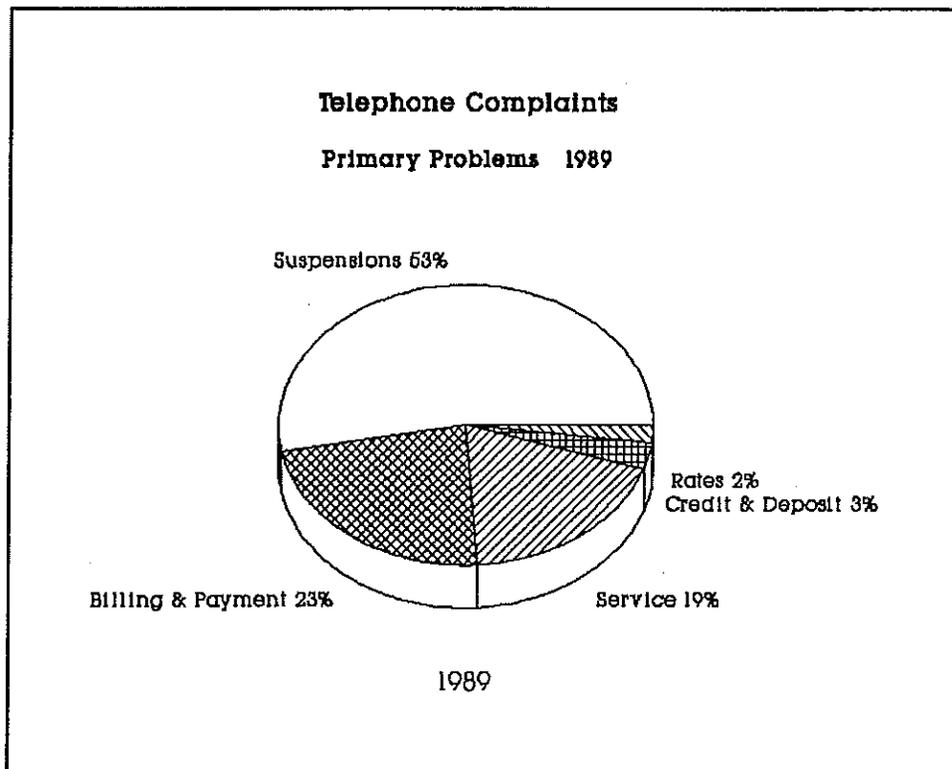
While the Bureau receives relatively few "Slamming" complaints, the industry reports fielding many such complaints from their customers. Just in the period March 20, 1990 through May 3, 1990 General Telephone of Pennsylvania handled 1,724 customer complaints about unauthorized conversion of their long distance company. Bell Telephone of Pennsylvania reports receiving hundreds of complaints since early 1989. It is obvious, based on this information, that the Bureau receives only a small percentage of the consumer problems in this area.

The Bureau is very concerned about this consumer problem. We believe that the Commission should consider developing a proactive response to "Slamming." At this point, it seems obvious that there is not adequate disincentive for the unfair practice of "Slamming."

III. NATURE OF BCS TELEPHONE CONSUMER COMPLAINTS

The Bureau classifies all telephone consumer complaints into one of five major problem areas. The table below presents a comparison of these five categories in 1988 and 1989. The most common problems are related to suspensions, billing, and service (see Table 1). Billing problems include complaints about disputed charges and inaccurate bills. More than half of the complaints against major telephone companies are related to suspensions. The portion of suspension cases remained stable from 1988 to 1989. The remaining complaints are distributed between the credit/deposits and rates/tariffs complaint categories.

Table 1



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 rapid redress for errors and improper treatment by utilities. The Bureau's Field Services Division receives and investigates consumer complaints. Telephone complaints about billing, service, credit, deposits, rates and company operation are handled in the Division's Telecommunications Complaint Unit.

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 which 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

Telephone complaint handling is evaluated by analyzing telephone complaint statistics that are available through the Bureau's Consumer Services Information System (CSIS). Each telephone 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. As previously mentioned, this report focuses on the Bureau complaint handling activities relative to the six major telephone companies. Complaint statistics for each major telephone company are analyzed and aggregated into three specific problem areas: Chapter 64 complaints, Non-Chapter 64 complaints, and Chapter 64 suspensions. With the exception of primary problems (Table 1) and telephone complaint rate analysis (Table 2), the complaint analysis presented in this report is based on telephone complaints which have been closed. The major difference between open and closed telephone cases is that cases are only closed after the Bureau has completed its investigation. A telephone case is considered closed once the Bureau has completed its investigation and presented its findings. Thus, there is only sufficient information available on open telephone cases for the complaint rate to be calculated. Conversely, since there is more information available on cases that are closed, closed cases are used to identify specific problem areas and evaluate telephone company performance relative to these problems.

IV. TELEPHONE COMPLAINTS

There are wide differences in the number of residential customers served by the major telephone companies. This makes comparisons of companies based on raw numbers of complaints unsupportable. The need to compare company performance has led to the calculation of a uniform measure, the number of complaints per thousand residential customers, termed the "complaint rate" (see Appendix C 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 rates¹ often indicate situations which require investigation. Thus, information on complaint rates is used to reveal patterns and trends which 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/deposit, service and suspension. 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. In addition, significant decreases in the frequency of problems over time may indicate that a company is improving, assuming utility compliance with Chapter 64 regulations.

Major Companies

The total number of complaints against major telephone companies remained stable in 1989. While there were 2,661 complaints in 1988, the Bureau received 2,665 complaints in 1989 (see Table 2). Several major telephone companies had more complaints in 1989 than in 1988. Even so, Bell is primarily responsible for this large number of complaints, a trend started in 1988. As with the record number of complaints recorded for 1988, part of this trend in high complaints appears to be a result of continued poor complaint handling by Bell and the other major companies. Also, part of this trend may be due to Bell advising more, but not necessarily all, of its dissatisfied customers of their right to appeal to the Bureau.

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

Table 2

Residential
Consumer Complaints
Major Telephone Companies
(1988-1989)

Company	1988		1989		1988-1989 Percent Change in N
	N	Complaint Rate	N	Complaint Rate	
Alltel	63	.60	60	.56	-5%
Bell	2,285	.67	2,316	.67	1%
Commonwealth	60	.41	45	.29	-25%
Contel	31	.48	39	.59	26%
General	137	.41	115	.34	- 16%
United	85	.37	90	.38	6%
Total (Average Rate)	2,661	(.49)	2,665	(.47)	No Change

Among the highlights of the past year:

- * Bell had the worst complaint rate among the six major companies for the second consecutive year. Bell's high complaint rate appears to be the result of its poor complaint handling during 1988 and 1989. The Bureau is very concerned about Bell's complaint handling.
- * Contel experienced the largest percentage increase in complaints in the telephone industry from 1988 to 1989. As a result, Contel's complaint rate went from better than average to significantly worse than average in 1989.
- * Alltel experienced its fourth consecutive annual decrease in complaints from 1988 to 1989. The Bureau is encouraged by Alltel's improvement over the last four years.
- * General had the second largest decrease in complaints from 1988 to 1989. General's complaint rate is next to the best in the industry in 1989.
- * Complaints against United increased by 6% from 1988 to 1989. This resulted in United's complaint rate dropping from the best in 1988 to third best in the industry 1989.

- * Commonwealth experienced the largest percentage decrease in complaints from 1988 to 1989. As a result of this decrease, Commonwealth's complaint rate improved to the best in the industry in 1989.

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 disputes. For example, in regard to customer disputes, companies must inform customers of their right to contact the Commission if they are not satisfied with the way the company handled their dispute. 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. A customer dispute becomes an informal complaint when the customer contacts the PUC. In 1989 telephone customers registered 671 Chapter 64 complaints with the Commission. Of course, these informal complaints represent only a fraction of Chapter 64 disputes registered by customers directly with the major telephone companies. Further, in light of clearly inaccurate dispute statistics reported by companies over the last four years, as well as documented instances of noncompliance with the Chapter 64 dispute provisions, the Bureau believes that many customers may not have complained to the Commission because they were not advised of their due process appeal rights by the companies.

Non-Chapter 64 Complaints

Generally, complaints which are not covered under Chapter 64 are about service delivery problems. Many of these complaints are covered under Chapter 63, the "Quality of Service Standards for Telephone," which went into effect July 30, 1988. However, there are noteworthy exceptions such as problems with yellow pages, lack of services such as no equal access, unsatisfactory telephone numbers and conduct of company personnel. Chapter 63 establishes uniform service standards and service objectives for local telephone companies. The items covered under these regulations include: service installations, local dial service, direct dial service, operator handled calls, and Automatic Dialing-Announcing Devices (ADADs). Even though these regulations are only two years old, the Bureau has tracked complaints related to service problems for the last twelve years through the CSIS information system. In 1989, there were 621 Non-Chapter 64 complaints filed against the major companies.

Chapter 64 Suspensions

Informal complaints related to service suspensions are handled differently for the telephone industry than service suspensions that involve the gas, electric and water industries. First, contacts from customers of the gas and electric industries regarding service suspension are classified as mediation requests. Second, under Chapter 64, customer contacts with telephone companies about suspension notices are not "disputes," as the term is defined in §64.2, if (1) the contact involves payment negotiations on undisputed amounts, and (2) the contact does not include a disagreement with respect to the application of any provision of Chapter 64. This is a major difference between Chapter 64 and Chapter 56. Under Chapter 56, which relates to electric, gas and water companies, customer contacts with companies about termination notices are "disputes" if payment terms are not worked out. Thus, for this telephone 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." In 1989, there were 1,181 informal complaints filed against major telephone companies by customers facing suspension or termination of one or more of the following telephone services: basic, nonbasic and toll service.

It is important to note major differences between Chapter 56 and Chapter 64. One of these differences is the distinction in Chapter 64 between "suspension" and "termination" of service. Suspension is a temporary interruption of telephone service while termination is the permanent cessation of service. The distinction is important for consumers in that restoration after termination requires payment of installation charges whereas restoration after suspension involves payment of a lesser reconnection fee. A suspension evolves into a termination when a customer fails to make a payment arrangement with the telephone company or fails to file an informal complaint with the Commission. Most informal complaints relating to cessation of these telephone services are registered during the suspension phase. Another difference is that Chapter 64 does not require local telephone companies to include the Bureau telephone number on their suspension notices. Thus, it is likely that many consumer complaints regarding the cessation of telephone services do not reach the Bureau. The Bureau's CSIS system separates informal telephone complaints according to suspension and termination. Where appropriate (e.g. complaint analysis) the data for both is grouped together. In other sections such as analysis of collections, the data is kept separate.

Specific Problems

In order to evaluate how companies handle specific telephone problems, closed cases were aggregated into three groups: Chapter 64 complaints, Non-Chapter 64 complaints, and Chapter 64 suspensions. Again, the complaint information discussed below is based on closed cases rather than open cases. Therefore, all the cases that are reflected in Table 2 are not reflected in the following tables because all cases in Table 2 were not closed at the time this data was aggregated. The discussion that follows highlights how companies handle complaints that fall into these three categories.

Chapter 64 Complaints

There were 20% more Chapter 64 complaints (i.e. billing/payment & credit/deposit) against major companies in 1989 than in 1988 (see Table 3).

Table 3

Chapter 64
Residential
Consumer Complaints
Major Telephone Companies
(1988-1989)

Company	1988		1989		1988-1989 Percent Change in N
	N	Complaint Rate	N	Complaint Rate	
Alltel	9	.09	16	.15	78%
Bell	465	.14	567	.16	22%
Commonwealth	12	.08	16	.10	33%
Contel	10	.15	9	.14	-10%
General	40	.12	38	.11	-5%
United	23	.10	25	.11	9%
Total	559		671		20%
(Average Rate)		(.11)		(.13)	

Among the preliminary findings revealed in Table 3:

- * Alltel experienced the largest percentage increase in Chapter 64 complaints from 1988 to 1989. Alltel's complaint rate in this area is next to the worst in the industry in 1989.

- * Bell had a 22% increase in Chapter 64 complaints from 1988 to 1989. This increase gives Bell the worst Chapter 64 complaint rate in the industry for 1989.
- * General experienced a slight decrease in Chapter 64 complaints from 1988 to 1989. General's complaint rate in this area is tied for second best in the industry in 1989.
- * Despite an increase in Chapter 64 complaints from 1988 to 1989, Commonwealth had the best complaint rate in this area in 1989.

Non-Chapter 64 Complaints

The number of Non-Chapter 64 complaints against major companies increased 19% from 1988 to 1989 (see Table 4).

Table 4

Non-Chapter 64
Residential
Consumer Complaints
Major Telephone Companies
(1988-1989)

Company	1988		1989		1988-1989 Percent Change in N
	N	Complaint Rate	N	Complaint Rate	
Alltel	37	.35	28	.26	-24%
Bell	326	.10	463	.13	42%
Commonwealth	37	.25	21	.14	-43%
Contel	16	.25	18	.27	13%
General	72	.22	53	.16	-26%
United	33	.14	38	.16	15%
Total (Average Rate)	521	(.22)	621	(.19)	19%

Among the preliminary findings revealed in Table 4:

- * Bell experienced the largest percentage increase in the number of Non-Chapter 64 complaints from 1988 to 1989. Nevertheless, Bell's complaint rate ranking for Non-Chapter 64 complaints is the best in the industry in 1989.
- * In contrast, Commonwealth experienced the largest percentage decrease in the number of Non-Chapter 64 complaints from 1988 to 1989.

- * General experienced a significant percentage decrease in Non-Chapter 64 complaints from 1988 to 1989. General's 1989 complaint rate for Non-Chapter 64 complaints is better than the industry average.
- * Alltel and Contel were the only companies to have complaint rates for Non-Chapter 64 complaints that were worse than the industry average in 1989.

Chapter 64 Suspensions

Suspension complaints against major companies increased by 14% from 1988 to 1989. There were more suspension complaints against the major telephone companies in 1989 than Chapter 64 complaints or Non-Chapter 64 complaints for the same period (see Table 5).

Table 5
Chapter 64 Suspensions
Residential
Consumer Complaints
Major Telephone Companies
(1988-1989)

Company	1988		1989		1988-1989 Percent Change in N
	N	Complaint Rate	N	Complaint Rate	
Alltel	14	.13	15	.14	7%
Bell	969	.28	1,118	.32	15%
Commonwealth	8	.05	8	.05	No Change
Contel	3	.05	5	.08	67%
General	19	.06	13	.04	-32%
United	25	.11	22	.09	-12%
Total	1,038		1,181		14%
(Average Rate)		(.11)		(.12)	

Among the preliminary findings revealed in Table 5:

- * Bell's number of suspension complaints continued to grow from 1988 to 1989. In fact, Bell's complaint rate for suspension complaints more than tripled from 1987 to 1989.
- * United and General were the only major companies to experience a decrease in suspension complaints from 1988 to 1989.

Summary

As a group, the major telephone companies' overall residential complaint rate improved slightly from 1988 to 1989. Even so, only two companies, Commonwealth and General, actually improved their overall complaint rate. Most of the major companies' experienced a decline in their overall complaint rate. Although individual companies improved their complaint rates in a few problem areas, most of the major companies had substandard rankings in these problem areas. For example, Bell's 1989 complaint rate was the worst in the telephone industry and it had the worst complaint rate for Chapter 64 complaints and suspension complaints. Another example is that United's complaint rate deteriorated from the best in the industry in 1988 to third best in 1989. United's complaint rate also declined in the area of Chapter 64 complaints and Non-Chapter 64 complaints. The Bureau is very concerned about these negative trends.

V. 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 desirable effects. First, proper dispute case 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. Complaint outcome or resolution is measured in terms of consumer complaints which 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 extenuating circumstances such as emergencies, the Bureau's policy is to accept complaints only from customers who have indicated that they have already tried and have been unable to work out their problems with their company. Thus, a BCS case which is "justified" is a clear indication that the company has not handled a dispute properly or effectively, or that the company was in violation of a rule, regulation or law.

Case outcome is used 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, and tariffs in reaching its final position. 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 discussion below focuses on those cases which are determined to be "justified."

Major Telephone Companies

As a group, the major telephone companies had more complaints that were deemed justified in 1989 than in 1988 (see Table 6). The proportion of justified complaints against companies increased by 15% from 1988 to 1989.

Table 6

Residential
Justified Percent
Major Telephone Companies
(1988-1989)

Company	Justified Percent		Net Change 1988-1989
	1988	1989	
Alltel	45%	67%	22%
Bell	59%	65%	6%
Commonwealth	52%	78%	26%
Contel	50%	47%	-3%
General	62%	68%	6%
United	40%	68%	28%
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Average Justified Percent	51%	66%	15%

Among the preliminary findings revealed in Table 6:

- * Commonwealth's ranking for percent of justified complaints is the worst among the major companies in 1989. This is not surprising since Commonwealth experienced a substantial increase in its percent of justified complaints from 1988 to 1989.
- * United experienced a significant increase in its percent of justified complaints, the largest increase among major companies from 1988 to 1989.
- * Alltel was one of three companies to experience a significant increase in its percent of justified complaints from 1988 to 1989. This increase placed Alltel just above the industry average in 1989.
- * Bell experienced a slight increase in its percent of justified complaints from 1988 to 1989.
- * Of all the major companies, Contel was the only company that reduced its percent of justified complaints from 1988 to 1989. This improvement resulted in Contel's justified percent rating to be the best in the industry in 1989.

Chapter 64 Complaints

Major telephone companies experienced a substantial increase in the percent of justified Chapter 64 complaints. The percentage of justified complaints related to Chapter 64 increased 25% for the major companies from 1988 to 1989 (see Table 7).

Table 7
Chapter 64
Residential
Justified Percent
Major Telephone Companies
(1988-1989)

Company	Justified Percent		Net Change 1988-1989
	1988	1989	
Alltel	25%	87%	62%
Bell	63%	69%	6%
Commonwealth	42%	80%	38%
Contel	70%	67%	-3%
General	60%	75%	15%
United	39%	73%	34%
<hr/>			
Average Justified Percent	50%	75%	25%

Among the preliminary findings revealed in Table 7:

- * Alltel experienced a very dramatic increase in its percent of justified Chapter 64 complaints in 1989. Alltel had the highest percent of justified Chapter 64 complaints in 1989.
- * Commonwealth had the second highest percent of justified Chapter 64 complaints after a 38% increase since 1988.
- * United's percent of justified Chapter 64 complaints increased substantially from 1988 to 1989. This resulted in United's ranking dropping from the best in 1988 to third best in 1989.

Non-Chapter 64 Complaints

In contrast to the significant increase in the percent of justified Chapter 64 complaints and justified Chapter 64 Suspensions, the major companies experienced just a slight increase in the percent of justified Non-Chapter 64 complaints. Even so, this is disturbing because it shows that companies

failed to maintain the improvements they made in this area from 1987 to 1988 (see Table 8).

Table 8

Non-Chapter 64
Residential
Justified Percent
Major Telephone Companies
(1988-1989)

Company	Justified Percent		Net Change 1988-1989
	1988	1989	
Alltel	45%	56%	11%
Bell	45%	59%	14%
Commonwealth	58%	68%	10%
Contel	47%	31%	-16%
General	61%	63%	2%
United	37%	59%	22%
<hr/>			
Average Justified Percent	49%	56%	7%

Among the preliminary findings revealed in Table 8:

- * United experienced the largest increase in its percent of justified Non-Chapter 64 complaints from 1988 to 1989.
- * Commonwealth had the highest percent of justified Non-Chapter 64 complaints among the major companies in 1989.
- * Contel was the only company that reduced its percent of justified Non-Chapter 64 complaints from 1988 to 1989. As a result, Contel's ranking in this area went from next to best in 1988 to the best in 1989.

Chapter 64 Suspensions

Chapter 64 Suspensions appear to be the most troublesome problem area presented in this report (see Table 9). The quality of company case handling related to suspensions is particularly important because the consequence of poor performance by telephone companies is that customers could be improperly deprived of service. As a group, major telephone companies experienced a significant increase in the percent of suspension cases found to be justified. This increase in the percent of justified Chapter 64 suspensions is particularly disturbing.

Table 9
 Chapter 64 Suspensions
 Residential
 Justified Percent
 Major Telephone Companies
 (1988-1989)

Company	Justified Percent		Net Change 1988-1989
	1988	1989	
Alltel	54%	67%	13%
Bell	60%	66%	6%
Commonwealth	43%	100%	57%
Contel	0%	60%	60%
General	67%	69%	2%
United	44%	77%	33%
<hr/>			
Average Justified Percent	45%	73%	28%

Summary

One measure of the quality of company complaint handling is the percentage of cases which are justified. This is one of the important measures of customer service programs. The telephone industry's effectiveness as measured by the number of justified complaints was generally poor in 1989. Justified complaints represent company failures at complying with the regulations and other procedures that govern telephone service. Companies that fail to comply with these regulations and procedures are likely to improperly handle many customer contacts. Thus, customers may not be given their rights under Chapter 64 or Chapter 63 which include the opportunity to have the Bureau review their complaint.

VI. JUSTIFIED RATE

In the past, the Bureau presented two distinctly different measures of company performance for handling consumer complaints. First, comparisons of the volume of BCS cases were made using the consumer complaint rate. Second, and more importantly, the effectiveness of a utility's complaint handling was measured using the percent of cases which are justified. Each of these two indicators supports meaningful analysis of company performance. However, both indicators can be independently affected by changes in company policy. Thus, the Bureau's concurrent use of these two measures does not always provide a consistent interpretation of a company's overall performance.

In response to this problem, a performance measure called "justified complaint rate" which reflects both volume and effectiveness, is presented in this report. The formula for justified complaint rate is as follows:

$$\text{Justified Consumer Complaint Rate} = \text{Consumer Complaint Rate} \times \text{Justified Percent}$$

This evaluative measure combines the quantitative measure of consumer complaint rate with the qualitative measure of effectiveness, the justified percent. Consumer complaint rate and justified percent have been evaluated as independent measures in the past. This will continue to be done because each of these measures can be independently affected by company behavior. However, there is a need for a bottom line measure of performance that evaluates company complaint handling as a whole and, as such, allows for general comparisons to be made between companies and across time. The justified complaint rate should satisfy this need.

Major Companies

Overall, major companies were less effective at handling consumer complaints in 1989 than in 1988 (see Table 10). The Bureau is concerned about this apparent decline in the telephone industry's effectiveness at handling consumer complaints.

Table 10

Justified Complaint Rate
Major Telephone Companies

Company	1988	1989	Net Change 1988 to 1989
Major Companies#			
Alltel	.27	.38	.11
Bell	.40	.44	.04
Commonwealth	.21	.23	.02
Contel	.24	.28	.04
General	.25	.23	-.02
United	.15	.26	.11
(Average)	.25	.30	.05
Chapter 64			
Alltel	.02	.14	.12
Bell	.09	.12	.03
Commonwealth	.03	.09	.06
Contel	.11	.09	-.02
General	.07	.09	.02
United	.04	.09	.05
(Average)	.06	.10	.04
Non-Chapter 64			
Alltel	.16	.15	-.01
Bell	.05	.08	.03
Commonwealth	.15	.10	-.05
Contel	.12	.08	-.04
General	.13	.10	-.03
United	.05	.09	.04
(Average)	.11	.10	-.01
Suspensions			
Alltel	.07	.09	.02
Bell	.17	.21	.04
Commonwealth	.02	.06	.04
Contel	.00	.05	.05
General	.04	.03	-.01
United	.05	.07	.02
(Average)	.06	.09	.03

(Sum of complaints for Chapter 64, Non-Chapter 64 and Suspensions)

Among the preliminary findings revealed in Table 10:

- * Bell's effectiveness continued to deteriorate from 1988 to 1989. Bell was the least effective at handling consumer complaints in 1989.
- * Alltel showed a significant deterioration in its effectiveness from 1988 to 1989. Alltel was the next to the least effective company at handling customer complaints in 1989.
- * United's effectiveness at handling consumer complaints deteriorated significantly from 1988 to 1989.
- * General was the only major company which was more effective at handling complaints from 1988 to 1989. In fact, the performance of General and Commonwealth was the best in the industry in 1989.

Chapter 64, Non-Chapter 64 and Chapter 64 Suspensions

As a group the major companies' did not improve their effectiveness at handling specific problems from 1988 to 1989. In fact, major companies were less effective at handling Chapter 64 complaints and suspension complaints from 1988 to 1989. However, the major companies' performance relative to effectively handling Non-Chapter 64 complaints showed slight improvement during this period (see Table 10).

Summary

Justified complaint rate is the most important indicator of company effectiveness. In this regard, the overall performance of the major telephone companies declined from 1988 to 1989. This apparent trend is disturbing, since most companies appeared to be improving their effectiveness at handling consumer complaints prior to 1989. The Bureau will monitor this situation to insure that companies handle customer problems properly and more effectively.

VII. RESPONSE TIME

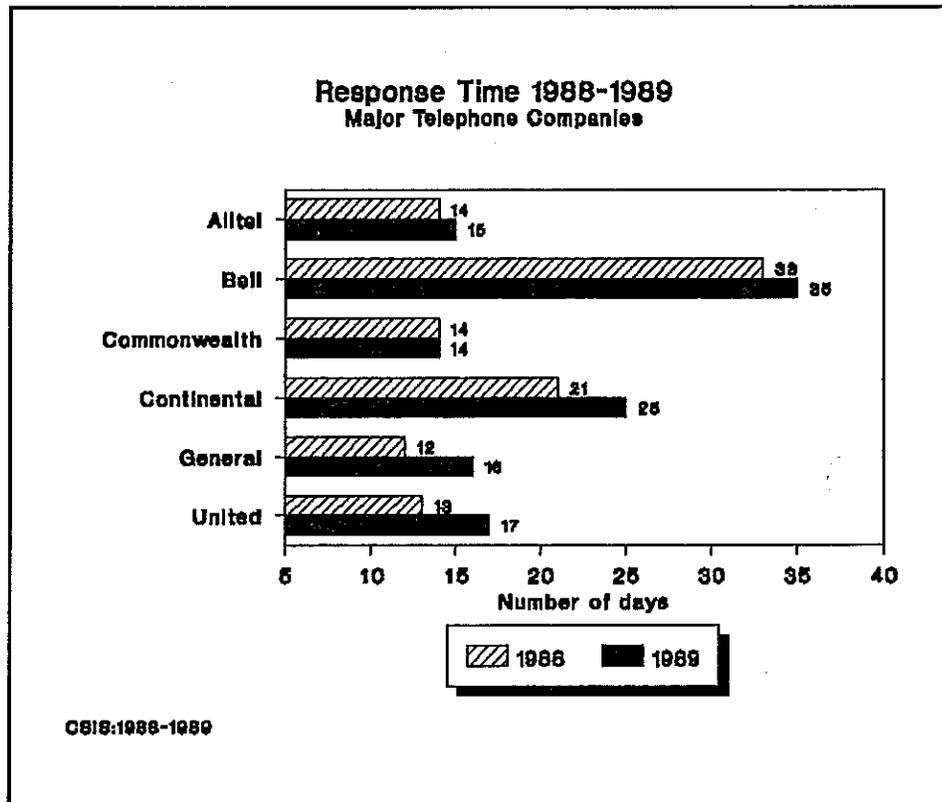
Response time is the time span in days from the date of the Bureau's first contact with the company regarding a complaint to the date on which the company provides the Bureau with all of the information needed to resolve the complaint. Response time quantifies the speed of a utility's response ("responsiveness")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

Response time is important for two reasons. First, a short response time may mean that a company is adequately staffed to move quickly to address the customer's problem. Second, 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 which are necessary to resolve a dispute before it becomes necessary for the Bureau to become involved. For these reasons, significant improvements or declines in response time performance, as well as failure to improve on conspicuously bad performance, are the focus of the analysis here.

Major Telephone Companies

The telephone industry experienced a slight deterioration in responsiveness from 1988 to 1989. The average industry response time went from eighteen days in 1988 to twenty days in 1989 (see Table 11). This means that it took companies two days longer in 1989 to respond to customer complaints registered with the Bureau.

Table 11



Among the preliminary findings revealed in Table 11:

- * Bell's response time of 35 days is the worst in the industry. In fact, it took Bell two days longer to respond to customer complaints in 1989 than in 1988. Bell's response time remains a source of concern to the Bureau.
- * Contel's response time increased by four days from 1988 to 1989. This resulted in Contel having the next to worst response time for the second consecutive year.

- * General had a 33% increase in response time over the past year. General should be concerned by this dramatic decline in response time.
- * Commonwealth's response time of 14 days was the best response time in 1989.

Specific Problems

Chapter 64 Complaints

As a group the major companies' response time to Chapter 64 complaints (i.e. complaints related to billing/collection, credit/deposit, payment, etc.) is one day longer than to Non-Chapter 64 complaints, and three days shorter than response times to suspension complaints (see Tables 12 & 13).

Table 12

Chapter 64
Residential Response Time
Major Telephone Companies
(1988-1989)

Company	Avg. Time in Days 1988	Avg. Time in Days 1989	1988-1989 Change in Days
Alltel	26	19	-7
Bell	40	45	5
Commonwealth	14	17	3
Contel	24	19	-5
General	13	16	3
United	21	16	-5
<hr/>			
Avg. Response Time	23	22	-1

Among the preliminary findings revealed in Table 12:

- * Bell's response time of 45 days for Chapter 64 complaints is more than double the industry average for 1989. Bell's response time for cases in this area is the worst in the industry.
- * Alltel was considerably more responsive to Chapter 64 complaints in 1989 than in 1988. Alltel's response time in this area improved from 26 days in 1988 to 19 days in 1989.

- * General's response time to Chapter 64 complaints increased by 3 days from 1988 to 1989. Nevertheless, General is tied with United for having the best response time in the industry for complaints in this area.

Non-Chapter 64 Complaints

The major companies showed an increase in response time to service related complaints from 1988 to 1989 (see Table 13).

Table 13

Non-Chapter 64
Residential Response Time
Major Telephone Companies
(1988-1989)

Company	Avg. Time in Days 1988	Avg. Time in Days 1989	1988-1989 Change in Days
Alltel	14	8	-6
Bell	32	37	5
Commonwealth	15	17	2
Contel	19	28	9
General	10	16	6
United	10	17	7
<hr/>			
Avg. Response Time	17	21	4

Among the preliminary findings revealed in Table 13:

- * Bell's response time to Non-Chapter 64 complaints increased by 5 days from 1988 to 1989. It took Bell over a month to respond to Non-Chapter 64 complaints in both 1988 and 1989. Bell had, by far, the worst response time among all major companies for both years.
- * Contel's response time to Non-Chapter 64 complaints increased dramatically from 1988 to 1989. Contel took nine days longer to respond to Non-Chapter 64 complaints in 1989 than in 1988. Contel's response time is next to the worst in the industry for complaints in this area in 1989.
- * United's response time to Non-Chapter 64 complaints deteriorated from 1988 to 1989. Unfortunately, its 1989 response time is one week longer than its 1988 response time.

- * Alltel's response time to Non-Chapter 64 complaints was nearly one week faster in 1989. Alltel's response time of 8 days is the best in the industry for this problem area.

Chapter 64 Suspensions

On the whole, the major companies were slightly less responsive in 1989 than in 1988 to suspension complaints (see Table 14).

Table 14

Chapter 64 Suspensions Residential Response Time Major Telephone Companies (1988-1989)

Company	Avg. Time in Days 1988	Avg. Time in Days 1989	1988-1989 Change in Days
Alltel	8	22	14
Bell	30	30	No Change
Commonwealth	14	3	-11
Contel	24	24	No Change
General	18	14	-4
United	12	19	7
<hr/>			
Avg. Response Time	18	19	1

Among the preliminary findings revealed in Table 14:

- * Bell's response time to suspension complaints remained stable from 1988 to 1989. In spite of this stability, Bell had the worst response time in the industry in 1989.
- * Alltel took two weeks longer to respond to suspension complaints in 1989 than in 1988. This is the largest increase among the major telephone companies for complaints in this area.

Summary

On a whole, it took the major telephone companies longer to respond to customer complaints in 1989 than in 1988. Even though individual companies managed to improve their response time in a few of the specific problem areas, this was offset by comparatively poor response times in other areas. In other words, there was no significant improvement in responsiveness in 1989. These findings are disturbing since poor response times indicate that companies may have not fulfilled their regulatory

responsibilities. Chapter 64 requires that telephone companies investigate customer disputes and maintain adequate records of those investigations. Thus, the major companies poor response times may indicate that companies have not fulfilled this requirement. The Bureau is very concerned with this poor performance of the telephone industry.

VIII. COLLECTION STATISTICS

For the last five 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 Chapter 64, the "Standards and Billing Practices for Residential Telephone Service" (see Appendix D). Under these requirements, all local telephone companies must annually provide the Bureau with account information related to residential billing and collections. However, the Bureau has found that these requirements are inadequate in view of the current status of telephone customer service activities relative to billing and collection. For example, the reporting requirements do not reflect the use of multiple balances for billing basic, nonbasic, and toll services. Thus, the Bureau is unable to evaluate important aspects of the telephone industry's collections practices because the data does not reflect the use of multiple balance billing. For this reason the Bureau will seek changes to the current reporting requirements.

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 problem areas for company improvement.

The quality of the statistics reported by companies has shown little improvement from last year. Unfortunately, considerable uncertainty underlying the reliability and accuracy of this information still exists. Companies are not uniformly collecting or reporting statistics for the data items listed at 64.201. This was clearly illustrated during the Bureau's meetings with companies in which companies discussed their 1989 residential account information. One example of this is the way companies track service suspensions. General, United and Commonwealth report all service suspensions (basic, nonbasic, and toll) while Alltel, Bell and Contel report statistics for basic and/or toll service. Moreover, several companies such as General revealed that they provided the Bureau with estimated figures. Unfortunately, major companies have been unable or unwilling to

develop their residential accounting systems to generate reports that will produce complete and accurate collection statistics. Thus, major companies such as Alltel are providing the Bureau with inaccurate statistics for the required data items.

As previously mentioned, the collection data requirements under which reporting is done at §64.201 do not reflect the current status of telephone collections. These requirements were drafted prior to divestiture. Thus, changes to the telecommunications environment that occurred after divestiture are not reflected in the reporting requirements. The Bureau has attempted to secure data for average monthly bills, overdue bills, and write-offs reported in multiple balance format through voluntary compliance. Although most companies have complied with the Bureau's request, modifications to the reporting requirements are necessary in order to standardize the data reported by companies. Moreover, reporting requirements need to be revised to reflect the post-divestiture regulatory environment. The conclusions below regarding overdue accounts, terminations, weighted arrearages, and disputes are generally sound. Unfortunately, the Bureau cannot do a complete analysis of telephone companies' service suspensions and write-offs because this data is not reported in the multiple balance format. Therefore, the Bureau will not be able to provide the Commission with a thorough assessment of the telephone industry's collection activities until companies provide accurate collection statistics in the appropriate format.

Overdue Customers

In an average month in 1989, there were 1,137,428 telephone customers behind in paying their bills. However, comparisons among companies of the number of telephone customers who are in arrears can not be made purely on a numerical basis because of substantial differences in company size. Thus, the percentage of customers who are overdue is used to eliminate the effect of company size. This statistic can be used 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 unpaid bills (see Table 15).

Table 15

Percentage of Customers Overdue

Company	1988 Percent Overdue	1989 Percent Overdue	Percent Change 1988-1989
Alltel	10.4%	9.5%	-9%
Bell	27.3%	27.6%	1%
Commonwealth	21.1%	21.5%	2%
Contel	21.9%	23.6%	-8%
General	22.4%	23.5%	5%
United	18.0%	18.5%	3%
Average	20.2%	20.7%	2%

Among the preliminary findings revealed in Table 15:

- * In 1989, the percentage of overdue customers ranged from a low of 9.5% for Alltel to a high of 27.6% for Bell.
- * Bell had the highest percentage of overdue customers for the third consecutive year. This means that Bell had the highest level of potential risk among the major telephone companies in 1987, 1988 and 1989.
- * Conversely, Alltel had the lowest percentage of overdue customers for the third consecutive year. However, Alltel's reporting of overdue accounts is understated because of the way it tracks overdue accounts.
- * Contel had the second highest percentage of customers overdue in 1989. General followed Contel with the third highest percentage of customers overdue.
- * United experienced a slight increase (3%) in the percentage of overdue customers from 1988 to 1989. Although this decrease is encouraging, it appears that United has not gone far enough to overcome the magnitude of the increase in its percentage of customers overdue from 1987 to 1988.

Overall, the percentage of customers overdue appeared to be somewhat stable from 1988 to 1989. However, major companies must strive to improve their efforts at collecting unpaid bills. Only through more effective collections policies can companies reduce the number of overdue customers.

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 1989. Therefore, the statistic called weighted arrearage is used 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 sizes. Weighted arrearage is calculated by dividing the monthly average overdue bill by the monthly average bill. In this way, weighted arrearage is calculated by dividing the monthly average overdue bill by the monthly average bill. This statistic balances out the differences in arrearages which are due to differences in bill size and allows an unbiased comparison of the extent of payment problems. 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 which have gone unpaid for a long time. In general, 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. Weighted arrearage is used in Table 16 to compare individual company collection practices to each other and for tracking individual companies over time.

Table 16
Weighted Arrearage

Company	1988	1989	Percent Change 1988-1989
Alltel	2.67	3.25	22%
Bell	1.85	1.67	-10%
Commonwealth	1.82	1.84	1%
Contel	1.65	1.55	-6%
General	1.95	2.05	5%
United	1.64	1.64	no change
Average+	1.93	2.01	4%

+ Mean of Scores

Among the preliminary findings revealed in Table 16:

- * Weighted arrearage scores for the major companies increased by 4% from 1988 to 1989. Alltel experienced the highest increase (22%) in 1989.
- * Alltel had the worst weighted arrearage score (3.25) for a second consecutive year. Alltel's average overdue bill is comprised of more than three months of average bills versus less than two months of average bills for most of the other major companies.
- * General had the second highest increase (5%) in its weighted arrearage score. As a result of this increase, General's weighted arrearage score (2.05) was worse than the industry in 1989.
- * Bell experienced the largest decline in the telephone industry in weighted arrearage, a 10% decrease from 1988 to 1989.
- * Contel's weighted arrearage score (1.55) was the best in the industry in 1989.

Generally, the average overdue bill represents two months of unpaid bills. This may present a problem since experience with the other industries shows that it is harder to collect older arrearages. Consequently, the older the arrearage, the more likely it will be written-off. However, restrictions on suspensions for small overdue bills and insufficient account data make evaluation of the account aging picture more difficult for the telephone industry. Even so, the weighted arrearage scores show that while the performance of some companies has continued to deteriorate, others have managed to improve their collection of unpaid bills.

Suspension of Basic Telephone Service

Suspension is the temporary interruption of telephone service typically due to the customer's failure to pay their bills 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 which 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 which reflect the extent to which suspension is used (see Table 17).

As previously mentioned, discussions with the six major telephone companies revealed that there is some lack of uniformity in the way the companies collect and report data. Specifically there is little uniformity in how companies report their suspension data. Three of the six major companies (Alltel, Bell, and Contel) can identify how many basic service suspensions they have in a given month. The remaining three companies (General, United, and Commonwealth) cannot identify the number of basic service suspensions in a given month. Therefore, the service suspension figures for General, United, and Commonwealth were artificially higher than those reported for Alltel, Bell, and Contel because they include basic, nonbasic and toll suspensions. In order to correct this problem, the Bureau will recommend that companies be required to report basic, nonbasic, and toll service suspensions as separate items in upcoming reports to the Commission.

Table 17

Number of
Residential Service Suspensions

Company	1988	1989	Percent Change 1988-1989
Alltel	8,796	10,428	19%
Bell	484,020	384,564	-21%
Commonwealth	14,412	14,592	1%
Contel	4,248	3,708	-13%
General	15,324	15,012	-2%
United	16,236	15,588	-4%
TOTAL	543,036	443,892	-18%

Among the preliminary findings revealed in Table 17:

- * Alltel suspended more customers in 1989 than 1988. Alltel's increase (19%) was the largest in the industry during this period.
- * In contrast, Bell experienced a substantial decline (21%) in its number of service suspensions from 1988 to 1989. This means that there were nearly 100,000 less suspensions in 1989 than in 1988.

* Contel had the second largest decline (13%) in the number of service suspensions from 1988 to 1989. This decline may signal the beginning of a trend towards fewer service suspension.

Suspension Rate

There were over 443,000 residential suspensions in 1989. The number of suspensions is substantial but it does not permit easy comparisons among companies. 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 18, 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 18

Suspension Rate#

Company	1988	1989	Percent Change 1988-1989
Alltel	8.37%	9.80%	17%
Bell	14.17%	11.12%	-22%
Commonwealth	9.73%	9.56%	-2%
Contel	6.57%	5.56%	-15%
General	4.58%	4.40%	-4%
United	7.02%	6.56%	-7%

Average+ 8.41% 7.83% -7%

Annual suspensions as a percentage of the monthly average number of residential customers

+ Mean of Scores

Please Note: Suspension rate for Alltel, Bell, & Contel, represents basic service suspensions. Suspension rate for Commonwealth, General, and United includes basic, nonbasic, and toll service suspensions.

Among the preliminary findings revealed in Table 18:

* Overall, the suspension rate for the major telephone companies as a group decreased by 7% from 1988 to 1989.

- * Alltel was the only major company to experience an increase (17%) in suspension rate from 1988 to 1989.
- * All the other major telephone companies experienced a decrease in their suspension rates from 1988 to 1989. Bell led the major companies with the largest decrease in suspension (22%). Contel had the next largest decrease (15%) while United had the third largest decrease (6%).

Telephone service suspensions decreased substantially from 1988 to 1989. This trend is encouraging since it appears that more customers were able to maintain phone service during 1989. However, it is difficult to tell whether suspensions for basic service decreased for all major companies since only half the companies report basic service data. The Bureau will work with these companies to see if separate statistics for basic, nonbasic, and toll suspensions will be available for upcoming reports.

Termination of Service

Termination is the permanent cessation of service which occurs after service has been suspended. Companies have more suspensions than terminations because customers must go through the suspension process before they are terminated and many suspended customers pay their bills prior to termination. Once termination takes place the person ceases to be a customer. If the terminated party wishes to reestablish service he or she must apply for service as a new applicant - under 52 PA Code, Chapter 64 - with rights which are more limited than when they were still a customer. This requirement makes it important to examine both service suspensions and terminations. The major telephone companies terminated 123,336 residential customers in 1989 (See Table 19), a 18% decline from 1988.

Table 19

Termination of Service

Company	1988	1989	Percent Change 1988-1989
Alltel	2,172	2,496	15%
Bell	133,536	106,860	-20%
Commonwealth	2,448	2,808	15%
Contel	1,608	1,092	-32%
General	6,336	5,556	-12%
United	5,196	4,524	-13%
Total	151,296	123,336	-18%

Among the preliminary findings revealed in Table 19:

- * Contel which more than doubled its terminations from 1987 to 1988, reduced its terminations by 32% from 1988 to 1989.
- * Bell reported the next largest decline (20%) in terminations from 1988 to 1989.
- * United and General also experienced substantial reductions in their number of service terminations from 1988 to 1989.
- * Alltel and Commonwealth were the only major companies that experienced increases (15%) in terminations from 1988 to 1989.

Termination Rate

A uniform measure was calculated to compare how often companies terminate residential service. As with the suspension rate, the termination rate represents the percentage of residential customers who are terminated. The termination rate, as shown in Table 20, is calculated by dividing the annual number of terminations by the monthly average number of residential customers. This figure represents the number of terminations per customer. For example, if the termination rate is 3% then it means that the equivalent of 3% of the residential customers are terminated annually (see Table 20).

Table 20

Company	1988	1989	Percent Change 1988-1989
Alltel	2.07%	2.35%	14%
Bell	3.91%	3.09%	-21%
Commonwealth	1.65%	1.84%	12%
Contel	2.49%	1.64%	-34%
General	1.89%	1.63%	-14%
United	2.25%	1.90%	-16%
Average+	2.38%	2.07%	-13%

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

+ Mean of Scores

Among the preliminary findings revealed in Table 20:

- * Bell's termination rate (3.09%) was the highest in the industry in 1989.
- * Alltel had the second highest termination rate (2.35%) among all major companies in 1989.
- * Contel, with a 34% reduction, had the second lowest termination rate (1.64%) in 1989.

The major telephone companies reduced service terminations by 18% from 1988 to 1989. This was largely due to Bell's 20% decrease in service terminations from 1988 to 1989. It appears that approximately 28% of all suspensions reported in 1989 ended as terminations. However, it is difficult for the BCS to track how many suspensions ended in termination because all companies do not report suspension data in the same way. For example, Alltel reports only basic service suspensions for residential customers while General reports all service suspensions (basic, toll, and nonbasic) based on a percentage of residential and commercial accounts. Again, only half of the major companies are able to identify how many basic service suspensions they have in each month. Without uniformity in the suspension statistics reported by companies, it is difficult to assess the impact of suspensions on basic service termination. The Bureau is very concerned with this problem and will continue to meet with companies to work out a resolution.

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 accounts are terminated, companies may issue a final bill for the amounts that are owed. If companies are unable to collect final bills they may write these amounts off as an uncollectible expense. These expenses are passed through in rates and increase the cost of service for all customers. Toll service accounts for the largest portion of unpaid telephone bills. Major companies reported that 58% of their overdue bills were due to unpaid toll services. Much of the unpaid toll service is due to 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 these long distance companies for collecting unpaid toll bills. Whatever is not recovered by the local companies is sent back to the long distance companies as an uncollectible expense. It is difficult for the Bureau to determine what portion of unpaid toll service is really an uncollectible expense for local companies since

companies are not required to provide a breakdown of bills, revenues, or write-offs by 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 1989, telephone companies reported over \$56 million in gross write-offs and \$52.7 million in net write-offs. Write-offs (within limits) are treated as an expense for rate purposes. This means that these losses are reflected in rates which customers pay. In other words, the bulk of these losses will be recovered through rates rather than from the customers who did not pay their bills. However, the exact impact of write-offs on telephone rates is not reflected here since not all of these statistics are reported accurately by companies. In addition, companies should provide these statistics by multiple balances so the Bureau can assess the impact of uncollectibles on residential rates.

In order to measure and compare the electric and gas industry collection system performance relative to uncollectible accounts, the Bureau has historically used the statistic, "percentage of revenues written-off as uncollectible." The BCS also uses the percentage of revenues written-off as uncollectible to measure and compare the telephone industry's collection system performance. However, the BCS modifies this statistic by using net write-offs instead of gross write-offs. Thus, the percentage of revenues written-off as uncollectible for telephone companies is calculated by dividing net write-offs by gross revenues. Telephone companies' net write-offs are used because they reflect amounts actually lost. Thus, the BCS can better measure the effectiveness of the telephone industry's ongoing collection activities (see Table 21).

Table 21

Percentage of Residential Billings
Written-Off As Uncollectible

Company	1988	1989	Percent Change 1988-1989
Alltel	1.01%	1.30%	29%
Bell	2.97%	2.79%	-6%
Commonwealth	1.20%	1.27%	6%
Contel	1.57%	1.27%	-19%
General	1.45%	1.48%	2%
United	.94%	1.03%	10%
<hr/>			
Average+	1.52%	1.52%	No Change

+ Mean of Scores

Among the preliminary findings revealed in Table 21:

- * Last year, Alltel provided the BCS with write-off figures which included business data. Although it corrected this problem, Alltel's failure to provide the BCS with purely residential data for 1988 prevents the Bureau from measuring Alltel's individual performance and comparing it to other major companies in 1988. Alltel residential write-off percentages are artificially low for 1988. As a result, Alltel experienced a substantial increase in the percentage of residential write-offs from 1988 to 1989.
- * In 1989, Bell experienced a (6%) reduction in residential net write-offs. However, Bell had the highest net write-offs (almost 3% in 1989) for the third consecutive year. This result suggests that Bell could be more effective at collecting its final bills before it writes them off.
- * General had the second highest percentage of revenues written-off (1.48%) in the industry in 1989.
- * United had the lowest percentage of revenues written-off (1.03%) among all major companies.

Disputes

In addition to requiring that telephone companies report billing and collection statistics, Chapter 64 requires that local telephone companies report the number of disputes they handled each year. Chapter 64 defines a "dispute" as a disagreement between an applicant, a customer, or a customer 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. Thus, a customer dispute becomes an informal complaint when the customer contacts the Commission.

Again, there is uncertainty underlying the accuracy of reported dispute statistics. Only recently does it appear that companies are reporting dispute statistics which are more in line with the number of Chapter 64 complaints the Bureau received. As previously mentioned, the 671 Chapter 64 complaints received in 1989 represent only a fraction of disputes registered by customers with major companies. When a company fails to report a number of disputes equal to the number of Chapter 64 complaints the company's 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 dissatisfied customers are not being advised of their right to appeal to the Commission. Documented instances of noncompliance with the dispute provisions combined with inaccurate dispute statistics reported by companies over the last four 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

According to company data, 38,989 customers had disputes with the six major companies. The raw number of disputes does not permit easy comparisons between companies. As is true with other performance measures, 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 22, is the number of disputes per thousand residential customers (see Appendix C 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.

Table 22

Chapter 64 Disputes
Residential
Consumer Disputes
Major Telephone Companies
(1988-1989)

Company	1988		1989		1988-1989 Percent Change in N
	N	Dispute Rate	N	Dispute Rate	
Alltel	63	.60	52	.49	-17%
Bell	12,932	3.79	35,683	10.32	176%
Commonwealth	748	5.05	863	5.65	15%
Contel	335	5.18	318	4.77	-5%
General	1,154	3.45	1,551	4.55	34%
United	681	2.94	522	2.20	-23%
Total	15,913		38,989		145%
(Average Rate)		(3.50)		(4.66)	

Among the preliminary findings revealed in Table 22:

- * Three of the six major companies experienced an increase in the number of recorded disputes. This increase, however, may reflect better identification of disputes and improved record keeping rather than an increase in the number of dissatisfied customers.
- * Bell experienced a dramatic increase in the number of customer disputes from 1988 to 1989. As a result, its dispute rate increased 176% from 1988 to 1989. This increase is apparently due to improvements Bell made in identifying disputes and maintaining records. Compliance data, however, indicates Bell still does not identify and properly record all disputes.
- * General had the second largest increase (34%) in its disputes from 1988 to 1989. It appears that General may be keeping better dispute records.
- * United experienced the largest decrease (23%) in the number of disputes from 1988 to 1989. This decrease is surprising since United's Chapter 64 complaints increased from 1988 to 1989. It is not likely that United's customers were more satisfied with the way the company handled their problems in 1989.

- * Alltel had the second highest decrease in the number of customer disputes from 1988 to 1989. It is doubtful that Alltel had fewer dissatisfied customers in 1989 because Alltel's number of informal complaints that were Chapter 64 complaints increased from 1988 to 1989. The Bureau will investigate Alltel's compliance with Commission regulations in this area.

Summary

Overall, the findings presented here suggest that major companies, as a group, have not improved their collection practices from 1988 to 1989. However, it is difficult for the Bureau to do comparative analysis in critical areas (i.e. suspensions, disputes) because of the reliability and accuracy of collection data. In light of this, the conclusions drawn here primarily focus on individual company performance. The Bureau has begun to take steps to address this problem by meeting with companies about their collection data and collection policies. According to the major telephone companies, billing and collection for the telephone industry is very complex because of Chapter 64, the "Standards and Billing Practices for residential Telephone Service." Given the complexity of telephone billing and collection, it is important for the Bureau to have access to accurate collection data so it can monitor and evaluate company collection practices. Meanwhile, the Bureau will recommend that reporting requirements be revised so companies will provide the Bureau with the additional information it needs to monitor these activities. The Bureau will also initiate compliance action to enforce existing Commission reporting requirements found in Chapter 64.

IX. COMPLIANCE

The Pennsylvania Public Utility Commission (PUC) has numerous obligations to fulfill and competing interests to balance as it regulates the many different types of public utilities in the Commonwealth. Among the primary obligations of the PUC is protecting the interest of residential utility consumers. Fulfillment of this obligation, as it affects residential telephone customers, has been facilitated with the implementation of the Chapter 64 residential telephone service regulations. These regulations, adopted in August 1984, have been in effect since January 1, 1985 and govern the approximately 42 local exchange carriers operating in Pennsylvania. It is, in large part, through the handling of consumer complaints and the enforcement of these residential telephone service regulations that the Commission is able to protect the interest of residential telephone consumers.

The Bureau of Consumer Services (BCS) is the Bureau within the PUC responsible for investigating and reporting on all informal consumer complaints relating to residential fixed utility service. The work of the BCS now includes efforts to insure that local exchange carriers are conforming with the standards of conduct codified in the Commission's Chapter 64 telephone regulations. 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."

This portion of the report describes in general terms the three methods used by the BCS to effect utility compliance with the Chapter 64 regulations. A more detailed description of the three methods is included in Appendix A of last year's report. Additionally, this portion of the report presents the informally verified violation findings which have been gleaned from informal consumer complaints filed with the Commission during the calendar years 1988 and 1989. The information will demonstrate that the compliance process for Chapter 64 parallels the Chapter 56 compliance process and is a forthright and reasonable process that enables the PUC to fulfill its enforcement responsibilities relative to Chapter 64.

BCS Compliance Methods

Approving proposed regulations and ordering their adoption and institution is only part of the process by which the PUC fulfills its function to protect the interest of residential utility consumers. It must also assure that those governed by the regulations adhere to the standards and practices set forth in the regulations. In order to ensure that the local exchange carriers act in accordance with these Chapter 64 standards and

adapt their practices to the rules, the BCS uses a demonstrated system of effecting compliance. The three primary methods that the Bureau of Consumer Services utilizes to monitor and enforce compliance with the Chapter 64 regulations are the same methods that have been successfully used to monitor and enforce compliance with the Chapter 56 regulations. The method used to date to compel local exchange carrier compliance with Chapter 64 is the informal compliance notification process which is the keystone of the Bureau's compliance methods. The other two methods available to the Bureau for compliance enforcement are the consumer services review program and formal complaints. The Bureau of Consumer Services designed these methods to be straightforward and complementary. As has been demonstrated in the past and documented in previous Consumer Services Compliance reports, these methods have successfully forced public utilities under Chapter 56 to adopt and consistently implement practices which ensure compliance with the service standards found in Chapter 56. Similarly, the Bureau's aim in utilizing these methods for Chapter 64 is to ensure compliance with the uniform, fair, and equitable residential telephone service standards found in Chapter 64.

Informal compliance notifications or letters provide local exchange carriers with specific examples of apparent violations of Chapter 64 so that companies can use the information to pinpoint and voluntarily correct deficiencies in their customer services operations. The informal compliance notification process uses consumer complaints to identify, document and notify utilities of apparent violations. A utility which receives notification of an apparent violation has an opportunity to refute the facts which support the alleged violation of Chapter 64. Failing a satisfactory refutation by the utility, appropriate corrective action is to be taken to prevent further occurrences of the violation. Appropriate corrective action usually involves modifying a computer program, revising the text of a notice, a billing, or a letter; changing a company procedure, or providing additional staff training to ensure the proper implementation of a sound procedure. Additionally, informal compliance communications provide companies with an opportunity to secure written clarification of any provision of Chapter 64.

On another level, informal violations in the aggregate enable the BCS to:

- (1) identify patterns and trends prior to a Consumer Services Review so that an appropriate list of interview topics can be developed;
- (2) prepare a Formal Complaint against a troublesome local exchange carrier; and

- (3) monitor the effectiveness of corrective action taken by local exchange carriers as a result of the application of any of the BCS compliance methods.

The complementary nature of the BCS' compliance methods is covered in greater detail in Appendix A of the report. The above summary is intended merely to demonstrate the fundamental importance of the data obtained through the informal compliance notification process.

Informal Compliance Findings

The data analyzed in this section have been gleaned from the informal complaints filed with the PUC by residential telephone customers during 1988 and 1989. The violation statistics for the major telephone companies are presented by company and year in Table 23 and Table 24.

The Bureau of Consumer Services views each informally verified violation as an error signal. Using this perspective, a single infraction can be indicative of a system-wide misapplication of a particular section of the regulations. Because of consumers' reluctance to complain, and because the PUC gets involved with only a small fraction of the total number of complaints to companies, there is sufficient reason to believe that there are numerous violations occurring which will go undetected by the PUC.

Several considerations are important to keep in mind when viewing the aggregate figures. First, the data pertaining to the number of violations does not take into consideration the cause of the individual violations. Some violations, because of their systematic nature, are indicative of ongoing or repetitive violations. Other violations may involve threats to the health and safety of telephone customers, thereby increasing their seriousness.

For these reasons, when evaluating a company's compliance performance, the aggregate figures presented in Table 23 may be considered by the BCS along with other information which is case specific. The value of the aggregate figures is in depicting apparent gross trends over time and pointing out deviations in performance within the industry. The value of analyzing individual violations is that one or a few violations may provide an indication of widespread compliance problems that may not be depicted by viewing the aggregate figures.

A final consideration to keep in mind when viewing violation figures is that as performance measures, they are most important because they indicate infractions of PUC regulations. Therefore, while a company may take note of a significant decrease in the

number of verified violations, it should be kept in mind that the criterion for entirely satisfactory compliance performance is zero violations.

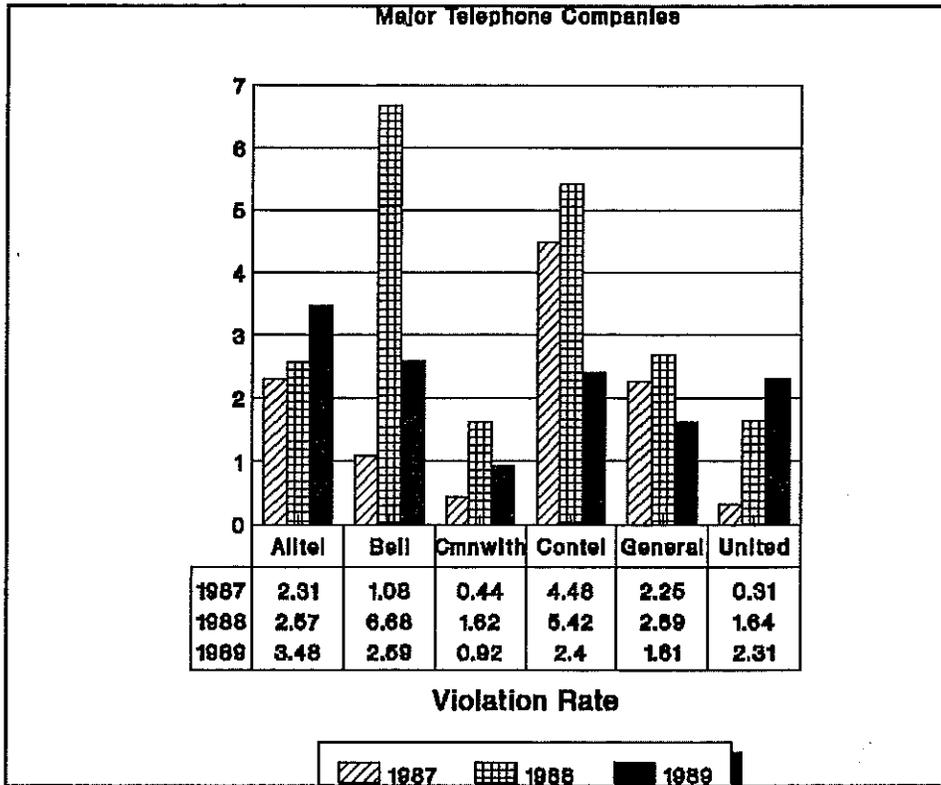
Table 23

Informal Violations of Chapter 64: 1987-1989
Major Telephone Companies

	<u>1987</u>	<u>1988</u>	<u>1989 Total+</u>	<u>1989 Total Number Verified</u>	<u>1989 Total Number Pending</u>
Alltel	24	27	37	37	0
Bell	372	2280	1002	895	107
Commonwealth	6	24	14	14	0
Contel	28	35	16	16	0
General	74	90	66	55	11
United	7	38	55	55	0
TOTAL	511	2494	1190	1072	118

+ The total number of violations for 1989 (column 3) is comprised mostly of verified violations (column 4) and in some cases a smaller number of pending violations (column 5). The total number of violations for 1989 may increase as new violations are discovered and cited from customer complaints which originated in 1989 but are still under investigation.

Table 24



+ The violation rate is the number of verified violations per 10,000 residential customers. Because the violation rate takes into consideration the number of violations in conjunction with the number of customers for each utility, the violation rate is a useful measure for making standard comparisons among utilities of unequal size.

The highlights from Tables 23 and 24 include the following:

- * As presented in Table 23, compliance performance has improved for the majority of the telephone companies and for the industry as a whole.
- * In 1989 the six major telephone companies had half as many verified violations as in 1988. However, the total number of verified violations for 1989 -- 1,072 -- remains unsatisfactory, particularly when compared with the data for the same period on other types of utilities relative to their compliance with parallel consumer regulations: eight major electric companies (422 violations); six major gas companies (205), and four major water companies (146).

- * United was one of the two companies that experienced an increase in the number of violations from 1988 to 1989. Although at 45% the increase was less than last year, it was again the greatest percentage increase in verified violations.
- * Alltel, with a 37% increase from 1988 to 1989 was the only other major telephone company to experience an increase in verified violations.
- * Alltel's percentage increase in verified violations was almost three times greater than the 13% increase it experienced in 1988.
- * Alltel also had the highest violation rate per 10,000 customers in 1989. That rate was almost four times greater than Commonwealth's which was the lowest.
- * Bell had 895 verified violations in 1989; a welcomed improvement over the 2,280 in 1988, however, still more than twice as many as in 1987.
- * Commonwealth had a 41% decrease in the number of verified violations in 1989. Moreover, Commonwealth had the lowest violation rate per 10,000 customers in 1989. It also represents the first time in two years that one of the major companies had a violation rate of less than 1.0.
- * Contel had the second largest decrease in the number of verified violations in 1989, cutting their number of verified violations in half. This was also the first time in three years that Contel did not show the worst compliance performance of the industry when using the violation rate per 10,000 customers.
- * General, with a 39% decrease from 1988 to 1989 was the fourth of the six major companies to experience a decrease in verified violations. The number of pending violations does cause some concern because the reason they are still pending is due to General's failure to respond to the cited violations in a timely manner.

Individual Company Tables

Compliance performance among the major telephone companies as presented in Table 23 has improved from 1988 to 1989 for most of the companies.

The following tables can benefit the telephone companies in helping them to pinpoint and analyze those areas of Chapter 64 most in need of individual company attention and effort.

Table 25

Alltel Pennsylvania, Inc.

<u>Section Violated:</u>	<u>Number of Violations</u>			
	<u>Verified</u> 1988	<u>Verified</u> 1989	<u>Pending</u> 1989	
<u>Subchapter B: Payment and Billing Standards</u>				
Separate Billing	64.21	1	1	0
Billing Service for Inter-exchange Carriers	64.22	0	1	0
<u>Subchapter C: Credit and Deposit Standards Policy</u>				
Credit Standards	64.32	1	0	0
Payment of Prior Bills	64.33	0	1	0
Written Credit Procedures	64.34	2	6	0
<u>Subchapter D: Interruption and Discontinuation of Service</u>				
Discontinuance of Service	64.53	0	1	0
<u>Subchapter E: Suspension of Service</u>				
Unauthorized Suspension of Service	64.63	5	2	0
Notice Requirement Prior to Suspension	64.71	0	2	0
Suspension Notice Information	64.72	1	8	0
Procedures Prior to Suspension	64.74	62	4	0
Three Day Hold for Medical Certification	64.102	1	0	0
<u>Subchapter F: Termination of Service</u>				
Unauthorized Termination	64.122	0	1	0
Termination Notice Information	64.123	0	2	0
<u>Subchapter G: Disputes, Informal & Formal Complaints</u>				
Dispute Procedures-Telephone Company	64.141	8	5	0
Contents of Utility Reports	64.142	2	1	0
Commission Informal Complaint Procedures	64.153	0	1	0

Subchapter H: Restoration of Service

Restoration After Suspension	64.181	<u>0</u>	<u>1</u>	<u>0</u>
TOTAL		27	37	0

Highlights from Alltel's Table:

- * Informally verified violations of the Chapter 64 provisions relating to suspension and termination of service (§64.63 through §64.123) account for 51% of Alltel's verified violations in 1989. This is the area that Alltel had the most difficulty with in 1987 and in 1988.
- * In 1989, informally verified violations of the section relating to credit and deposit standards more than doubled, accounting for nearly one-fifth of Alltel's total number of violations.
- * On a more positive note, the number of violations of the Chapter 64 provisions relating to disputes decreased for the first time in three years.

Table 26

Bell of Pennsylvania

<u>Section Violated:</u>	<u>Number of Violations</u>			
	<u>Verified</u> 1988	<u>Verified</u> 1989	<u>Pending</u> 1989	
<u>Subchapter A: Preliminary Provisions</u>				
Purpose and Policy	64.1	1	6	1
Definitions	64.2	0	1	0
<u>Subchapter B: Payment and Billing Standards</u>				
Method of Payment	64.11	1	1	0
Due Date for Payment	64.12	2	4	1
Billing Frequency	64.13	2	0	0
Billing Information	64.14	2	0	1
Partial Payments/No Arrears	64.17	4	3	1
Partial Payments/Arrears	64.18	0	1	2
Make-up Bills	64.19	8	2	0
Transfer of Account	64.20	2	0	0
Separate Billing	64.21	61	44	6
Billing Service for Inter- exchange Carriers	64.22	46	3	0
<u>Subchapter C: Credit and Deposit Standards Policy</u>				
Credit Standards	64.32	4	0	0
Payment of Prior Bills	64.33	11	6	5
Written Credit Procedures	64.34	58	20	8
Deposit Requirements-Existing Customers	64.35	7	0	0
Amount of Deposit	64.36	7	2	0
<u>Subchapter D: Interruption and Discontinuation of Service</u>				
Refunds for Service Inter- ruption	64.52	0	1	0
Discontinuance of Service	64.53	4	3	0
<u>Subchapter E: Suspension of Service</u>				
Authorized Suspension of Service	64.61	5	8	1
Unauthorized Suspension of Service	64.63	266	46	2

Notice Requirement Prior to Suspension	64.71	120	39	7
Suspension Notice Information	64.72	82	39	7
Notice of Suspension While Dispute Pending	64.73	120	53	3
Procedures Prior to Suspension	64.74	654	226	27
Limited Notice	64.81	1	3	1
Medical Certificate-General	64.101	0	0	0
Three Day Hold for Medical Certification	64.102	12	2	0
Medical Certification Time Frame (30 days)	64.104	0	1	0
Restoration Upon Receipt of Med. Cert.	64.105	0	0	0
Suspension Upon Expiration of Med. Cert.	64.107	0	2	0

Subchapter F: Termination of Service

Authorized Termination	64.121	5	2	0
Unauthorized Termination	64.122	1	0	0
Termination Notice Information	64.123	11	9	0

Subchapter G: Disputes Informal & Formal Complaints

Termination While Dispute Pending	64.133	12	7	0
Dispute Procedures-Telephone Company	64.141	454	196	15
Contents of Utility Reports	64.142	176	66	5
Informal Complaint Filing Procedures	64.152	0	2	0
Commission Informal Complaint Procedures	64.153	111	73	8
Time for Filing Formal Complaints	64.162	0	1	0

Subchapter H: Restoration of Service

Restoration After Suspension	64.181	13	7	3
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Subchapter I: Public Information, Record Maintenance

Public Information	64.191	1	4	0
Record Maintenance	64.192	<u>16</u>	<u>12</u>	<u>3</u>
TOTAL		2280	895	107

Highlights from Bell's Table:

- * Almost half of Bell's 895 informally verified violations in 1989 involve provisions relating to the suspension and termination of service. Those provisions of Chapter 64 relating to suspension and termination of service (Subchapter E and F) represented the most common compliance problem for Bell for the third straight year.
- * Failure by Bell to follow the Chapter 64 procedures upon customer contact prior to suspension (§64.74) again constitutes the overwhelming majority of violations in the subchapter dealing with suspension of service. The disappointing aspect of these violations of §64.74 is the fact that the majority of them are for actions occurring after Bell revised its procedures relative to §64.74.
- * The second most commonly violated section of Chapter 64 by Bell in 1989 is the section dealing with disputes. More than one-third of the 1989 verified violations fall under the provisions dealing with dispute handling. Although Bell was able to cut the number of those violations in half from 1988 it should be pointed out that most of the 345 verified violations of that section gleaned in 1989 occurred after Bell revised its dispute procedures. Further, BCS has expressed concern that Bell's revised procedures may deny some customers information about complaining to the PUC.
- * Overall, Bell showed welcomed improvement in compliance performance. The total number is less than half as many verified violations in 1989 as in 1988. This is not to say that Bell can relax its attempts to conform with the regulations. After all, Bell accounts for more of BCS' compliance activity than do the major electric, gas, and water companies taken together.

Table 27

Commonwealth Telephone Company

<u>Section Violated:</u>	<u>Number of Violations</u>			
	Verified 1988	Verified 1989	Pending 1989	
<u>Subchapter B: Payment and Billing</u>				
<u>Standards</u>				
Due Date for Payment	64.12	1	0	0
Separate Billing	64.21	1	0	0
<u>Subchapter C: Credit and Deposit</u>				
<u>Standards Policy</u>				
Written Credit Procedures	64.34	1	1	0
Amount of Deposit	64.36	1	0	0
<u>Subchapter E: Suspension of Service</u>				
Unauthorized Suspension of Service	64.63	1	2	0
Notice Requirement Prior to Suspension	64.71	0	2	0
Suspension Notice Information	64.72	2	0	0
Procedures Prior to Suspension	64.74	4	6	0
<u>Subchapter G: Disputes, Informal & Formal Complaints</u>				
Dispute Procedures-Telephone Company	64.141	8	0	0
Contents of Utility Report	64.142	<u>5</u>	<u>3</u>	<u>0</u>
TOTAL		24	14	0

Highlights from Commonwealth's Table:

- * Commonwealth reduced by more than three-fourths the number of verified violations relating to disputes. Compared to last year's performance in this area, this year's performance is commendable. Commonwealth is the only company among the six majors to have zero violations of §64.141 relating to dispute procedures.
- * Of concern is Commonwealth's increase in the number of verified violations of the provisions relating to suspension of service. Violations of these provisions account for 71% of the violations on record for 1989. Given that this number increased for the third year in a row, Commonwealth should thoroughly review this area of its procedures and take appropriate corrective action.

Table 28

Contel of Pennsylvania, Inc.

<u>Section Violated:</u>	<u>Number of Violations</u>			
	<u>Verified</u> 1988	<u>Verified</u> 1989	<u>Pending</u> 1989	
<u>Subchapter B: Payment and Billing Standards</u>				
Late Payment Charges	64.16	1	0	0
Partial Payments/No Arrears	64.17	5	0	0
Make-up Bills	64.19	0	1	0
Transfer of Accounts	64.20	1	0	0
<u>Subchapter C: Credit and Deposit Standards Policy</u>				
Payment of Prior Bills	64.33	2	0	0
Written Credit Procedures	64.34	1	0	0
<u>Subchapter E: Suspension of Service</u>				
Unauthorized Suspension of Service	64.63	1	1	0
Notice Requirement Prior to Suspension	64.71	1	2	0
Suspension Notice Information	64.72	9	0	0
Notice of Suspension While Dispute Pending	64.73	1	1	0
Procedures Prior to Suspension	64.74	2	0	0
<u>Subchapter F: Termination of Service</u>				
Termination Notice Information	64.123	0	1	0
<u>Subchapter G: Disputes, Informal & Formal Complaints</u>				
Dispute Procedures-Telephone Company	64.141	3	2	0
Contents of Utility Reports	64.142	5	8	0
Commission Informal Complaint Procedures	64.153	2	0	0

Subchapter I: Public Information,
Record Maintenance

Record Maintenance	64.192	<u>1</u>	<u>0</u>	<u>0</u>
TOTAL		35	16	0

Highlights from Contel's Table:

- * In 1989, 63% of Contel's informally verified violations involved dispute handling provisions of Chapter 64. Moreover, after an encouraging indication in 1988 that the violations of this section were in a declining trend, the number of verified violations remained the same: ten in 1988 and ten in 1989.
- * Contel did do well in improving the area of compliance that proved troublesome to them last year; that is, the provisions relating to suspension activities. After a surge in the number of those violations last year, from 5 to 14, there was a significant drop in 1989 to 4 verified violations.

Table 29

General Telephone Company

<u>Section Violated:</u>	<u>Number of Violations</u>		
	Verified 1988	Verified 1989	Pending 1989
<u>Subchapter A: Preliminary Provisions</u>			
Purpose and Policy 64.1	1	0	0
<u>Subchapter B: Payment and Billing Standards</u>			
Due Date for Payment 64.12	0	6	0
Billing Information 64.14	1	0	0
Billing Service for Inter- exchange Carriers 64.22	2	0	1
<u>Subchapter C: Credit and Deposit Standards Policy</u>			
Credit Standards 64.32	0	0	0
Payment of Prior Bills 64.33	0	2	0
Written Credit Procedures 64.34	2	4	0
<u>Subchapter D: Interruption and Discontinuation of Service</u>			
Discontinuance of Service 64.53	1	0	0
<u>Subchapter E: Suspension of Service</u>			
Authorized Suspension of Service 64.61	1	0	0
Unauthorized Suspension of Service 64.63	26	1	3
Notice Requirement Prior to Suspension 64.71	4	1	0
Suspension Notice Information 64.72	11	1	0
Notice of Suspension While Dispute Pending 64.73	0	0	1
Procedures Prior to Suspension 64.74	7	14	2
Suspension/Emergency 64.75	1	0	0
Medical Certificate-General 64.101	0	0	0
<u>Subchapter F: Termination of Service</u>			
Termination Notice Information 64.123	1	0	1

Subchapter G: Disputes, Informal
& Formal Complaints

Termination While Dispute				
Pending	64.133	1	1	0
Dispute Procedures-Telephone				
Company	64.141	17	13	2
Contents of Utility Reports	64.142	10	10	1
Commission Informal Complaint				
Procedures	64.153	1	1	0

Subchapter I: Public Information,
Record Maintenance

Public Information	64.191	1	0	0
Record Maintenance	64.192	<u>2</u>	<u>1</u>	<u>0</u>
TOTAL		90	55	11

Highlights from General's Table:

- * Almost one-third of General's informally verified violations in 1989 involve provisions relating to suspension of service. This is a marked improvement over the last two years. Furthermore, the actual number of verified violations in this category shows that even if the six pending violations are verified, there will still be only half as many violations of this subchapter as in 1988.
- * More than half (55%) of the verified violations were determined to be caused by incorrect company procedures. Of those that the Bureau determined to be caused by procedural problems, the company denied 63%. Although better than last year, this still reflects a significant difference of opinion between General Telephone and BCS concerning the application of Chapter 64 provisions.
- * The majority (45%) of General's informally verified violations in 1989 reflect failure by General to treat customer complaints in full accord with the Chapter 64 dispute and informal complaint provisions.
- * In 1988 there were 29 verified violations of the dispute provisions. In 1989 there were 25 verified violations with the potential of 28 when those pending determinations are included. The troubling aspect of these numbers is that General shows a 39% decrease in total verified violations, but the verified violations in this subchapter decreased only 13%, possibly only 3% when the full count is in.

Table 30

The United Telephone Company of Pennsylvania

<u>Section Violated:</u>	<u>Number of Violations</u>			
	<u>Verified</u> 1988	<u>Verified</u> 1989	<u>Pending</u> 1989	
<u>Subchapter B: Payment and Billing Standards</u>				
Due Date for Payment	64.12	0	1	0
Partial Payments/No Arrears	64.17	0	1	0
Separate Billing	64.21	0	5	0
<u>Subchapter C: Credit and Deposit Standards Policy</u>				
Credit Standards	64.32	1	0	0
Written Credit Procedures	64.34	5	5	0
Amount of Deposit	64.36	2	2	0
<u>Subchapter D: Interruption and Discontinuance of Service</u>				
Discontinuance of Service	64.53	0	1	0
<u>Subchapter E: Suspension of Service</u>				
Unauthorized Suspension of Service	64.63	1	5	0
Notice Requirement Prior to Suspension	64.71	1	3	0
Suspension Notice Information	64.72	0	5	0
Notice of Suspension While Dispute Pending	64.73	0	1	0
Procedures Prior to Suspension	64.74	13	10	0
<u>Subchapter F: Termination of Service</u>				
Authorized Termination	64.121	0	1	0
Termination Notice Information	64.123	0	1	0
<u>Subchapter G: Disputes, Informal & Formal Complaints</u>				
Termination While Dispute Pending	64.133	0	1	0
Dispute Procedures-Telephone Company	64.141	8	6	0
Contents of Utility Reports	64.142	7	3	0

Commission Informal Complaint Procedures	64.153	0	1	0
<u>Subchapter H: Restoration of Service</u>				
Restoration After Suspension	64.181	0	1	0
<u>Subchapter I: Public Information, Record Maintenance</u>				
Record Maintenance	64.192	<u>0</u>	<u>2</u>	<u>0</u>
TOTAL		38	55	0

Highlights from United's Table:

- * Of major concern in addition to United's overall performance is the number of informally verified violations of the Chapter 64 provisions relating to suspension of service. These 24 violations account for 44% of the violations by United in 1989. The majority of these violations in 1989 again involved one provision in particular; that is, §64.74 relating to procedures prior to suspension.
- * The number of verified violations of the Chapter 64 dispute handling provisions constitute a lower percentage of the total violations in 1989 than they did in 1988; however, the actual number of these violations decreased by only four.
- * A similar situation holds true for the Chapter 64 provisions relating to credit and deposit standards. There was only one less verified violation of these provisions in 1989. Again, United must devote more attention to this area of its practices.
- * The number of verified violations from 1988 to 1989 increased by 17. Fifteen of the 55 verified violations in 1989 related to provisions that were not violated in 1988. United must be careful not to become lax in one area of Chapter 64 while concentrating on improving another.

Summary

The telephone industry has yet to achieve routine compliance with the Chapter 64 regulations, as demonstrated by the number of informally verified violations gleaned over the last three years. There is, however, a ray of sunshine in this gloomy picture: only two of the six major companies' compliance performance deteriorated further from 1988 to 1989. The other four companies all showed improvement in their compliance performance from 1988 to 1989. Telephone utilities must continue their efforts to design comprehensive procedures which fully comply with Chapter 64. Moreover, they must insure that their employees properly and consistently implement these procedures.

X. CONCLUSION

This second annual telephone report presents the Bureau's assessment of the telephone industry's customer service performance for the year 1989. The primary focus of this report is the Bureau's complaint handling activity relative to the six major companies: Alltel, Bell, Commonwealth, Continental (Contel), General, and United. This report provides a comprehensive analysis of telephone complaints, an analysis of telephone company collections activities, and an analysis of telephone violation statistics.

Telephone Company Performance

Quantitative and qualitative problem indicators are used here to measure company performance. The first problem indicator 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 indicator that measures companies' effectiveness by combining two indicators, consumer complaint rate and justified percent. The fourth problem indicator is response time. Telephone response time reflects the quality of dispute handling and the record keeping which is required under PUC regulations. In addition to the analysis related to consumer complaints, the analysis of measures related to telephone collections provides a basis for comparing company performance at managing unpaid accounts. Finally, a review of violation statistics assesses companies' performance at operating in compliance with the Commission's regulations.

Telephone Complaints

In 1989, the total number of complaints against the telephone industry remained at the record level that was set in 1988. Several major telephone companies had more complaints in 1989 than in 1988. However, Bell is primarily responsible for this large number of complaints.

The quality of company complaint handling is measured by the percent of justified complaints and company effectiveness is measured by justified rate. As a group, major telephone companies had more complaints that were deemed to be justified in 1989. The percent of justified complaints increased by 15% from 1988 to 1989. In addition, major companies' effectiveness, as measured by the justified rate, deteriorated from 1988 to 1989.

Response time can be an indicator of both a company's efficiency and compliance with record keeping requirements. The telephone industry response time was worse in 1989 than in 1988. On average, it took major companies two days longer in 1989 to respond to informal complaints registered with the Bureau.

Collections Statistics

Unfortunately, companies are not uniformly reporting billing and collection statistics as required under Chapter 64 reporting requirements. In addition, these requirements are inadequate because they do not reflect current billing and collections issues. Thus, the Bureau is unable to provide a comprehensive analysis of the important aspects of telephone company collection practices in its annual assessment of the industry. In spite of this, the initial findings suggest that telephone industry practices improved in some areas and declined in other areas. The number of service terminations declined by 18% from 1988 to 1989. The amount owed in overdue telephone bills increased slightly in 1989. Telephone industry uncollectibles from residential accounts remained stable. In short, it appears from the data reported that the telephone industry's collection performance remained stable. However, the Bureau believes that deficiencies in the reporting requirements and inaccurate reporting by companies make it difficult to do a thorough assessment of the telephone industry collection practices. The Bureau will investigate possible noncompliance and take appropriate enforcement action. Again, further investigation of telephone company collection practices is needed.

Compliance

The Chapter 64 regulations have been in effect for over five years. Even so, the statistics presented here show that the telephone industry has yet to achieve routine compliance with these regulations. However, from 1988 to 1989 four out of the six major companies' compliance performance did improve with a 57% decline in the number of verified violations.

In order to help companies achieve compliance with the Commission's regulations, the Bureau staff analyze and thoroughly document each violation of Chapter 64. Summaries of these violations along with accompanying explanations are then sent to the appropriate utility. In spite of this laborious effort, it is evident that telephone companies have not taken full advantage of the information available to them through this informal compliance notification process. The Bureau urges companies to make full use of this process to improve their compliance performance.

Summary

This report highlights individual company performance as well as the telephone industry's performance. Individual company performance, as measured by the problem indicators discussed above, deteriorated from 1988 to 1989. Individual company performance is evaluated and scored in three areas: complaints, collections, and compliance. Overall, customer service

performance for the six major companies ranged from better than average to poor in 1989. Two of the major companies had overall performance that was significantly worse than the telephone industry's average. Bell's overall performance was the worst in the industry. Bell's performance in the areas of complaints, collections, and compliance was worse than the industry's average. Alltel's overall performance was also worse than the industry average. On the positive side, Contel's, United's, and General's overall performance was better than the industry's average. Commonwealth's customer service performance was the best in the industry. Thus, it appears that Commonwealth may be the most effective major company at managing customer services operations. Although the comparative analysis of individual companies shows that most of the major companies' overall performance was better than average, it is important to note that none of the major companies showed substantial improvement in all three of the areas evaluated here. Collectively, the major companies' performance deteriorated in 1989. Therefore, it is evident that the telephone industry must take further steps to improve in all areas of customer service.

There is substantial evidence that companies which make a sincere effort to improve their customer services operations have been successful. Thus, it is the Bureau's policy to assist company efforts at self-monitoring. In addition to periodic reviews of company procedures, the Bureau provides most of the data used in the preparation of this report to companies on a quarterly basis. Companies which seek to improve performance and confront problems can then determine causes for problems and respond appropriately long before the BCS becomes aware of problems. However, the Bureau will continue to focus criticism on those companies which do not act to arrest declines in customer services performance.

APPENDIX A

Table 1

Residential Cases - Major Telephone Companies
(1985 - 1989)

Company	Number of Cases				
	1985	1986	1987	1988	1989
Alltel	122	116	86	63	60
Bell	1,276	759	924	2,285	2,316
General	277	207	148	137	45
Commonwealth	78	79	62	60	39
Contel	31	17	44	31	115
United	146	128	94	85	90
Total	1,930	1,306	1,358	2,661	2,665

Table 2

Complaint Rate - Major Telephone Companies
(1985 - 1989)

Company	Complaint Rate				
	1985	1986	1987	1988	1989
Alltel	1.20	1.14	.83	.60	.56
Bell	.39	.23	.27	.67	.67
Commonwealth	.62	.62	.46	.41	.29
Contel	.91	.50	.70	.48	.59
General	.86	.64	.45	.41	.34
United	.66	.58	.42	.37	.38
Average	.77	.62	.52	.49	.47
1985-1989 (Average Rate)	.57				

Table 3

Percent Change in Number of Residential Cases
(1985 - 1989)

Company	Percent Change in N				Percent Change in N
	1985 - 1986	1986 - 1987	1987 - 1988	1988 - 1989	1985 - 1989
Alltel	-5	-26	-27	-5	-51%
Bell	-41	-22	-147	-1	82%
Commonwealth	1	-22	- 3	-25	-42%
Contel	-45	-52	-30	-26	-26%
General	3	-25	-29	-16	-58%
United	-12	-27	-10	-6	-38%
Average	-32	4	96	No Change	38%

APPENDIX B

Table 1

Residential-Commercial Complaints
Industry Proportion
(1989)

<u>Total</u>	<u>Residential</u>	<u>% Residential</u>	<u>Commercial</u>	<u>% Commercial</u>
3,485	3,062	88%	423	12%

Table 2

Monthly Average Number of Residential Customers
Major Telephone Companies
(1989)

Alltel	106,359
Bell	3,458,396
Commonwealth	152,633
Contel	66,646
General	340,805
United	237,510
Total	4,362,349

APPENDIX C

§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