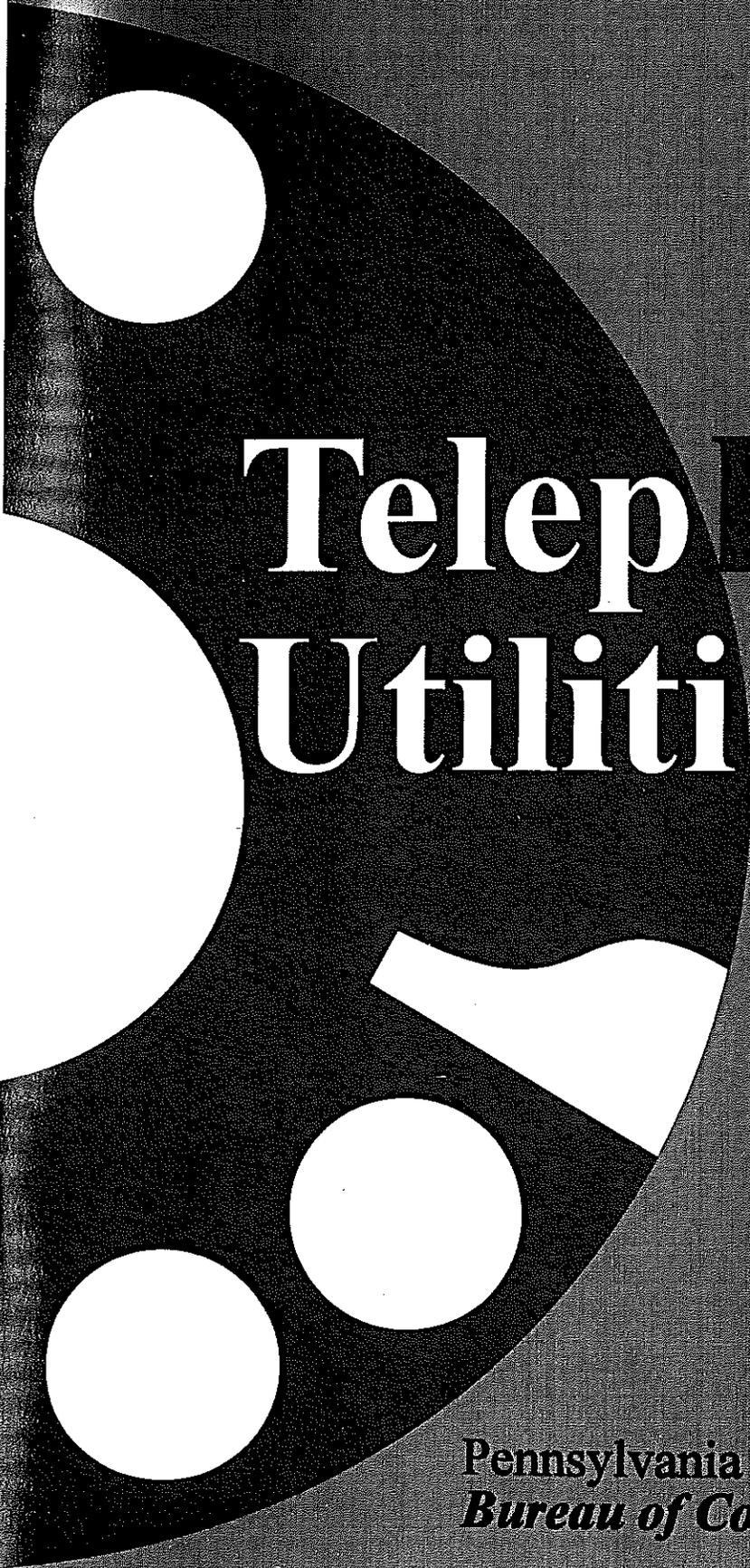
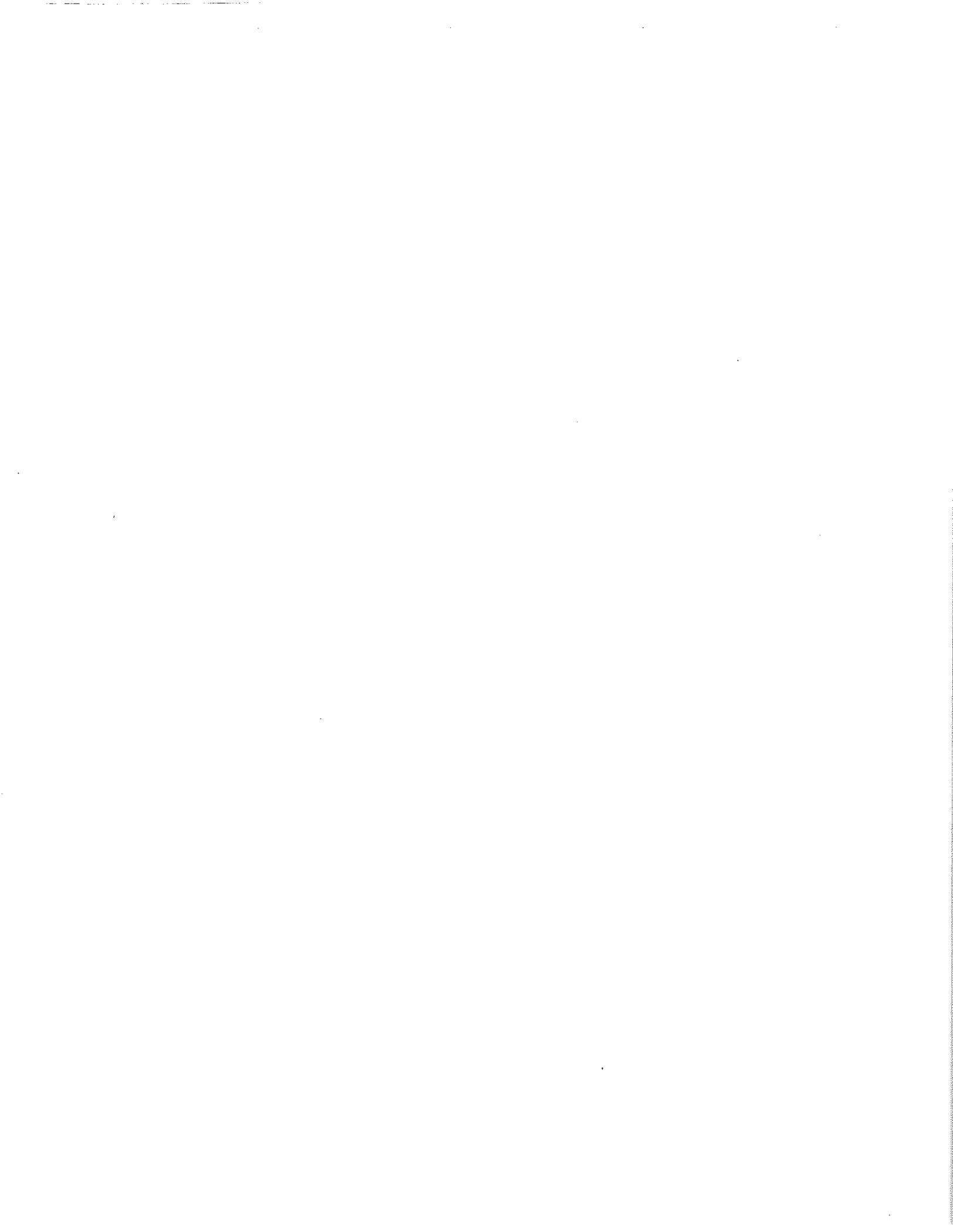


# Consumer Services Activity Report



## Telephone Utilities 1993

Pennsylvania Public Utility Commission  
*Bureau of Consumer Services*



# **Consumer Services**

## **Telephone Activity Report: 1993**

**July 1994**

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

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

*with the assistance of*

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

*(July 1994)*

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# I. INTRODUCTION

This report highlights the Pennsylvania Public Utility Commission's Bureau of Consumer Services (BCS) complaint activity related to the telephone industry. It provides an overview of the performance of the five major telephone companies: Alltel, Bell Atlantic-Pa. (Bell), Commonwealth, GTE and United. Prior to 1988, the Bureau presented all telephone complaint handling activity 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 Commission can use the telephone complaint information presented here 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 Policy maintains a sophisticated information system through a contract with The Pennsylvania State University. This allows the Bureau to both access pertinent information regarding complaints and to use statistics from complaints to evaluate utility performance. The third legislative mandate requires that the Bureau "...shall advise the Commission as to the need for formal Commission action on any matters brought to its attention by the complaints." The Bureau uses complaints in a number of ways to identify failures of utility operations or problems which require formal Commission action.

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

Support for evaluating utilities is secured by aggregating data from thousands of complaints to provide information about how effectively utilities meet consumers' needs and whether their activities comply with Commission standards. The 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 have failed to act responsibly to resolve problems have been subjected to fines and rate case adjustments of expenses and revenues.

This report provides a comprehensive analysis of telephone company data for the year 1993. In addition, the report presents 1992 data as a basis for trend analysis. The data analyzed in this report consist of complaint statistics from the Bureau's Consumer Services Information System (CSIS) and the Bureau's §64.201 Reporting System, a data system based on the collection statistics reported annually by telephone companies as required by Chapter 64. Data collected through the §64.201 Reporting System provide a valuable resource for measuring changes in telephone company collection performance. In addition, the complaint, collection and compliance analyses for GTE have been adjusted for 1992 to reflect the company's 1993 merger with the former Contel.

There are four complaint handling performance measures that are presented in this 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 three measures, a fourth 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 V.

The Bureau provides feedback to major telephone companies on these same complaint handling measures in the form of Quarterly Automated Report Formats (ARFS). Because of this quarterly feedback, all of the companies reviewed in this report are well acquainted with the complaint handling measures used here, with the Bureau's approach to interpreting these measures, and with their performance on these measures in 1993. An explanation of these measures is included in Chapter V for readers who encounter them for the first time.

Chapter VII of this report focuses on telephone company failures at complying with the Commission's regulations. Here, the informal compliance process is explained and highlights of the 1993 compliance activity are discussed.

Because this report focuses exclusively on the five major telephone companies, those complaints directed at either non-major companies or interexchange companies are eliminated from the performance measures and analyses presented below in Tables 1 through 3. Furthermore, another treatment of telephone case data involves the purging of telephone cases that do not involve residential service since the Bureau's regulatory authority in Chapter 64 is confined to residential accounts. Thus, all cases that involve commercial accounts are deleted from all performance measures and analysis. Non-evaluative cases in which the customer did not contact the company prior to registering a complaint to the Commission are excluded from analysis in Table 2 and Graph 1. Residential customer contacts that did not require investigation by BCS, such as problems over which the Commission has no jurisdiction, rate protests and routine information requests, are also excluded from Table 2 and Graph 1. These latter classifications of non-investigatory contacts are called inquiries by BCS. In addition, telephone cases are divided into three groups: Chapter 64 complaints, Non-Chapter 64

complaints and Chapter 64 suspensions (these distinctions are fully explained in Chapter V). Finally, Major Company Profiles have been provided to highlight individual company performance.

## **II. POLICY ISSUES**

The Bureau is often involved not only with handling consumer complaints but also with addressing policy issues that affect residential telephone customers. Because consumer complaints are the primary way the Bureau is made aware of such policy issues, the Bureau carefully monitors all complaint activity and identifies potential problem areas. Many problems expressed by consumers in their complaints to the Bureau are the basis for the policy issues presented here.

### **Annoyance Call Task Force**

During 1993, Commission staff examined how local exchange carriers (LECs) handled annoyance call complaints. Given the expressed concern about the availability, staffing and adequacy of LEC annoyance call centers, the BCS conducted a preliminary review of this matter and recommended that a Commission task force be established. The Annoyance Call Task Force has completed its investigation of annoyance call complaints and how they are handled by LECs. The task force has prepared a report which presents its findings and recommendations to address the problems highlighted in the report.

Overall, the report findings indicate that LECs' annoyance call services need improvement. First, in the area of customer service, LECs have limited provisions for handling less urgent annoyance calls during non-business hours. Second, it appears that LECs do little or no outreach to educate customers about what to do to handle annoyance calls and what the LECs can do to assist them. Third, LECs have limited technological and operational capabilities in several critical areas for identifying annoyance callers. Fourth, LECs rely heavily on the criminal justice system to provide deterrence against annoyance calls when, in fact, the criminal justice system places a low priority on annoyance call prosecutions. Finally, the magnitude of the annoyance call problem remains unclear because neither the telephone industry nor law enforcement agencies keep uniform data about annoyance call activity.

### **Caller ID**

On December 22, 1993, Governor Casey signed a law that permits local phone companies to offer Caller ID service in Pennsylvania. Caller ID is an optional service that gives customers the ability to screen calls before answering the phone by viewing the phone number of the incoming call via a display unit. The state Supreme Court ruled that unblockable Caller ID services violated state wiretapping laws. Under Pennsylvania law, local phone companies must offer customers the option of blocking their calls from being displayed on a per call basis. In addition, local phone companies must offer free line blocking up to 60 days after blocking becomes available, when customers sign up for new service or when they transfer existing service. This provision of the law may be preempted by an FCC ruling that would restrict per line blocking. Consequently, on

May 18, 1994, the Commission filed a petition for reconsideration with the FCC on this ruling.

Commission staff and the Pennsylvania Telephone Association have been working together to develop notices that would inform customers about Caller ID service and the availability of blocking. Customers will receive these notices this summer. Caller ID service may be available to many customers by August 1994.

## **Revisions to Coin Phone Regulations**

As a result of the Commission's investigation into the provision of coin telephone service in Pennsylvania, the PUC approved revisions to the existing coin telephone regulations. These revisions were published in the Pennsylvania Bulletin on April 3, 1993. The Commission views the revisions as being in the public interest and as necessary adaptations to changes that have occurred in the coin telephone industry.

On March 10, 1994, the Commission approved the final version of revisions to the Commonwealth's Coin Phone Regulations. These revisions must be approved by the Independent Regulatory Review Commission (IRRC) before they become effective. The two major changes in these regulations are allowing coin phones to charge \$.25 for local directory assistance and the establishment of a self-enforcement program for privately owned coin phones in the Commonwealth.

## **Telecommunications Trust Fund**

The Telecommunications Education Fund was established in 1991 to provide grants to community based organizations that would provide consumer education to residential telephone consumers on telecommunications issues. The Fund has five Board members which include the Public Utility Commission, the Office of Consumer Advocate, Bell of Pennsylvania and two consumer representatives.

In February 1994, the Telecommunications Education Fund awarded 26 grants, totaling \$935,908.00 to various community based organizations throughout Pennsylvania. Grants were given to not-for-profit organizations to educate consumers about budgeting telephone dollars and to make the public aware of consumer protection issues and low income programs. The list of grantees includes the following: Tri-County Opportunities Industrialization Center of Harrisburg, Indiana County Community Action Program (ICCAP), West Pennsylvania School for the Deaf, YWCA of Bradford, Speaking for Ourselves of Plymouth Meeting, Korean Community Development Services Center of Philadelphia, Central Intermediate Unit 10 - Development Center of Adults, Mercer County Community Action Agency, Southwestern PA Area Agency on Aging, Inc., Northern Cambria Community Development Corp. (NORCAM), Energy Coordinating Agency of Philadelphia, Inc., Center for Community and Professional Services, The Program for Female Offenders, Nueva Esperanza, The Greater Wilkes-Barre Association for the Blind,

Garfield Jubilee Association, Inc., Easter Seal Centers, Community Action Committee of the Lehigh Valley, Inc., Harrisburg Community and Economic Affairs, Legal Services Inc. of Carlisle, Committee for Dignity and Fairness for the Homeless Housing, Coalition of Advocates for the Rights of the Elderly (CARIE), Hunting Park Community Development Corporation, United Veterans Council of Philadelphia Operation Phone Home, Contact Pittsburgh, Inc., Philadelphia Black Family Services, Inc.

## **Revision of Chapter §64.201 Reporting Requirements**

Under Chapter §64.201 reporting requirements, all local telephone companies must provide the Commission with account information related to residential billing and collection. The §64.201 reporting requirements were promulgated prior to divestiture. Thus, changes in the telecommunications environment that occurred after divestiture are not reflected in these reporting requirements. The Bureau has found that the §64.201 requirements are inadequate in view of the current status of telephone customer service activities relative to these areas. For example, the reporting requirements do not reflect the use of multiple balances for billing basic, nonbasic, and toll services. This problem is further compounded by the fact that current reporting by local exchange carriers does not distinguish between amounts owed and written off for LEC provided services and the amounts owed and written off as a result of services provided by interexchange carriers, but billed by the LEC's. The result of these reporting deficiencies is that the Bureau cannot assess the true financial risk of the local exchange carriers. In addition, the Bureau is unable to determine the sources contributing to the risk (basic, nonbasic or toll services). Thus, the Bureau is unable to evaluate important aspects of the telephone industry's collection practices because the data does not reflect the use of multiple balance billing.

The Commission directed BCS staff to draft new regulations to institute a rulemaking that will require local exchange companies to categorize their uncollectible accounts by multiple balance billing. However, the Bureau of Consumer Services and the Law Bureau recommended that the existing reporting requirements be revised to accomplish this directive and to correct other reporting deficiencies. At public meeting on January 21, 1993, the Commission approved an order which opened a rulemaking to amend §64.201 reporting requirements. The proposed rulemaking will revise §64.201 to reflect changes in the telephone industry that have occurred such as multiple balance billing, reflect jurisdictional distinctions, clarify existing wording, make reporting more uniform and increase the frequency of collection reportings so as to enable the Commission to better monitor customer service. With the Commission's approval, the proposed rulemaking was published in the Pennsylvania Bulletin on April 3, 1993 for regulatory review and public comment. The Bureau has reviewed and responded to comments to the proposed rulemaking and anticipates that final form regulations, with the Commission's approval, will be submitted to IRRC this summer.

## **Optional Toll Calling Plan Settlement**

On November 13, 1992, the Commission approved a settlement under which Bell of Pennsylvania was to make refunds to residential customers who were charged for optional toll calling plans when they were unable to utilize toll services. The settlement concluded an informal investigation by PUC staff that found that Bell improperly continued to bill the monthly charge for the optional toll calling plans (for Bell, AT&T, MCI and Sprint) to customers whose toll service had been disconnected. Credits and refunds were issued to Bell customers according to the terms of the settlement. The final total amount of refunds and credits issued through September 13, 1993 was \$131,781. In December 1993, Bell also, in accordance with the settlement agreement, contributed \$868,218 to the Telecommunications Education Fund (TEF). The contribution will be used primarily to educate customers regarding long distance service and applicable state and federal regulations.

The Bureau of Consumer Services continues to monitor Bell through the informal complaint and informal compliance process to ensure that customers are not billed for optional toll calling plans they cannot use.

## **Coin Telephone Settlement**

A settlement agreement, approved in November 1992, resolved a PUC informal investigation into Bell of Pennsylvania's failure to convert some of its pay phones to two-way service after expiration of a waiver that permitted one-way outgoing service.

As part of the settlement, Bell agreed to prepare a booklet and videotape to educate the public on the use of coin phones. Bell also agreed to donate a limited number of television/VCR equipment to consumer groups for showing the tape to consumers. The Bureau of Consumer Services has sent the videotape "What You Should Know About Coin Telephone Service" to over 30 consumer groups requesting copies. Nine of the donated television/VCR units have been delivered to qualifying agencies. The Bureau has sent out approximately one fourth of its 20,000 copies of the Consumers' Guide to Coin Telephone Service in Pennsylvania. The guides are being sent to interested consumer groups for distribution to consumers in addition to being placed by coin phones at the service plazas on the Pennsylvania turnpike.

### III. COMPANY PROFILES

*This section presents a brief synopsis of each company's performance. Each utility profile contains company specific highlights that are drawn from the various chapters of the report. The profiles are not comprehensive evaluations of a company, nor do they contain detailed descriptions of the performance measures. The Bureau developed the profiles to provide readers with a quick reference to the noteworthy findings of a given utility's customer service performance. Readers are encouraged to review the full report before drawing conclusions regarding utility company performance.*

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# Alltel

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*The following profile highlights several noteworthy findings regarding Alltel's 1993 customer service performance:*

- *When compared to the other major companies, Alltel appears to be not only the most effective company at handling consumer complaints, but also the only company to improve from 1992 to 1993.*

<i>Measure</i>	<i>1992</i>	<i>1993</i>	<i>Industry Average 1993</i>
<i>Justified Complaint Rate</i>	<i>.20</i>	<i>.17</i>	<i>.36</i>
<i>Weighted Arrearage</i>	<i>3.29</i>	<i>2.89</i>	<i>2.01</i>
<i>Dispute Rate</i>	<i>.92</i>	<i>2.31</i>	<i>6.22</i>
<i>Violation Rate</i>	<i>1.17</i>	<i>2.90</i>	<i>N/A</i>

- *Although Alltel's weighted arrearage score improved from 3.29 in 1992 to 2.89 in 1993, the company's weighted arrearage score has remained the worst in the industry for the fifth year in a row. The Bureau urges Alltel to seriously review its collection policies and to explore what additional improvements could be made to reduce arrearages.*
- *Alltel had the second largest increase (158%) in recorded disputes from 1992 to 1993. Apparently, Alltel's efforts to educate service representatives to do a better job in recognizing disputes is beginning to pay off. However, this increase, while encouraging, still leaves the company with a relatively low dispute rate which means that Alltel should continue to work towards improving in this area.*
- *Alltel experienced an almost threefold increase in the number of verified violations from 1992 to 1993.*

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# Bell Atlantic-PA

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*The following profile highlights several noteworthy findings regarding Bell's 1993 customer service performance:*

- *For the third consecutive year, Bell had the worst justified complaint rate (.55) in the industry. This means that Bell was ranked the least effective among major companies at complaint handling in 1993.*

<i>Measure</i>	<i>1992</i>	<i>1993</i>	<i>Industry Average 1993</i>
<i>Justified Complaint Rate</i>	<i>.55</i>	<i>.55</i>	<i>.36</i>
<i>Percentage of Revenues Written Off</i>	<i>3.48%</i>	<i>2.88%</i>	<i>2.45%</i>
<i>Termination Rate</i>	<i>3.02%</i>	<i>2.59%</i>	<i>2.46%</i>
<i>Violation Rate</i>	<i>5.16</i>	<i>2.39</i>	<i>N/A</i>

- *Bell experienced a substantial decrease (17%) in residential revenues written off as uncollectible from 1992 to 1993. Even so, the company had next to the highest percentage of revenues written off (2.88%) in the industry in 1993.*
- *For the first time in seven years, Bell did not have the highest termination rate in the industry. However, Bell's termination rate (2.59%) was next to the highest in the industry.*
- *Bell experienced a significant reduction in the number of verified violations from 1992 to 1993; however, this reduction can be attributed mainly to the correction of one problem involving the wording on a suspension notice.*

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# Commonwealth

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*The following profile highlights several noteworthy findings regarding Commonwealth's 1993 customer service performance:*

- *Commonwealth lost its ranking as the most effective major telephone company because the company's justified complaint rate jumped from .18 in 1992 to .30 in 1993.*

<i>Measure</i>	<i>1992</i>	<i>1993</i>	<i>Industry Average 1993</i>
<i>Justified Complaint Rate</i>	<i>.18</i>	<i>.30</i>	<i>.36</i>
<i>Percentage of Revenues Written Off</i>	<i>1.44%</i>	<i>1.20%</i>	<i>2.45%</i>
<i>Dispute Rate</i>	<i>5.51</i>	<i>2.81</i>	<i>6.22</i>
<i>Violation Rate</i>	<i>3.30</i>	<i>2.34</i>	<i>N/A</i>

- *Commonwealth experienced a significant decrease (17%) in the percentage of revenues written off from 1992 to 1993. Consequently, the company's percentage of revenues written off was the lowest among the major companies during this period.*
- *Of all the major companies, Commonwealth experienced the largest decrease in recorded disputes from 1992 to 1993. In fact, Commonwealth reported nearly a 50% decline in disputes.*
- *Commonwealth's compliance performance remained relatively stable from 1992 to 1993.*

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# GTE

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*The following profile highlights several noteworthy findings regarding GTE's 1993 customer service performance:*

- *GTE's justified complaint rate ranking indicated that GTE was next to the least effective at complaint handling in 1993. The company's justified complaint rate rose from .29 in 1992 to .41 in 1993.*

<i>Measure</i>	<i>1992</i>	<i>1993</i>	<i>Industry Average 1993</i>
<i>Justified Complaint Rate</i>	<i>.29</i>	<i>.41</i>	<i>.36</i>
<i>Termination Rate</i>	<i>2.26</i>	<i>3.29</i>	<i>2.46</i>
<i>Percentage of Revenues Written Off</i>	<i>4.27%</i>	<i>5.14%</i>	<i>2.45%</i>
<i>Violation Rate</i>	<i>3.03</i>	<i>3.20</i>	<i>N/A</i>

- *Considering the significant increase in the number of GTE's terminations, it is not surprising that the company's termination rate (3.29%) was the highest among the five major companies in 1993.*
- *GTE's percentage of revenues written off as uncollectible (5.14%) was more than double the industry average in 1993. In fact, GTE had the highest percentage of revenues written-off among major companies in 1993.*
- *GTE was one of the two companies to experience an increase in verified violations from 1992 to 1993.*

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# United

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*The following profile highlights several noteworthy findings regarding United's 1993 customer service performance:*

- *United's effectiveness at handling consumer complaints deteriorated from 1992 to 1993. The company's justified complaint rate went from .24 in 1992 to .39 in 1993.*

<i>Measure</i>	<i>1992</i>	<i>1993</i>	<i>Industry Average 1993</i>
<i>Justified Complaint Rate</i>	<i>.24</i>	<i>.39</i>	<i>.36</i>
<i>Weighted Arrearage</i>	<i>1.61</i>	<i>1.57</i>	<i>2.01</i>
<i>Dispute Rate</i>	<i>2.62</i>	<i>10.78</i>	<i>6.22</i>
<i>Violation Rate</i>	<i>2.81</i>	<i>2.18</i>	<i>N/A</i>

- *United had the best weighted arrearage score (1.57) in 1993. United's weighted arrearage score represented a little more than one and a half average bills.*
- *United experienced a record number of disputes in 1993. The company had a 318% increase in disputes from 1992 to 1993. According to United, this increase represents the results of intensive training and emphasis with service representatives to identify disputes properly. However, it appears that United's efforts were prompted by the Bureau's investigation into their sales practices.*
- *United's compliance performance remained stable from 1992 to 1993 which is disappointing considering the substantial deterioration in its compliance performance from 1991 to 1992.*

## **IV. OVERALL COMPLAINT ACTIVITY**

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

### **Consumer Complaints**

During 1993, the Bureau handled 6,339 complaints from consumers about problems they had with their local telephone companies as compared to 4,337 complaints in 1992. Of these 6,339 consumer complaints, 5,664 were against the five major telephone companies. In 929 cases regarding telephone companies, the Bureau saved customers a total of \$245,804 through billing adjustments. In addition to complaining to the Bureau about local telephone companies, consumers also complained about the problems they had 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 company or a long distance company.

### **Consumer Complaint Handling**

The handling of consumer complaints against utilities is the foundation for a number of Bureau programs. The complaint process provides an avenue through which consumers can gain redress for errors and improper treatment by utilities. The Bureau's Field Services Division receives and investigates consumer complaints. Telephone complaints about billing, service, credit, deposits, rates and company operations are handled in the Division's Telecommunications Complaint Unit. This unit is also responsible for enforcing the Coin Telephone Regulations and the Reseller Regulations.

Commission regulations require that customers seek to resolve problems directly with their utilities prior to registering a complaint with the Commission. In view of this, the Bureau seeks to foster improvements in utility complaint handling operations so that complaints will be properly handled by utilities, and customers will not find it necessary to appeal to the Commission. Since the Bureau receives complaints from only a fraction of dissatisfied customers, this effort has benefits that go far beyond reducing the Bureau's work load. First, customer complaints to the Bureau may be the result of systemic or recurring problems a utility can address without the Bureau's intervention. The Bureau encourages companies to identify and address these problems before their customers seek the Bureau's assistance. This can benefit many customers and thus reduce the number of customers who are dissatisfied and contact companies to register

disputes. Second, improvements in complaint handling save utility resources because customers will not find it necessary to appeal to the Commission. Thus, companies can both expend less of their resources on answering Commission complaints and improve their overall customer relations.

## **Telephone Complaint Analysis**

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's complaint handling activities relative to the five major telephone companies.

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

When a case is initially presented to the Bureau by a customer, it is considered to be "open". At this time the BCS codes initial information about the type of problem and the utility involved. From this initial information, the Bureau calculates complaint rates as presented in Table 1. A case is considered closed once the Bureau has completed its investigation and rendered a decision. Because there is more information available on cases that are closed, these cases are used to identify specific problem areas and evaluate telephone company performance relative to these problems. This process, known as case evaluation, is the process whereby closed cases are examined by the Bureau to determine how well and how timely utilities handled customer disputes prior to the Bureau's involvement. The complaint analyses presented after Table 1 are based on open telephone complaints, complaints that were closed and not evaluated, and complaints that have been closed and evaluated by the Bureau.

### ***Case Evaluation for 1993***

During 1993, the Bureau received an unprecedented number of consumer complaints from the telephone industry. Specifically, the Bureau received more than 4,956 complaints from Bell Atlantic-Pa. customers. The Bureau did not have the resources to perform case evaluation on each of the consumer complaints filed by customers of Bell Atlantic-Pa. Within this universe of Bell complaints received, the Bureau made the decision not to evaluate all cases involving requests for payment arrangements, which are the vast majority of complaints against Bell. This decision stemmed from an agreement reached between the BCS and Bell that determined that Bell would handle future requests for payment arrangements according to a new collection procedure called Extended Payment Agreements (EPAR). Given the fact that Bell would be handling payment requests differently in the future, it seemed less critical to evaluate and provide feedback for all the cases which Bell handled under the former procedure. Therefore, the percentage of these cases that were evaluated is lower than it has been historically.

## **Specific Problems**

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

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

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

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

In 1993, telephone customers filed 673 Chapter 64 informal complaints with the Commission. Of course, these informal complaints represent only a fraction of Chapter 64 disputes that customers registered directly with the major telephone companies. Although companies are required to report the total number of disputes handled, it is evident that the dispute statistics reported by companies over the last seven years are inaccurate. These inaccurate dispute statistics combined with documented instances of noncompliance with the dispute notification procedures themselves, leads the Bureau to believe that the reported number of complaints filed is lower than it would be if both the dispute and reporting procedures were followed correctly. In other words, the Bureau believes that the companies' failure to advise all customers of their due process appeal rights may have kept some customers from complaining to the Commission.

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

Primarily, informal complaints that deal with matters not covered under Chapter 64 concern problems related to the delivery of telephone service. Many of these complaints deal with matters that are covered under Chapter 63, the "Quality of Service Standards

for Telephone," which went into effect July 30, 1988. Chapter 63 establishes uniform service standards and service objectives for local telephone companies. Some of the items covered under these regulations are service installations, local dial service, operator handled calls, and Automatic Dialing Announcing Devices (ADADs). Other problems are not addressed by either the Chapter 63 or Chapter 64 regulations, yet are the subject of informal complaints. Some of these complaints involve problems dealing with the yellow pages, the conduct of company personnel, unsatisfactory telephone numbers and the lack of equal access to long distance carriers. The Bureau, through the Consumer Services Information System (CSIS), has been tracking complaints related to service problems for the last fourteen years. In 1993, customers filed 739 non-Chapter 64 complaints against the major companies.

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

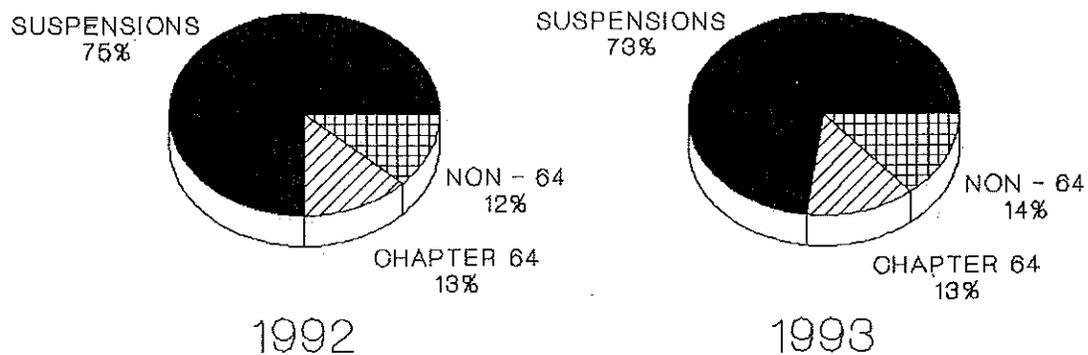
In Chapter 64, suspension is defined as a temporary cessation of service without the consent of the customer. Termination of service, according to Chapter 64, is the permanent cessation of service after a suspension without the consent of the customer. Most informal complaints relating to the cessation of telephone service are registered during the suspension phase. The Bureau's Consumer Services Information System (CSIS) separates informal complaints involving suspension of telephone services from informal complaints involving termination of telephone services. The data is kept separate for use in certain sections of this report such as analysis of collections. However, where appropriate, in complaints analyses for example, the data for both suspensions and terminations are combined.

Under Chapter 64, a customer contact in response to a suspension notice is a dispute, as the term is defined in §64.2, only if the contact includes a disagreement with respect to the application of a provision of Chapter 64. Where informal complaints involving telephone service suspension are concerned, failure to negotiate a payment arrangement does not in itself mean that a dispute exists. Consequently, in this report, informal telephone complaints to the Commission that are a result of failed payment negotiations have been separated from informal telephone complaints that represent an appeal of a dispute.

Finally, Chapter 64 does not require local exchange carriers to include the Bureau of Consumer Services' phone number on the suspension or termination notice, whereas Chapter 56 does require the other utilities to do so. It is possible that because the phone number for the PUC is not included on the telephone company notices, some customers with informal complaints regarding cessation of their telephone service do not attempt to contact the Bureau. Nevertheless, in 1993, customers facing suspension or termination of one, or any combination of their telephone services -- basic, toll and nonbasic -- filed approximately 3,827 informal complaints against the major telephone companies.

## CHART 1

### TELEPHONE COMPLAINTS SPECIFIC PROBLEMS 1992 - 1993



#### **Summary**

Chart 1 presents a comparison of the three groups of complaints for 1992 and 1993. The most common problems are related to suspension of service. The number of suspension cases increased from 2,741 cases in 1992 to an estimated 3,827 cases. This means the number of suspension cases increased approximately 40%. The Bureau also handled more Chapter 64 billing complaints in 1993, 673 as compared to 464 in 1992. This represents a 45% increase in billing related complaints. At the same time, the number of non chapter 64 service complaints increased 70% from 435 in 1992 to 739 in 1993. A more detailed account of these complaints can be found in Appendix D.

## V. TELEPHONE COMPLAINTS

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

Telephone complaints include all complaints regarding billing, rates/tariffs, credit/deposits, service 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. Alternately, significant decreases in the frequency of problems over time may indicate that a company is improving, assuming utility compliance with Chapter 64 regulations. However, a high number of complaints is not necessarily bad if the percentage of justified complaints is low. That is why the Bureau uses justified complaint rate as the primary measure of utility complaint handling effectiveness.

### 1993 Residential Complaints

The total number of complaints against major telephone companies increased 36% from 1992 to 1993. While there were 4,171 complaints in 1992, the Bureau received 5,664 complaints in 1993 (see Table 1). Bell is primarily responsible for this large number of complaints. Part of this growing trend in high numbers of complaints appears to be a result of continued poor complaint handling by major companies. Another part of this trend may be due to companies advising more, but not necessarily all, of their dissatisfied customers of the right to appeal to the Bureau. Also, during 1993 the Bureau deliberately took steps to increase telephone access for utility customers who wish to contact the Commission regarding a consumer complaint. This action will have an impact on some of the complaint measures presented in this report. While the measure of "justified percent" should be unaffected by access to BCS, measures based on the number of complaints received by the BCS will be affected. Two such measures are the

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

complaint rate and justified rate. All other things being equal, increased customer access to BCS would tend to increase the number of utility complaints registered with BCS for 1993. Therefore, some caution should be expressed when making multi-year comparisons of the complaint rate and justified rate. Comparisons among companies within the same year should be unaffected by BCS access as all customers attempting to contact the Commission would be likely to have the same probability of reaching the BCS irrespective of the utility serving them.

**Table 1**  
**Residential Consumer Complaints**  
**Major Telephone Companies**  
**(1992-1993)**

Company	1992		1993		1992-1993
	N	Complaint Rate	N	Complaint Rate	Percent Change in N
Alltel	42	.38	64	.56	52%
Bell	3,746	1.04	4,956	1.38	32%
Commonwealth	37	.23	107	.64	189%
GTE	211	.49	309	.72	46%
United	135	.53	228	.89	69%
<b>TOTAL</b>	<b>4,171</b>		<b>5,664</b>		<b>36%</b>
<b>AVERAGE</b>		<b>.54</b>		<b>.84</b>	

*Among the highlights from Table 1:*

- Commonwealth experienced the largest percentage increase (189%) in consumer complaints from 1992 to 1993. In addition, Commonwealth's complaint rate jumped from .23 to .64. Consequently, Commonwealth surrendered the company's four year record of having the lowest complaint rate in the industry.
- United had the next to the highest increase (69%) in consumer complaints and the next to the highest complaint rate (.89) in 1993.
- The number of complaints against GTE increased 46% from 1992 to 1993. As a result, GTE's complaint rate (.72) was the third highest in the industry in 1993.

- Bell had the highest complaint rate (1.38) in the industry in 1993 and for the last two years.
- Alltel experienced a significant increase in consumer complaints (52%) from 1992 to 1993. Even so, Alltel's complaint rate was the lowest in the industry in 1993.

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

One of the Bureau's primary goals in regard to telephone companies is to see that companies handle customer disputes effectively before they are brought to the Bureau's attention. This goal is intended to have two positive effects. First, proper dispute handling minimizes customer dissatisfaction, thus preventing unnecessary complaints to the Bureau. Second, proper dispute handling guarantees that most customer complaints to the Bureau will be resolved in the company's favor. Complaint outcome or resolution is measured in terms of consumer complaints that are found to be valid or "justified." Commission regulations require that telephone customers contact their utilities to resolve their complaints prior to seeking PUC intervention. Although exceptions are permitted under certain circumstances such as emergencies, the Bureau's policy is to accept complaints only from customers who indicate that they have been unable to work out their problems with their company. A BCS case that is "justified" is a clear indication that the company did not handle a dispute properly or effectively, or in handling the dispute, the company violated a rule, regulation or law.

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 or 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 following discussion focuses on those cases that are determined to be "justified."

**Table 2**  
**Residential Justified Percent**  
**Major Telephone Companies**  
**(1992-1993)**

Company	Justified Percent 1992	Justified Percent 1993	Net Change 1992-1993
Alltel	53%	31%	-22%
Bell	53%	40%	-13%
Commonwealth	78%	47%	-31%
GTE	60%	57%	-3%
United	45%	44%	-1%
AVERAGE	58%	44%	-14%

*Among the highlights from Table 2:*

- GTE had fewer cases deemed justified in 1993 than in 1992. Nevertheless, GTE's percent of justified complaints (57%) was the highest in the industry in 1993.
- Commonwealth's percent of justified complaints fell from 78% in 1992 to 47% in 1993. This represents a 31% decrease in justified complaints, the largest in the industry.
- United's percentage of justified complaints remained stable from 1992 to 1993.
- Bell had the next to the lowest percent of justified complaints (40%) in the industry in 1993.
- Alltel had the lowest percent of justified complaints among the major companies in 1993.

### **Justified Complaint Rate**

In the past, the Bureau presented two distinctly different measures of company performance in 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 that 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:

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

This evaluative measure combines the quantitative measure of consumer complaint rate with the qualitative measure of effectiveness, the justified percent. The justified complaint rate is a bottom line measure of performance that evaluates company complaint handling as a whole and, as such, allows for general comparisons to be made among companies and across time. Justified complaint rate is the most comprehensive and important performance measure of customer complaint handling.

**Table 3**  
**Justified Complaint Rate**  
**Major Telephone Companies**

<b>Company</b>	<b>Justified Rate 1992</b>	<b>Justified Rate 1993</b>	<b>Net Change 1992-1993</b>
Alltel	.20	.17	-.03
Bell	.55	.55	No Change
Commonwealth	.18	.30	.12
GTE	.29	.41	.12
United	.24	.39	.15
<b>AVERAGE</b>	<b>.29</b>	<b>.36</b>	<b>.07</b>

*Among the highlights from Table 3:*

- For the third consecutive year, Bell had the worst justified complaint rate (.55) in the industry. This means that Bell was ranked the least effective among major companies at complaint handling in 1993.
- GTE's justified complaint rate ranking indicated that GTE was next to the worst in the industry in 1993. The company's justified complaint rate rose from .29 in 1992 to .41 in 1993.
- United's effectiveness at handling consumer complaints deteriorated from 1992 to 1993. The company's justified complaint rate went from .24 in 1992 to .39 in 1993.

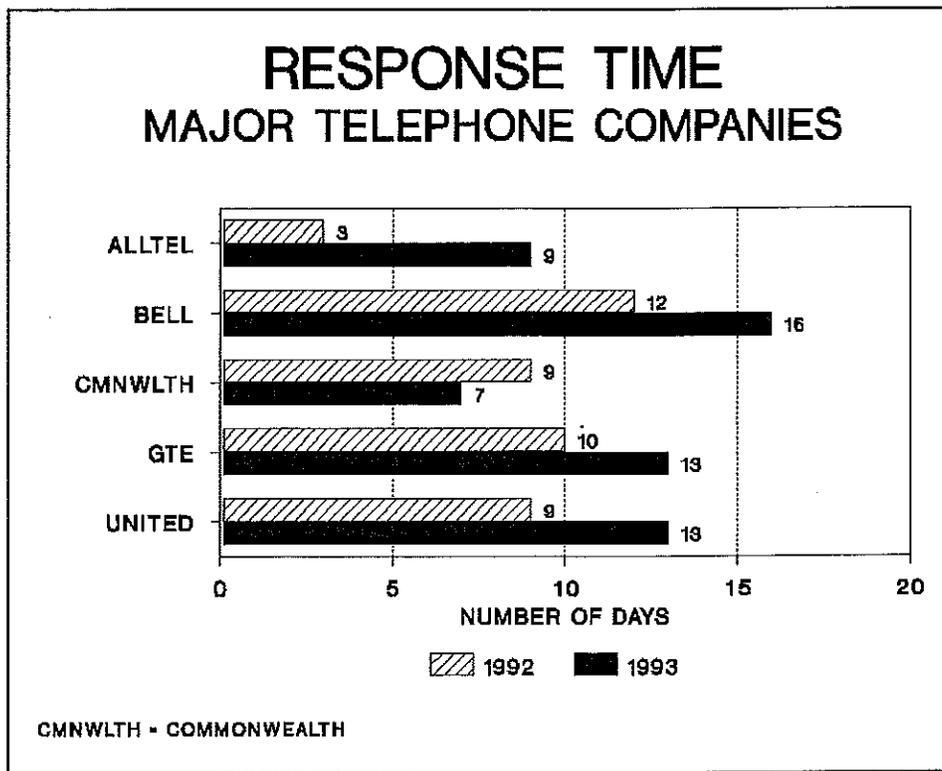
- Commonwealth lost its ranking as the most effective major company because the company's justified complaint rate jumped from .18 in 1992 to .30 in 1993.
- When compared to the other major companies, Alltel appears to be not only the most effective company at handling consumer complaints, but also the only company to improve from 1992 to 1993.

## **Response Time**

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

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

GRAPH 1



*Among the findings revealed in Graph 1:*

- Bell's response time was 4 days slower in 1993 than in 1992, so the company's response time of 16 days was the worst in the industry in 1993.
- United's response time was 4 days slower in 1993.
- GTE's response time increased 3 days from 1992 to 1993.
- Alltel's response time was six days slower in 1993. This ends Alltel's three year record of having the best response time in the industry.
- Commonwealth's response time of 7 days was the best in the industry in 1993. In fact, Commonwealth managed to reduce its response time by 2 days from 1992 to 1993.

## Chapter Summary

### ***Consumer Complaints***

Overall the number of complaints against the major telephone companies increased 36% from 1992 to 1993. Consequently, the average complaint rate for the telephone industry as a whole climbed from .54 to .84 during this period as all five major companies experienced dramatic increases in the number of complaints filed against them. In fact, one major company, Commonwealth, experienced a percentage increase that was nearly 190%.

### ***Justified Complaints***

Justified complaints represent company failures at complying with Chapter 64 or Chapter 63 regulations and other procedures that govern telephone service. Companies that fail to comply with these regulations and/or procedures are likely to handle customer contacts improperly. In light of this, justified percent is a qualitative measure of customer service programs. Generally, the quality of the telephone industry's complaint handling, as measured by the percentage of justified complaints, improved from 1992 to 1993. Less than half of the complaints filed against companies were not handled properly in 1993. While it is encouraging that the proportion of justified complaints dropped 14%, companies must continue to ensure that all complaints are handled properly.

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

Justified complaint rate is the most important performance measure of customer complaint handling. It is a critical indicator of effectiveness. As a group, the major telephone companies' overall customer service performance deteriorated from 1992 to 1993. Bell's customer service performance remained the worst in the industry for the third consecutive year. The customer service performance of only Alltel improved during this period. This is discouraging since all companies should make an effort to improve the effectiveness of their customer service operations. The Bureau encourages all companies to take the appropriate steps so customer problems are handled properly by the company before they reach the Bureau.

### ***Response Time***

As a group, it took the major telephone companies more time to respond to consumer complaints in 1993 than in 1992. These findings are discouraging since it appears that companies were beginning to fulfill their regulatory responsibilities in previous years. The Bureau hopes that the industry, which had steadily reduced response time over the last three years, will once again improve in this area.

## IX. COLLECTIONS

For the last nine 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 C). Under these requirements, all local telephone companies must annually provide the Bureau with account information related to residential billing and collections.

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

Over the last four years, the quality of collection information has shown, at best, marginal improvement. However, the overall reliability of this data is poor. This problem is primarily due to deficiencies in the reporting requirements and further compounded by companies providing the Bureau with inaccurate and incomplete data. Although the Bureau has attempted to compensate for these reporting deficiencies through soliciting companies' voluntary compliance with the Bureau's supplemental data requests, the need to correct these deficiencies persists.

As previously mentioned, the Commission at a public meeting held January 21, 1993, adopted an order that would revise the present reporting requirement to: (1) reflect changes in the telephone industry which have occurred such as multiple balance billing (by basic, nonbasic, and toll); (2) reflect jurisdictional distinctions; (3) clarify existing wording; (4) make reporting more uniform and (5) increase the frequency of reporting to enable the Commission to better monitor customer service. The Bureau believes that these revisions will correct the current reporting deficiencies and improve the overall quality of telephone collection data.

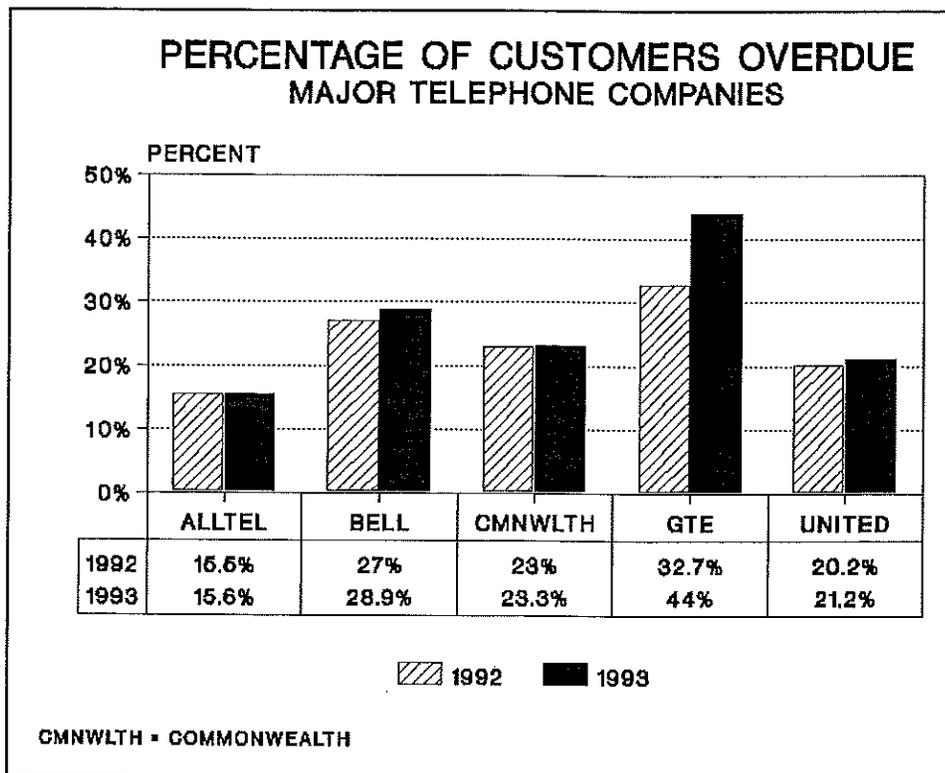
Meanwhile, the Bureau's analysis of companies' collection practices will be limited until reporting deficiencies are corrected and the proposed revisions to the reporting requirements are fully implemented. Even so, the conclusions below regarding overdue accounts, terminations, weighted arrearages and disputes are generally sound. Unfortunately, the Bureau cannot provide the Commission with a complete analysis of

telephone companies' service suspensions and write-offs until all companies are required to report this information in the multiple balance billing format. The Bureau is hopeful that it will be able to provide the Commission with a thorough assessment of the telephone industry's collection practices once these reporting deficiencies are corrected through the rulemaking process.

## Overdue Customers

In an average month in 1993, there were 1,342,196 telephone customers that were delinquent in paying their telephone bills. Comparisons among companies of the number of telephone customers who are in arrears cannot be made purely on a numerical basis because of substantial differences in company size. Thus, the percentage of customers who are overdue is used to correct for this variation. 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 Graph 2).

**GRAPH 2**



*Among the findings revealed in Graph 2:*

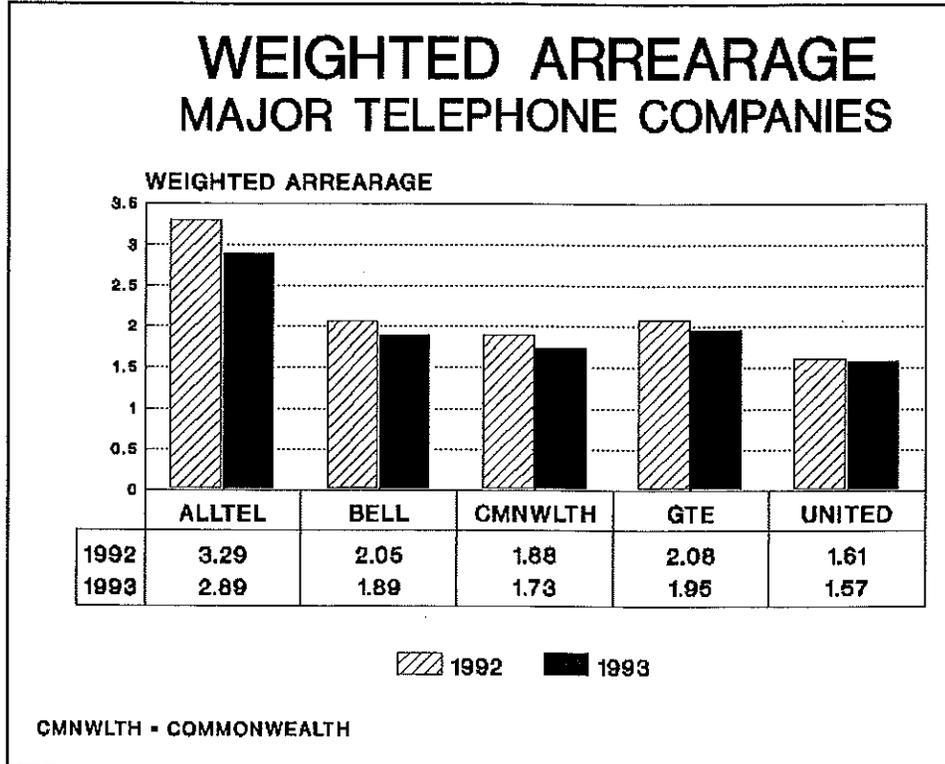
- GTE was less successful at collecting unpaid bills in 1993 than in 1992. For the third consecutive year, GTE had the highest percentage (44%) of customers overdue among the major companies. GTE claims that economic conditions and increases in the company's customer base may have contributed to its high percentage of overdue accounts. However, GTE's effectiveness at handling overdue accounts began deteriorating three years ago. The Bureau believes that the company needs to focus its efforts on correcting this apparent collection problem.
- Bell experienced an increase (7%) in the percentage of overdue customers in 1993.
- Alltel's percentage of customers overdue (15.6%) was not only the lowest in 1993, but also remains the lowest among major companies for the last four years.

### **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 1993. 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 amounts. Weighted arrearage is calculated by dividing the monthly average overdue bill by the monthly average bill. Thus, the effectiveness of telephone company collection activities can be evaluated by identifying the number of average bills in the average overdue bill.

The Bureau's research shows that it is difficult to collect bills that have gone unpaid for a long time. Generally, the older the arrearage, the greater the risk that the account will be written-off. Thus, the lower the weighted arrearage score, the better the collection system performance. Weighted arrearage is used in Graph 3 to compare individual company collection practices and to track individual companies over time.

GRAPH 3



*Among the findings revealed in Graph 3:*

- Alltel's weighted arrearage score improved from 3.29 in 1992 to 2.89 in 1993; however, the company's weighted arrearage score remains the worst in the industry for the fifth year in a row. The Bureau urges Alltel to seriously review its collection policies and explore what additional improvements could be made to specifically reduce arrearages.
- Even with nearly an 11% decrease, GTE had the next to the worst weighted arrearage score (1.95) in the industry in 1993. This means that GTE's weighted arrearage score was the next to the worst in the industry for five consecutive years.
- In 1993 Bell experienced a decrease in its weighted arrearage score for the second year in a row.
- Commonwealth's weighted arrearage score improved from 1992 to 1993.
- United had the best weighted arrearage score (1.57) in 1993. United's weighted arrearage score represented a little more than one and a half average bills.

## Suspension of Basic Telephone Service

Suspension is the temporary cessation (i.e., interruption) of telephone service without the customer's consent and is typically due to the customer's failure to pay the telephone bill in a timely manner. Companies must follow proper suspension procedures as outlined in Chapter 64 before a customer's service can be suspended for nonpayment. In addition to the disruption that suspensions cause customers, a significant financial impact occurs to both the customer and the company. First, significant costs are incurred by the company through sending notices, making contacts with customers and carrying out suspension. Second, customers are required to pay substantial fees to secure reconnection of their service. This points to the need for a long-term analysis of suspension statistics and suspension practices. Therefore, it is important to examine suspension statistics that reflect the extent to which suspension is used (see Table 4).

According to the major companies there were over 400,000 residential service suspensions in 1993. However there is little uniformity in how companies track and report their suspension data. Alltel, Bell, and United can identify how many suspensions of basic service they have in a given month, but GTE and Commonwealth cannot. Therefore, the 1993 service suspension figures for GTE and Commonwealth are inflated compared to those reported for Alltel, Bell and United because they include basic, nonbasic and toll suspensions. GTE claims that information regarding the separation of suspension by service categories was not available. Commonwealth is able to report basic service suspensions separately, but since this is not required by Chapter 64, the company decided not to report these statistics separately. In order to correct this problem, the Bureau has recommended that companies be required to report basic, nonbasic, and toll service suspensions separately as part of the Commission's proposed revisions to §64.201 reporting requirements.

**Table 4**  
**Number of Residential Service Suspensions**

Company	1992	1993	Percent Change 1992-1993
Alltel	9,216	9,528	3%
Bell	384,312	272,844	-29%
Commonwealth	21,588	23,508	9%
GTE	71,088	87,816	24%
United	13,800	14,652	6%
TOTAL	500,004	408,348	-18%

*Among the findings revealed in Table 4:*

- GTE's suspensions continued to climb from 1992 to 1993. The company experienced a 24% increase in suspensions which topped the record number of suspensions the company reported in 1992. GTE claims that the company's aggressive collection policy and increase in customers resulted in more suspensions. In light of the number of overdue accounts the company reported, it appears that GTE's collection policy resulted in more suspensions and fewer timely payments. The Bureau urges GTE to also focus its collection efforts on securing more timely payments.
- Bell, in cooperation with BCS, made significant changes to the company's collection policies and procedures related to customer payment agreements. Although these procedures weren't fully implemented in 1993, Bell experienced a significant decrease (29%) in the number of basic service suspensions from 1992 to 1993. The Bureau commends Bell for taking this corrective action and will continue to monitor the effectiveness of these new procedures.

***Suspension Rate***

As is true with other performance measures, differences in company size make it difficult to compare companies based on raw numbers of suspensions. Thus, a uniform measure is calculated to compare how often companies resort to suspension of residential service. The suspension rate, as shown in Table 5, 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 5  
Suspension Rate◆**

<b>Company</b>	<b>1992</b>	<b>1993</b>
Alltel	8.28%	8.38%
Bell	10.72%	7.58%
Commonwealth	13.22%	14.11%
GTE	16.62%	20.34%
United	5.46%	5.69%
<b>AVERAGET</b>	<b>10.86%</b>	<b>11.22%</b>

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

† Mean of Scores

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

*Among the findings revealed in Table 5:*

- As a group, the suspension rate for the telephone industry was higher in 1993 than in 1992. Bell was the only company to experience a drop in suspension rate from 1992 to 1993. The four other major companies (Alltel, Commonwealth, GTE and United) experienced increases in their suspension rates during this period.

### **Termination of Service**

Termination is the permanent cessation of service that occurs after service has been suspended. Companies have more suspensions than terminations because customers must go through the suspension process before their service is terminated. Many suspended customers pay their bills and avoid termination. Once termination takes place 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 that are more limited than when the applicant was an established customer. This requirement makes it important to examine both service suspensions and terminations. The major telephone companies terminated 118,956 residential customers in 1993 (see Table 6).

**Table 6  
Termination of Service**

<b>Company</b>	<b>1992</b>	<b>1993</b>	<b>Percent Change 1992-1993</b>
Alltel	2,376	2,484	5%
Bell	108,384	93,132	-14%
Commonwealth	2,976	3,144	6%
GTE	9,660	14,220	47%
United	5,844	5,976	2%
<b>TOTAL</b>	<b>129,240</b>	<b>118,956</b>	<b>-8%</b>

*Among the findings revealed in Table 6:*

- As with residential service suspensions, GTE terminated significantly more residential accounts in 1993 than in 1992. The Bureau finds this 47% increase disturbing since it means that an alarming number of households lost phone service in 1993. The Bureau believes that the severity of this situation warrants further investigation.
- Bell had fewer terminations in 1993 than in 1992. The company experience a 14% decrease in the number of service terminations which represents over 15,000 residential accounts. Again, it appears that changes in Bell's collection procedures related to payment agreements may have enabled more customers to maintain their phone service.

**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 whose service was terminated. The termination rate, as shown in Table 7, is calculated by dividing the annual number of terminations by the monthly average number of residential customers. For example, if the termination rate is 4% then it means that the equivalent of 4% of the residential customers have service terminated annually (see Table 7).

**Table 7  
Termination Rate ♦**

<b>Company</b>	<b>1992</b>	<b>1993</b>
Alltel	2.14%	2.19%
Bell	3.02%	2.59%
Commonwealth	1.82%	1.89%
GTE	2.26%	3.29%
United	2.31%	2.32%
<b>AVERAGE†</b>	<b>2.31%</b>	<b>2.46%</b>

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

† Mean of Scores

*Among the findings revealed in Table 7:*

- Considering the significant increase in the number of GTE's terminations, it is not surprising that the company's termination rate (3.29%) was the highest among the five major companies in 1993.
- For the first time in seven years, Bell did not have the highest termination rate in the industry. However, Bell's termination rate (2.59%) was the next highest in the industry.
- United's termination rate remained stable from 1992 to 1993.
- Alltel's termination rate remained stable in 1993.
- Commonwealth had the lowest termination rate (1.89%) in 1993 and the lowest termination rate in the industry for the second consecutive year.

## Residential Billings Written Off As Uncollectible

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

Uncollectibles can be presented as either gross write-offs or net write-offs. Gross write-offs are the amount of money in overdue accounts written off as uncollectible for the entire calendar year. Net write-offs are gross write-offs minus the amount of any previously written-off amount which was recovered by the company during the year. In 1993, telephone companies reported over \$87 million in gross write-offs and \$76 million in net write-offs. Write-offs (within limits) are treated as an expense for rate purposes. This means that these losses may be recovered in the rates that customers pay. Unfortunately, the exact impact of write-offs cannot be reflected here because the statistics necessary for analyzing such an impact are not accurately reported by companies. In addition to providing the necessary statistics, companies should also be required to give the multiple balance breakdowns so the Bureau can assess the impact of uncollectibles.

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. 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 the amounts actually lost. Thus, with this modification, the BCS can better measure the effectiveness of the telephone industry's ongoing collection activities (see Table 8).

**Table 8**  
**Percentage of Residential Billings**  
**Written Off As Uncollectible**

Company	1992	1993	Percent Change 1992-1993
Alltel	2.10%	1.72%	-18%
Bell	3.48%	2.88%	-17%
Commonwealth	1.44%	1.20%	-17%
GTE	4.27%	5.14%	5%
United	1.27%	1.29%	2%
AVERAGE†	2.51%	2.45%	-2%

† Mean of Scores

*Among the findings revealed in Table 8:*

- GTE's percentage of revenues written off as uncollectible (5.14%) was more than double the industry average in 1993. In fact, GTE had the highest percentage of revenues written off among major companies in 1993.
- Bell experienced a substantial decrease (17%) in residential revenues written off as uncollectible from 1992 to 1993. Even so, the company had the next to the highest percentage of revenues written off (2.88%) in the industry in 1993.
- As a result of a substantial decrease (18%) in this measure, Alltel's percentage of revenues written off as uncollectible dropped from 2.10% in 1992 to 1.72% in 1993.
- United's percentage of revenues written off as uncollectible was stable from 1992 to 1993. However, United had next to the lowest percentage of revenues written off as uncollectible.
- Commonwealth experienced a significant decrease (17%) in the percentage written off from 1992 to 1993. Consequently, the company's percentage of revenues written off was the lowest among the major companies during this period.

## Chapter 64 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's designee and a local exchange carrier with respect to the application of this chapter including but not limited to credit determinations, deposit requirements, the accuracy of amounts billed or the proper party to be charged. If a customer indicates dissatisfaction at the conclusion of an initial inquiry, then the company must treat the contact as a dispute and maintain a record of the contact. Companies are also required to inform customers of their right to appeal to the Commission if they are not satisfied with how the company handled their dispute. A customer dispute becomes an informal complaint when the customer contacts the Commission.

Again, there is uncertainty underlying the accuracy of reported dispute statistics. Only recently does it appear that some companies are reporting dispute statistics that are more in line with the number of Chapter 64 complaints the Bureau received. As previously mentioned, the 673 Chapter 64 complaints received in 1993 represent only a fraction of disputes registered by customers with major companies. When a company fails to report a number of disputes at least equal to the number of Chapter 64 complaints its customers have registered with the Bureau, then it is obvious that the company has failed to maintain and report accurate dispute statistics. The Bureau believes this is one indication that customers are not being advised of their right to appeal to the Commission. Also, high numbers of disputes may reflect that companies are identifying and documenting disputes properly. Documented instances of noncompliance with the dispute provisions combined with inaccurate dispute statistics reported by companies over the last seven 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, there were 45,866 disputes handled by the five major companies in 1993. 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 9, is the number of disputes per thousand residential customers (see Appendix B for the number of residential customers). The "dispute rate" is calculated by dividing the annual number of disputes by the monthly average number of residential customers. A high dispute rate may be a reflection of a company's ability to identify and document disputes; while a low dispute rate may indicate that a company is not properly identifying disputes.

**Table 9**  
**Chapter 64 Disputes**  
**Major Telephone Companies**  
**(1992-1993)**

Company	1992		1993		1992-1993
	N	Dispute Rate	N	Dispute Rate	Percent Change in N
Alltel	102	.92	263	2.31	158%
Bell	46,179	12.88	40,664	11.29	-12%
Commonwealth	899	5.51	468	2.81	-48%
GTE	2,491	5.82	1,698	3.93	-32%
United	663	2.62	2,773	10.78	318%
<b>TOTAL</b>	<b>50,334</b>		<b>45,866</b>		<b>-9%</b>
<b>AVERAGE</b>		<b>5.55</b>		<b>6.22</b>	

*Among the findings revealed in Table 9:*

- Of all the major companies, Commonwealth experienced the largest decrease in recorded disputes from 1992 to 1993. In fact, Commonwealth reported nearly a 50% drop in Chapter 64 disputes. According to Commonwealth, the dispute data for 1992 was inaccurate because the company discovered that many customer contacts were not disputes. The Bureau finds this discovery disturbing in light of the company's apparent problem with identifying disputes. Moreover, the Bureau is not at all confident that the data Commonwealth reported for 1993 accurately reflects the correct level of Chapter 64 disputes. The Bureau will investigate Commonwealth's practices regarding dispute identification and tracking.
- GTE experienced the next largest decrease (32%) in reported disputes from 1992 to 1993. According to GTE, the company had numerous changes in personnel and reorganized its customer contact centers. These major changes could explain the alarming decline in the number of recorded disputes reported by GTE. However, the Bureau finds this situation unacceptable since this means that many customers weren't told they could appeal to the Commission. Consequently, GTE's failure to follow proper dispute procedures may have resulted in improper service terminations. The Bureau will monitor GTE's progress correcting this problem.

- For a second consecutive year, Bell experienced a decrease in the number of recorded disputes. According to Bell, the company adopted a new procedure in 1993 in which certain follow up situations were no longer classified as disputes.
- Alltel had the second largest increase (158%) in recorded disputes from 1992 to 1993. Apparently, Alltel's efforts to educate service representatives to do a better job in recognizing disputes is beginning to payoff. However, this increase, while encouraging, still leaves the company with a relatively low dispute rate which means that Alltel should continue to work towards improvement in this area.
- United experienced a record number of disputes in 1993. The company had a 318% increase in disputes from 1992 to 1993. According to United, this increase represents the results of intensive training and emphasis on service representatives to identify disputes properly. However, it appears that United's efforts were prompted by the Bureau's investigation into the company's sales practices.

## **Chapter Summary**

### ***Overdue Accounts***

Overall, the percentage of customers overdue increased from 23.7% in 1992 to 26.6% in 1993. This means that one in four residential customers was reported as having an overdue telephone bill during 1993. This level of overdue customers is significant because of the level of potential risk overdue bills present. GTE had the highest percentage of overdue customers (44%) among majors. Only through more effective collection policies can companies reduce the number of overdue customers and eliminate the potential risk of uncollectible bills.

### ***Weighted Arrearage***

For the first time in eight years, the weighted arrearage scores show that all of the major companies improved in this area. In 1993, the average overdue bill for the telephone industry represented slightly more than two months of average bills. Since it is harder for companies to collect older arrearages, the older the arrearage is, the more likely it will be written off. The Bureau urges the industry to continue to make improvements in collecting unpaid bills.

## ***Suspensions and Terminations***

As a group, the suspension rate for the telephone industry was higher in 1993 than in 1992. The suspension rate of Bell dropped from 1992 to 1993. The four other major companies (Alltel, Commonwealth, GTE and United) experienced an increase in their suspension rates during this period. GTE had the largest increase among these companies. Unfortunately, the Bureau cannot determine what type of service suspensions (basic, nonbasic or toll) caused GTE's or Commonwealth's suspension rates to increase in 1993.

The major telephone companies decreased service terminations by 8% from 1992 to 1993. The Bureau believes that it is important to determine how suspension practices impact on the number of service terminations. However, the Bureau finds it difficult to determine how many basic service suspensions ended in terminations because of the way companies collect and report their residential suspension data.

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

From 1992 to 1993, the percentage of revenues written off as uncollectible by major telephone companies increased 13%. At first glance, this appears to be a modest increase especially when compared to the 41% increase in 1991 and the 29% increase in 1992. Nevertheless, this comparatively modest increase represents millions of dollars in lost revenue for the industry which may be recovered in the form of higher rates for telephone customers.

## ***Chapter 64 Disputes***

In 1993, the dispute rate for major companies ranged from 2.31 to 11.29. The vast difference in dispute rates clearly indicates that all companies may not be properly identifying, documenting or reporting disputes. Although companies are required to report the total number of disputes handled, it is evident that the dispute statistics reported by companies over the last seven years are inaccurate. These inaccurate dispute statistics combined with documented instances of noncompliance with the dispute notification procedures themselves, lead the Bureau to believe that the number of complaints filed is still lower than it would be if both the dispute and reporting procedures were followed correctly. The Bureau believes that the companies' failure to advise all customers of their due process appeal rights may have kept many customers from complaining to the Commission. In light of this, the Bureau will continue to focus its compliance audits on companies that have reported questionable dispute statistics to ensure that all companies are properly identifying disputes and advising customers of their right to file a complaint with the Commission.

## **X. COMPLIANCE**

The activities of the Bureau of Consumer Services (BCS) include efforts to ensure that public utilities' practices and procedures conform to the standards of conduct for residential service established in statute and regulation, particularly 52 Pa. Code, Chapter 64. The purpose of Chapter 64 as stated in Section 64.1, is to "...establish and enforce uniform, fair, and equitable residential telephone service standards governing account payment and billing, credit and deposit practices, suspension, termination, and customer complaint procedures." During 1993, the BCS engaged in the following activities to improve compliance with applicable statutes and regulations relating to the treatment of residential telephone accounts: (1) in conjunction with the Commission's Law Bureau, BCS participated in an informal investigation consistent with sections 506 of the Public Utility Code, 66 Pa. C.S. 506, and 52 Pa. Code §3.113; (2) in a cooperative effort, BCS worked with one particular utility to correct apparent compliance and customer service problems involving the utility's collection department; (3) BCS continued to use the informal compliance process whereby the Bureau provides utilities with specific examples of apparent violations of Chapter 64 so that utilities can use the errors to pinpoint and correct inappropriate practices.

### **Informal Investigations**

The BCS and the Law Bureau, consistent with Sections 506 of the Public Utility Code, 66 Pa. C.S. §506 and 52 Pa. Code §3.113 began an informal investigation of United Telephone Company's residential sales practices in August 1992. To date, BCS has reviewed training materials, practices and procedures, and documents made available to it through the investigation and has also interviewed numerous United Telephone Company employees. In a report dated August 1993, BCS presented its findings from the informal investigation. Because the investigation uncovered thousands of potential violations, formal action may be needed to resolve the issues.

### **Cooperative Effort**

By June of 1993, the BCS had already received 2,892 complaints from Bell Atlantic-Pennsylvania residential customers — an 81% increase from 1992 totals. BCS reviewed the complaints and found that the source of this tremendous increase was driven by collection related activities, in particular, the threat of suspending telephone service. BCS also looked at Bell's compliance performance during the same time frame and noted a failure to improve compliance with the collections related provisions. This was especially distressing to BCS because the company's collection activities had already resulted in one formal complaint. The BCS was also concerned about the heavy demand that was being put on BCS complaint handling staff due to Bell's increasing number of collections related complaints.

As a result of this combination of factors, in May 1993, BCS staff members conducted observations of Bell's collection employees. One result of this visit was Staff's recommendation that further observations be made and interviews with Bell collection managers, assistant managers and representatives be conducted in order to provide Bell with a report identifying problems and outlining corrective action. Both Bell and BCS agreed to this cooperative endeavor.

Consequently, BCS staff members visited five Bell collection centers throughout the state. They interviewed Bell managers and collection representatives. When possible, they observed contacts with customers. In addition, Staff examined a training manual recently used in the training of all collection representatives and a job aid designed to be used by these representatives when negotiating payment agreements with customers.

Although BCS sought specifically to identify the source of Bell's collection related compliance problems, Staff also viewed as within the scope of the study poor company practices that contribute to the difficulties faced by payment troubled customers. BCS presented its findings and recommendations in a report to Bell in September 1993. Bell adopted the recommendations, designed and implemented the new collection procedures and trained all of the collection representatives on the new procedures. The training sessions ended in January 1994. The results of the significant changes that Bell made to its collection policies and procedures should be evident in the 1994 complaint and compliance data.

### **Informal Compliance Process**

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

During 1992 and 1993 the Bureau determined that there were 3,246 informally verified violations of Chapter 64 by the five major local telephone companies under the PUC's jurisdiction. The significance of these informally verified violations is frequently underscored by the fact that many informally verified violations represent systematic errors that are widespread and affect numerous utility customers. However, because the

Bureau receives only a small fraction of the complaints customers have with their utility companies, the Bureau has only limited opportunities to identify such systematic errors. Therefore, the informal compliance process is specifically designed to identify systematic errors. Utilities must then investigate the scope of the problem and take corrective action.

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

The following data and analysis come from the informal complaints filed with the PUC by residential customers during 1992 and 1993. The informally verified violation statistics for the five major telephone companies are presented by company and year in Table 10 and Graph 4. The data in Tables 11 and 12 show the sections of Chapter 64 most commonly violated by the five major companies based on compliance findings for the past two years.

Due to the acquisition of Contel Incorporated by GTE, there are now five major local exchange carriers: Bell, GTE, United, Commonwealth and Alltel. Last year's report presented the compliance figures for Contel and GTE as if for two separate companies in consideration of a transition period for the merger. This year's report combines the 1992 figures as well as 1993 because the transition period has ended.

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

Several considerations are important to keep in mind when viewing the aggregate informally verified violation figures. First, the data on the number of violations do not consider the causes of the individual violations. Some violations may be more serious because of their systemic nature, and therefore may show ongoing or repetitive

violations. Other violations may be more serious because they involve threats to the health and safety of utility customers.

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

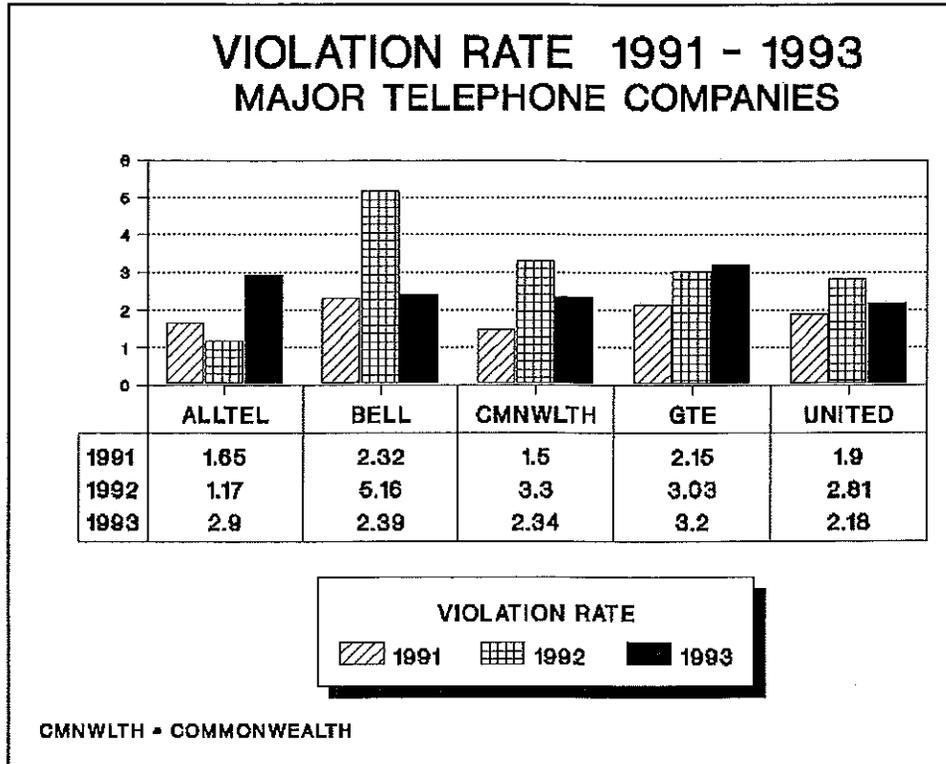
For these reasons, the aggregate figures presented in Tables 10-12 are considered by BCS along with other information that is case specific. The value of the aggregate figures is to depict apparent trends over time and point out extreme deviations.

In Table 10, the total number of apparent violations for 1993 (column 4) is comprised mostly of informally verified violations (column 2) and a smaller proportion of pending violations (column 3). The total number of violations for 1993 may increase as new violations are discovered and cited from customer complaints that originated in 1993, but are still under investigation by the Bureau. The final total number of apparent violations for 1993 may be equal to or even greater than the number reported in column four. The data used for this chapter was retrieved from BCS' Compliance Tracking System as of May 9, 1994.

**Table 10**

<b>Informal Violations of Chapter 64: 1992-1993 Major Telephone Companies</b>				
<b>Company</b>	<b>1992 Verified</b>	<b>1993 Verified</b>	<b>1993 Pending</b>	<b>1993 Total</b>
Alltel	13	33	11	44
Bell	1,850	862	341	1,203
Commonwealth	54	39	13	52
GTE	130	138	41	179
United	71	56	16	72
<b>TOTAL</b>	<b>2,118</b>	<b>1,128</b>	<b>422</b>	<b>1,550</b>

GRAPH 4



*The violation rate is the number of verified violations per 10,000 residential customers. The violation rate takes into consideration the number of violations in conjunction with the number of customers for each utility and therefore is a useful measure for making standard comparisons among utilities of unequal sizes. However, because the violation rate cannot distinguish systematic violations, ranking the utilities on the basis of their violation rate could give a false picture of the utilities' compliance performance. For this reason, the Bureau will not rank the companies according to the violation rate but instead will use the violation rate as a general gauge of each company's compliance performance from year to year.*

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

- As presented in Table 10, the telephone industry from 1992 to 1993 has improved as the number of informally verified violations has decreased. However, certain factors should be considered when viewing what appears to be a striking 47% decrease in verified violations. First, the outcome of about 25% of the total 1993 violations has yet to be determined. It is likely that a majority of the pending

violations will be upheld. Although that would still mean a decrease in verified violations from 1992 to 1993, it would not be as great as 47%. Rather, a 20% to 30% decrease is more likely. Second, a large percent of the verified violations in 1992 are violations of one particular provision by one company. Therefore, the decrease can largely be attributed to the correction of that one problem by one company.

- Bell is the only major company to have experienced a significant decrease in the number of informally verified violations from 1992 to 1993. This decrease may not be as notable as it first appears. Historically, an average of 80% of all violations about which a company is notified are upheld as verified violations. Therefore, 273 of Bell's 341 pending violations will most likely be upheld. If so, that would mean a 39% decrease in the number of verified violations from 1992. However, 719 of the 1992 violations involved one particular provision; namely, §64.72(6), Suspension Notice Information. Bell's correction of this one problem could easily account for the 39% decrease in violations. Other areas obviously need attention.
- Commonwealth and United each experienced a decrease in the number of informally verified violations from 1992 to 1993. After the outcome of the pending violations is determined, the decrease will most likely be less than 10% for each company. BCS views both companies as having made limited improvement in the area of compliance particularly when the violation statistics from 1991 are considered. Both Commonwealth and United had fewer verified violations that year (24 and 47 respectively) than in 1993.
- GTE experienced a 6% increase in the number of verified violations from 1992 to 1993. The 138 verified violations recorded so far in 1993 translates into a violation rate of 3.2 violations per 10,000 customers. Prior to 1992, GTE's violation rate never went above 2.91. This year's 3.20 violation rate represents GTE's highest in six years.
- Alltel experienced a 150% increase in the number of verified violations from 1992 to 1993. This represents the largest increase in verified violations among the major telephone companies. After an increasingly poor performance from 1987 to 1990, Alltel seemed to be improving compliance with Chapter 64 regulations starting in 1992. This year's violation rate of 2.90, however, is worse than the 2.3 and 2.57 violation rates recorded for Alltel in 1987 and 1988 respectively.

## Distribution of Informally Verified Violations

Tables 11 and 12 show the areas of Chapter 64 where compliance problems are most serious for the five major companies. Because 79% of the telephone customers in Pennsylvania are Bell customers and because more than 76% of the verified violations belong to Bell of Pennsylvania, the four other major companies are presented together in a separate table (Table 12). These tables can help the telephone companies focus on those areas of Chapter 64 most in need of company effort and attention.

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

Section	1992		1993	
	N*	%**	N	%
§64.14 - Billing Information	57	3%	10	1%
§64.34 - Written Credit Procedures	24	1%	16	2%
§64.61-63 - Grounds for Suspension	122	7%	62	7%
§64.71 - Notice Requirement Prior to Suspension	35	2%	24	3%
§64.72 - Suspension Notice Information	719	39%	68	8%
§64.74 - Procedures Prior to Suspension	206	11%	84	10%
§64.121 - Authorized Termination	2	--	27	3%
§64.123 - Termination Notice Information	71	4%	18	2%
§64.141 - Dispute Procedures - Telephone Company	345	19%	337	39%
§64.142 - Contents of Utility Reports	23	1%	63	7%
§64.153 - Informal Complaint Procedures	148	8%	111	13%
All Other Sections	98	5%	42	5%
<b>TOTAL</b>	<b>1,850</b>		<b>862</b>	

\* N = Number of verified violations.

\*\* % = Percentage of the total number of verified violations.

*The highlights from Table 11 include the following:*

- The top four most commonly violated areas of Chapter 64 in 1993 are the same top four as in 1992. They are: §64.141, §64.153, §64.74, and §64.72. These same four areas of the regulations were among the top five most commonly violated areas of Chapter 64 in 1990 and 1991.
- Bell's corrective action in January 1992 bringing its notices into compliance with the BCS position regarding Appendix A and Appendix B (medical emergency notice) reduced the number of verified violations of §64.72 (Suspension Notice Information) in 1993 by 90% from 1992.
- The most common compliance problem is Bell's failure to treat customer complaints in full accord with the explicit standards of conduct set forth in the Chapter 64 dispute handling provisions (§64.141-§64.142).
- In last year's report, the Bureau specifically advised Bell to work on eliminating violations of §64.153 relating to Commission Informal Complaint Procedures. Although the raw numbers show a 25% reduction in verified violations, there are 24 pending violations of this provision for 1993, many of which will be determined as verified. This means that final numbers will show only a minor improvement if any.

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

Section	1992		1993	
	N*	%**	N	%
§64.11-21 - Payment and Billing Standards	52	19%	16	6%
§64.32-34 - Credit Standards	11	4%	12	5%
§64.61-63 - Grounds for Suspension	17	6%	21	8%
§64.71-74 - Notice Procedures Prior to Suspension	78	29%	74	28%
§64.121 - Authorized Termination	1	--	12	5%
§64.123 - Termination Notice Information	5	2%	4	1%
§64.141-142 - Company Dispute Procedures	66	25%	95	36%
§64.153 - Informal Complaint Procedures	14	5%	15	6%
§64.192 - Record Maintenance	5	2%	4	1%
All Other Sections	19	7%	13	5%
<b>TOTAL</b>	<b>268</b>		<b>266</b>	

\* N = Number of verified violations.

\*\* % = Percentage of the total number of verified violations.

*The highlights from Table 12 include the following:*

- Overall, dispute handling continues to be a problem for these four major companies. Compliance with dispute procedures is the number one problem in 1993 for three out of the four major companies. Individually, the highest percentage of verified violations for Alltel, Commonwealth and GTE falls under Section 64.141 and 64.142. United's verified violations of the dispute procedures represent 23% of their total violations, coming in second after verified violations of §64.74. All of the companies need to devote time to improving the dispute handling area of their customer service operations.
- The second most commonly violated area of Chapter 64 in 1993 was §64.74, the procedures prior to suspension. United seemed to have the biggest problem complying with this section; 36% of its violations fall under §64.74 making it United's most commonly violated area.

- Section 64.74 (Procedure Prior to Suspension) is only one section of Subchapter E regarding Suspension of Service. Subchapter F includes sections related to the termination of service. These two subchapters are important in that they are directly related to loss of service. These subchapters cover sections 64.61 through 64.123. Calculating the number of violations of these sections shows that four out of ten verified violations in 1993 involved provisions dealing with loss of service. This represents an increase over the number of verified violations of these provisions in 1992. The Bureau will again emphasize that companies need to pay closer attention to this area of compliance particularly in light of the importance of the suspension/termination provisions.
- The only area where companies showed a measurable improvement in compliance performance is in Payment and Billing Standards. The individual company with the highest percentage of billing related violations is GTE.

### **Summary**

The compliance picture emerging from 1993 data is a dreary one. Although only one of the five major companies showed a substantial deterioration in compliance performance, not one company demonstrated the improvement in customer service operations that the Bureau of Consumer Services has attempted to elicit for the last five years.

Compliance performance for two of the companies was worse in 1993 than in 1992. Two of the companies remained relatively stable when what the Bureau was anticipating was a change for the better. The significant improvement demonstrated by only one company must be viewed with reserve because the decrease in violations can be attributed to that company's correction of a systematic problem that resulted in numerous violations of one provision in 1992.

The demonstrated performance of all five companies coupled with the high number of verified violations related to dispute handling and suspension/termination is of major concern to the Bureau. The deficiencies in procedures in the two important areas of dispute handling and suspension of service will be the focus of the Bureau's attention in 1994. Those companies not taking advantage of cooperative methods offered by the Bureau will be subject to stronger methods of enforcement such as informal investigations and formal complaints.

## **XI. CONCLUSION**

This sixth annual telephone report presents the Bureau's assessment of the telephone industry's customer service performance for the year 1993. The primary focus of this report is the Bureau's complaint handling activity relative to the five major companies: Alltel, Bell, Commonwealth, GTE, and United. This report provides a comprehensive analysis of telephone complaints, an analysis of telephone company collection activities, and an analysis of telephone violation statistics.

### **Telephone Company Performance**

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 that 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 1993, the total number of complaints against the telephone industry was significantly higher than the record level that was set in 1992. All of the major telephone companies had more complaints in 1993 than in 1992.

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 fewer complaints that were deemed to be justified in 1993. The percent of justified complaints decreased by 14% from 1992 to 1993; less than 50% of the complaints filed against companies in 1993 were justified complaints. However, as a result of an increase in the volume of complaints, four major companies' effectiveness, as measured by the justified complaint rate, deteriorated from 1992 to 1993.

Response time can be an indicator of both a company's efficiency and compliance with record keeping requirements. The telephone industry's response time was slower in 1993 than in 1992. On average, the industry's response time to informal complaints registered with the Bureau was three days slower.

## **Collection Statistics**

After more than nine years, all companies are still not reporting complete and accurate billing and collection statistics as required under Chapter 64 reporting requirements. Furthermore, the reporting requirements are inadequate because they do not reflect current billing and collection issues. Thus, the Bureau is unable to provide a comprehensive analysis of all the important aspects of telephone company collection practices (i.e. suspension, write-offs) in its annual assessment of the industry. Nevertheless, findings based on the remaining collection statistics suggest that telephone industry collection practices were not entirely effective. The number of service terminations decreased 8% from 1992 to 1993. The average amount owed in overdue telephone bills, as measured by weighted arrearage scores, decreased 9% from 1992 to 1993. Telephone industry uncollectibles, as measured by net write-offs, dropped from \$83 million in 1992 to over \$76 million in 1993. Nevertheless, it appears from the data reported that the telephone industry's collection performance still needs improvement. Yet the Bureau cannot conduct a thorough assessment of the telephone industry collection practices until deficiencies in the reporting requirements and inaccurate reporting by companies are corrected. The Commission has introduced a proposed rulemaking that would revise reporting requirements to correct these glaring deficiencies, particularly those related to the telephone industry's uncollectibles.

## **Compliance**

The Chapter 64 standards and billing practices for residential telephone service exemplify the Pennsylvania Public Utility Commission's concern with consumer issues and rights. These regulations are intended to ensure that all residential telephone ratepayers who receive telephone service from local exchange carriers regulated by the PUC are treated in a fair and equitable manner. The information in the Compliance chapter of this report demonstrates that the major telephone companies have failed to meet their responsibility under Chapter 64. Although Chapter 64 has been in effect since 1985, the 3,246 informally verified violations gleaned by BCS investigators from informal complaints in the last two years indicate that telephone companies have not fully incorporated Chapter 64 into their customer operations, and have failed to establish and uniformly implement standard procedures which ensure compliance with the regulations, in particular, those applying to dispute handling and suspension and termination of service.

The goal of the Bureau of Consumer Services in the compliance area is to compel all local exchange carriers under Commission jurisdiction to properly execute the provisions of Chapter 64. Through the compliance activities reviewed in this report, the BCS will continue its efforts to effect full compliance with these PUC standards. Telephone companies must also do their part. They must design comprehensive procedures that comply with Chapter 64. They must ensure that their employees

properly implement these procedures. Further, companies should establish and use their own complaint/compliance information systems to pinpoint and correct errant practices. Finally, companies must also take full advantage of the opportunity inherent in BCS informal compliance notifications to improve the quality of their customer services operations. None of this advice is new. The Bureau has been encouraging companies year after year to take advantage of these cooperative methods of achieving compliance. Failing action in this direction on the part of the five major companies, the Bureau has no recourse other than instituting formal action against the uncooperative companies.

### **Individual Company Performance**

This report presents an assessment of individual company performance as well as telephone industry performance. The Bureau of Consumer Services evaluates and scores company customer service performance in three areas: complaints, collections and compliance. The Bureau's assessment of individual performance, as measured by the problem indicators discussed earlier, shows that company performance ranged from better than average to worse than average. Of all the major companies, GTE's performance was significantly worse than average in 1993. Moreover, GTE's performance in each of these areas deteriorated substantially from 1992 to 1993. Bell's modest gains in the area of collections boosted the company's performance ranking from worse than average in 1992 to average in 1993. Commonwealth's performance slipped from being better than average in 1992 to average in 1993. In contrast, Alltel's and United's performance improved from 1992 to 1993. Alltel's performance is ranked better than average in 1993. United's performance was significantly better than the industry average in 1993. However, the problem indicators used to evaluate company performance show that none of the major companies showed substantial improvement in all three areas.

Finally, the Bureau has urged the major telephone companies to make a sincere effort to improve their customer services performance. There is substantial evidence that companies that make a sincere effort to improve their customer services operations have been successful. Thus, it is the Bureau's policy to help companies with their efforts at monitoring customer service operations. The Bureau provides companies with periodic reviews of their collection and complaint procedures. In addition, the Bureau provides most of the data used in this report to companies each quarter. With these tools, companies that seek to improve their performance and confront problems can determine causes for problems. Moreover, companies can then correct problems and respond appropriately before Bureau intervention becomes necessary. However, the Bureau will take action against those companies that choose to ignore problems and do not act to arrest deterioration of their customer service performance.

## APPENDIX A

**Table 1**  
**Residential Complaints - Major Telephone Companies**  
**(1989-1993)**

Company	Number of Complaints				
	1989	1990	1991	1992	1993
Alltel	60	70	46	42	64
Bell	2,316	2,250	2,802	3,746	4,956
Commonwealth	45	68	43	37	107
GTE	154*	211*	230*	211*	309
United	90	90	84	135	228
<b>TOTAL</b>	<b>2,665</b>	<b>2,689</b>	<b>3,205</b>	<b>4,171</b>	<b>5,664</b>

\*Combined total of Contel and GTE

**Table 2**  
**Percent Change in Number of Residential Complaints**  
**(1989-1993)**

Company	Percent Change in N				Percent Change in N 1989-1993
	1989 - 1990	1990 - 1991	1991 - 1992	1992 - 1993	
Alltel	38%	-34%	-9%	52%	7%
Bell	-3%	25%	34%	32%	114%
Commonwealth	51%	-37%	-14%	189%	138%
GTE	29%*	41%*	-16%*	46%*	101%*
United	No Change	-7%	61%	69%	153%
<b>TOTAL</b>	<b>1%</b>	<b>19%</b>	<b>30%</b>	<b>36%</b>	<b>113%</b>

\*Combined total of Contel and GTE

**Table 3**  
**Complaint Rate - Major Telephone Companies**  
**(1989 - 1993)**

Company	Complaint Rate				
	1989	1990	1991	1992	1993
Alltel	.56	.65	.42	.38	.56
Bell	.67	.64	.79	1.04	1.38
Commonwealth	.29	.43	.27	.23	.64
GTE	.34	.43	.59	.49*	.72*
United	.38	.37	.34	.53	.89
<b>AVERAGE</b>	<b>.47</b>	<b>.57</b>	<b>.46</b>	<b>.53</b>	<b>.84</b>
1988-1992 (Average Rate)		.57			

\* Combined total of Contel and GTE

**Table 4**  
**Justified Complaint Rate**  
**(1989-1993)**

Company	Justified Complaint Rate				
	1989	1990	1991	1992	1993
Alltel	.38	.31	.21	.20	.17
Bell	.44	.35	.47	.55	.55
Commonwealth	.23	.24	.15	.18	.30
GTE	.23	.27	.38	.29?*	.41*
United	.26	.24	.16	.24	.39
<b>AVERAGE</b>	<b>.30</b>	<b>.32</b>	<b>.26</b>	<b>.29</b>	<b>.36</b>
1988-1992 (Average Rate)		.31			

\* Combined total of Contel and GTE

## APPENDIX B

**Table 1**  
**Residential-Commercial Complaints**  
**Industry Proportion**  
**(1993)**

<b>Industry</b>	<b>Total Consumer Complaints</b>	<b>Residential Consumer Complaints</b>	<b>Percent Residential</b>	<b>Commercial Consumer Complaints</b>	<b>Percent Commercial</b>
Electric	1,827	1,635	89%	192	11%
Gas	1,108	1,039	94%	69	6%
Telephone	6,363	5,723	90%	640	10%
Water	553	526	95%	27	5%
Other	23	13	57%	10	43%
<b>TOTAL</b>	<b>9,874</b>	<b>8,936</b>	<b>91%</b>	<b>938</b>	<b>10%</b>

**Table 2**  
**Monthly Average Number of Residential Customers**  
**Major Telephone Companies**  
**(1993)**

Alltel	113,639
Bell	3,601,763
Commonwealth	166,611
GTE	431,646
United	257,293
<b>TOTAL</b>	<b>4,570,952</b>

## **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**

## APPENDIX D - TABLE 1

### CONSUMER COMPLAINTS SPECIFIC PROBLEMS

CHAPTER 64					
Company	1992 N	Complaint Rate	1993 N	Complaint Rate	1992-1993 % Change in N
Alltel	12	.11	10	.09	-17%
Bell	350	.10	487	.14	39%
Commonwealth	13	.08	33	.20	154%
GTE	70	.16	102	.24	46%
United	19	.08	41	.16	116%
<b>TOTAL</b>	464		673		45%
<b>AVERAGE</b>		.11		.17	
NON-CHAPTER 64					
Alltel	12	.11	25	.22	108%
Bell	301	.08	544	.15	81%
Commonwealth	9	.06	23	.14	156%
GTE	76	.18	89	.21	17%
United	37	.15	58	.23	57%
<b>TOTAL</b>	435		739		70%
<b>AVERAGE</b>		.12		.19	
SUSPENSIONS					
Alltel	10	.09	21	.18	110%
Bell	2,592	.72	3,594*	1.0	39%
Commonwealth	21	.13	23	.14	10%
GTE	56	.13	79	.18	41%
United	62	.25	110	.43	77%
<b>TOTAL</b>	2,741		3,827		40%
<b>AVERAGE</b>		.26		.39	

\* Estimated based on open and closed data.

## APPENDIX D - TABLE 2

### JUSTIFIED PERCENT SPECIFIC PROBLEMS

<b>CHAPTER 64</b>			
Company	1992	1993	Net Change 1992-1993
Alltel	64%	40%	-24%
Bell	54%	44%	-10%
Commonwealth	85%	78%	-7%
GTE	67%	63%	-4%
United	32%	37%	5%
<b>AVERAGE</b>	60%	52%	-8%
<b>NON-CHAPTER 64</b>			
Company	1992	1993	Net Change 1992-1993
Alltel	45%	20%	-25%
Bell	41%	38%	-3%
Commonwealth	67%	5%	-62%
GTE	58%	49%	-9%
United	35%	29%	-6%
<b>AVERAGE</b>	45%	28%	-17%
<b>SUSPENSIONS</b>			
Company	1992	1993	Net Change 1992-1993
Alltel	56%	38%	-18%
Bell	54%	40%	-14%
Commonwealth	79%	43%	-36%
GTE	57%	56%	-1%
United	56%	55%	-1%
<b>AVERAGE</b>	60%	46%	-14%

## APPENDIX D - TABLE 3

### RESPONSE TIME SPECIFIC COMPLAINTS

CHAPTER 64			
Company	Average Time in Days 1992	Average Time in Days 1993	Net Change 1992-1993
Alltel	3	11	-8
Bell	18	20	-2
Commonwealth	10	8	2
GTE	12	13	-1
United	9	14	-5
AVERAGE	10	13	-3
NON-CHAPTER 64			
Alltel	2	12	10
Bell	18	21	3
Commonwealth	6	6	0
GTE	9	14	5
United	8	12	4
AVERAGE	9	13	4
SUSPENSIONS			
Alltel	3	13	10
Bell	11	14	3
Commonwealth	10	8	-2
GTE	10	14	4
United	11	14	3
AVERAGE	9	13	4

**APPENDIX D - TABLE 4**

**JUSTIFIED COMPLAINT RATE SPECIFIC PROBLEMS**

<b>CHAPTER 64</b>			
<b>Company</b>	<b>1992</b>	<b>1993</b>	<b>Net Change 1992-1993</b>
Alltel	.05	.04	-.01
Bell	.07	.06	-.01
Commonwealth	.03	.16	.13
GTE	.11	.15	.04
United	.03	.06	.03
<b>AVERAGE</b>	<b>.05</b>	<b>.09</b>	<b>.04</b>
<b>NON-CHAPTER 64</b>			
<b>Company</b>	<b>1992</b>	<b>1993</b>	<b>Net Change 1992-1993</b>
Alltel	.06	.04	-.02
Bell	.05	.06	.01
Commonwealth	.05	.01	-.04
GTE	.12	.10	-.02
United	.09	.07	-.02
<b>AVERAGE</b>	<b>.07</b>	<b>.06</b>	<b>-.01</b>
<b>SUSPENSIONS</b>			
<b>Company</b>	<b>1992</b>	<b>1993</b>	<b>Net Change 1992-1993</b>
Alltel	.06	.07	.01
Bell	.31	.40	.09
Commonwealth	.05	.06	.01
GTE	.10	.10	No Change
United	.05	.24	.19
<b>AVERAGE</b>	<b>.11</b>	<b>.17</b>	<b>.06</b>

## APPENDIX E

### Major Problem Categories for Inquiries and Opinions\* 1993

Category	Number	Percent
Referral to company	5,271	32%
Referral to Other BCS/Other Bureau	2,126	13%
Referral to Other Agency	3,741	22%
Specific Information Request	3,062	18%
Rate Protest and Opinion	817	5%
Opinion - General	343	2%
Company changed	54	<1%
Duplicate	136	1%
Verbally Dismissed	178	1%
No Jurisdiction	35	<1%
Untimely Filed	259	2%
Other	631	4%
<b>TOTAL</b>	<b>16,653</b>	<b>100%</b>

\* Includes non-telephone inquiries and opinions.