Q.Please state your name and business address for the record.

A.My name is Carol J. Cooper.  My business address is 472 West Washington Street, Boise, Idaho.

Q.By whom are you employed and in what capacity?

A.I am employed by the Idaho Public Utilities Commission (IPUC) as a Utilities Compliance Investigator in the Consumer Assistance Section.

Q.What is your relevant employment history?

A.I have been employed with the Public Utilities Commission since March 1984 and have been with the Consumer Assistance Section since August 1992.

Q.Have you previously testified before this Commission?

A.Yes, I have.

Q.What is the purpose of your testimony?

A.The purpose of my testimony is to discuss

U S WEST’s violations of the Telephone Customer Relations Rules (IDAPA 31.41.01).  Specifically, I will address violations of Rule 103.01 - not offering a guarantor in lieu of paying a deposit, Rule 105.02 - inaccurate computation of deposit amounts, Rule 312.03 - incorrect application of payments, Rule 401.02 - failure to follow procedures for handling billing disputes, and Rule 601.03 - inappropriately charging for white page directory listings.  (See Staff Exhibit No. 115 for text of these rules.)  I recommend the Company be reminded of its obligation to follow the Commission’s rules.  I recommend that the Company include instructions on its bill regarding bill dispute procedures.

For those customers limited by the Company to local exchange service, I recommend suspending voice messaging and custom calling services as well as a one-time waiver of the reinstatement charge after toll restriction is removed.  I recommend U S WEST discontinue its efforts to discourage customers from implementing a primary interexchange carrier (PIC) freeze.  I recommend customers choosing non-listed and non-published status for directory purposes be automatically removed from telemarketing lists for U S WEST’s new products and services.  I recommend that white page directory listings provide a complete address at no charge.

Finally, I discuss the Company’s performance with respect to billing and collections, and recommend that the Company be directed to continue to work with Staff to identify and resolve problems.  I also sponsor Exhibit Nos. 115-117.

RULE VIOLATIONS

Q.Is U S WEST in violation of several Commission rules?

A.Yes.  I will be discussing in greater detail the types of rule violations Staff has encountered.  However, as a general recommendation, I suggest that the Commission remind the Company of its obligation to follow the rules.

Q.In your preparation for this case, have you discovered any violations of Rule 103.01?

A.Yes, Rule 103.01 requires that, in lieu of a deposit, a local exchange company must accept a written guarantee of payment for a residential account from another customer with good credit.  There were five violations in 1995, and seven violations from January through September 1996, where Staff has documented that a complainant had not been informed of this alternative.  These numbers understate actual occurrences because our  complaint records do not always reflect discussions about the guarantee option.  U S WEST’s failure to advise customers of their right to obtain a guarantor is so common that investigators now routinely advise customers of the option.

Q.Has Staff addressed this issue with U S WEST in the past?

A.Yes.  Violations of Rule 103.01 have been the topic of prior discussions.  In a letter to Beverly Barker of the Commission Staff dated January 7, 1992,

U S WEST admitted that it had not done an adequate job of advising customers of the letter of guarantee option and in a subsequent letter dated January 16, 1992, U S WEST agreed to have its representatives follow a specific script to remedy the issue.  Apparently this script is no longer being used.  Idaho is one of the few states that offers this option.  Unfortunately, customers are not being advised of it and U S WEST is once again violating this rule.

Q.Has U S WEST violated Rule 105.02?

A.Yes.  Rule 105.02 sets out the formula to be used in determining the amount of deposit to be held as security for the long distance carriers for whom U S WEST bills.  If a customer has no previous toll history, the local exchange carrier can ask for a deposit equal to two months’ estimated charges.  However, if the customer has actual usage, a two-month average of those charges over the most recent 12-month period must be used.

In September 1995, Staff investigations substantiated that U S WEST had begun calculating deposits based on the most recent four months instead of 12 and was clearly in violation of Rule 105.02.

Staff Exhibit No. 116, Schedule A, illustrates the impact on one customer of failure to follow this requirement.  This customer contacted the Commission because he was asked to pay a $430 deposit in order to have his long distance service reinstated.  The Company quoted this amount using an average of the past four months usage, and he felt that was unfair because it reflected unusually high usage associated with toll calls during the holidays.  After he called the Commission to complain, Staff directed U S WEST to recompute the deposit amount using two times the monthly average over a 12-month period of time, which equaled $280.  The $150 difference between what U S WEST had quoted and the correctly calculated amount allowed the customer to have his long distance service restored.

Q.Is U S WEST currently computing deposit amounts based on two times the 12-month average as required in Rule 105.02?

A.No.  Although U S WEST indicated to Staff that the calculation of deposits for Idaho customers was corrected around June 1, 1996, I am not convinced the problem is solved.  From June through October 1996, Staff documented four violations of Rule 105.02 regarding the incorrect computation of deposits.  These four customers were asked to pay a total of $850 more than if the deposits had been calculated correctly.  Since calculation of deposit amounts is an automated function, many more than just these four customers were affected.

Q.Has U S WEST violated Rules 312.03 and 401.02?

A.Yes.  Rules 312.03 and 401.02 describe the procedures for handling certain types of billing disputes and allocating payments among the different service providers for which U S WEST bills.  If a customer disputes a charge for service provided by another company but billed for by a local exchange carrier (LEC), the LEC must stop any payment allocations to the disputed charge and must permanently remove the charge from the bill no later than two billing cycles after the complaint is registered.  In this interval, the other service provider and the customer may confer about the dispute.  Because many of these disputes concern pay per call services, calls carried by companies other than U S WEST, or customer’s whose primary interexchange carrier has been switched without authorization (slamming), customers frequently are unable to reach agreement with the service provider involved.  By failing to allocate payments correctly or permanently remove disputed charges from the bill, U S WEST has caused customers to be toll restricted or even disconnected.

U S WEST has violated Rule 401.02 by allowing disputed charges to appear on bills, or by removing and then reinstating charges a few months later.  Another problem arises in working through the complete process of disputed charges, because until the amounts are permanently removed from the billing statement,

U S WEST asks customers to call every month to let it know how to allocate payments for contested calls.  Such a requirement is in violation of Rule 312.03, which specifies that payments are to be applied to the oldest disputed balances.  Expecting a customer to call every month to remind the Company that there is a dispute and to provide directions on how to apply payments is unreasonable.

An example of how customers are affected follows.  A customer contacted U S WEST in June 1996 to dispute three international calls that totaled $194.  He was advised to ignore all disconnect notices because they were automatically generated and that his telephone service would not be jeopardized due to non-payment of the disputed amount.  Although he paid all other amounts billed, his long distance service was disconnected in October.  U S WEST initiated the dispute process by sending a memorandum to the carrier in August 1996, but when the carrier sustained the $194, the customer was sent a letter asking him to call the Company or his long distance service would be cut.  When no call was received (because the customer was told to ignore all notices),

U S WEST placed a full toll denial on the line.  In the interim, payments for June, July, August and September were automatically allocated, so a portion went towards the disputed charges.  Following Staff intervention,

U S WEST reallocated the payments to correct the problem, and restored his toll carrier at no charge in October 1996.  (See Staff Exhibit No. 116, Schedule B.)

Q.Is U S WEST in compliance with Rule 601.03?

A.No.  Rule 601.03 requires that “[e]ach customer who wishes the customer’s name, address or telephone number to be listed in the white pages of the directory must be given one free listing in the customer’s local exchange directory for each account.” One of the services retained under Title 61 regulation was the white page directory listing or exclusion thereof.  The issue in dispute is that U S WEST has chosen to define what constitutes an “address” in a manner contrary to normal expectations.  In response to Staff’s Production Request No. 215, the Company stated that an address may include a house number, directional indicator (e.g. north, south, east, west), street name, community name, or indefinite address (e.g., Highway 141).  However, an apartment number or suite number is not considered to be part of the listed address.  Rather, it is considered “informational” in nature, the same as a message such as “Open October 1 through May 31" that might accompany a business listing.  I agree that months of operation is information that is not part of an address.  However, suite numbers and post office boxes are part of an address, and should be included without additional charge.

U S WEST’s definition is at odds with customers’ expectations.  A church employee observed that the U. S. Post Office refused to deliver mail to individual suites in their building without the suite number identified on the mailing label.  In an attempt to remedy the problem, she asked to have the suite number printed in the white pages of the 1997 phone directory.  She was told that there would be a non-recurring set up charge of $12 and a recurring monthly fee of $5 for the “informational” listing.  The complainant claimed that an address is whatever it takes to get the mail delivered and resents having to pay $72 a year for what she felt should be provided free.  (See Staff Exhibit No. 116, Schedule C.)

Q.Do you have a recommendation regarding white page listings?

A.Yes.  On a forward-going basis, I recommend that U S WEST be directed to include apartment numbers, suite numbers, post office box numbers or whatever the Title 61 customer reasonably considers to be part of their complete address in the white page directory without additional charge as required by Commission Rule 601.03.  By focusing more on what its customers want,

U S WEST can respond positively to reasonable requests.

BILL FORMAT

Q.What concerns do you have regarding

U S WEST’s new bill format?

A.The new bill does not contain any instructions to customers on how to dispute charges that appear on the bill.  The previous bill format included a variety of information to customers, none of which was carried over to the new format.  The old and new billing formats are shown in Staff Exhibit No. 117, Schedules A and B.

Q.Do you have a recommendation regarding

U S WEST’s bill?

A.Yes, because U S WEST bills for other service providers and billing and payment issues are complex, I believe it is reasonable to expect some printed explanation on the bill as to what customers can do to try to straighten out problems themselves.  I have looked at several other billing statements provided by other companies, including non-utility companies, and they all contain “billing rights” summaries or information on what to do in case of errors or questions about the bill.  (See Staff Exhibit No. 117, Schedules

C & D.)  I recommend that U S WEST include a similar statement on its bills.

SUSPENSION OF CERTAIN SERVICES TO TOLL RESTRICTED CUSTOMERS

Q.Based on your review of complaints to the Commission, what are the major factors contributing to arrearages on customers’ bills?

A.Typically, Title 62 services are the largest amounts owing on customers’ bills.  It is not unusual for customers facing disconnection to have a large balance owing for long distance calls.  Another common component of arrearages is optional services, such as custom calling services and voice messaging.

Q.Does U S WEST provide telephone service to known credit risk customers?

A.Yes.  Customers are given three choices: to have access to their long distance carrier blocked; to pay a security deposit; or to secure the account by having another customer sign as a guarantor.  There are two different methods used to initiate blocking of toll carriers.  “Toll restriction” is used for new applicants with known unpaid final bills, or who have no prior telephone history and fail a commercial credit screening.  “Full toll denial” is implemented for existing customers who have not paid their bills or have broken payment arrangements.  Both restrictive measures are meant to protect the Company as well as the customer.  The customer would not otherwise be able to obtain or maintain dial tone, and the Company limits its bad debt exposure.  This is a valuable option for many customers, giving them access to their local calling area and emergency services as well as incoming toll and local calls.

Q.Are credit risk customers able to obtain local exchange service and keep up payments to maintain that service?

A.Some customers are, certainly.  I was unable to obtain the number of customers with restricted service who eventually lost their service from U S WEST because the Company does not track accounts in that manner.  After reading hundreds of Commission complaint records, however, a clear pattern emerges showing that many customers who are toll restricted are eventually threatened with disconnection or lose their phone completely because they get further in debt and cannot pay the bill.

Q.If basic phone service is currently approximately $10-$12 per month for southern Idaho customers, why are they unable to keep up with their payments?

A.My research indicates that a contributing factor is the added expense of custom calling services and voice messaging service, which increase monthly charges substantially.

Q.Do you mean that when U S WEST determines it is necessary to block access to long distance carriers because customers have a history of non-payment or have left an unpaid final bill, it continues to provide them services that cost extra money?

A.Yes, voice messaging and custom calling services are not suspended or blocked for toll restricted or full toll denied customers, and these customers may add or change these services at will.

Q.What are “custom calling services?”

A.Among the services offered are Caller Identification, Continuous Redial, Call Waiting, Last Call Return, Call Forwarding, Speed Calling, and Three-Way Calling.

Q.What is your recommendation regarding voice messaging service and custom calling services?

A.I recommend that as a condition of service, customers who are either full toll denied or toll restricted by U S WEST be blocked from using any custom calling services and voice messaging service until they meet “good credit” standards, post a deposit or have a guarantor on file.

Adding the extra expense of “bells and whistles” to the bills of customers who have already experienced credit problems and are at risk of not obtaining or retaining phone service entirely only increases the likelihood that customers will not be able to reestablish full access.  U S WEST blocks customers at risk from incurring additional toll charges, but rarely removes custom calling services.  Staff Exhibit No. 116, Schedule D, illustrates how a customer can quickly accumulate a large bill.

This customer got behind on her bill, was disconnected and reconnected with toll restriction.  To complicate matters more, she suffers from lupus, and in August 1995, found it necessary to use a medical certificate to prohibit loss of her local service.  She failed to keep her payment arrangements and was fully disconnected in January 1996 prompting another call to the Commission.  At the time of disconnection, the customer owed a total of $573, almost double the amount she owed prior to being toll restricted.  During the five months that she had restricted service, her average monthly telephone bill was $38.26, which included charges for a Caller ID unit lease ($4), Caller ID ($5.95), and Call Waiting ($5).

Q.Do service disconnections and uncollectible accounts affect others?

A.Yes, they do.  The disconnection of a single customer from the telephone network has both social and economic costs.  The customer cannot contact or be contacted by relatives, friends, businesses, schools, and other institutions.  Disconnected customers decrease the value of everyone else’s service.  In the long run, uncollectibles place an upward pressure on rates.

Q.What about existing customers who have subscribed to one or more of the optional services, but are reluctant to drop them because of the non-recurring charges that would apply to reinstate those services?

A.Along with the condition of suspending custom calling services and voice messaging for toll restricted and full toll denied customers, I recommend all customers who regain unrestricted toll access be allowed a waiver of the non-recurring charges to reinstate the same services they had prior to toll restriction or toll denial.  This gives people incentive to catch up on their bills in order to have their preferred optional choices back without additional expense.  As a Staff investigator, I have witnessed many cases where toll restricted or toll denied customers actually paid off their toll sooner than agreed to because they wanted their long distance service back.  I believe customers wanting their voice messaging and custom calling services back will do the same.

SOLICITATION OF U S WEST PRODUCTS TO NON-PUBLISHED/

NON-LISTED CUSTOMERS.

Q.Are non-published and non-listed customer names given out for the purpose of telephone solicitation?

A.U S WEST does not provide outside entities the names of its non-listed and non-published customers.  However, U S WEST products are marketed to these customers by the use of outside vendors.

Q.How do customers contacting the Commission about this policy feel about being included in U S WEST’s telemarketing?

A.They feel that the Company is more concerned about selling products and services than it is about honoring the customer’s wishes.  One reason customers choose non-published or non-listed status is to protect their privacy and prohibit or discourage telemarketers from calling their homes.  Customers fail to make a distinction between U S WEST’s solicitors and those representing other companies.  Staff Exhibit No. 116, Schedule E, illustrates this problem.

Q.Do you have a recommendation regarding telemarketing of U S WEST products to non-published and non-listed customers?

A.Yes.  U S WEST can permanently remove any customer who asks to be removed from its internal telemarketing list.  I recommend that whenever a residential customer or business with five lines or less subscribes to non-published or non-listed status that

U S WEST remove that customer from the telemarketing list for U S WEST products unless the customer specifically asks to be included.  U S WEST can use bill stuffers or other means to advertise its special promotions or new products and services to these customers.

PIC FREEZE

Q.Has it been easy for customers to protect themselves against unauthorized switching of their long distance carrier?

A.No.  A customer wanting to prevent an unauthorized switch (also known as “slamming”) can request the LEC to change the customer’s primary interexchange carrier (PIC) only upon written authorization.  This process is known as a “PIC freeze.” Until last February, U S WEST’s policy was to freeze the customer’s carrier of choice only after an unauthorized switch had occurred.  This presented problems for customers who wanted to protect themselves by preventing slamming in the first place.  In February 1996, the Company decided to allow PIC freezes “if the customer insisted” that one be implemented despite the Company’s attempt to discourage it.  In August 1996, the Company further liberalized its policy so that customers no longer had to insist on a PIC freeze.

U S WEST has positively responded to customers’ needs with respect to PIC freezes, but it needs to go a step further.  Although the Company no longer insists that a customer first be slammed in order for them to implement a freeze to their primary carrier, U S WEST still attempts to discourage the customer from the freeze by telling them that only a small number of customers actually get slammed and that the risk to the customer is quite low.  This ignores the fact that customers who have been slammed must spend a considerable amount of time to undo all the damage done, including the effort necessary to dispute or rerate calls.  The Commission Staff is receiving an increasing number of alleged slammings and other carrier selection problems, going from approximately 450 contacts in 1995 to over 580 so far this year.  If customers have the foresight to try to protect themselves, U S WEST should not try to stop them.  I recommend that U S WEST discontinue its efforts to discourage customers from implementing a PIC freeze.

BILLING AND COLLECTION

Q.What problems have occurred with respect to billing and collection?

A.There have been a number of problems, including lost and misapplied payments, misplaced proof of payment, delayed return of deposits, and failure to advice customers of how to allocate payments so that local exchange service could be preserved.  Just plain communication breakdowns between the Company and its customers has become a common occurrence, caused in part by the multiple points at which a customer with a billing dispute or payment problems might contact the Company.  Customers receive contradictory instructions or instructions that can have serious negative consequences, such as being told to ignore disconnection notices.  The Company attributes many of these problems to employee error.  However, when examined in aggregate, there is ample evidence to conclude that the Company is experiencing serious difficulties with its billing and collection operations.  The Company and Staff have worked together to identify the root cause of these problems so that solutions can be devised and implemented.  However, Staff remains concerned about the Company’s overall performance.

Q.Can you give us specific examples of some of these problems?

A.Yes.  One U S WEST customer felt she had done everything the Company asked her to do.  She mailed two checks in one envelope, one for a deposit and the other for a payment on her account.  Although U S WEST claimed it had only received one of the checks, both checks had cleared the bank.  After trying to resolve this problem without success, her long distance service was cut off.  Because of Commission intervention,

U S WEST did restore access to her toll carrier, but the responsibility of proving she sent two payments was entirely up to the customer, since U S WEST could not trace how or where one $60 check was credited.  It took two months to get her account straightened out.  (See Staff Exhibit No. 116, Schedule F.)

Customers do not always recognize U S WEST’s need for precision.  Some customers make checks out for even amounts, rounding off the cents portion of the bill.  Even in instances where a customer pays more than required under a payment arrangement, service would be disconnected because U S WEST’s system does not recognize the payment unless it is an exact match (dollars and cents) to the amount in the computer.  In another instance, U S WEST was alerted by a customer in October 1995 of disputed credit card charges.  The charges remained on her billing statement for more than 12 months, and probably won’t be permanently removed until January 1997.  The Company failed to initiate the process in a timely manner, even after repeated calls from the customer, resulting in threatened and actual disconnection of service.  (See Staff Exhibit No. 116, Schedule G.)

A third instance involves a customer who paid the requested amounts for two consecutive months at a pay station.  In both instances, the agent made the receipts out as a “deposit” instead of “payment” to the active account.  The language on the receipts was not questioned by this woman, because she wasn’t aware that a “deposit” was different from a “payment.”  She paid the agreed upon amounts and had receipts for those payments totaling $132, yet only $2 was posted to her existing account.  Her payments were applied towards a deposit that had never been requested by U S WEST.  When the Commission intervened, the error was corrected and the customer was given specific instructions to “make sure she says the amount is for a payment, not a deposit.”  (See Staff Exhibit No. 116, Schedule H.)

Q.Besides the obvious difficulty and frustration experienced by U S WEST customers, what other consequences do all of these problems have?

A.Responding to customers’ direct attempts to correct errors as well as respond to executive level and Commission complaints requires considerable Company resources.  Collection activities, including issuing oral and written notices, toll restricting and disconnecting service unnecessarily or inappropriately, waste time and money and lead to declining productivity.

Q.Do you recommend that the Commission impose sanctions for poor performance in this area?

A.I do not recommend that a separate penalty be imposed specifically relating to billing and collection activities.  However, I recommend that the Company be directed to continue working with the Staff to identify and resolve problems.

Q.Does this conclude your direct testimony in this proceeding?

A.Yes, it does.