



COMMONWEALTH OF PENNSYLVANIA
 PENNSYLVANIA PUBLIC UTILITY COMMISSION
 P.O. BOX 3265, HARRISBURG, PA 17105-3265

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November 21, 1995

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FEDERAL COMMUNICATIONS COMMISSION
 OFFICE OF SECRETARY

Mr. William F. Caton
 Secretary
 Federal Communications Commission
 Room 212
 1919 M Street, N.W.
 Washington, D.C. 20544

Hand-Delivered

Re: In the Matter of the Amendment of the Commission's
 Rules and Policies to Increase Subscribership and Usage
 of the Public Switched Network
 Docket No. 95-115; Supplemental Reply Comments

Dear Mr. Caton:

On October 27, 1995, the Pennsylvania Public Utility Commission ("PaPUC") submitted Reply Comments in the above-captioned docket. At the time the PaPUC filed its Reply Comments, it was unaware that the Commission had granted an extension of time to file replies until November 14, 1995.¹ Had the PaPUC been aware of the extension of time it would have included a more detailed discussion of the Chapter 64 data available to it. The PaPUC believes that it is important to supplement and clarify a portion of its original response filed on October 27, 1995. We believe that the additional data which we have attached and discuss herein will help to clarify the portions of the record in this proceeding dealing specifically with the issue of the effect of selective disconnection policies such as the PaPUC's upon LEC uncollectibles and administrative expenses.

Most Pennsylvania LECs' Chapter 64 reports do not separate out their own uncollectible data from the uncollectibles related to the services of other carriers for which they act as billing and collection agent. Consequently, it is impossible to identify the specific increase in a company's own uncollectibles from this "aggregate" data. See Exhibit A attached which is a copy of GTE's Chapter 64 report for 1994. An exception is the data provided by Bell Atlantic which separates out the portion of uncollectibles related to its own operations as opposed to the operations of other carriers. Bell Atlantic has been providing this data to the Pennsylvania PUC

¹Because of the shut-down of most Federal agencies, including the FCC, due to the budget impasse on November 14, 1995, parties were given until the day after the FCC reopened its offices, or November 21, 1995, to file reply comments.

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November 21, 1995
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since our Chapter 64 reporting requirements went into effect. See Exhibit B attached which is a copy of Bell Atlantic's most recent Chapter 64 Report. Bell Atlantic does not identify, however, whether the uncollectibles relate to basic or non-basic services specifically. See Exhibit B, page 3.

It was our own inability through the data provided by carriers to identify the nature of payment problems, to assess the true financial risk of amounts owed and written off for services for which LECs are at risk and to evaluate the impact of uncollectible revenues on ratepayers, which led our Agency to propose revised LEC reporting requirements at Section 64.201. These revised reporting requirements were approved by the Independent Regulatory Review Commission on May 24, 1995, and, will require telephone utilities to provide the PaPUC with residential collection data in a report format that reflects multiple balance billing and identifies LEC revenues and write-offs of uncollectibles. See Exhibit C attached. Consequently, in the future, the PaPUC should receive much more specific data which will in turn permit us to better assess the impact of future policies and other factors upon LEC uncollectibles. Without this more detailed information, it is simply impossible to draw any broad correlations or conclusions between our specific Chapter 64 policies and LEC uncollectible levels, given the many other factors which may effect a company's overall uncollectibles.

While the uncollectible rates of some Pennsylvania LECs have increased over the years, the companies' revenues and subscriber bases have also increased. As the following discussion illustrates, many other factors are also responsible for a given company's level of uncollectibles, and we do not believe that any company can ascribe those increases entirely to the PaPUC's Chapter 64 policies.² If the Commission accepts the statements of the companies on this issue, it should require the companies to provide evidence which demonstrates the percentage increase in uncollectibles directly attributable to the PaPUC's Chapter 64 policies and which necessarily accounts for the portion of the increase due to other factors unrelated to the PaPUC's policies. It appears that some LECs have inappropriately attributed even normal increases in overall uncollectible levels to the PaPUC's policies.

²While the aggregate uncollectible data filed by GTE simply does not permit verification of their claimed increase in uncollectibles since the PaPUC's Chapter 64 policies went into effect, many factors including GTE's purchase of Contel exchanges in Pennsylvania during this time period and others discussed below may be in part responsible for the rise in the Company's overall uncollectible levels. In addition, we are uncertain how Bell Atlantic calculated a 400% increase in uncollectibles since the PaPUC's Chapter 64 policies went into effect. See Comments of Bell Atlantic, page 3. See also Exhibits B and D attached which are copies of Bell Atlantic's 1985 and 1994 Chapter 64 Reports. These Reports appear to indicate that the Company's net uncollectible level for its own services only doubled over the last 9-10 years. At the same time, however, Bell Atlantic's revenues also increased markedly, and presumably their subscriber base.

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For example, in their response to Bureau of Consumer Service questionnaires, GTE has stated that factors other than the PaPUC's Chapter 64 policies have contributed to their increase in uncollectibles. GTE recently attributed both increases and decreases to their uncollectible level to factors independent of the PaPUC's specific Chapter 64 policies. In response to the Bureau of Consumer Services Residential Report Questions for 1993 regarding the increase in Company's overdue accounts, GTE stated, "GTE believes economic conditions in Pennsylvania as well as increases in the subscriber base have attributed to a higher number of overdue accounts." See Exhibit E, page 3. GTE identified these same factors as contributing to increases of uncollectibles and write-offs from 1992 to 1993. See Exhibit E, page 4. It should also be noted that for this reporting period, GTE's percentage of revenues written off as uncollectible far exceeded the industry average in Pennsylvania, and GTE had by far the highest percentage of revenues written off as uncollectible experienced by any LEC in Pennsylvania. GTE's 1993 percentage of revenues written off as uncollectible was 5.14% compared to an industry average of 2.42%. See Exhibit F attached which is a copy of Chapter 5 dealing with "Collections" from the 1994 Bureau of Consumer Services Activity Report for Telephone Utilities.³ GTE's extremely high percentage of revenues written off as uncollectible relative to other Pennsylvania LECs indicates that other factors are at play and in part responsible for their higher rate than the PaPUC's specific Chapter 64 policies which are applicable to all Pennsylvania LECs.

This conclusion is supported by data for the most recent reporting period, 1993-1994, wherein GTE substantially reduced its percentage of revenues written off as uncollectible. GTE's percentage of revenues written off as uncollectible decreased from 5.14% in 1993 to 3.91% in 1994. See Exhibit F, page 12. GTE attributed this drastic improvement to "the concentrated and expert efforts of GTE's National Credit Management Center in Hershey." See Exhibit G attached, page 4. GTE went on to state that it "was not satisfied with this improvement," and that the Company intended to develop plans to enhance its ability to collect including GTE's Advanced Credit Management tariff currently pending before the PaPUC. See Exhibit G attached, page 4; See also Exhibit H. Once again, there was no change in the PaPUC's policies during this time period that would have resulted in the marked reduction in uncollectibles for the Company. Rather, as the Company itself acknowledges, it was changes by the Company to its own collection policies that resulted in this reduction.⁴ The Company

³The opinions and conclusions reached in the report are those of the Bureau of Consumer Services and do not necessarily reflect the opinion of the PaPUC.

⁴See Also Exhibit I attached which is Bell Atlantic's response to the Bureau of Consumer Services 1990 Chapter 64 questionnaire in which the Company states in reply to question 3: "The decrease in BOC net write-offs continues a trend which began in 1988. Several factors have caused this trend, most notably, the introduction of systems which enable us to begin collection of final bills faster and the increased effectiveness of the outside collection agencies

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also acknowledges that future changes to its own policies may bring its overall level of uncollectibles down even further.

Additionally, while it is difficult to draw correlations given the many factors which may affect a specific company's residential terminations and uncollectibles, we believe that it is interesting to note that during the 1993-1994 period both GTE's termination rate and percentage of revenue written off as uncollectible declined dramatically. This may be an indication that the ability to keep customers on the network may actually act to improve a company's overall collections to some extent.

Moreover, until we have more specific information, it appears that at least some of the alleged increase in companies' administrative expenses is due to their own business and operational decisions. For example, note in response to question 2 in Exhibit E, that GTE states that among its Company's major reorganizational changes was the establishment/reorganization of the National Credit Management Center located in Hershey, PA, where all outbound calling for delinquent past due and final accounts are treated. It is not unrealistic to expect that the Company's decision to reorganize and establish a National Credit Center "to improve quality and [help the Company] become more efficient in dealing with [its] customers" would increase administrative expenses, independent of any specific Chapter 64 policy.

We believe it is important for the Commission to include this information in the record of this proceeding to demonstrate that there are factors other than the PaPUC's Chapter 64 policies which are contributing to increases in uncollectibles and administrative expenses of some Pennsylvania LECs and IXC's.⁵ We are hopeful that the above discussion demonstrates that the aggregate data made available by the companies simply cannot be used as the basis to make the simple correlations and/or conclusions between the PaPUC's Chapter 64 policies and LEC uncollectible and administrative expense levels that some parties have apparently drawn, without taking into account a host of other factors which have contributed in large part to the alleged increases.

we utilize." We would note that Bell Atlantic, in response to the Bureau of Consumer Service's 1994 questionnaire, stated that they believed that Chapter 64's Extended Payment Agreements had contributed, to some extent, to the increase in average dollar amount owed in overdue accounts, the increase in manual suspension notices, and the decrease in basic suspensions and terminations. See Exhibit J, page 3.

⁵See Also Exhibit I, Bell Atlantic's response to question 4: "The increase in net write-offs for IXC's also continues a trend which began in 1988. Many factors have caused this trend, including an increase in market share for AOS providers which charge higher toll rates, an apparent increase in 900 toll usage, and increases in overall toll billings (which tend to increase uncollectibles)."

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Despite any fine tuning which may be needed to specific policies in Chapter 64 in Pennsylvania, and which, while irrelevant to the larger issue of selective disconnection, have been made the subject of dispute in this proceeding, we do not believe parties should lose sight of the bigger picture. A selective disconnection policy offers important consumer safeguards, in our experience increases customer connectivity to the public switched network, and is a more equitable solution for customers with problem toll usage, than simply denying them all access to the network and emergency services. For this reason, and those given in our initial comments, the Commission should encourage other States to adopt a similar policy.

Finally, on page 7 of our Reply Comments, we incorrectly stated that the population of Illinois was larger than Pennsylvania. I have attached pages from an Almanac which indicates that Illinois is actually slightly smaller than Pennsylvania. We have also included Almanac data for the other States referenced in our Reply Comments. See Exhibit K attached.

The PaPUC requests that the information contained in this letter be included as a supplement to its Reply Comments filed with the Commission on October 27, 1995. We believe that the information contained herein is necessary to clarify the record and present a more accurate picture of the effect of the PaPUC's selective disconnection policies on LEC uncollectible and administrative expense levels.

Very truly yours,

A handwritten signature in black ink that reads "Maureen A. Scott". The signature is written in a cursive, flowing style.

Maureen A. Scott
Assistant Counsel

MAS/ms

Encl.

cc: All Parties of Record

**GTE Telephone Operations
North Area**

Suite 600
212 Locust Street
P.O. Box 12060
Harrisburg, PA 17108
717 234-5425
Fax: 717 234-1456

John O. Dudley
Regional Director
External Affairs
March 14, 1995

Mr. John G. Alford, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Dear Mr. Alford:

In compliance with the Commission's regulations at 52 Pa. Code §64.201,
please find the attached Annual Local Exchange Carrier Reporting
Requirements.

All correspondence or questions regarding this filing should be directed to
my attention.

Very truly yours,

J. O. DUDLEY

JOD/JRW:slh
Enclosures

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PA. P.U.C.
INFO. CONTROL DIV.

**1994 ANNUAL REPORT
RESIDENTIAL ACCOUNT SUMMARY
GTE NORTH INCORPORATED**

1. Monthly Average Number of Residential Accounts	<u>453,914</u>
2. Monthly Average of Current Charges for Residential Accounts:	
A. Basic Service	<u>19.47</u>
B. Non-Basic Service	<u>5.04</u>
C. Toll Service	<u>27.89</u>
D. Total	<u>52.40</u>
3. Average Number of Overdue Residential Accounts	<u>134,417</u>
4. Monthly Average Number of Overdue Amounts for Residential Accounts:	
A. Basic Service	<u>24.95</u>
B. Non-Basic Service	<u>33.30</u>
C. Toll Service	<u>80.33</u>
D. Total	<u>138.58</u>
5. Monthly Average Number of Residential Suspension Notices	<u>14,092</u>
6. Monthly Average Number of Residential Accounts Suspended	<u>4,987</u>
7. Monthly Average Number of Residential Accounts Terminated	<u>749</u>
8. Gross Revenue - Amount of Residential Revenue Collected	
A. Basic Service	<u>79,566,511</u>
B. Non-Basic Service	<u>48,948,886</u>
C. Toll Service	<u>118,651,822</u>
D. Total	<u>247,167,219</u>
9. Gross Write-Offs of Uncollectible Accounts	<u>11,187,585</u>
Net Write-Offs of Uncollectible Accounts	<u>9,655,345</u>
10. Total Number of Customer Disputes Handled	<u>2,811</u>

**1994 ANNUAL REPORT
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- 2 -

(9) Gross Write-Offs of Uncollectible Accounts:	
. Interstate Bell Operating Company	\$ 8,504,503
. Intrastate Bell Operating Company	27,308,347
. Interstate Interexchange Carriers	32,237,992
. Intrastate Interexchange Carriers	5,184,398
Total Company	<u>\$73,235,240</u>
Net Write-Offs of Uncollectible Accounts:	
. Interstate Bell Operating Company	\$ 7,832,204
. Intrastate Bell Operating Company	23,347,216
. Interstate Interexchange Carriers	28,201,624
. Intrastate Interexchange Carriers	4,521,146
Total Company	<u>\$63,902,190</u>
(10) Total Number of Customer Disputes Handled	26,985

APPENDIX C

Table 1 — §64.201 Reporting Requirements

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

APPENDIX C

Table 2 — §64.201 Revised Reporting Requirements

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

COPY

Bell of Pennsylvania
A Bell Atlantic Company

J. J. Doherty, Jr.
Director-Regulatory
and Governmental Relations

One Parkway
Philadelphia, Pennsylvania 19102
Phone (215) 466-3309

April 30, 1986

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MAY 2 1986

Mr. Jerry Rich, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, Pennsylvania 17120

SECRETARY'S OFFICE
Public Utility Commission

Dear Rich:

In compliance with the Pennsylvania Public Utility Commission Order Docket No. I-80090338, enclosed is The Bell Telephone Company of Pennsylvania's Chapter 64 Annual Report. This report contains data through December 31, 1985.

Acknowledgement and date of receipt of this filing are requested. A duplicate letter is attached for this purpose.

Attachment

JJ Doherty, Jr.
JRF

CHAPTER 64 - ANNUAL REPORT
(RESIDENCE - YEAR END 1985)

EXHIBIT "D"
PAGE 2

(1)	Average number of accounts	3,271,836
(2)	Average customer bill per month	33.66
(3)	Average number of overdue accounts per month	197,113
(4)	Average dollar amount owed in overdue accounts per month	\$48,122,648
(5)	Average number of suspension notices sent per month	166,583
(6)	Average number of accounts suspended per month	
	Suspensions	13,172
	Toll Denials	8,132
	Total	21,304
(7)	Average number of accounts terminated per month	7,463
(8)	Gross revenue from all residential accounts	\$1,321,499,144
(9)	Gross Write-Offs of Uncollectible Accounts	
	Interstate BOC*	1,789,695.38
	Intrastate BOC	14,021,803.98
	Interstate IC#	5,899,116.22
	Intrastate IC	1,317,373.02
	Total Company	23,027,988.60
	Net Write-Offs of Uncollectible Accounts	
	Interstate BOC	1,744,439.05
	Intrastate BOC	12,739,878.53
	Interstate IC	5,479,777.45
	Intrastate IC	1,222,255.79
	Total Company	21,186,347.82
(10)	Total number of customer disputes handled	636

*BOC - Bell Operating Company
#IC - Interchange Carrier

CHAPTER 64 - ANNUAL REPORT
(RESIDENCE - YEAR END 1985)

Source/Footnote

- (1) SN-511, Business Office Collection Report, Line 11
(Cum ÷ 12).
- (2) SN-511, Business Office Collection Report, Line 2
(Cum ÷ 12).
- (3) Collection Analysis Report - average number of overdue accounts requiring treatment (collection) activity monthly. This number reflects the average monthly number of accounts over the minimum treatment level. (Cum ÷ 12).
- (4) SN-511, Business Office Collection Report, Line 7. This number is not readily comparable to #3 above because this item includes all overdue accounts, including those that do not require treatment activity. (Cum ÷ 12)
- (5) Collection Analysis Report - average number of computer generated Denial Notices mailed monthly. (Cum ÷ 12).
- (6) SN-511, Business Office Collection Report, Line 19 for Suspensions. Comptrollers generates a separate monthly report for Toll Denials. The same account may be Toll Denied and Suspended. Therefore, the total count may be inflated (Cum ÷ 12).
- (7) SN-511, Business Office Collection Report, Line 21.
(Cum ÷ 12).
- (8) SN-511, Business Office Collection Report, Line 2,
total for 1985.
- (9) Company Trial Balance Report, Actual Realized Uncollectible. Gross = total uncollectibles prior to recoveries. Net = total uncollectibles after recoveries. These accounts were billed out of CRIS (Customer Records Information System).
- (10) Company monthly report of Customer Appeals to Regulatory Agencies. This figure includes all categories (Treatment and Deposits) attributed to Chapter 64.



**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265**

EXHIBIT "E"

PAGE 1

April 26, 1994

MR JOHN O DUDLEY
REGIONAL DIRECTOR
EXTERNAL AFFAIRS
GENERAL TELEPHONE COMPANY OF PENNSYLVANIA
PO BOX 12060
HARRISBURG PA 17108

Dear Mr. Dudley:

As you know, the Bureau of Consumer Services (BCS) examines GTE's Annual Local Exchange Carrier Report each year to evaluate the company's collection practices and compliance with 52 PA Code Chapter §64.201. In addition, the BCS evaluates the effectiveness of changes to company collection policies and procedures by analyzing the data provided in this report.

The purpose of this letter is to ask you whether there has been any modification of collection policies or procedures that could have effected the data reported in GTE's 1993 report. Additionally, we want to know if the way the company collects or reports data has changed since 1992.

Enclosed is a list of general questions regarding data collection and reporting as well as specific questions about GTE's 1993 report. I would appreciate receiving your response, in writing, no later than May 10, 1994. If you need additional information or have any questions, please call me at (717) 783-9090.

Sincerely,

Lenora M. Best, Manager
Planning & Program Evaluation

LMB:lkj

Enclosure

**1993 §64.201 Residential Report Questions
GTE**

1. Are any of the data items reported in the company's 1993 residential account report based on estimates? If so, which items are estimated?
2. Has there been any modification to the company's collection policy or procedures that could have effected the data reported? If so, what policies changed and how did they effect the data reported in the company's 1993 report?
3. Why has the number of overdue accounts increased from 1992 to 1993?
4. Why has the number of service suspensions and terminations increased from 1992 to 1993?
5. Why has the number of disputes decreased from 1992 to 1993? Has there been any change in the way the company identifies, tracks or reports disputes?
6. Why did the amount of net write-offs of uncollectible accounts increase from 1992 to 1993?

**GTE Telephone Operations
North Area**

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212 Locust Street
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717 234-5425
Fax: 717 234-1456

John O. Dudley
Regional Director
External Affairs
May 10, 1994

Ms. Lenora M. Best, Manager
Planning and Program Evaluation
Bureau of Consumer Services
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Dear Ms. Best:

In response to your April 26, 1994 correspondence which was received May 3, 1994, GTE submits the following answers to your inquiries.

As previously pointed out to the PUC in GTE's presentation in January, 1994, GTE is in the process of consolidating customer contact centers, to improve quality and become more efficient in dealing with our customers. As with any reorganization, there are unforeseen difficulties that may occur which could affect the operation of normal business. GTE hopes to address any problems as soon as possible with limited impact to our customers.

GTE's responses to the PUC's questions are as follows:

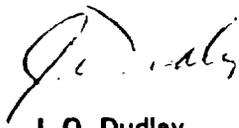
1. No. All data on the 1993 §64.201 report is actual.
2. GTE has become more aggressive in the collection of past due and final accounts. During 1993, numerous personnel changes have occurred as well as processes that over time will improve GTE's ability to collect. Among the major changes was the establishment/reorganization of the National Credit Management Center located in Hershey, PA where all outbound calling for delinquent/past due and final accounts are treated.
3. GTE believes economic conditions in Pennsylvania as well as increases in the subscriber base have attributed to a higher number of overdue accounts.

Ms. Lenora M. Best
May 10, 1994
Page 2

4. With an increase in subscribers and a more aggressive collection policy, the number of suspensions and terminations would naturally be expected to increase.
5. GTE has not changed policy in addressing disputes. GTE believes that a dispute is a vital part of giving our customers their rights as provided for in Chapter 64. (GTE suspects the decrease in the number of disputes may stem from the changes in personnel and the reorganization of our customer contact centers.) GTE is committed to addressing this issue with full fervency in the future to insure that a dispute is recognized by our contact personnel, and therefore our customers are provided their rights.
6. The factors identified in answers three and four contributed to increases of uncollectibles and write-offs. GTE expects to improve in these categories in the future due to recent reorganization and the creating of the National Credit Management Center in Hershey.

Thank you for your interest in GTE's business and how we relate to our customers. As always, please contact me with any other questions that could assist you in preparing your report.

Very truly yours,



J. O. Dudley

JOD:JRW;slh

5 COLLECTIONS

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

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

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

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

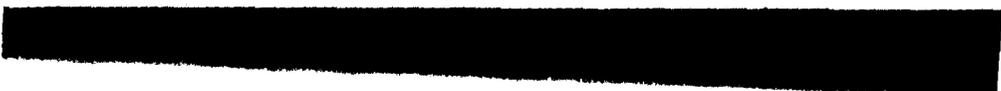
assess the true financial risk of amounts owed and written off for services for which LECs are at risk and to evaluate the impact of uncollectible revenues on ratepayers. In addition, LECs with 50,000 or more residential customers are required to file quarterly reports to ensure that the Commission can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

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

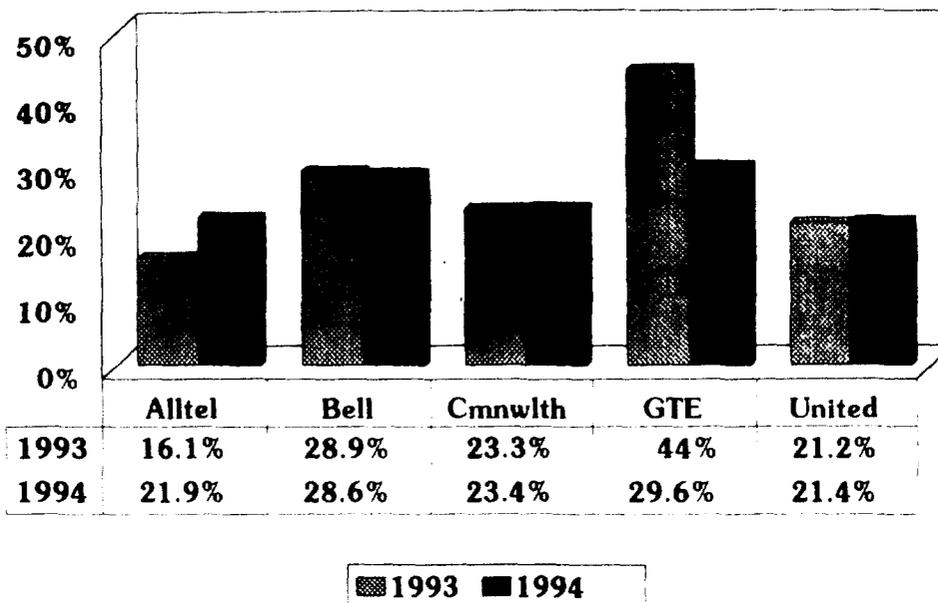
Overdue Customers

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

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



Graph 2 — Percentage of Customers Overdue



Cmnwlth=Commonwealth

Among the findings revealed in Graph 2:

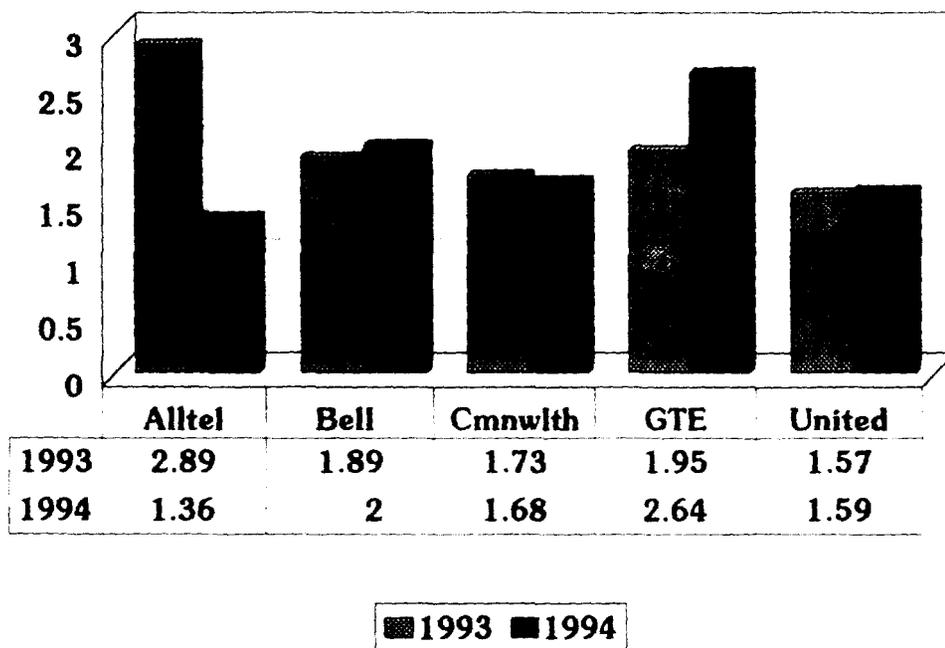
- GTE was considerably more successful at collecting unpaid bills in 1994 than in 1993. Even so, for the fourth consecutive year, GTE had the highest percentage (29.6%) of customers overdue among the major companies. The Bureau commends the company for its efforts in substantially reducing overdue accounts.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

Weighted Arrearage

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

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

Graph 3 — Weighted Arrearage



Cmnwlth = Commonwealth

Among the findings revealed in Graph 3:

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

Suspension of Basic Telephone Service

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

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

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

Table 5 — Number of Residential Service Suspensions

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

Among the findings revealed in Table 5:

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