

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND)	DOCKET UT-090073
TRANSPORTATION COMMISSION,)	
)	
Complainant,)	
)	NARRATIVE SUPPORTING
v.)	SETTLEMENT AGREEMENT
)	
VERIZON NORTHWEST INC.,)	
)	
Respondent.)	
_____)	

I. INTRODUCTION

1 This Narrative Supporting Settlement Agreement (Narrative) is filed pursuant to WAC 480-07-740(2)(a) on behalf of Verizon Northwest Inc. (Verizon) and the Staff of the Washington Utilities and Transportation Commission (Staff) (collectively, “the Parties”). Both parties have signed the Settlement Agreement (Agreement), which is attached to this Narrative. This Narrative summarizes the main points of the Agreement. It is not intended to modify any terms of the Agreement.

II. PROPOSALS FOR REVIEW PROCEDURE

2 The Parties submit that this matter is considerably less complex than a general rate proceeding, and request that review proceed on a timetable for less complex matters, as provided in WAC 480-07-740(1)(b). Because of the less complex nature of the matter and

the uncontested status of the settlement, the Parties suggest that a formal settlement hearing, along with the opportunity for public comment, are unnecessary in this case.

3 The Parties do not intend to file documentation supporting the Agreement, with the exception of the Agreement itself and this Narrative. If the Commission requires supporting documents beyond the Agreement, Narrative, and the other documents on file in this docket, the Parties will provide documentation as needed.

4 In keeping with WAC 480-07-740(2)(b), the Parties are prepared to present one or more witnesses each to testify in support of the proposal and answer questions concerning the details of the Settlement Agreement, should such testimony be required. In addition, counsel for both Parties are available to respond to any questions that the Commission may have regarding the proposed settlement.

III. SCOPE OF THE UNDERLYING DISPUTE

5 The underlying dispute concerns a complaint issued by the Commission against Verizon at the request of Commission Staff on March 18, 2009. In December 2008, Staff commenced a formal investigation into the business practices of Verizon, intended to determine if Verizon was in compliance with Commission rules. This investigation followed two prior investigations in 2005 and 2007, and included a review of the Commission's consumer complaints received during the months of June through November 2008. In March 2009, Staff completed an Investigation Report that contained, among other things, its findings that Verizon's handling of Washington Telephone Assistance Program (WTAP) applications resulted in customers not being properly charged WTAP rates, in

violation of RCW 80.36.130.¹ Further, the Investigation Report contained Staff's findings that Verizon did not properly investigate complaints and inquiries of customers who alleged that they were improperly billed city taxes, although they lived outside of city limits, and that Verizon improperly billed city taxes to certain customers, in violation of RCW 80.36.130.

6 Following the investigation, the Commission issued a Complaint and Notice of Prehearing Conference on March 18, 2009, based upon a finding of probable cause.² The Investigation Report was attached. Verizon filed an Answer to the Complaint on April 7, 2009.³ The Parties set a procedural schedule for hearing at a Prehearing Conference on April 21, 2009, before Administrative Law Judge Dennis Moss.⁴ The Parties commenced settlement discussions and subsequently agreed to a resolution of all issues raised by the investigation and Complaint filed in this docket.

IV. SUMMARY OF PROPOSED SETTLEMENT

7 The settlement resolves all issues in dispute. Verizon admits that: (1) with regard to 26 customers, on 425 occasions between March 2007 and March 2009, it incorrectly assessed city tax rates set forth in its tariffs filed with the Commission under RCW 80.36.100; and (2) that on 47 occasions, it failed to assess rates associated with WTAP as set forth in its tariffs filed with the Commission under RCW 80.36.100 to customers eligible for WTAP rates.⁵ Verizon agrees to pay penalties totaling \$39,600 within 30 days after the

¹ See Docket UT-090073, Staff Investigation Report for Verizon Northwest Inc., Attachment 1 to Complaint and Notice of Prehearing Conference.

² See Docket UT-090073, Complaint and Notice of Prehearing Conference.

³ See Docket UT-090073, Answer of Verizon Northwest Inc.

⁴ See Docket UT-090073, Order 01, Prehearing Conference Order.

⁵ See Settlement Agreement at ¶¶ 4-5.

effective date of the Agreement, as follows: (1) \$2,600 related to incorrect assessment of city tax rates to 26 Verizon customers; and (2) \$37,000 related to the failure to assess rates associated with WTAP.⁶ Further, Verizon agrees to a suspension of penalties totaling \$39,900 related to the incorrect assessment of city tax rates.⁷ Verizon agrees to pay approximately \$10,000 toward a WTAP outreach effort to be determined and directed by Staff and initiated in September 2009.⁸

8 With respect to the city tax billing issue, Verizon agrees to undertake a process to timely investigate complaints and inquiries concerning misapplication of city utility tax rates, and, if warranted, issue customer credits. In conjunction with these investigations, Verizon agrees to timely and similarly investigate neighboring customers, and issue appropriate customer credits if warranted.⁹ Verizon agrees to provide to Staff a summary of the results of these investigations, for the purpose of determining compliance with the terms of the Agreement.¹⁰ The suspended penalties of \$39,900 will be waived provided that Verizon complies with these terms.¹¹

9 With respect to the WTAP billing issue, Verizon agrees to create and deploy several “quality control” measures designed to ensure proper handling of WTAP applications and billing of WTAP customers. These measures are detailed in the Agreement and in Attachment 1 to the Agreement. Verizon will provide regular “refresher” written communications to call center customer service representatives handling WTAP

⁶ *Id.* at ¶¶ 6-7.

⁷ *Id.* at ¶ 6.

⁸ *Id.* at ¶ 8.

⁹ *Id.* at ¶¶ 9-10.

¹⁰ *Id.* at ¶ 11.

¹¹ *Id.* at ¶ 6.

applications.¹² Verizon will deploy a WTAP computer screen interface unique for Washington State to be used by call center representatives handling WTAP calls.¹³ Verizon will deploy an electronic routing mechanism for simpler routing of WTAP applications through Verizon for eligibility confirmation with Washington State Department of Social and Health Services.¹⁴ Verizon agrees to deploy a process to “sweep” its computer systems on a daily basis to ensure the prompt and proper routing of WTAP orders.¹⁵ Verizon agrees to increase by 10 percent the number of customer calls it currently monitors, with the goal of capturing more WTAP calls in their monitoring.¹⁶ Further, based upon the WTAP calls that are monitored, Verizon agrees to institute a process to ensure that any call center representatives that mishandle WTAP calls are promptly coached on appropriate WTAP handling.¹⁷ Verizon agrees to institute a process in which its complaint handling, Lifeline, and call center teams partner and routinely interface to perform root cause and trend analysis of WTAP-related complaints, which is designed to ensure that WTAP complaints are handled properly, that Verizon complies with Commission rules and statutes, and for continuous improvement.¹⁸ Associated with certain of these commitments is Verizon’s agreement to provide Staff with documentation of the processes or summaries of the results of the processes. The information provided will be used by Staff for the purposes of determining compliance with the terms of the Agreement.¹⁹

¹² *Id.* at ¶ 12.

¹³ *Id.* at ¶ 13.

¹⁴ *Id.* at ¶ 14.

¹⁵ *Id.* at ¶ 15, and Attachment 1 to Agreement.

¹⁶ *Id.* at ¶ 16.

¹⁷ *Id.* at ¶ 17, and Attachment 1 to Agreement.

¹⁸ *Id.* at ¶ 18, and Attachment 1 to Agreement.

¹⁹ *Id.* at ¶¶ 12-18.

10 Staff will conduct a compliance investigation six months following the effective date of the Agreement, for the purpose of determining Verizon’s compliance with the Agreement and compliance with Washington laws and rules related to the billing of city taxes and WTAP rates since the effective date of the Agreement.²⁰ Staff will file its report with the Commission. Included in any recommendations will be Staff’s recommendation concerning whether suspended penalties should be imposed for noncompliance with the Agreement.²¹

V. STATEMENTS OF PARTIES’ INTERESTS AND THE PUBLIC INTEREST

A. Staff’s Statement

11 As stated in the Settlement Agreement, the settlement represents a compromise of the positions of the two Parties. It is in the Parties’ best interest to avoid the expense, inconvenience, uncertainty, and delay necessitated by ongoing litigation. It is in the public interest that this dispute concludes without the further expenditure of public resources on protracted litigation. Likewise, it is in the public interest that the Agreement includes Verizon’s admissions that it assessed city tax rates improperly, and failed to properly assess WTAP rates, in accordance with its tariffs filed with the Commission under RCW 80.36.100, and Verizon’s agreement to pay significant penalties, including suspended penalties, in the event of noncompliance with terms of the Agreement.

12 Additionally, it is in the public interest that Verizon agrees to pay \$10,000 towards a Washington Telephone Assistance Program (WTAP) educational outreach effort to be determined by Staff and initiated in September 2009. WTAP is designed to help low-income households afford access to local telephone services, and, among other benefits,

²⁰ *Id.* at ¶¶ 19-21.

allows participants to receive a discounted rate on local telephone services. The outreach effort will be designed to enhance public awareness of the availability of the WTAP program, and will be targeted to reach those who may be eligible. The Verizon-funded outreach effort will be timed to coincide with a similar, national effort called the National Telephone Discount Lifeline Awareness Week sponsored by the National Association of Regulatory Utility Commissioners.

13 An effort to publicize the availability of low-cost telephone service is in the public interest, particularly at this time when the economic downturn has resulted in thousands of people applying for state assistance for the first time.

14 The commitments proposed by the Agreement with respect to training of customer service representatives and the processing of WTAP applications are also in the public interest. As detailed in Staff's Investigation Report, which led to the complaint, Staff found that the failure of Verizon to charge WTAP rates to WTAP-eligible customers was due in part to continued failures to properly and timely process WTAP applications it received. The process changes go beyond the changes that Verizon implemented during the compliance plan it agreed to in 2007 following Staff's previous investigation of Verizon's WTAP-related problems. The measures are intended to lead to future compliance with Commission rules and statutes concerning billing.

15 It also serves the public interest that Verizon has committed to investigate customer complaints and inquiries concerning the proper billing of city taxes, and also similarly investigate neighboring customers, and issue credits, if warranted, within 35 days. As

²¹ *Id.* at ¶ 21.

detailed in Staff's Investigation Report, Staff had found that customers who complained to the Commission that Verizon was improperly billing city taxes because they lived outside city limits, did so after they had contacted Verizon and the company had not investigated their claims or issued refunds. The proposed commitments, it is hoped, should ensure that Verizon investigate and, when warranted, issue credits in a timely manner. It should also improve identification and correction of tax billing of neighboring, and potentially similarly situated, customers. The suspended penalties attached provide financial incentive for compliance, and additional accountability for noncompliance.

16 Likewise, it is in the public interest that the Agreement provides that Commission Staff will conduct a special compliance investigation in six months. The documentation that Verizon commits to providing in the Agreement, as well as a review of consumer complaints received subsequent to the effective date of the Agreement, will help determine not only whether Verizon has complied with the terms of the Agreement, but also whether those terms have had a positive effect on compliance with Commission rules and statutes. This further investigation will allow Commission Staff to recommend to the Commission additional actions to address these concerns, including whether or not suspended penalties should be imposed.

17 In summary, it is in the public interest and the interest of the Commission to adopt and approve the Settlement Agreement in its entirety. Commission Staff respectfully requests that the Commission do so.

B. Verizon's Statement

18 Verizon concurs in Staff's assessment that the settlement represents a compromise of the positions of the two Parties, and that it is in the Parties' best interest to avoid the expense, inconvenience, uncertainty, and delay necessitated by ongoing litigation. Verizon also agrees that the settlement is in the public interest because it avoids the further expenditure of public resources on protracted litigation. Moreover, the settlement is also in the public interest as it reflects a serious commitment by Verizon to focus on the issues raised in the Complaint; that commitment is demonstrated in the detailed steps and actions that Verizon will undertake as set forth in the body of the Agreement and the attachment thereto.

VI. LEGAL POINTS THAT BEAR ON PROPOSED SETTLEMENT

19 In WAC 480-07-700, the Commission expresses its support for parties' informal efforts to resolve disputes without the need for contested hearings when doing so is lawful and consistent with the public interest. The Parties have resolved all of the issues in dispute between them, and their resolution complies with Commission rules and, as explained above, is consistent with the public interest.

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VII. CONCLUSION

20 Because the Parties have negotiated a compromise on all of the issues in this dispute, and because the settlement is in the public interest, both Parties request that the Commission approve the attached Settlement Agreement.

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

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Dated: _____, 2009

Dated: _____, 2009