

## Introduction

On July 23, 1999, the Washington Utilities and Transportation Commission issued a Complaint and Order to Show Cause Why Penalties Should Not Be Assessed and Why Service Remedies Should Not Be Ordered against 1-800-Reconex (Reconex). The complaint was based on the results of a Staff compliance audit of 19 customer account records. In its complaint the Commission considered penalties in the amount of \$372,000 for violations of Commission statutes, Commission rules, and the Company's tariff.

On October 8, 1999, the parties filed a Stipulation for Settlement that required the following actions:

1. The Commission would not pursue \$186,000 of the \$372,000 penalties alleged in the complaint.
2. Reconex would spend a minimum of \$20,000 on a Staff approved customer education program that would run for a minimum of two years.
3. Reconex would spend a minimum of \$121,000 (the estimated allocated costs for Washington state customers) for system improvements described in the Stipulated Agreement.
4. The Commission would suspend \$45,000 in penalties, pending the outcome of a compliance audit to be performed by Staff in September 2000. The stipulation set out specific benchmarks that the Company had to meet in order to be found in compliance with the audit. If the Company failed to meet more than two of the benchmarks, Reconex would become liable for, and the Commission reserved the right to impose, the suspended penalties of \$45,000.
5. Reconex was required to transition all Ameritel accounts to Reconex no later than December 31, 1999.
6. Staff and Reconex would review the Company's customer service handbook and bring the language into compliance with Washington regulations no later than November 30, 1999.

On November 12, 1999, and December 30, 1999, the Commission approved, by Order, the Stipulated Agreement, and suspended the proceedings in the docket pending review of quarterly reports and a final September 2000 audit conducted by Staff to determine whether Reconex complied with the terms of the Order. The Commission ordered the following conditions in addition to those provided for in the Stipulated Agreement:

1. Reconex would spend the \$121,000 on system improvements by the date of the September 2000 audit.
2. Reconex would file status reports with Staff on the first of every month, specifying monies spent and actions completed with regard to its customer education program and system and service improvements, until excused from further reports by letter from the Commission.

3. Staff would submit quarterly status reports to the Commission beginning April 1, 2000.
4. The Commission reserved the right to enforce payment of suspended amounts by immediate issuance of a Supplemental Order to Show Cause Why Payments Should Not Be Required.

## **November 2000 Status report**

The Commission's orders contain essentially three major requirements: (1) Transition of Ameritel accounts; (2) Customer Education Program; and (3) System and Service Improvements. Each of these elements are discussed below.

### ***Transition of Ameritel accounts to Reconex***

*1998 Audit Findings:* The Company indicated in its business plan when it registered that it intended to transition customers from a nonregistered entity, Ameritel, to the registered entity, Reconex, within 60 days of receiving its authority to do business in the state of Washington. Staff identified in its 1998 audit that the transfer of accounts was not complete.

*Actions required by Commission Order:* All Washington customers must be transitioned to Reconex no later than December 31, 1999.

*Discussion:* Reconex completed transition of all Ameritel customer accounts within the time frame specified within the Order.

*Recommended action regarding conversion of Ameritel accounts:* None.

**Customer Education Program**

*1998 Audit Findings:* During its 1998 audit, Staff identified a number of cases where the Company provided incorrect or, in some cases, no information to consumers concerning their rights as a telecommunications customer. Staff believes there were two causes for the misinformation. First, consumers were unaware of their rights. Second, Reconex's representatives were working with computer programs and customer service handbooks that either directly conflicted with or were completely silent on rights provided by Washington regulations.

*Actions required by Commission Order:* The Commission ordered the Company to develop a Staff-approved education plan no later than December 31, 1999, with an implementation date approved by Staff. The required elements of the plan were:

- Development and distribution of a customer welcome letter that would be sent to all new customers specifically outlining the services Reconex provides, the obligation of Reconex and its customers, and an explanation of Reconex's billing and disconnection policies;
- Development of a "Telecommunications Rights and Responsibilities" brochure that would be provided to disconnected and new customers, and Community Action Program (CAP) agencies, at Reconex's expense; and
- Revision of Reconex's customer service handbook and tariff to reflect Washington regulations.

*Discussion:* Staff worked with Reconex to modify its existing customer welcome letter and customer service handbook to comply with Washington regulations.

Staff and Reconex developed a rights and responsibilities brochure that Reconex provides to new Washington customers and those that have been disconnected. Reconex also sent the brochure, along with a cover letter offering to provide additional copies free of charge, to Washington state CAP agencies.

During the review of customer account records in conjunction with the September 2000 audit, Staff saw positive changes in the Company's handling of customers. While the accounts were not all handled perfectly in all instances (See System and Service Improvements section), Company representatives not only seemed more familiar with Washington regulations but also more flexible with their customers. For instance, on one of the accounts reviewed by Staff a customer was provided information on the WTAP program. There were also a number of accounts where the Company allowed customers an extension beyond their normal due date to make payment. This was not true of the records reviewed by Staff in 1998.

*Recommended action regarding Customer Education Program:* None. Reconex must spend a minimum of \$20,000 on the Staff-approved Customer Education Program that

must run a minimum of two years. Staff believes the Company should continue to provide monthly status reports until the money is expended.

3

### ***System and Service Improvements***

*1998 Audit Findings:* During the 1998 audit, Staff identified repeated violations of Commission statutes and rules, as well as the Company's tariff. Staff believes the cause of these violations to be Reconex's failure to adequately train its representatives on Washington regulations; improper time lines programmed into the Company's computer system for bills and disconnection notices; and the inability of the billing system to present information to Company representatives in chronological order.

*Actions required by Commission Orders:* Reconex was ordered to spend a minimum of \$121,000 to implement system and service improvements by the date of the September 2000 audit or become immediately liable for payment of the \$121,000 to the Public Service Revolving Fund.

The Commission suspended payment of \$45,000 in penalties pending the outcome of the Staff September 2000 audit. Staff was ordered to complete an audit of a minimum of 50 accounts in September 2000, covering January through August 2000 account records. In this audit, Staff would determine if the Company met the benchmarks contained in the Stipulated Agreement. The Order specified that should Reconex fail to meet more than two benchmarks outlined in the Stipulation, Reconex would be liable for payment of the \$45,000.

#### *Discussion:*

#### ***Commitment to spend \$121,000 on System and Service Improvements***

Reconex failed to spend the \$121,000 as required by Commission Order. At the time Staff commenced its September audit the Company had spent a total of \$89,574.40 toward system improvements, as evidenced by the Company's September 27, 2000, status report. The Commission's November 12, 1999, Order specified that the \$121,000 must be expended by the September 2000 audit. The Company clearly understood this requirement when on November 17, 1999, it filed a Joint Motion with Staff proposing amendments to Paragraph 5a of the Commission's Order. The Joint Motion added specific language that reads in part, "If Reconex fails to spend the amounts which it has expressly committed to spend for customer education as set forth in paragraph 4 of this Agreement (a minimum of \$20,000) and for system and service improvements as set forth in paragraph 5 of this Agreement (a minimum of \$121,000), Reconex shall become immediately liable for payment of these amounts in full to the public service revolving fund." The Joint Motion was filed to address the Company's objection to the use of the term "penalties." The Company did not in any way protest the fact that the Commission's Order required the monies to be expended within a specific time frame.

#### ***Recommended action regarding System and Service Improvements expenditures:***

Reconex failed to expend the monies required by Commission Order, and therefore is

liable for payment of \$121,000 to the public service revolving fund. Staff recommends that the Commission issue a Supplemental Order to Show Cause Why Payments Should Not Be Required to enforce payment of the \$121,000.

***September 2000 audit***

Staff completed its review of 50 Reconex customer accounts as required by Commission Order. Staff found that Reconex failed to meet six out of the thirteen benchmarks included in the Stipulated Agreement. Staff has included a general summary of Staff's findings using the corresponding claim number identified in the Stipulated Agreement (Appendix A). The summary includes the specific violation; the benchmark contained in the Stipulated Agreement; the total number of violations, if any, identified during the audit; discussion of the causes of the violations if they could be identified; and a statement as to whether the Company exceeded the benchmark for the individual claim.

In addition, Staff has provided three appendices that provide the underlying data for the conclusions set forth in the general summary. Appendix B provides the total number of violations by customer account. Appendix C provides the specific date each violation took place for each account. Appendix D provides copies of individual account summaries created by Staff that document the specific violations. These summaries were created using the data contained in the records which Reconex provided to Staff during the audit.

*Recommended action regarding System and Service Improvements based on findings of the September audit.* Reconex failed to meet the six of the thirteen benchmarks provided for in the Stipulated Agreement, and therefore, is liable for payment of \$45,000 in penalties suspended in this proceeding. Staff recommends that the Commission issue a Supplemental Order to Show Cause Why Payments Should Not Be Required to enforce payment of the \$45,000.

