

Investigation Report

Verizon Northwest, Inc.

UT 090073

Travis YonkerCompliance Investigations

April 26, 2010

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**PURPOSE, SCOPE, AND AUTHORITY**

**Purpose**

In Docket UT-090073, staff and Verizon Northwest, Inc. (Verizon) entered into a settlement agreement accepted by the commission on September 10, 2009. Part of that agreement required Utilities and Transportation Commission staff to conduct a follow-up investigation in March 2010, to be concluded within 60 days. This document reports the results of the follow-up investigation. Its purpose is to determine if Verizon has complied with the terms of the settlement agreement, specifically regarding customer charges for the Washington Telephone Assistance Program (WTAP) and charges for city taxes, as directed by the commission.

**Scope**

The scope of this investigation includes all information and documentation Verizon provided to the commission pursuant to the settlement agreement. In addition, staff evaluated Verizon’s business practices as reflected in consumer complaints received by the commission between September 1, 2009, and April 1, 2010.

**Authority**

Staff conducted this investigation pursuant to Revised Code of Washington (RCW) 80.01.040(3). In addition, RCW 80.04.070 grants the commission specific authority to conduct such an investigation.

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**EXECUTIVE SUMMARY**

In March 2009, staff completed a comprehensive investigation of Verizon’s business practices. That investigation revealed three areas of deficiency. First, staff found that despite prior technical assistance, commission consumer protection staff continued to receive a significant number of complaints regarding Verizon’s customer service. Second, staff found that Verizon consistently failed to properly process Washington Telephone Assistance Program (WTAP) applications. Third, staff found that Verizon was improperly billing certain consumers for city taxes when the telephone service was located in unincorporated areas. Staff recommended a total penalty of $107,800 for these violations.

On March 18, 2009, the commission issued a complaint against Verizon based on the results of the staff investigation and requested relief of $107,800, as recommended by staff in its investigation report. On April 21, 2009, the commission held a prehearing conference at which time the parties requested time to engage in settlement discussions prior to a hearing. The Administrative Law Judge granted that request.

On September 10, 2009, following successful settlement discussions, the commission adopted the settlement agreement presented jointly by the commission and Verizon.[[1]](#footnote-1) As part of the settlement agreement, Verizon agreed to the following:

1. Verizon admitted to 425 violations for improperly assessing city taxes.
2. Verizon admitted to 47 violations for improperly charging customers in WTAP.
3. Verizon agreed to pay a $2,600 penalty for its incorrect assessment of city tax rates, with an additional $39,900 penalty suspended pending a follow-up investigation.
4. Verizon agreed to pay a $37,000 penalty for its violations of WTAP procedures and also pay $10,000 into a WTAP outreach program.
5. Verizon agreed to provide staff with documentation of measures it agreed to take to improve the city tax assessment and WTAP application processes.
6. Verizon agreed that staff would conduct a follow-up investigation six months from the effective date of the settlement agreement to determine compliance with WTAP charges and city tax charges.

**Recommendation**

Staff finds Verizon to be in substantial compliance with the terms of the settlement agreement. Staff further finds that Verizon’s efforts to improve its processes related to both WTAP applications and billing of city taxes have led to decreased numbers of complaints. Staff recommends no further enforcement action related to the settlement agreement.

**BACKGROUND**

**Prior Investigation**

In March 2009, staff completed an investigation into Verizon’s business practices. Staff reviewed complaints received by commission consumer protection staff between June 2008 and November 2008. Staff found that out of 34 complaints related to WTAP, consumer protection staff recorded violations in 19 of those complaints. Further, staff found that during the same period, consumer protection staff recorded violations of RCW 80.36.130, relating to city taxes, in five complaints, for a total of 588 individual violations. On March 18, 2009, the commission issued a complaint against Verizon based on the results of the staff investigation and requested relief of $107,800, as recommended by staff in its investigation report.

**Settlement Agreement**

On September 10, 2009, following successful settlement discussions, the commission adopted the settlement agreement presented jointly by the commission and Verizon.[[2]](#footnote-2) As part of the settlement agreement, Verizon agreed to the following:

1. Verizon admitted to 425 violations for improperly assessing city taxes.
2. Verizon admitted to 47 violations for improperly charging customers in the Washington Telephone Assistance Program.
3. Verizon agreed to pay a $2,600 penalty for its incorrect assessment of city tax rates, with an additional $39,900 penalty suspended pending a follow-up investigation.
4. Verizon agreed to pay a $37,000 penalty for its violations of WTAP procedures and also pay $10,000 towards an outreach program for potential WTAP customers.
5. Verizon agreed to provide staff with documentation of measures it agreed to take to improve the city tax assessment and WTAP application processes.
6. Verizon agreed that staff would conduct a follow-up investigation six months from the effective date of the settlement agreement to determine compliance with WTAP charges and city tax charges.

**Current Investigation**

In March 2010, staff initiated a follow-up investigation to determine if Verizon had complied with the conditions of the settlement agreement, and also to determine what effect Verizon’s efforts had on the overall number of customer complaints. Staff focused its investigation on the terms of the settlement agreement and Verizon’s documentation of compliance with those terms. Staff also reviewed complaints against Verizon received by commission consumer protection staff during the compliance period. This report summarizes the results of the staff investigation.

**FINDINGS AND RECOMMENDATIONS**

**WASHINGTON TELEPHONE ASSISTANCE PROGRAM (WTAP)**

**Findings**

1. **Settlement Agreement Terms**

The settlement agreement and resulting commission order required the company to comply with a number of provisions aimed at improving Verizon’s handling of WTAP applications. These provisions are enumerated in paragraphs 12 through 18 of the settlement agreement.

1. **Refreshers**

Paragraph 12 required Verizon to issue “refreshers,” which are job aids detailing procedures for proper carrier handling of WTAP applications that are sent to all appropriate call center representatives. Paragraph 12 required Verizon to issue these refreshers bi-weekly for three months and once monthly thereafter. Verizon provided copies of refreshers issued on the following dates:

* September 17, 2009
* October 1, 2009
* October 14, 2009
* October 28, 2009
* November 11, 2009
* November 25, 2009
* December 23, 2009
* January 29, 2010
* February 9, 2010
* March 9, 2010

The content of the refreshers included a step-by-step list for Verizon’s representatives to properly process a WTAP application, including specific information the representative must tell the applicant, and how to navigate the internal computer program to ensure proper processing of the application. Verizon complied with the requirements of Paragraph 12 by distributing the refreshers at the required frequency.

1. **Washington Computer Interface**

Paragraph 13 required Verizon to “create and deploy a WTAP computer screen interface, unique for Washington . . . to be used by call center representatives handling WTAP calls.” Similarly, Paragraph 14 required Verizon to “create and deploy an electronic routing mechanism through which call center representatives handling WTAP calls” can more easily route applications within ten days of the effective date of the settlement agreement. The agreement required Verizon to complete these process improvements within ten days of the effective date of the settlement agreement. Verizon provided staff with a document entitled “WTAP Screenshot,” which includes a one-screen image, and also provided an explanation of the steps call center representatives go through to ensure WTAP applications are handled correctly. Verizon has, therefore, demonstrated that it has created and deployed its WTAP computer screen interface and electronic routing mechanism as required.

1. **Order Sweeps**

Paragraph 15 required Verizon to “create and deploy a process within ten days of the effective date of the settlement agreement to ‘sweep’ its computer system on a daily basis to ensure that WTAP orders have been properly routed to the [Services Resource Center] work queue.” Paragraph 15 further required Verizon to provide staff with monthly reports stating the number of WTAP applications routed automatically and the number of applications rerouted after the daily sweeps.Verizon provided staff with reports for each month from September 2009 through March 2010, indicating the following:

|  |  |  |
| --- | --- | --- |
| **Month** | **Total WTAP Applications** | **% WTAP Orders Rerouted** |
| September 2009 | 457 | 3.3% |
| October 2009 | 1,276 | 3.1% |
| November 2009 | 1,077 | 5.9% |
| December 2009 | 1,027 | 8.3% |
| January 2010 | 1,029 | 5.5% |
| February 2010 | 814 | 4.6% |
| March 2010 | 269 | 4.5% |

Verizon’s reports indicate that its new sweep process effectively routed all WTAP applications. First, the reports indicated that the vast majority of WTAP orders were automatically routed to the Services Resource Center without incident. Second, for the relatively small portion of WTAP applications that were misrouted, the daily sweeps appear to have allowed rerouting of those applications for timely processing in three business days or less. Therefore, Verizon’s compliance with this requirement has had a positive impact on the WTAP application process.

1. **Call Monitoring**

Paragraph 16 required Verizon to increase by ten percent “the number of customer calls currently monitored” and to provide staff with monthly reports of total monitored calls and those monitored calls that were related to WTAP. Verizon provided staff with reports for each month from September 2009 through March 2010 describing the number of calls monitored, indicating the following:

|  |  |  |
| --- | --- | --- |
| **Month** | **Total Washington****Calls Monitored** | **WTAP Calls Monitored** |
| September 2009 | 64 | 1 |
| October 2009 | 165 | 2 |
| November 2009 | 176 | 4 |
| December 2009 | 164 | 0 |
| January 2010 | 169 | 2 |
| February 2010 | 160 | 0 |
| March 2010 | 79 | 0 |

Verizon reported that prior to the compliance period, the company monitored on average 30 Washington calls monthly. Thus, Verizon increased the number of Washington calls monitored by more than 100 percent, far exceeding the ten percent requirement in the settlement agreement.

1. **Coaching**

Paragraph 17 required Verizon to “institute a process to ensure . . . that call center representatives in WTAP ‘non-compliance’ are coached by supervisors.” This means that Verizon was required to coach any representative that did not properly handle an incoming call that included a WTAP issue. Verizon reported that for each WTAP-related complaint, the company’s Customer Advocacy Group initiated a “root cause analysis process.” According to Verizon, this process included contacting call center management personnel to find out what happened and getting confirmation that the involved representative had been coached on any deficiencies that had been found. Verizon provided staff with an example of the documentation the company now requires to show proper coaching has occurred. Verizon further provided staff details of some instances of coaching in the company’s monthly report of sweeps. Based on this information, Verizon has complied with this requirement.

1. **Root Cause Analysis**

Paragraph 18 required Verizon 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.” Verizon reported that for each WTAP-related complaint, the company’s Customer Advocacy Group initiated a “root cause analysis process.” According to the company, this process included analyzing the deficiencies found to see if there were any distinct trends. Verizon provided staff with a number of graphs developed by the root cause analysis process team demonstrating various trends it discovered. Based on this information, Verizon has complied with the requirement in Paragraph 18.

1. **Consumer protection complaints**

In addition to examining the requirements of the settlement agreement, staff also evaluated the complaints received by commission consumer protection staff related to WTAP during the compliance period to determine what effect, if any, Verizon’s compliance with the settlement agreement had on the number of complaints and violations. Verizon historically has had a poor record of properly processing WTAP-qualified customers, as reflected in commission consumer complaints, however, staff observed a significant improvement during the current compliance period, as indicated below:

|  |  |  |  |
| --- | --- | --- | --- |
| Review Periods | Length of Review Period | Number of Complaints | Number of Violations |
| 11/07 – 5/08 | 7 months | 19 | 36 |
| 6/08 – 11/08 | 6 months | 19 | 49 |
| 12/08 – 8/09 | 9 months | 29 | 84 |
| 9/09 – 3/10 | 6 months | 8 | 33 |

To determine if Verizon improved its record of improperly processing WTAP customers, staff reviewed all complaints filed with consumer protection staff during the current compliance period. As noted above, staff found 33 violations of RCW 80.36.130 in eight complaints during the current compliance period. Based on these findings, it appears that complaints against Verizon related to improperly processing WTAP customers have decreased.

**Recommendations**

While consumer protection staff received some complaints against Verizon during the compliance period for WTAP-related violations, these violations stemmed from only eight individual complaints. This represents a significant drop in total complaints.[[3]](#footnote-3) In addition, Verizon has complied with all requirements outlined in the settlement agreement. Staff recommends no enforcement action related to improper charges for WTAP customers.

**FINDINGS AND RECOMMENDATIONS**

**CITY TAXES**

**Findings**

1. **Compliance with settlement agreement terms**

The settlement agreement and resulting order required Verizon to “institute a process to investigate customer complaints . . . concerning misapplication of city utility tax rates.”[[4]](#footnote-4) It further states that Verizon must investigate such complaints and give credits to complaining customers within 35 days of the initial complaint. Verizon provided staff with a document describing each complaint it received related to city tax billing issues, which included the date on which Verizon gave credits to the complaining customers. According to the information Verizon provided, in each complaint the company gave the credits within 35 days of the initial complaint, indicating full compliance.

Paragraph ten of the settlement agreement required Verizon to “investigate neighboring customers, and if warranted, issue them appropriate customer credits within 35 days of receipt of the initial complaint.” Verizon provided staff with a document for each city tax billing complaint it received describing the credits provided to all other customers in proximity to the complaining customer. According to the information Verizon provided, each time a customer complained, Verizon took prompt action to give credits to all customers affected by the improper city tax billing within 35 days, indicating full compliance.

Paragraph 11 required Verizon to “provide Staff with a list of all Washington complaints . . . concerning misapplication of city utility tax rates since the effective date of the Agreement.” Verizon provided staff a list of all complaints it recorded, as required.

Staff finds that Verizon has complied with the requirements of the settlement agreement as it relates to the billing of city taxes.

1. **Consumer protection complaints**

In addition to Verizon’s compliance with the settlement agreement, staff also evaluated the complaints recorded against Verizon related to city taxes.

In its 2008 investigation, staff found Verizon improperly charged city taxes in five complaints, resulting in 588 violations of RCW 80.36.130 between June 2008 and November 2008. During the compliance period, from September 10, 2009, to March 10, 2010, staff found Verizon improperly charged city taxes in three complaints, resulting in 621 violations of WAC 480-120-161 or RCW 80.36.130. In addition, staff found that since the compliance period ended on March 10, 2010, Verizon improperly charged city taxes in one complaint, resulting in 38 violations of RCW 80.36.130.[[5]](#footnote-5)

**Discussion**

Staff’s investigation indicates that the company has responded quickly and appropriately in investigating complaints from customers about city taxes. In addition, the company provides credits within 35 days, as required by the settlement agreement.

**Recommendation**

Staff believes Verizon has complied with the terms of the settlement agreement as those terms relate to the city tax billing issue. Further, the number of complaints regarding city tax billing decreased slightly during the compliance period. Staff recommends the suspended penalties not be imposed, and no further enforcement action be taken related to improper charges for city taxes.

**Appendix A**

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1. *See* Settlement Agreement, attached at Appendix A. [↑](#footnote-ref-1)
2. *See* Settlement Agreement, attached at Appendix A. [↑](#footnote-ref-2)
3. Compare this number with 29 complaints received between December 2008 and September 2009, and 19 complaints between 38 complaints received between November 2007 and November 2008. [↑](#footnote-ref-3)
4. *See* Settlement Agreement, Paragraph 9. [↑](#footnote-ref-4)
5. Due to media coverage on this issue in early March, 2010, consumer protection staff received a large volume of complaints against Verizon, however in all cases except for one, the customer had either (1) been annexed into the city limits thereby making the city tax charge appropriate, or (2) the customer was being billed for a county tax which was appropriate but the billing statement mischaracterized the charge as a “city tax,” due to a software error (*see, e.g.*, Complaint #108639). [↑](#footnote-ref-5)