

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 5, 2006**

REGULAR X **CONSENT** **EFFECTIVE DATE** December 6, 2006

DATE: November 27, 2006

TO: Public Utility Commission

FROM: Vicki McLean, Central Services Administrator

THROUGH: Rick Willis, PUC Executive Director

SUBJECT: RESIDENTIAL SERVICE PROTECTION FUND: Request to Open a Formal Investigation of Vilaire Company Incorporated dba VCI.

STAFF RECOMMENDATION:

Staff recommends that the Commission open an investigation, under ORS 756.515, into the Oregon Telephone Assistance Program (OTAP) billings and revenue and remittance reporting of Vilaire Company Incorporated (VCI).

DISCUSSION:

On October 14, 2006, Rick Willis sent a certified letter to VCI summarizing unresolved issues regarding VCI's OTAP billing practices. PUC audits of customers claimed by VCI showed: (1) duplicate billings for customers served by VCI; (2) billings for customers served by other carriers; and (3) billings for customers with discontinued service.

There appear to have been a number of instances in which VCI billed for reimbursement to which it was not entitled. Mr. Willis' letter requested responses to questions dealing with these overbillings. On November 1, 2006, VCI sent an e-mail to Mr. Willis that acknowledged receipt of his letter of October 14 and requested an extension to respond. VCI then submitted an e-mail response to Vicki McLean on November 3, 2006, but it did not address the PUC's concerns.

The PUC's concerns are:

1. The PUC staff did an audit of all of the customers listed in VCI's billings for the period June 2004 through March 2006. The audit revealed 1870 duplicate (and in some

cases, triplicate) billings for OTAP customers. The staff relied on these errors to reduce payments to VCI.

Following are two examples of what staff audits found:

a. VCI continued to bill for an OTAP customer for the months of November 2005 through February 2006 despite the fact that her telephone service was disconnected on October 3, 2005.

b. VCI billed for a disconnected OTAP customer for September 2005, November 2005 and February 2006. The audit showed that the customer had been with Qwest since July 29, 2005.

2. Another staff customer audit for the period May 2006 through September 2006 showed that the problem of erroneous billings continues. As a result of this audit, the PUC reduced OTAP payments to VCI by 3093 customers.

Staff is concerned that the two above audits, respectively, show 1870 and 3093 inaccuracies. During the first audit period VCI submitted billings to the PUC for a low of 1629 customers (June 2004) and a high of 9016 (December 2005). For the second period, the low is 1855 (September 2006) and a high of 3379 (May 2006). Staff expects some billing errors from each carrier, but the number of errors from VCI is well above what one might reasonably expect for a carrier of this size. Moreover, the number of errors grew from the first audit, which covered 22 months, and the second audit, which covered only 5 months.

Staff, therefore, recommends this investigation.

Staff believes that a formal investigation is necessary because the PUC, to obtain the material it needs to assess VCI's OTAP billings, may wish to issue subpoenas to VCI and third parties that contracted with VCI. In the event that one or more of these third parties contends that relevant records contain Customer Proprietary Network Information, the PUC will be able to obtain those records with a subpoena. See 42 U.S.C. 221 (c) (1) and OAR 860-032-0510(4).

To ensure that our investigation is complete, staff also recommends that it cover VCI's intrastate revenue reporting. And the investigation should include VCI's remittance reporting, so there can be a match between incoming and outgoing payments.

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PROPOSED COMMISSION MOTION:

The Commission open an investigation, under ORS 756.515, into VCI's OTAP billings, as well as its revenue and all remittance reporting.