

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

RECORDS AND REPORTING

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RECEIVED-FPSC

DATE: APRIL 5, 2001

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMPETITIVE SERVICES (KENNEDY) *RK*
 DIVISION OF LEGAL SERVICES (VACCARO) *W*
 DIVISION OF REGULATORY OVERSIGHT (VANDIVER) *Abf*

RE: DOCKET NO. 001411-TI - INVESTIGATION AND DETERMINATION OF METHOD TO CREDIT ACCESS FLOW-THROUGH REDUCTIONS BY MCI WORLDCOM COMMUNICATIONS, INC. AND TTI NATIONAL, INC., AS REQUIRED BY SECTION 364.163, F.S.

AGENDA: 04/17/01 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\001411B.RCM

CASE BACKGROUND

- 1998 - Legislative Session: The House and Senate passed revisions to Section 364.163(6), Florida Statutes, that modified existing requirements for switched access rate reductions and the flow-through of those reductions to customers.
- March 31, 1998 - Staff opened Docket No. 980459-TP to address flow-through of 1998 switched access reductions by interexchange telecommunications companies (IXCs), pursuant to Section 364.163(6), Florida Statutes.

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04230 APR-50

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- June 8, 1998 - The Commission issued Proposed Agency Action (PAA) Order No. PSC-98-0795-FOF-TP to implement the revisions to Section 364.163(6), Florida Statutes.
- September 15, 2000 - Staff opened Docket 001411-TI because the required flow-through reductions had not been fully implemented by the WorldCom Operating Companies.
- November 8, 2000 - Proposed Agency Action (PAA) Order No. PSC-00-2139-PAA-TI was issued wherein the Commission approved an Amended Offer of Settlement proposed by the WorldCom Operating Companies whereby, in part, MCI WorldCom Communications, Inc. would reduce the rates for its WorldOne product line by an amount necessary to return to customers \$741,328, plus interest, plus an additional amount necessary to bring the total reduction to \$1,482,656. Consummating Order No. PSC-00-2303-CO-TI made Order No. PSC-00-2139-PAA-TI effective and final on December 4, 2000.
- March 6, 2001 - The Commission received the WorldCom Operating Companies first quarterly refund/rate reduction status report pursuant to Order No. PSC-00-2139-PAA-TI. The report provides that \$35,785 of the \$1,482,656 required flow through was accomplished. (Attachment A, pages 6-7)
- March 15, 2001 - MCI Operating Companies submitted correspondence stating that the flow-through, pursuant to Order No. PSC-00-2139-PAA-TI, of \$1,482,656 within 15 months from December 2000, for rate reductions of MCI WorldCom Communications, Inc.'s WorldOne product line, cannot be achieved. MCI Operating Companies proposes to include rate reductions for two additional business customer products, Intelenet and Easyanswer. (Attachment B, pages 8-10)

The Florida Public Service Commission is vested with jurisdiction over this matter pursuant to Sections 364.163 and 364.285, Florida Statutes. Accordingly, staff believes the following recommendations are appropriate.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission accept WorldCom Operating Companies' amended proposal, dated March 15, 2001, whereby, MCI WorldCom Communications, Inc. will reduce the rates for its Intelenet and Easyanswer products, in addition to the rate reductions pursuant to Order No. PSC-00-2139-PAA-TI for its WorldOne product, by an amount necessary to return to business customers \$1,446,871, which is the balance of the amount remaining to be flowed-through by February 2002?

RECOMMENDATION: Yes. Staff recommends that the Commission should accept WorldCom Operating Companies' amended proposal dated March 15, 2001, whereby, MCI WorldCom Communications, Inc. would reduce the rates for its Intelenet and Easyanswer products, in addition to the rate reductions pursuant to Order No. PSC-00-2139-PAA-TI for its WorldOne product, by an amount necessary to return to business customers the \$1,446,871 remaining balance to be flowed-through by February 2002. All reporting requirements and completion schedules should remain the same as provided in Order No. PSC-00-2139-PAA-TI, dated November 8, 2000. **(KENNEDY)**

STAFF ANALYSIS: On November 8, 2000, Proposed Agency Action (PAA) Order No. PSC-00-2139-PAA-TI was issued approving, in part, the Amended Offer of Settlement proposed by the WorldCom Operating Companies, whereby MCI WorldCom Communications, Inc. will reduce the rates for its WorldOne product line by the amount necessary to return to business customers \$741,328 not previously flowed-through, plus interest, plus an additional amount necessary to bring the total reduction to \$1,482,656.

On March 6, 2000, pursuant to Order No. PSC-00-2139-PAA-TI, the WorldCom Operating Companies submitted the first quarterly refund/rate reduction status report (Attachment A, pages 6-7). As provided in this report, only \$35,785 of the required \$1,482,656 flow-through amount was achieved.

On March 15, 2001, the WorldCom Operating Companies submitted correspondence (Attachment B, pages 8-10) to the Commission stating that the required flow-through amount of \$1,482,656 can not be achieved based on the current minutes-of-use (MOU) sales of the WorldOne product line. The company reports that the MOU for the WorldOne product has declined from approximately 4 million MOU in July 2000 to approximately 1.6 million MOU in January 2001. As a result of this decline in sales, the projected annual revenues for

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the WorldOne product will be less than the remaining amount (\$1,446,871) to be flowed-through by February 2002.

To overcome this problem, the company proposes to extend the flow-through rate reductions to two other business products, in addition to the WorldOne product. The two business products are Intelenet and Easyanswer. Intelenet is a full service product providing customers with a communications package that includes local, long distance, Internet, voice mail, calling card, enhanced fax, conference calling, and private line services. Easyanswer is a standard long distance legacy voice product. Both products are provided to existing customers only and neither product is available to new customers.

MCI WorldCom Communications, Inc. will initially apply approximately 34% of the remaining flow-through to its WorldOne product. The Intelenet and Easyanswer products will initially be reduced by amounts ranging from 55%-85%. Through its monitoring efforts, the company will adjust the rates as needed to complete the flow-through by February 2002.

Staff supports the company's plan to extend the flow-through to other business products. Therefore, staff recommends that the Commission should accept WorldCom Operating Companies' amended proposal dated March 15, 2001, whereby, MCI WorldCom Communications, Inc. will reduce the rates for its Intelenet and Easyanswer products, in addition to the rate reductions pursuant to Order No. PSC-00-2139-PAA-TI for its WorldOne product, by an amount necessary to return to business customers the \$1,446,871 remaining balance to be flowed through by February 2002. All reporting requirements and completion schedules should remain the same as provided in Order No. PSC-00-2139-PAA-TI, dated November 8, 2000.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. If no person, whose interests are substantially affected by the proposed action files a protest of the Commission's decision on Issue 1 within the 21 day protest period, the Commission's Order will become final upon issuance of a Consummating Order. This docket should remain open pending the completion of the requirements of Order No. PSC-00-2139-PAA-TI.
(Vaccaro)

STAFF ANALYSIS: Whether staff's recommendation on Issue 1 is approved or denied, the result will be a proposed agency action order. If no person, whose interests are substantially affected by the proposed action files a protest of the Commission's decision on Issue 1 within the 21 day protest period, the Commission's Order will become final upon issuance of a Consummating Order. This docket should remain open pending the completion of the requirements of Order No. PSC-00-2139-PAA-TI.

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DATE: APRIL 5, 2001

ATTACHMENT A

HOPPING GREEN SAMS & SMITH
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS

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OF COUNSEL
ELIZABETH C. BOWMAN

March 6, 2001

Blanca Bayó
Director, Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 3239

Re: Docket No. 001411-TI

Dear Ms. Bayó:

Enclosed for filing on behalf of the WorldCom Operating Companies pursuant to Order No. PSC-00-2139-PAA-TI are the original and fifteen copies of their First Quarterly Refund/Rate Reduction Status Report.

By copy of this letter, this report has been furnished directly to the staff members involved in this docket.

If you have any questions regarding this filing, please call.

Very truly yours,



Richard D. Melson

RDM/mee

Enclosure

cc: Mr. Rick Moses
Mr. Ray Kennedy
Mr. Tim Vaccaro
Mr. Brian Sulmonetti

DOCUMENT NUMBER-DATE

02940 MAR-65

WorldCom First Quarterly Refund / Rate Reduction Status Report

(Pursuant to Order No. PSC-00-2139-PAA-TI)

Submitted: March 6, 2001

REFUNDS

Company/Product	Amount To Be Refunded Per Order	Number Of Customers Affected	Amount Refunded Through 2/2/01	Amount Remaining To Be Refunded	Amounts Unclaimed or Less Than \$1 Through 2/2/01	Date Completed
TTI National	\$ 128,000	4,040	\$ 84,846.68	\$ 43,153.32	\$ 324.70	3/9/01 (Est.)
MCI VNET/Vision	46,250	2,193	46,240.46	0.00	--	2/2/01
MCI Toll Free**	432,716	672	432,716.86	0.00	--	2/2/01

** The Order required a refund of \$300,000 to \$350,000, subject to true-up.
The amount of \$432,716 reflects the final, true-up amount.

RATE REDUCTION

Company/Product	Amount To Be Flowed Through	Number of Customers Affected	Amount Flowed Through	Amount Remaining To Be Flowed Through	Estimated Completion Date
WorldCom/WorldOne	\$ 1,482,656	1,300	\$ 35,785	\$ 1,446,871	2/02/02

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ATTACHMENT A

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ATTACHMENT B

HOPPING GREEN SAMS & SMITH
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS

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OF COUNSEL
ELIZABETH C. BOWMAN

March 15, 2001

BY HAND DELIVERY

Blanca Bayó
Director, Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Docket No. 001411-TI

Dear Ms. Bayó:

This letter is a follow-up to WorldCom's First Quarterly Refund/Rate Reduction Status Report filed in this docket on March 6, 2001.

Pursuant to Order No. PSC-00-2139-PAA-TI, WorldCom made a prospective reduction to the rates for its WorldOne product which was designed to flow-through to its customers a total of \$1,482,656 within 15 months from December 2000, when the Order Approving Settlement Offer became final.

In calculating the size of the rate reduction required to accomplish the required flow-through, WorldCom used historical information on the number of WorldOne minutes of use. Since August 2000 when the Offer of Settlement was originally made, WorldOne minutes of use have declined dramatically, from almost 4 million MOU in July 2000 to approximately 1.6 million MOU in January 2001. This reduction is due to a number of factors, including an industry-wide decline in wireline long distance minutes and the reduced use of the WorldOne product by resellers,

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at least one of whom has ceased operations due to financial difficulties.

As a result of this decline in MOU, the rate reduction which had been calculated based on historical data is not achieving the projected revenue reduction. In fact, based on annualization of January 2001 MOU, the total annual revenues from the WorldOne product over the next 12 months are projected to be less than the required \$1.4 million flow-through obligation.

WorldCom recognized this situation when preparing its first quarterly status report to the Commission, and has met informally with the Commission staff to discuss possible solutions.

WorldCom proposes to address this issue by extending the flow-through rate reduction to other business products in addition to its WorldOne offering. Under this approach, WorldCom would initially apply roughly 34% of the remaining flow-through amount to WorldOne. This will result in rates averaging less than \$.005/MOU, which is below WorldCom's cost, or about a 95% rate reduction for WorldOne customers. WorldCom would apply the balance of the flow-through to two other products offered to business customers, known as Intelenet and Easyanswer. The rates for these products would initially be reduced by amounts ranging from 55-85%.

WorldCom would continue to monitor the usage of these products, and the resulting revenue reductions, on a monthly basis, and would adjust the rates as needed to complete the flow-through by February 2002.

WorldCom will be happy to meet with the staff regarding this proposed solution, and hopes that the staff will be in a position to recommend approval to the Commission at the earliest available opportunity.

Copies of this letter have been furnished directly to the staff members involved in this docket.

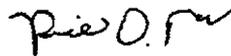
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ATTACHMENT B

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If you have any questions regarding this filing, please call.

Very truly yours,



Richard D. Melson

RDM/mee

cc: Mr. Rick Moses
Mr. Ray Kennedy
Mr. Tim Vaccaro
Mr. Brian Sulmonetti