

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 6437

Investigation into Access Charge Flow-through )  
Compliance Obligations of MCI )  
Telecommunications Corporation, and )  
Sprint Communications Company, L.P. )

Order Entered: 10/11/2000

**ORDER OPENING INVESTIGATION  
AND NOTICE OF HEARING**

**I. BACKGROUND**

With this Order, the Vermont Public Service Board ("the Board") opens an investigation into whether two in-state long distance providers complied with our March 24, 2000 Order in Docket 6167 (Investigation into an Alternative Regulation Plan for New England Telephone and Telegraph Company d/b/a Bell Atlantic-Vermont). In Docket 6167, the Board ordered AT&T Communications, Inc. ("AT&T"), MCI Telecommunications Corporation ("MCI") and Sprint Communications Company, L.P. ("Sprint"), to flow-through reductions in intrastate toll rates by Bell Atlantic into wholesale toll access charge reductions. That Order required the three interexchange carriers to reduce their retail rates within 90 days of the date Bell Atlantic reduced its access rates; Bell Atlantic reduced those rates effective April 23, 2000, so the deadline for interexchange carrier retail rate reductions was July 22, 2000.

The question of a flow-through was directly before the Board in that proceeding since a principle issue was how to rule on MCI and Sprint's request that the Board compel Bell Atlantic to reduce its wholesale charges to MCI, Sprint, and other interexchange carriers. Indeed, Sprint specifically committed to flow-through 100 percent of the access charge reductions.<sup>1</sup>

In explicit reliance upon Sprint's representations in that Docket, this Board concluded the following:

The Board's goal in decreasing access charges is twofold: to facilitate competition

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1. Bishop surr. pf. at 10; tr. 6/1/99 at 57.

by reducing the price of access closer to its economic costs and to reduce the price of toll for retail consumers. Unless the rate reductions set out herein are flowed through to customers, the profitability of interexchange carriers will be enhanced, but ratepayers will not see the full benefit of the rate reductions we adopt here, thus failing to achieve one of our two goals. Therefore, we will require the three largest competitive interexchange carriers offering intrastate services, which consist of AT&T, Sprint, and MCI, to decrease their intrastate toll rates by the amount necessary to return the benefits of Bell Atlantic's access charge reduction to that provider's customers (application of the flow-through requirement to Bell Atlantic is discussed below).<sup>2</sup>

As a direct result of our Order, issued in reliance upon Sprint's representations and coupled to a flow-through requirement for AT&T and MCI, Bell Atlantic has reduced its charges to interexchange carriers by 62 percent.<sup>3</sup>

On July 17, 2000, we received proposed tariff revisions from AT&T to comply with the Board's Order. We were later informed by the Department of Public Service that it had asked for and received supplemental materials from AT&T and "believed that AT&T has complied with the Board's reporting requirements as to the company's demonstration of switched access flow-through."<sup>4</sup> Based upon the Department's recommendations, the Board concludes that AT&T has complied with the mandate in the March 24, 2000 Order.<sup>5</sup>

On June 15, 2000, Sprint submitted proposed tariff revisions to comply with the Board's Order in Docket 6167.<sup>6</sup> Based on comments received from the Department, the Board approved the proposed tariff revisions but required Sprint to submit by July 31, 2000, its report

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2. The Board expects that mandated rate reductions from the largest interexchange carriers will force their smaller competitors to reduce toll rates or lose market shares. Thus, rather than requiring all interexchange carriers to submit reports demonstrating the flow-through of access reductions, the Board has focused on the major carriers.

3. This includes the effect of the access rate reductions in Dockets 5700/5940/5670.

4. Letter from Sarah Hoffman, Esq. to Susan M. Hudson dated August 31, 2000.

5. We note that there may be issues related to implementation of the retail rate reductions outstanding.

6. Tariff filing No. 3957, filed June 15, 2000.

demonstrating that the mandated flow-through has been achieved.<sup>7</sup> On August 18, 2000, we received a letter from Sprint with supporting materials that Sprint asserts demonstrates "Sprint's flow through of the February and April, 2000 Access reductions." Sprint further requests that it be extended flexibility to allow market forces to determine whether additional reductions are necessary rather than requiring it to reduce rates "in a specific and mechanistic manner."<sup>8</sup>

On June 23, 2000, MCI filed tariffs reducing certain rates. Based on comments received from the Department, the Board also approved the proposed tariff revisions, in a letter dated July 6, 2000.<sup>9</sup> In that letter, the Board also required that MCI file its report demonstrating that the mandated flow-through has been achieved by July 20, 2000. To date, MCI has not included supporting analysis required by Order in Docket 6167.

Companies subject to the jurisdiction of the Board are required to comply with requirements set out in Board Orders. Under Section 30 of Title 30, the Board may impose significant penalties for failure to comply with such Orders. Based on the response of Sprint and the absence of supporting analysis from MCI, it appears that these companies may not have complied with explicit requirements in Docket 6167/6189 Orders, and that this non-compliance may have significant detriment to their intrastate toll customers.<sup>10</sup> Accordingly, we are opening this investigation to examine the compliance issues more fully and to determine what penalties, if any, should apply in the event that the carriers have not satisfied their compliance obligations with the final Order in Docket 6167.

## **II. ORDER**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

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7. Letter from Susan M. Hudson, Clerk of the Board, to Shelia Sharp, State Tariff Analyst-External Affairs, July 19, 2000. *See also*, letter from Christine Salembier, Deputy Commissioner, to Susan M. Hudson, July 14, 2000.

8. Letter from Edna H. Dorrell, Sprint Regulatory Affairs Manager to Susan M. Hudson, August 18, 2000.

9. Letter of Susan M. Hudson, Public Service Board Clerk to Diane Crockett, Tariff Administrator, July 6, 2000.

10. We also note that our Order of March 24 relied upon intrastate toll reductions by carriers such as MCI, Sprint and AT&T to create a market incentive for responsive reductions by Bell Atlantic/Verizon.

1. Pursuant to 30 V.S.A. Sections 30 and 227(b), an investigation is hereby opened into the existing rates of MCI Telecommunications Corporation, and Sprint Communications Company, L.P.

2. Pursuant to 30 V.S.A. Section 8, J. Riley Allen, Utilities Analyst, and George E. Young, Associate General Counsel, are appointed to serve as the Hearing Officers in this proceeding.

3. Pursuant to 30 V.S.A. Section 11(a)(2), a prehearing conference will be held in this matter before George E. Young, Esq., on Monday, October 23, 2000, commencing at 1:00 p.m., at the Public Service Board Hearing Room, Third Floor, Chittenden Bank Building, 112 State Street, Montpelier, Vermont.

DATED at Montpelier, Vermont, this 11<sup>th</sup> day of October, 2000.

s/Michael H. Dworkin	)	PUBLIC SERVICE
	)	
	)	
s/David C. Coen	)	BOARD
	)	
	)	
	)	OF VERMONT

OFFICE OF THE CLERK

FILED: October 11, 2000

ATTEST: s/Susan M. Hudson  
Clerk of the Board

*Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any technical errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)*

