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BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE APPLICATION)

OF WORLDCOM TECHNOLOGIES, INC.) CASE  NO. GNR-T-97-15

FOR A CERTIFICATE OF PUBLIC)

CONVENIENCE AND NECESSITY TO)

PROVIDE LOCAL EXCHANGE SERVICE)COMMENTS OF THE

AS A COMPETITIVE LOCAL CARRIER.)COMMISSION STAFF

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COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon Stutzman, Deputy Attorney General, and submits the following comments for the Commission’s consideration in Case No. GNR-T-97-15.

BACKGROUND

On August 13, 1997, WorldCom Technologies, Inc. (WorldCom) filed an application for a Certificate of Public Convenience and Necessity (CPCN) in compliance with Commission Rules of Procedures, IDAPA 31.01.01.111 and Procedural Order No. 26665.  WorldCom filed an amended application on November 25, 1997, to better comport with applicable Idaho law and Commission Rules.  WorldCom currently is authorized to provide telecommunications service pursuant to Title 62 of the Idaho Code and is seeking authorization to provide local exchange service pursuant to Title 61.  WorldCom indicated it plans to provide local exchange service under its wholly owned subsidiary, MFS Intelenet, Inc., to Idaho residences and businesses within the U S WEST and GTE service areas through a resale arrangement.  At present, neither WorldCom nor MFS has obtained an interconnection agreement with U S WEST or GTE.

DISCUSSION

Staff has reviewed the application submitted by WorldCom and believes that it meets the requirements of the Commission’s Procedural Order No. 26665, which sets out necessary information to be included with an application for a certificate submitted by a new local exchange provider in Idaho.  WorldCom has agreed to comply with the Commission’s rules and procedures.

Staff also notes, however, that consumer protection issues have arisen regarding slamming practices by WorldCom.  Staff has examined the Commission’s records of a total of 122 informal complaints and inquiries regarding WorldCom’s interexchange and operator services.  Of those total complaints, 54 were for 1996, 48 for 1997, and 20 from January 1 to March 27, 1998(footnote: 1).  The records consist of the Consumer Assistance Staff’s electronic documentation of conversations with WorldCom customers and various telecommunications companies’ representatives as well as correspondence, bills, and other written materials.  Staff does not know the total number of WorldCom’s interexchange customers and thus cannot fully evaluate the total extent of consumer problems.  In Staff’s experience, the total number of complaints received by the Commission normally does not accurately reflect the total magnitude of consumer problems.

The primary areas of concern expressed by Idaho consumers involve billing and allegations of “slamming”, the unauthorized switching of interexchange carriers.  Of the total 122 complaints lodged against WorldCom since January, 1996 to March 27, 1998, 44 (or 36%) have been for slamming practices.  Staff believes that similar problems may occur in the local exchange marketplace.  Because WorldCom resells its services to other interexchange carriers, at least two of which have a significant number of slamming complaints filed with the Commission, it is possible that the company responsible for slamming was misidentified.  Due to complex billing arrangements, it is often difficult for consumers to know which company originated the unauthorized request to switch.  If billing is done by the customer’s local exchange company, WorldCom may be identified as the primary interexchange carrier, even though a different switchless reseller may actually serve the customer.  The use of multiple levels of billing agents and the lack of effective customer service further complicates the task of correctly identifying the slammer and resolving disputes.  For this reason, Staff has submitted documentation to WorldCom to provide it with an opportunity to formally address the allegations of slamming.

WorldCom had 528 consumer complaints filed against it with the Federal Communications Commission regarding allegations of slamming in 1996 (Common Carrier Scorecard Report, December 1997).  Appendix B of that FCC report (included with Staff comments as Attachment 1) shows the number of slamming complaints filed against carriers, resellers, and billing agents.

Another issue that merits attention relates to a financial matter recently brought to Staff’s attention.  According to the Ada County Highway District (ACHD), WorldCom has been installing facilities within Ada County and not paying for its permits.  ACHD indicated to Staff it would submit comments regarding the financial implications that have arisen from this practice.  Staff has reviewed the provided financial records of the subsidiary that will be handling the local service and believes the financial status is questionable.  However, because the subsidiary will be operating under the umbrella of the parent company, this issue may not be as alarming as if it were a stand alone entity.  Staff does feel that financial liquidity and the ability to meet financial obligations when they are due is a crucial issue when providing local exchange services to the public.  If financial liquidity is not monitored, it could result in a detrimental effect to the public interest.

STAFF RECOMMENDATIONS

Because of the slamming practices and the questionable financial ability of the subsidiary of the Company, Staff recommends suspending consideration of this Application for the following reasons.

First, although WorldCom has complied with the filing requirements for issuing a certificate, there is disturbing evidence of the improper switching of customer service or

slamming.  Staff believes the number of consumer slamming complaints against WorldCom is unacceptable.  In Order No. 27356, the Commission noted:

.....it would be dilatory in its duty if it did not take strong action where slamming is alleged.  It is not in the public’s interest to issue any new carrier a Certificate of Public Convenience and Necessity to provide local telecommunications service where that carrier already has a strong history of slamming consumers in Idaho . . .

Staff urges WorldCom to address the slamming complaints and work with Staff to resolve each of them.

Second, Staff is concerned that WorldCom has not been paying for its building permits in a timely manner as represented by Ada County Highway District.  Staff is concerned that this may reflect financial difficulties within the Company.  In its original application, WorldCom indicated that it would be providing services through resold agreements using U S WEST and GTE facilities.  It was only through its discussions with ACHD on March 24, 1998, that Staff learned that WorldCom is installing its own facilities.  While Staff strongly encourages competition, it feels that the Company must be financially capable to adequately finance this competition.

Finally, Staff recommends that this docket remain open to allow WorldCom an opportunity to renew its Application when it shows it has resolved these problems.

Respectfully submitted this               day of April 1998.

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Weldon Stutzman

Deputy Attorney General

Technical Staff:  Carolee Hall

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**FOOTNOTES**

1:

These complaints include complaints filed under the business names of WorldCom, LDDS WorldCom and Wiltel Network Services.