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Decision 88 07 034 JUL 8 1988

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 MCI Telecommunications Corporation)
 (U 5011 C), under Rule 15 for)
 Approval to Offer Incidental)
 IntraLATA Vnet Service on a)
 Commercial Basis.)

Application 87-09-027
 (Filed September 18, 1987)

SECOND INTERIM OPINION

On April 6, 1988, MCI Telecommunications Corporation (MCI) filed a motion in Application (A.) 87-09-027 for authority to provide interim Vnet service to additional customers. No other party has filed a response to MCI's motion.

On September 18, 1987, MCI filed A.87-09-027 in which it sought authority to offer interLATA and incidental intraLATA commercial Vnet service (a virtual private network service) in California. At that time, it also requested immediate authority to provide this service to six specified customers on an interim basis pending resolution of A.87-09-027.

By Decision (D.) 87-11-064 the Commission authorized MCI to provide interim Vnet service on a commercial interLATA basis to the six specified customers. MCI was also authorized to provide intraLATA Vnet service, but only on a limited basis to permit access to a strictly limited set of telephone numbers which address the customers' computer data bases and internal operating systems. Certain other conditions were also established, including holding out restrictions and reporting requirements.

In its motion, MCI now requests authority to provide interim Vnet service under the same terms, conditions, and restrictions set forth in D.87-11-064 but with no restrictions on the number of customers.

MCI states that at the time it filed A.87-09-027 it believed that the Commission would schedule hearings and would proceed to a decision expeditiously on its request for final authority. However, in D.87-11-064 the Commission declined to schedule Vnet hearings and deferred action on MCI's Vnet application until completion of Phase I of the pending investigation of new regulatory frameworks for local exchange carriers (Investigation 87-11-033). MCI notes in its motion that resolution of Phase I of that investigation may be several months away.

MCI agrees to apply all the precautions adopted in D.87-11-064 to minimize the carriage of unauthorized intraLATA traffic to any new interim Vnet customers. MCI states that it will continue to observe the holding out requirements spelled out in D.87-11-064, will work with the new customers and local exchange carriers to ensure that PBXs and Centrex switches are appropriately programmed, and will provide monthly reports to the local exchange carriers and the Commission's Advisory and Compliance Division as required by D.87-11-064.

According to MCI, the reports provided to date in compliance with D.87-11-064 show that intraLATA Vnet traffic has indeed been minimal: only 4.39% (for December 1987) and 4.24% (for January 1988) of the traffic originating in California has been intraLATA. MCI states that these reports confirm that the safeguards which MCI proposed and the Commission ordered are working.

MCI asserts that market forces dictate that it be permitted to add additional customers beyond those for which service was authorized in D.87-11-064. To do otherwise would, in MCI's view, seriously interfere with MCI's ability to compete effectively with AT&T in the interLATA and interstate market place. Given MCI's demonstrated success in minimizing incidental intraLATA traffic and in view of AT&T's ability to add customers to its

comparable SDN service without regulatory constraint, MCI argues that fundamental fairness requires that the Commission grant its motion.

Discussion

In D.87-11-064 we found that, with the conditions adopted therein, granting interim authority for commercial Vnet service to the six specified customers would meet the immediate needs of MCI and those customers and would not compromise or affect our ongoing consideration of MCI's broader application. We further concluded that the public interest would also be served by permitting MCI to provide such commercial Vnet service on an interim basis, because of the network efficiencies and desirable customer options inherent in this service.

MCI now requests that it be allowed to serve customers beyond the six specified last fall, subject to the same conditions established in D.87-11-064. The reports it has filed in compliance with D.87-11-064 show, as MCI had anticipated, that unauthorized intraLATA usage of the Vnet service has indeed been minimal. With that reassurance we conclude that MCI's request should be granted.

Findings of Fact

1. MCI requests authority to provide interim Vnet service to additional customers under the same terms, conditions, and restrictions set forth in D.87-11-064.
2. Only 4.39% (for December 1987) and 4.24% (for January 1988) of the Vnet traffic originating in California has been intraLATA.
3. The same considerations apply to the interim provision of Vnet service to additional customers as applied to the interim provision of Vnet service to the initial six customers, as reflected in the Findings of Fact and Conclusions of Law in D.87-11-064.

Conclusions of Law

1. It is reasonable to permit MCI to provide commercial Vnet service on an interim basis with no limitation on the number of customers but with the other conditions established in D.87-11-064.

2. In order to meet the customers' immediate need, this order should be effective today.

SECOND INTERIM ORDER

IT IS ORDERED that:

1. On or after the effective date of this order, MCI Telecommunications (MCI) may make an advice letter filing under the terms of General Order 96-A to amend its tariff for the provision of commercial Vnet service on an interim basis to remove the restriction on the number of customers. The same conditions established in Decision (D.) 87-11-064, except the restriction on the number of customers in section (a) of Ordering Paragraph 1 of D.87-11-064, shall remain in effect. The effective date of this tariff revision shall be no sooner than 5 days after the date of filing.

2. Access services from the local exchange carriers shall be obtained separately for intrastate and interstate Vnet services, with the separation based on the points at which calls enter and leave MCI's system.

3. To the extent not otherwise granted by this order, MCI's motion of April 6, 1988 is denied.

This order is effective today.

Dated JUL 8 1988, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

Commissioner Frederick R. Duda,
being necessarily absent, did not
participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.



Victor Weissar, Executive Director

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