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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 24, 1998

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION CASE NO. PUC980024

v.

MCI TELECOMMUNICATIONS CORPORATION
OF VIRGINIA

RULE TO SHOW CAUSE

On March 13, 1998, the Staff of the Commission filed a Motion for Rule to Show Cause, requesting the Commission to enter an order directing MCI Telecommunications Corporation of Virginia ("MCIV" or "Company") to show cause why it should not be enjoined from continuing to bill its customers in Virginia illegally for its "Federal Universal Service Fee" and "National Access Fee" and why it should not be required to refund to customers all amounts collected in excess of its intrastate tariffed rates.

MCIV filed its response on March 25, 1998. The Company's response does not appear to contest the factual allegations set out in the Staff's Motion for Rule to Show Cause. However, MCIV contends that the manner in which it recovers certain federally imposed costs through its federal tariffs is proper. MCIV acknowledges that the Company is recovering a portion of the federal universal service fund fees based on revenues received from its customers for intrastate services and admits that it did

not file an intrastate tariff nor give the necessary customer notice to make changes to its intrastate rate schedules in Virginia. The Company also does not appear to contest the facts asserted by the Staff with regard to the collection of the "National Access Fee."

The Company believes that neither of its fee collections is improper. Nonetheless, the Company states that it has previously filed an "Emergency Petition" with the Federal Communications Commission ("FCC") asking that agency to modify substantially the order imposing these fees. That pleading was filed on February 24, 1998. Additionally, the Commission has learned that MCI Telecommunications Corporation, an affiliate of MCIV, filed a Petition for Declaratory Ruling with the FCC on April 3, 1998, asking the FCC to issue an expedited ruling that carriers are not precluded from assessing and collecting the charges in the manner at issue here. The Commission Staff filed an opposition to that petition on April 13, 1998.

Based on the Staff's Motion for Rule to Show Cause and MCIV's response, the Commission is of the opinion that a Rule to Show Cause should be issued and that MCIV should be directed to show cause, if it can, why it should not be (i) required to comply with the Commission’s interexchange carrier tariffing and customer notification rules; (ii) enjoined from continuing its current manner of billing Virginia intrastate customers for its "Federal Universal Service Fee" and "National Access Fee;" and

(iii) why it should not be required to refund to such customers all amounts collected in excess of its intrastate tariffed rates. Accordingly,

IT IS ORDERED THAT:

(1) The Staff's Motion for a Rule to Show Cause is granted and a Rule shall issue as stated above;

(2) This matter shall be set for hearing on Thursday, May 7, 1998, and MCIV shall appear and show cause, if it can, why the sanctions requested by Staff should not be imposed;

(3) This matter is continued for further orders of the Commission.