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August 18, 2000

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BY HAND DELIVERY

Rick Moses
Chief, Bureau of Service Quality
Division of Competitive Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: WorldCom Operating Companies -- Offer of Settlement
UNDOCKETED

Dear Mr. Moses:

Enclosed are the original and five copies of the WorldCom Operating Companies' "Offer of Settlement" with respect to the companies' 1998 Flow-Through Reductions.

Since this matter is undocketed, I am providing the original to you, with a copy to the Division of Records and Reporting.

Based on our prior discussions, I trust that the staff is in a position to make a favorable recommendation to the Commission to approve this Offer of Settlement.

If you have any questions, please call.

Very truly yours,

Richard D. Melson

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cc: Ms. Blanca Bayó
Mr. William E. Smith
Mr. Brian Sulmonetti

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Consideration of 1998 Access Charge Flow-Through Reductions by MCI WORLDCOM Communications, Inc., MCI WORLDCOM Network Services, Inc., TeleCom*USA, Inc., TTI National, Inc. and Biz-Tel Corp.	UNDOCKETED FILED AUGUST 18, 2000

OFFER OF SETTLEMENT

This Offer of Settlement is submitted to the Florida Public Service Commission (the "Commission") by MCI WORLDCOM Communications, Inc. ("MCIW"), formerly known as WorldCom Technologies, Inc. ("WTI"), MCI WORLDCOM Network Services, Inc. ("MWNS"), formerly known as MCI Telecommunications Corp. ("MCIT") and WorldCom Network Services, Inc. ('WNS"); TeleCom*USA, Inc. ("TUSA"); TTI National, Inc. ("TTI"); and Biz-Tel Corporation ("Biz-Tel") (collectively, the "WorldCom Operating Companies") in order to settle fully any and all claims or disputes relating to the matters described below.

WHEREAS, Section 364.163(6), Florida Statutes, required certain local exchange telecommunications companies to reduce their intrastate switched access rates on July 1, 1998 and October 1, 1998;

WHEREAS, Section 364.163(6), Florida Statutes, required any interexchange telecommunications company ("IXC") that received the benefit of the July and October 1998 access charge reductions to decrease its intrastate long distance rates by the amount necessary to return the benefits of that reduction to its customers (the "1998 Flow-Through Reductions");

WHEREAS, Section 364.163(9), Florida Statutes, grants the Commission continuing regulatory oversight to determine the correctness of any rate decrease and to make necessary adjustments to those rates;

WHEREAS, beginning in or about June 1999, the Commission Staff conducted a series of audits of the WorldCom Operating Companies to determine, inter alia, whether they implemented properly the 1998 Flow-Through Reductions for various of their products, and whether they billed customers in accordance with the tariffs filed with the Commission (the "Audits");

WHEREAS, between February 8, 2000 and July 5, 2000, the Commission Staff issued a series of audit reports, which, among other things, set forth the results and findings of the Audits of the WorldCom Operating Companies (collectively, the "Audit Reports");

WHEREAS, the WorldCom Operating Companies and the Commission Staff have negotiated a mutually agreeable resolution to all of the issues, claims or disputes arising from, or relating to, the 1998 Flow-Through Reductions, the Audits and the Audit Reports;

NOW, THEREFORE, the WorldCom Operating Companies provide the following explanation, and propose to take the following actions, to resolve finally and fully any and all issues, claims or disputes arising out of, or relating to, the 1998 Flow-Through Reductions, the Audits, and the Audit Reports:

A. SUMMARY

1. Refunds and Rate Reductions. As set forth in more detail below, the WorldCom Operating Companies will make a combination of refunds and prospective rate reductions totaling $1,700,656.

B. <u>WTI</u>

2. Background. During 1998, WTI offered a service to business customers known as WorldOne. As a result of inadvertent oversight, no tarriffed rate changes (increases or decreases) for the WorldOne product were implemented into the billing system from October 1996 to May 1999. Consequently, an April 1998 rate increase, and the 1998 Flow-Through Reductions were not implemented into the billing system, and WTI billed below its tariffed rates from April 1998 to May 1999, and lost approximately $2.3 million in revenue. Although they were billed less than they would have been had WTI implemented its tariff rate changes, the 1998 Flow-Through Reductions did not appear on WTI's WorldOne customers' bills. The actual amount of the 1998 Flow-Through Reductions that was not flowed through to WorldOne customers, from July 1998 through April 1999, totaled $741,328.

3. Proposed Corrective Action. Because of the relatively large number of business customers that may have been affected by this error, and the fact that many of those customers are no longer WorldOne customers, it is impractical to attempt to issue refunds directly to customers. Instead, to rectify this situation, MCIW agrees to reduce prospectively the rates for the WorldOne service by the amount necessary to return to customers the $741,328 not previously flowed through, plus interest, plus an additional amount necessary to bring the total reduction to $1,482,656. Current and future WorldOne customers therefore will receive a total reduction of twice the amount that they would have realized had WTI timely implemented its tariffed rate changes. The rate reduction will be designed to return this amount to customers over a period of one year based on currently estimated call volumes; however the period of the reduction may be shortened or lengthened as necessary, based on actual experience, to accomplish the full $1,482,656 reduction.

C. <u>TTI</u>

4. Background. As a result of inadvertent oversight, TTI did not implement the 1998 Flow-Through Reductions until January 31, 2000. As a result of this delay, TTI overcharged its business customers by a total of approximately $64,000.

5. Proposed Corrective Action. TTI agrees to issue a one-time refund to the affected customers of $64,000, plus interest, plus an additional amount necessary to bring the total refund to $128,000. This is twice the amount that those customers would have received if TTI had timely implemented its tariff changes. At the conclusion of the refund, TTI will report to the Commission the amount of any refunds which remain unclaimed, and will dispose of those funds as directed by the Commission.

D. MCIT/TUSA

6. Background. MCIT and TUSA obtained one-month extensions from the Commission to implement the 1998 Flow-Through Reductions. In connection with those extensions, MCIT and TUSA agreed to make such changes retroactive to July 1998 and October 1998, respectively, and to credit their customers accordingly. MCIT and TUSA implemented properly the 1998 Flow-Through Reductions and issued the proper credits to their residential customers, but inadvertently failed to credit their business customers. This resulted in overcharges to business customers totaling approximately $45,000 for MCIT during the period July 1, 1998 through January 23, 1999 for its Vision, Vnet, and 1-800 services. As a result of its failure to issue timely credits, TUSA overcharged its business customers by a total amount of only $328.

7. Proposed Corrective Action. MCIW agrees to issue a one-time refund of $45,000, plus interest, plus an additional amount necessary to bring the total refund to $90,000 to the former MCIT business customers affected by this error. This is twice the amount that those customers would have received if MCIT had timely implemented its tariff changes. At the conclusion of the refund, MCIT will report to the Commission the amount of any refunds, which remain unclaimed, and will dispose of those funds as

directed by the Commission. Due to the de minimis nature of the TUSA overcharges, TUSA does not propose to issue any refund or rate reduction for this inadvertent error.

E. ADDITIONAL TERMS

8. During the period when the above-identified rate implementation errors occurred, the various WorldCom Operating Companies each maintained their own separate billing system or systems, some of which were managed in-house and some of which were managed by outside contractors. Each of the failures with respect to the 1998 Flow-Through Reductions was the result of the failure to implement properly tariff changes in the respective billing systems. Due to changes in personnel since 1998, the relevant WorldCom Operating Companies are unable to determine the specific circumstances surrounding each failure to implement properly the 1998 Flow-Through Reductions. In any event, however, these failures were caused by inadvertent errors, which resulted in a significant revenue loss. These errors were not the result of any refusal to comply with, or willful violation of, any Florida Statutes or Commission rules or orders.

9. Subsequent to the merger of WorldCom and MCI Communications Corporation ("MCIC"), all tariff and billing responsibilities have been consolidated into two rate organizations and process improvements have been implemented that are designed to ensure that billed rates match tariffed rates. In particular, rate changes are now input into the billing systems directly from approved tariff sheets. After rate changes are input, MCIW employs an internal audit function designed to ensure that the changes were made properly. While no process is 100% error free, MCIW and TTI believe that the post-1998 procedures should prevent a recurrence of the types of errors experienced in 1998.

10. If accepted by the Commission, this Offer of Settlement shall be a complete settlement and resolution of any and all claims, actions, causes of action, liabilities, and demands against the WorldCom Operating Companies and their

respective predecessors, successors, parents, direct subsidiaries, indirect subsidiaries, affiliates, assigns, agents, directors, officers, employees, and shareholders arising out of, or in any way relating to, the 1998 Flow-Through Reductions, the Audits and the Audit Reports.

11. If the Commission finds that the acceptance of this Offer of Settlement is in the public interest, the Commission will enter an "Order Approving Settlement Offer" (the "Order") which approves and accepts this Offer of Settlement. This Offer of Settlement will be included as an attachment to the Order, and incorporated therein by reference.

12. By making this Offer of Settlement, the WorldCom Operating Companies and their respective predecessors, successors, parents, direct subsidiaries, indirect subsidiaries, affiliates, assigns, agents, directors, officers, employees, and shareholders do not admit to any refusal to comply with, or to any willful violation of, any Florida statutes or Commission rules or orders. Indeed, the WorldCom Operating Companies expressly deny that they refused to comply with, or willfully violated any Florida statutes or Commission rules or orders.

13. If this Offer of Settlement is not accepted by the Commission in its entirety and without modification, it shall have no further force and effect and shall not be admissible in any current or future Commission or judicial proceeding arising out of, or related to, the 1998 Flow-Through Reductions, the Audits and the Audit Reports.

RESPECTFULLY SUBMITTED this 18 day of August, 2000.

Thomas F. O'Neil III

Thomas F. O'Neil III
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William E. Smith
Associate Litigation Counsel
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