Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of

Bell Atlantic Telephone Companies — Transmittal No. 266

Revisions to Tariff F.C.C. No. 1

ORDER

Adopted: January 30, 1989; Released: January 31, 1989

By the Chief, Common Carrier Bureau:

1. Bell Atlantic Telephone Companies (Bell Atlantic) filed its Transmittal No. 266 on September 28, 1988; these revisions are scheduled to become effective on February 1, 1989. Oppositions were filed by US Sprint Communications Company (Sprint) and MCI Telecommunications Corporation (MCI). Bell Atlantic submitted a reply and supplemental information.

2. In Transmittal No. 266, Bell Atlantic proposes a rate stabilization plan for recurring charges applicable to four-wire, voice grade special access channel termination and channel mileage rate elements. To qualify for the plan, a customer must have at least 300 such terminations, must commit all of its four-wire voice grade terminations to the plan, must include in the plan any new such circuits added during the plan's duration, and must guarantee a growth rate in such terminations of 30 percent over the three years of the plan, with a minimum of 10 percent growth each year.

3. Sprint argues that Bell Atlantic has failed to provide adequate support for its proposed revisions.[1] Further, Sprint asserts, the plan poses a potential for cross-subsidization, as it seems likely that any earnings shortfalls from the proposed plan will be recovered from other ratepayers. Sprint Opposition at 5-6.

4. MCI too argues that the plan is discriminatory, and that Bell Atlantic has not explained its reasoning for the restrictions it imposes. MCI Opposition at 3. MCI charges that the plan offers opportunities for cross-subsidization, and that Bell Atlantic has provided inadequate cost support. *Id.* at 3-5. MCI also challenges Bell Atlantic's imposition of monetary payments for customer shortfalls, and Bell Atlantic's methods of calculating such shortfalls and penalties. *Id.* at 5. Finally, MCI suggests that the Bell Atlantic proposed revisions be viewed in the light of the Commission's strategic pricing considerations.

5. Bell Atlantic replies that its plan is amply supported, and is optional, desirable, and not discriminatory. It states that the conditions it imposes are designed to ensure that the program is administratively workable and advances the mutual business interests of Bell Atlantic and its customers. Bell Atlantic Reply at 1-2. On December 15, 1988, and January 18 and 27, 1989, Bell Atlantic filed additional information.

6. The Common Carrier Bureau has reviewed Bell Atlantic's proposed revisions, MCI's and Sprint's oppositions, Bell Atlantic's reply, and Bell Atlantic's supplemental filings. We find that no compelling argument has been presented that the proposed tariff revisions are so patently unlawful as to require rejection, and that an investigation of the revisions is not warranted at this time. We have concluded, however, that we should obtain information about the future impact of this stabilization plan. We hereby require that Bell Atlantic submit an annual report disclosing the number of customers and the number of channel terminations involved in its rate stabilization plan. Such reports shall be filed not later than March 1 of each year, and shall apply to the annual period ending January 31.

7. ACCORDINGLY, IT IS ORDERED that the petitions to reject or in the alternative to suspend and investigate filed by US Sprint Communications Company and MCI Telecommunications Corporation against the Bell Atlantic Telephone Companies Tariff F.C.C. No. 1, Transmittal No. 266, ARE DENIED.

FEDERAL COMMUNICATIONS COMMISSION

Gerald Brock
Chief, Common Carrier Bureau

FOOTNOTE

[1] Sprint states that a showing under Section 61.38 of the Commission's Rules is required. Sprint Opposition at 2. Sprint asserts that Bell Atlantic has also failed to justify the arbitrary requirements of its rate stabilization plan, including the 300 circuit minimum, the overall or annual minimum growth rates, and its selection of services and rate elements eligible for the plan. *Id.* at 2-3. The arbitrary nature of these requirements creates a potential for discrimination, Sprint contends. *Id.* at 6-8. Sprint avers that the proposed rate plan may decrease long-run network efficiency by encouraging the use of certain facilities through an uneconomic pricing plan. *Id.* at 3. Finally, Sprint challenges Bell Atlantic's imposition of monetary penalties if the customer failed to meet its guaranteed growth rates. *Id.* at 4.