STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the complaint of the **MICHIGAN PUBLIC SERVICE COMMISSION STAFF** against **AMERITECH MICHIGAN.**	))))	Case No. U-10672

At the October 12, 1994 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman
Hon. Ronald E. Russell, Commissioner
Hon. John L. O'Donnell, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

Ameritech Michigan[1] operates the Michigan Relay Center (MRC) for deaf, hard of hearing, and speech-impaired persons. In its March 13, 1990 order in Case No. U-9117, the Commission required a reconciliation of the costs and revenues for the MRC. On April 1, 1994, Ameritech Michigan filed its 1993 Advisory Board Annual Report.

On September 2, 1994, the Commission Staff (Staff) filed a complaint against Ameritech Michigan. In its complaint, the Staff stated that it had audited Ameritech Michigan's report and discovered that the company has a substantial overcollection of revenue for 1993. The Staff claimed that because access lines are expected to increase, it is unlikely, with the present level and method of funding, that expenses will equal or exceed revenues absent a

[1]Ameritech Michigan is an assumed name under which Michigan Bell Telephone Company does business.

Commission order. As a result, the Staff alleged that Ameritech Michigan will remain in a permanent overrecovery position.

The Staff further alleged that Ameritech Michigan entered into a contract with Ohio Bell Telephone Company (Ohio Bell), its affiliate, for the use of the MRC by Ohio Bell. The Staff claimed that Ameritech Michigan undercharged Ohio Bell in excess of $1,000,000. According to the Staff, Ameritech Michigan's action of extending more favorable terms to an affiliate violates Section 305(1)(p) of the Michigan Telecommunications Act.

The Staff and Ameritech Michigan subsequently entered into a settlement agreement, attached as Exhibit A to this order. Among other things, the settlement provides that Ameritech Michigan's overrecovery through December of 1993 for its operation of the MRC and the claimed underrecovery through July of 1994 from Ohio Bell total $1.773 million. Ameritech Michigan agrees to input that amount as a revenue entry in the 1994 reconciliation report, which will be filed on April 1, 1995. Ameritech Michigan will also reduce by 4¢ per access line the rate for the MRC, which is included in the monthly basic local exchange rate. That reduction will become effective concurrently with any other rate alteration approved by the Commission in 1994, but it will not appear as a separate line item on customers' bills. Ameritech Michigan further agrees that services for the deaf, hard of hearing, and speech-impaired persons that are provided to an affiliate will be priced on the same terms and conditions offered to other local exchange carriers.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1991 PA 179, MCL 484.2101 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, R 460.17101 et seq.

b. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that the settlement agreement, attached as Exhibit A, is approved.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ John G. Strand
Chairman

(S E A L)

/s/ Ronald E. Russell
Commissioner

/s/ John L. O'Donnell
Commissioner

By its action of October 12, 1994.

/s/ Dorothy Wideman
Its Executive Secretary

EXHIBIT A

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the complaint of **MICHIGAN PUBLIC SERVICE COMMISSION** **STAFF** against **AMERITECH MICHIGAN**	)))	Case No. U-10672

SETTLEMENT AGREEMENT

Michigan Bell Telephone Company (Ameritech Michigan) and the Michigan Public Service Commission Staff (Staff) enter into the following Settlement Agreement as a complete and final resolution of the complaint filed by the Staff in the above referenced case.

The terms and conditions of settlement are as follows:

1. Ameritech Michigan acknowledges that it has been served with a copy of the complaint filed by Michigan Public Service Commission Staff in Michigan Public Service Commission Case No. U-10672. Ameritech Michigan further acknowledges that the Michigan Public Service Commission Staff has standing to file the complaint and that the Michigan Public Service Commission has the requisite jurisdiction over Ameritech Michigan to resolve this complaint.

2. The parties stipulate and agree that execution of this Settlement Agreement will not prejudice that party's prenegotiation position and does not constitute an admission by that party as to the substance or the validity of the other party's position in this proceeding.

3. Pursuant to MPSC Case Nos. U-9117 (March 13, 1990) and U-10086 (May 6, 1992), Ameritech Michigan provides a deaf relay system in Michigan and is

entitled to recover its costs associated with providing that service. Staff claims Ameritech Michigan has over recovered its costs for that service.

4. Pursuant to MPSC Case Nos. U-8816 and U-8987, Ameritech Michigan provides a Lifeline service to low income customers to ensure that qualifying customers are able to receive basic telephone service. Ameritech Michigan files annual Lifeline reports with the Michigan Public Service Commission.

5. Ameritech Michigan agrees to file on April 1 of every year, commencing in 1995, a report on Deaf Relay Services and a report on Lifeline Services. These reports will be entitled "Deaf Relay Service Reconciliation of Revenues and Expenses - Report for the Year _____" and "Lifeline Services Reconciliation of Revenues and Expenses - Report for the Year _____" and will provide a full disclosure of all revenues and expenses incurred on an annual basis for the provision of the two services. Ameritech Michigan will work with the Staff to develop the precise accounting and documentation for the format and reporting of the revenues and expenses for provision of these services. The purpose of these Reports is to ensure that all revenues and costs of each of these two services are appropriately identified, and to enable an annual reconciliation, including the possibility of a combined net reconciliation, of those revenues and costs to determine if any future adjustments to Ameritech Michigan's customer rates are required.

6. The parties stipulate and agree that in an effort to resolve the issues in this complaint - the claimed over recovery through December of 1993 by Ameritech Michigan for its operation of the Deaf Relay system, and the alleged under recovery through July 1994 from Ameritech Ohio combined to equal $1.773 million dollars - Ameritech Michigan will input the amount of $1.773 million as a revenue entry in the 1994 Deaf Relay Service Reconciliation of Revenues and Expenses Report which will be filed with the Michigan Public Service Commission on April 1, 1995. In

addition, Ameritech Michigan will file on April 1, 1995 a Lifeline Service Reconciliation of Revenue and Expenses Report.

7. The parties stipulate and agree that Ameritech Michigan will reduce by 4¢ per access line the rate for the Deaf Relay Service which is included in the monthly basic local exchange rate. This reduction will become effective concurrently with any other rate alteration approved by the Commission this year but will not appear as a separate line item on the bill.

8. Ameritech Michigan will immediately cease and desist from any pricing arrangements for deaf relay services offered to an affiliate that differ from the pricing arrangements offered to local exchange carriers.

9. Ameritech Michigan agrees that it will ensure in future contracts for the provision of Deaf Relay Services that those services provided to an affiliate, such as Ameritech Ohio, will be priced on the same terms and conditions as services provided to other local exchange carriers.

10. Staff withdraws any request for interest, fines or penalties associated with this complaint.

11. The parties stipulate and agree that if the Commission does not accept this Settlement Agreement without modification, to be evidenced by incorporating this Settlement Agreement with the Commission's order by reference, restatement or attachment, that the Settlement Agreement shall be withdrawn and shall not constitute any part of the record or be used for any purpose whatsoever.

12. It is the opinion of the Staff and Ameritech Michigan that this Settlement Agreement will aid the expeditious resolution of the matters involved and will minimize the time and expense which would otherwise have to be devoted to this matter by the Commission and parties. This Settlement Agreement represents an equitable resolution of the complaint filed by the Commission Staff against Ameritech Michigan concerning the cost/revenue calculations related to the

provision of Deaf Relay services. The new reconciliation process will improve the administration of both the Deaf Relay and Lifeline services and will provide a common basis for addressing associated revenue and expenses for these programs. The commencement of the reduction to the basic local exchange service in the manner identified in Paragraph 7, effective with any future rate alteration approved by the Commission this year, addresses the instant disagreement related to the funding of Deaf Relay Services and puts in place a mechanism for any future adjustments to customers bills.

This Settlement Agreement is agreed to and signed by the parties on the date indicated.

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

By _____

Dated: September 29, 1994

AMERITECH MICHIGAN
Michigan Bell Telephone Company

By _____

Dated: September 28, 1994