STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of **GTE NORTH INCORPORATED** for authority to offer Extended Calling Service.	)	Case No. U-9568
In the matter of the application of **MICHIGAN BELL TELEPHONE COMPANY** in compliance with the Commission order in Case No. U-9153 to offer an optional adjacent exchange toll calling plan.	)	Case No. U-9569

At the June 19, 1991 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Steven M. Fetter, Chairman
Hon. William E. Long, Commissioner
Hon. Ronald E. Russell, Commissioner

OPINION AND ORDER

I.

HISTORY OF PROCEEDINGS

In its July 19, 1988 order in Case No. U-9153, the Commission initiated a legislative-type inquiry into Extended Area Service (EAS) and the scope of local calling provided by Michigan local exchange carriers (LECs). The Commission solicited information, data, and views to determine whether the Commission's existing policy on the scope of local calling and EAS should be revised. As a result of that inquiry, the Commission issued an order on September 26, 1989, in which it ordered Michigan Bell Telephone Company (Michigan Bell)

and GTE North Incorporated (GTE) to each file proposals for an optional adjacent exchange toll calling plan.

On February 1, 1990, Michigan Bell and GTE filed their applications. A prehearing conference was held on March 20, 1990 before Administrative Law Judge Frank Strother, at which time he granted intervention to the Michigan Exchange Carriers Association (MECA) in both cases and to Denise Clapp and Henry Shepherd in GTE's case. The Commission Staff (Staff) entered its appearance in both cases. At that time, Ms. Clapp and Patrick McCarty also placed public statements on the record.

Hearings were held on July 9 and 10 and September 13, 1990 before Administrative Law Judge James N. Rigas (ALJ). GTE and Michigan Bell each presented two witnesses, the Staff presented three witnesses, and MECA presented one witness. Ms. Clapp and Mr. Shepherd each presented testimony on their own behalf. On October 22, 1990, GTE presented the rebuttal testimony of one witness and Michigan Bell presented the rebuttal testimony of two witnesses.

The record consists of 675 pages of transcript and 38 exhibits that were admitted into evidence. GTE, Michigan Bell, MECA, the Staff, and Ms. Clapp filed initial briefs. GTE, Michigan Bell, MECA, and the Staff filed reply briefs. On February 20, 1991, the ALJ issued his Proposal for Decision (PFD). Exceptions to the PFD were filed by GTE, Michigan Bell, the Staff, and Mr. Shepherd. Replies to exceptions were filed by Michigan Bell, the Staff, and MECA.

II.

EXTENDED AREA SERVICE

EAS permits a customer to call areas outside the customer's local exchange as if the call were placed to a point within that exchange. Through EAS, toll calling is converted to local calling. A customer's local calling area is largely a product of the historical development of the telephone system. EAS, first approved in the late 1940s when LECs were in the process of converting from an operator to a dial telephone system, was offered as an incentive for conversion to the new, more efficient dial system and to attract more customers. The LECs realized a cost savings because operators did not have to intercept calls for determination of toll billings. New customers increased the LECs' revenues and the value of the network because more people could be reached over it. The EAS areas did, however, reflect the then-existing communities of interest. As in all instances, a line had to be drawn and those customers just outside the EAS area did not receive the benefits of the EAS area.

Many customers continued to urge the expansion of local calling areas because the communities of interest that are recognized by existing arrangements have changed or expanded since approval in the l960s or 1970s. As indicated earlier, the Commission conducted an inquiry in Case No. U-9153 to explore the scope of local calling. The Commission concluded that altering existing EAS would not provide an expeditious solution to the current problems of local calling. Instead, the Commission determined that an optional toll calling plan, including flat-rate alternatives, would achieve an appropriate balance of the competing interests.

III.

THE PARTIES' PROPOSALS

Introduction

To understand the parties' proposals, it is first necessary to understand the relationship between GTE and Michigan Bell and their respective customers.

GTE and Michigan Bell are primary exchange carriers (PECs) that offer both local exchange services and intraLATA toll services. MECA's member companies are all secondary exchange carriers (SECs) that provide local exchange services to customers residing in their exchanges. The SECs also provide access services, meaning that they provide the PECs and other toll providers with access to their facilities to enable the PECs to provide intraLATA toll services in SEC exchanges. As a result, the SECs do not provide toll services and they do not have any toll customers.

To bill and collect toll revenues from their toll customers, the PECs can either bill their customers directly or they can use optional billing and collection services offered by the SECs. The MECA member companies provide those services to GTE and Michigan Bell and charge them, among other billing and collection fees, a bill-rendering fee for each customer bill. Consequently, GTE and Michigan Bell are customers of the MECA member companies relative to billing and collection services. However, the people and businesses using toll service are GTE's and Michigan Bell's toll customers. Those toll customers may reside in GTE and Michigan Bell exchanges or they may reside in MECA member company exchanges.

GTE

GTE proposed Extended Calling Service (ECS), which would offer a combined adjacent exchange and non-adjacent exchange calling plan consisting of two options at a flat monthly rate. The first option would provide one hour of flat-rate calling to all toll exchanges within a 10-mile radius from the home exchange at a 50% discount from toll rates. The second option would provide one hour of flat-rate calling to all toll exchanges within a 20-mile radius from the home exchange, also at a 50% discount from toll rates. GTE would offer these options to both residential and business customers; however, the company would not offer them to customers residing in MECA exchanges until some method of compensating GTE for providing the service is implemented.

GTE stated that its adjacent and non-adjacent exchange plans should be offered concurrently because it would allow customers the opportunity to make a rational decision regarding what plan best meets their calling needs rather than having to reevaluate their situation at a later date. Nevertheless, GTE amended its application to propose only an adjacent exchange calling service (AECS) consistent with the Commission's September 26, 1989 order in Case No. U-9153. GTE's AECS would offer one hour of flat-rate calling to all adjacent exchanges at a 50% discount from toll rates. However, GTE claimed that AECS would entail more costs to establish appropriate billing as well as a one-time non-recurring charge for initial implementation.

GTE estimated the lost revenue resulting from AECS to be $2.4 million, which it maintained should be recovered through a basic local exchange rate increase of $.39 per month per access line.

GTE stated that one of its primary concerns in offering AECS to its customers in MECA exchanges is to avoid the inequitable situation in which GTE end-users' local service rates bear the cost of providing AECS to "non-GTE end-users," or "MECA customers." Consequently, GTE proposed three methods of sharing the cost: (1) including a monthly bill to each SEC based on AECS usage, (2) charging each SEC an agreed upon flat rate, or (3) offering the AECS as a local service offering. Although GTE expressed its willingness to accept any reasonable method of sharing the costs, it stressed that it did not believe that its customers should solely bear the cost of providing ECS or AECS to "SEC customers."

Finally, GTE proposed to provide summary billing under AECS, indicating the total number of calls and the total number of minutes.

Michigan Bell

Michigan Bell proposed to offer an Adjacent Exchange Toll Calling Plan (AETCP) to all residential toll customers for which Michigan Bell is the PEC. Michigan Bell does not propose to offer AETCP to business customers because the company does not view calls made by those customers to be a "virtual necessity." According to Michigan Bell, businesses exist to make a profit and should not be subsidized by the general body of ratepayers.

Under Michigan Bell's AETCP, residential customers could purchase one-half hour of intraLATA toll calling to adjacent exchanges for a flat rate of $2 per month. Additional calling over the flat-rate block of time would be billed at $.05 per minute regardless of the time of day. The company would also charge customers a non-recurring charge of $8.35 to establish or alter service under the AETCP.

According to Michigan Bell, the vast majority (87%) of its residential exchange customers who have adjacent exchange toll calling capability make less than one-half hour of those calls per month and, therefore, under the company's plan, they would not pay more than the $2 flat rate charge. Michigan Bell claimed that its plan would offer savings to approximately 180,000 Michigan Bell toll customers, including almost 40,000 customers residing in MECA exchanges. As a result, Michigan Bell maintained that its plan meets the Commission's primary objectives in this case--to provide substantial discounts for adjacent exchange toll usage and to offer a plan that provides flat rate charging for all but the heaviest users. Michigan Bell further contended that its plan is simple and easy to understand and, therefore, it can be implemented within 10 days of issuance of a Commission order.

Michigan Bell calculated the net revenue reduction attributable to its AETCP to be $6.9 million annually. Michigan Bell presented several alternatives for offsetting this net revenue reduction to ensure "revenue neutrality." First, Michigan Bell stated that it would be possible to recover the necessary revenue offsets through a uniform monthly charge of $.19 to all Michigan Bell residential toll customers, including toll customers residing in MECA exchanges. However, Michigan Bell believed that this could result in unfairly burdening customers who reside in Michigan Bell exchanges. According to Michigan Bell, revenue offsets should be borne by the customer groups that benefit from the service. Michigan Bell stated that although customers residing in MECA exchanges make up only 5% of the total customers for whom Michigan Bell is the PEC, almost 30% of the net revenue loss would be attributable to calling from those exchanges. Because residential toll customers residing in MECA exchanges make more adjacent exchange toll calls per customer than customers residing in Michigan Bell exchanges, the company asserts that a higher percentage of those customers are expected to

subscribe to the AETCP. Additionally, Michigan Bell stated that its cost of originating toll service in MECA exchanges is substantially higher than in Michigan Bell exchanges because Michigan Bell must pay access charges to the MECA member companies. As a result, Michigan Bell calculated that the net revenue loss attributable to calling from MECA exchanges exceeds $2 million per year, or $171,000 per month, or $1.15 per month per customer. If MECA companies or their customers pay their fair share, Michigan Bell states that the charge to Michigan Bell residential exchange customers could be reduced to $.14 per customer per month.

Michigan Bell also proposed summary billing for its AETCP as well as establishment of an annual "true-up" proceeding to correct either over- or understated projections.

Staff

The Staff's AETCP would offer all residential and business toll customers residing in Michigan Bell, GTE, and MECA exchanges a choice among three flat-rate toll calling options. The first option would consist of one-half hour of calling to adjacent exchanges at a flat monthly rate of $1.25 for residential customers and $1.75 for business customers. Beyond the one-half hour of calling, the Staff proposed that toll charges be reduced 30% from the rates for message toll services (MTS) in effect at the time of the call. The second option would consist of two hours of calling to adjacent exchanges at a flat monthly rate of $5 for residential customers and $7 for business customers. Again, beyond the two hours of calling, toll charges would be reduced 30% from MTS rates. The third option would offer unlimited calling to adjacent exchanges at a flat monthly rate of $15 for residential customers and $20 for business customers. The Staff agreed with Michigan Bell's proposed $8.35 non-recurring charge, but

proposed that it be waived for 60 days following implementation of the plan to facilitate its introduction.

The Staff based its proposed rates for the AETCP on a 50% discount from present toll rates. Although indicating that this is higher than the 30% discount presently available under Michigan Bell's Circle Calling and Budget Toll Dialing, the Staff asserted that it is justified because much of the calling to adjacent exchanges consists of essential calls.

The Staff calculated the maximum potential annual net revenue reductions resulting from its AETCP to be $9 million for Michigan Bell and $6.9 million for GTE. However, the Staff did not propose to implement a funding mechanism to offset those revenue reductions by increases in other customers' rates at this time because it believed that present information provides an insufficient basis on which to calculate those revenue offsets. The Staff believed that it was too early to determine how many customers will sign up for the AETCP. The Staff also found Michigan Bell's and GTE's cost estimates too speculative. Therefore, the Staff proposed that Michigan Bell and GTE file proposals for rate offsets one year from the date of implementation of the AETCP, if the need exists, and that a true-up proceeding be held one year later.

Because detail billing for adjacent exchange toll calls exists today, the Staff proposed that it continue under the AETCP. The Staff determined that detail billing would give customers the information necessary to make a decision regarding the option that is appropriate for them.

MECA

MECA presented evidence and arguments on two issues. First, MECA argued that Michigan Bell and GTE should offer their proposed plans to all toll customers, including those

in MECA exchanges, without discrimination on the basis of the exchange in which the customers reside. Second, MECA contended that because it is a toll calling plan, the appropriate funding mechanism for the AETCP is a toll surcharge on all toll customers, rather than a local surcharge on all local customers. MECA further maintained that charging different rates to customers in MECA exchanges is discriminatory and is contrary to the Commission's policy that all customers, regardless of their geographic location, must be charged the same rates for the same services.

Denise Clapp

Ms. Clapp, a resident of the Gaines exchange, stated that Gaines customers have a community of interest with the Flint, Swartz Creek, Rankin, and Linden exchanges. Therefore, she argued that the best solution for Gaines would be to change its area code to 313 and to have EAS to Flint, Swartz Creek, and Linden. However, Ms. Clapp indicated that an option that provides unlimited calling is a viable alternative.

Henry Shepherd

Mr. Shepherd, a resident of the Marcellus exchange, stated that residents of that exchange have a community of interest with other adjacent and non-adjacent exchanges and that all calls more than four miles from the center of Marcellus are toll calls, causing hardship to the community. As a result, Mr. Shepherd requested full two-way EAS to the exchanges surrounding Marcellus, and he is willing to pay a base rate comparable to other exchanges for that service.

IV.

DISCUSSION

AETCP

After a lengthy review and consideration of the parties' proposals and arguments, the ALJ found that the Staff's proposed AETCP best addresses the concerns expressed by the Commission in its September 26, 1989 order in Case No. U-9153. Specifically, he found that the Staff's proposal for a one-half hour and a two-hour block of time will accommodate the average monthly calling needs of 90% of those who make adjacent exchange toll calls while offering flat-rate calling options. In contrast, he found that the amount of calling included in GTE's and Michigan Bell's proposals does not adequately address the needs of customers for necessary calls such as to schools, doctors, and emergency services. The ALJ further agreed with the Staff and MECA that any toll plan adopted by the Commission should be made available to all of Michigan Bell's and GTE's toll customers, regardless of their location.

Although the ALJ agreed with the Staff's two block-of-time options, he recommended that the Staff's third unlimited option be deleted from the plan. The ALJ agreed with GTE and Michigan Bell that this portion of the Staff's plan may unjustifiably benefit high volume users while increasing the revenue at risk from business customers' use of the unlimited plan. The ALJ found that the Staff failed to take these revenue effects into consideration. He therefore concluded that when measured against the anticipated benefits, the potential risks of the unlimited flat-rate plan did not appear to be justified.

The ALJ further recommended that one year from the date of implementation of the AETCP, a true-up proceeding be conducted to determine the need for a revenue offset. The

ALJ agreed with the Staff that it simply was not possible to determine what percentage of those customers who would be economically advantaged by the plan would actually subscribe to it. He therefore concluded that it is more appropriate that a proceeding be conducted one year from implementation of the AETCP to address the costs of the plan rather than immediately implementing a funding mechanism.

None of the parties excepted to the ALJ's recommendation that AETCP be offered to all of GTE's and Michigan Bell's toll customers regardless of their location. Nevertheless, the Commission finds it necessary to address this issue to correct an impression that GTE and Michigan Bell have created regarding their relationship to customers residing in MECA exchanges.

Throughout their arguments, GTE and Michigan Bell refer to "MECA customers," implying that somehow they are not their customers. Inherent in these statements, particularly those of GTE, is a fundamental mischaracterization of the relationship between GTE and Michigan Bell and their customers. As indicated at the beginning of this discussion, customers residing in MECA exchanges receive local exchange service from the MECA member companies. However, those same customers are Michigan Bell's and GTE's toll customers. As a result, contrary to GTE's and Michigan Bell's implication, they are no different than toll customers residing in GTE and Michigan Bell exchanges. Therefore, the Commission finds that the toll calling plan adopted in this order must be offered to all of Michigan Bell's and GTE's customers regardless of their location.

Although Michigan Bell intends to offer the AETCP to toll customers residing in MECA exchanges, it objects to extending the AETCP to business customers. Michigan Bell points out that this proceeding was established first to address essential calling to adjacent exchanges.

Michigan Bell maintains that business calls cannot be characterized as a necessity, unlike calls to schools, doctors, and emergency services. Michigan Bell argues that businesses exist to make a profit and they should not be "subsidized" by the general body of ratepayers.

In advancing its argument, Michigan Bell overlooks its small business customers that may need this type of calling service. The public response in Case No. U-9153 demonstrated that business customers need this type of plan. GTE's witness Mr. Wilkinson also confirmed that business customers have expressed a need for expanded calling areas and, as a result, GTE included them in its proposed plan. Furthermore, existing EAS allows both business and residential customers to pay local rates. For these reasons, the Commission finds that, with the exception of the unlimited calling option, the AETCP should be available to both residential and business customers.

The Staff's sole exception relates to the ALJ's rejection of the unlimited calling option for both business and residential customers. The Staff argues that the unlimited option addresses an equity issue that the Commission recognized in its order in Case No. U-9153; that is, that the public has asked for a flat-rate unlimited option to allow them to make essential calls to schools, doctors, etc. The Staff maintains that not only does the public want such a plan, high usage customers are also willing to pay an additional flat-rate monthly charge. Contrary to the ALJ's finding, the Staff also contends that it did consider the potential revenue effects of the unlimited plan, but found that the revenue at risk is highly speculative. Furthermore, the Staff points out that Michigan Bell's concerns regarding customers' ability to abuse the unlimited option relates primarily to business users. The Staff asserts that the ALJ did not address why the possibility of revenue at risk for business customers should deprive residential customers of the unlimited option. Therefore, the Staff contends that the unlimited option should at least

be adopted for residential customers. In the alternative, the Staff suggests that a third block of six hours be considered for high usage business and residential customers rather than completely rejecting the needs of those customers.

Mr. Shepherd also excepts to the ALJ's recommendation, arguing that the various proposals simply focused on the cost of the service rather than the need of very small communities for access to schools, doctors, county and state offices, etc. Mr. Shepherd also continues to maintain that two-way EAS is necessary to permit parties in two different exchanges to communicate with each other at a discount rate.

In response, Michigan Bell reiterates its argument that the unlimited flat-rate plan would unnecessarily increase potential revenue losses for several reasons. First, Michigan Bell asserts that any unlimited plan will stimulate higher usage and unfairly benefit high users. Second, the company contends that it would also encourage traffic aggregation; that is, customers with multiple lines could aggregate their adjacent exchange traffic onto one line to maximize the benefits of unlimited usage. Third, Michigan Bell states that business customers may be motivated to call into an adjacent exchange to get a second dial tone and then call back into the home exchange to bypass the local message charge of 8.2¢ per call. Fourth, Michigan Bell believes that business customers currently using private line or foreign exchange service may be motivated to use the unlimited flat-rate plan at a substantial savings. According to Michigan Bell, because usage is free beyond the fixed rate of $15 or $20 per month, customers will take advantage of the unlimited plan to the point that they will ultimately pay less for adjacent exchange toll calls than they pay for local calling. Because the Staff did not consider these potential problems, Michigan Bell contends that the Staff's $9 million estimate of the potential revenue effects of its proposals was greatly understated. Michigan Bell concludes that adding

an unlimited flat-rate element to the AETCP is unnecessary because either the company's or the Staff's block-of-time proposals would benefit the majority of customers who make calls to adjacent exchanges.

The record indicates that in calculating the revenue loss resulting from its AETCP, the Staff did not consider a number of factors related to the unlimited calling plan that could increase the revenue loss attributable to the AETCP. For example, on cross-examination, Ann Schneidewind, then supervisor of the Competitive Services Section of the Commission's Communications Division, admitted that the Staff did not consider the possibility that the unlimited option could be used by resellers to aggregate calls or that a customer could subscribe to the unlimited option and use it 24 hours per day instead of using a private line. Ms. Schneidewind also admitted that under flat-rate toll pricing, business customers would have an incentive to bypass currently existing message charges by calling into an adjacent exchange and then back into the home exchange.

The Commission is persuaded that the amount of calling included in the flat-rate portion of Michigan Bell's and GTE's proposals does not adequately address the needs of customers who commented in Case No. U-9153. Although Michigan Bell claims that one-half hour will cover the calling of 87% of its residential customers, that percentage includes customers who do not make adjacent exchange toll calls. The Commission agrees with the Staff that more than 30 minutes of calling is needed to cover the calling of 87% of those customers who actually make adjacent exchange toll calls. Although the Staff's plan would, at the extreme, allow one Michigan Bell residential customer to save over $200, Exhibits S-23 and S-26 indicate that only 26,000 Michigan Bell customers and 18,000 GTE customers will be economically motivated

to purchase the unlimited calling plan. However, those customers may represent the ones most disadvantaged by limited calling areas and in greatest need of more options.

In weighing the foregoing considerations, the Commission finds that Michigan Bell's concerns regarding the revenue effects of the unlimited calling plan are well taken. Those concerns relate primarily to business customers and, therefore, the Commission is persuaded that the unlimited calling plan should not be offered to them at this time. However, the record does not support depriving residential customers of that option. When measured against the anticipated benefits to residential customers, the potential risk in offering the AETCP to those customers is minimal at best and, therefore, it is justified. Thus, the Commission finds that the unlimited calling plan should be available to residential toll customers only.

As to the one-half hour and two-hour blocks of time, the record supports a finding that those options will offer savings to 90% of the customers making adjacent exchange calls. Exhibit S-26 indicates that the projected average savings for Michigan Bell's residential and business customers ranges from $1.10 per month to $3.12 per month. Exhibit S-23 indicates that the projected average savings for GTE's residential and business customers ranges from $1.42 per month to $3.78 per month. Additionally, Mr. Wilkinson agreed that, although GTE would prefer a single block of time, the one-half hour and two-hour block-of-time options could accomplish the objectives of the Commission's order in Case No. U-9153. Therefore, the Commission finds that because the one-half hour and two-hour options will benefit the majority of customers making adjacent exchange calls, those options should be adopted and offered to both residential and business customers.

Pricing of the AETCP

The ALJ was persuaded that the Staff's proposed rates for the AETCP are a good starting point for the plan. Michigan Bell excepted to that finding, arguing that those rates violate the Commission's cost rules. Michigan Bell relies on the October 1, 1990 order in Case No. U-9316, in which the Commission found that "[u]se of long run incremental cost floors to price individual services is appropriate as long as a category of service as a whole continues to cover its fully allocated embedded cost." (p. 110.) Michigan Bell maintains that none of the Staff's proposals meet this incremental cost test except the two-hour block-of-time plan for business customers. According to Michigan Bell, the Staff's flat-rate unlimited calling proposal is the furthest below incremental cost. Although the incremental cost of the Staff's proposal is covered by proposed revenues for toll customers originating and terminating calls in Michigan Bell exchanges, the company contends that the incremental cost of calls originating and terminating in MECA exchanges is not covered by the Staff's proposed rates. This occurs because Michigan Bell must pay access charges to MECA for originating and terminating its toll calls. For Michigan Bell, a large portion of calling under the AETCP would involve calling to and from MECA exchanges.

The Staff replies that the AETCP complies with the Commission's requirement that when repricing existing services or introducing new services, the costs and imputed access charges of the category of service must be recovered by the total revenues of that category of service. The Staff maintains that the AETCP meets this requirement and that no party contested that issue. In contrast, the Staff asserts that the incremental cost requirements discussed by the Commission in Case No. U-9316 do not apply to the pricing of the AETCP because that discussion applies to the pricing of new services introduced under the flexibility requirements

j. Detail billing for the AETCP's one-half hour and two-hour blocks of time and summary billing for the unlimited calling option are reasonable and should be implemented by Michigan Bell and GTE.

k. Michigan Bell and GTE should file proposals for non-adjacent exchange calling plans on or before August 19, 1991. Those plans should address the items indicated on page 33 of this order. Michigan Bell may either file its plan or a statement that its non-adjacent exchange calling plan submitted in Case No. U-9720 satisfies the requirements of this order.

THEREFORE, IT IS ORDERED that:

A. The Commission Staff's proposal for an Adjacent Exchange Toll Calling Plan that provides a one-half hour block-of-time option and a two-hour block-of-time shall be implemented for all residential and business toll customers of Michigan Bell Telephone Company and GTE North Incorporated.

B. The Commission Staff's proposal for an unlimited calling option under the Adjacent Exchange Toll Calling Plan shall be implemented for all residential toll customers of Michigan Bell Telephone Company and GTE North Incorporated.

C. The Commission Staff's proposed rates for the Adjacent Exchange Toll Calling Plan, as set forth on page 19 of this order, are adopted for Michigan Bell Telephone Company and GTE North Incorporated. The $8.35 non-recurring service charge to establish or alter the Adjacent Exchange Toll Calling Plan shall be waived for the first 60 days of the plan to facilitate its implementation.

D. Customer usage over either the one-half hour or two-hour blocks of time shall be billed at a 30% discount from existing message toll services.

E. Michigan Bell Telephone Company and GTE North Incorporated shall implement the Adjacent Exchange Toll Calling Plan within 60 days and 90 days, respectively, of issuance of this order.

F. An add-on of $.02 and $.09 per access line per month shall be permitted for Michigan Bell Telephone Company and GTE North Incorporated, respectively, with the first billing cycle following implementation of the Adjacent Exchange Toll Calling Plan. The add-on shall not be reflected as a separate line item but shall be included within the company's billing for local service rates of customers residing in their respective exchanges. The add-on shall be assessed against each residential and business line, as well as each Centrex line, and reflected on the companies' books as toll revenue.

G. For toll customers residing in Michigan Exchange Carrier Association member company exchanges, a uniform toll surcharge shall be assessed only on those customers' bills containing other toll charges commencing with the first billing cycle following implementation of the Adjacent Exchange Toll Calling Plan. The surcharge shall be reflected as a separate line item.

H. Within 60 days of the one-year anniversary of the Adjacent Exchange Toll Calling Plan, Michigan Bell Telephone Company and GTE North Incorporated shall file a report of the total subscribers, revenues, and expenses for the plan. The reports shall also include proposals for the future funding of the Adjacent Exchange Toll Calling Plan.

I. Either a notice and opportunity for comment or a contested case proceeding shall be conducted regarding the reports of Michigan Bell Telephone Company and GTE North Incorporated, depending on the nature of their funding proposals.

J. Michigan Bell Telephone Company and GTE North Incorporated shall file proposals for non-adjacent exchange calling plans on or before August 19, 1991. The proposals shall address the items on page 33 of this order.

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/ Steven M. Fetter
Chairman

(S E A L)

/s/ William E. Long
Commissioner

/s/ Ronald E. Russell
Commissioner

By its action of June 19, 1991.

/s/ Dorothy Wideman
Its Executive Secretary