EXHIBIT B

ADJACENT EXCHANGE TOLL CALLING PLAN

A. GENERAL

1. Description

Adjacent Exchange Toll Calling Plan (AETCP) is available with three options: (1) one-half hour block-of-time, (2) two-hour block-of-time, and (3) unlimited calling option.

B. BLOCK-OF-TIME OPTIONS

1. Description

a. Adjacent Exchange Toll Calling Plan (AETCP) -- Block-of-time options, are available to all classes of exchange service, including the customers of Michigan Exchange Carriers Association (MECA) Member Companies *for* whom Michigan Bell is the primary toll carrier.

b. AETCP provides customers with dial type telephone communications to intra-LATA toll points in the exchanges adjacent to the customer's home exchange. (Adjacent Exchange Toll Calling Areas are specified in this Section.)

c. AETCP calls will be detailed billed, and will be time of day and distance insensitive for those calls included in the block-of-time.

d. AETCP excludes calls within the local *service* area, interzone calls, assisted calls or calls to toll points outside the adjacent 'exchange. Such calls will continue to be billed at the normal tariff rate.

e. Suspension of service is provided only when the associated line is suspended. No additional charge is applicable for suspension of the AETCP.

ADJACENT EXCHANGE TOLL CALLING PLAN

B. Block-of-Time Options

2. Application of Rates and Charges

a. A monthly rate is applicable to provide AETCP per line, and includes either one-half hour (30 minutes) **or** two hours, or fraction thereof, of AETCP usage. This rate is in addition **to all other rates and charges** *for* the service.

b. Adjacent exchange toll call usage in excess of either the one-half hour option or the two hour option, respectively, will be billed at a 30% discount from existing toll rates.

c. Usage provided under the AETCP monthly rate must be used in the current month. Usage not utilized may not be carried over to future months.

d. AETCP is a per line se-ice, however, not **every** line in a multi-line account must be equipped with the service.

e. AETCP options may not be combined on one exchange line.

f. (D) | (D)

ADJACENT EXCHANGE TOLL CALLING PLAN

c. Unlimited Calling Option

1. Description

a. Adjacent Exchange Toll Calling Plan (AETCP) - Unlimited option is available to all classes of residence exchange service, including the residence customers of Michigan Exchange Carriers Association (MECA) Member Companies for whom Michigan Bell is the primary toll carrier.

b. AETCP provides residence customers with dial type telephonecommunications to intra-LATA toll points in the exchanges adjacent to the customer's home exchange. (Adjacent Exchange Toll Calling Areas are specified in this tariff.)

c. AETCP calls will be bulk billed without details, and will be time of day and distance insensitive.

d. AETCP excludes calls within the local service area, interzone calls, assisted calls or calls to toll points outside the adjacent exchange. Such calls will continue to be billed at the normal tariff rate.

e. Suspension of service is provided only when the associated line is suspended. No additional charge is applicable for suspension of the AETCP.

2. Application of Bates and Charges

a. A monthly rate is applicable to provide AETCP per line, and includes unlimited AETCP usage. This rate is in addition to all other rates and charges.

b. AETCP options may not be combined on one exchange line.

c. AETCP is a per line service; however, not every line in a multi-line account must be equipped with the service.

d. (D)

(D)

ADJACENT EXCHANGE TOLL CALLING PLAN

D. Rates and Charges

1. The Miscellaneous Service Charge is applicable to establish AETCP subsequent to the establishment of service.

2. No service charge applies to add AETCP when a line connection or line rearrangement charge is applicable.

3. Monthly Rates and *Nonrecurring* Charges:

Description /Billing Code/	*Nonrecurring Charge*	Monthly *Price*	
AETCP-30			(C)
- *per* residence line /AJTB1/	/1/	$1.25	
- per business line /AJTB1/	/1/	1.75	
AETCP-120			
- per residence line /AJTB2/	/1/	5.00	
- per business line /AJTB2/	/1/	7.00	
AETCP-Unlimited			
- per residence line /AJTFX/	/1/	15.00	(C)

/1/ Refer to the Miscellaneous Services Charge in Part 3, Section 2 of this tariff.

MESSAGE TOLL SERVICES

3. Toll Surcharge

a. A monthly toll surcharge of $.02 applies to Michigan Bell Telephone Company intrastate services as follows:

Description /Billing Code/	
- Business and residence exchange lines, each /SCFXE/	
- PBX trunks, each	
- IPP Service (See Part 13, Section 2, Sheet No. 10)	(C)
- Centrex local loops, each	

b. A toll surcharge of $.02 applies to each residence or business exchange line, including P.B.X. Trunks, Centrex Station lines and IPP service in Michigan Exchange Carrier Association (MECA) Member Companies for whom Michigan Bell is the primary toll carrier. (C)

- The surcharge is applicable only on those customer bills containing one or more Michigan Bell intra-LATA toll calls.

4. Volume Usage Discounts

Where a customer, or association of customers, guarantees a specific minimum of usage, a volume usage discount may be offered.

a. In order to qualify for the Volume Usage Discounts a customer or an association of customers will need to guarantee a minimum of'1000 hours of usage (60,000 minutes) per month.

b. Discounts will be for a specific number of months or years.

c. Discounts may be offered to an individual customer or an association of customers. When the discount is offered to an association of customers, the discount or a portion of it, may be given to the association representing the group of customers involved.

MESSAGE **TOLL SERVICES**

Service Charges

2. Charges

Description	Simple Services	Complex Services	(C) (C)
a. Miscellaneous Services Charge	$13.03(I)	$14.37(I)	
b. Line Connection Charge			
(1) Each line or trunk	42.00	42.00	
(2) Line Rearrangement, per line	30.50	34.54(I)	

PART 3 - Service Charges
SECTION 2 - Other Service Charges

Original Sheet No. 3

MESSAGE TOLL SERVICES

SERVICE CHARGES

3. APPLICATION OF SERVICE CHARGES

Service Charges apply to install, change or move service and equipment. Unless otherwise specified, Service Charges are in addition to Installation Charges and Nonrecurring Charges.

Service Charges are not applicable for Company initiated work.

a. Miscellaneous Services Charge

(1) One charge covers all miscellaneous services performed at the same time for the same service.

(2) Miscellaneous Services include but are not limited to the following:

(a) Change from published to non-published listing, addition or change in directory listings or establishment of Joint User Service.

(b) Change in responsibility for payment for service not involving a listing change except for the following cases:
(i) When a receivership is established or terminated.
(ii) Addition to, or withdrawal from membership in a partnership or corporation.

(c) Changes in customer records necessary to reflect service provided or changed at customer request except for the following cases:
(i) Discontinuance of a listing or change of listing because of the legal change of name.
(ii) Changes in customer billing address.

EXHIBIT C

Michigan Bell
AN AMERITECH COMPANY

JACK DEMPSEY
Vice President - Government Affairs

444 Michigan Avenue, Room 1540
Detroit, Michigan 48226
Phone (313) 223-7450

January 4, 1993

Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48909

Dear Ms. Wideman:

Enclosed for filing, please find the original and four copies of Michigan Bell Telephone Company's Annual Report on Adjacent Exchange Toll Calling Plan (AETCP) Service.

This report is filed in compliance with the Commission's Order in Case No. U-9569, dated June 19, 199 1.

Very truly yours,

Jack Dempsey

Enclosures

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-3569

MICHIGAN SELL TELEPHONE COMPANY'S ANNUAL REPORT

ON ADJACENT EXCHANGE TOLL CALLING PLAN (AETCP)

TARLE OF CONTENTS

	Page
INTRODUCTION	1
REVIEW OF 1ST YEAR REVENUES AND EXPENSES	1
PROJECTED 1993 REVENUES AND EXPENSES	2
PROPOSALS FOR THE FUTURE	3
SUMMARY	4

MICHIGAN BELL TELEPHONE COMPANY'S ANNUAL REPORT FOR 1992 ON ADJACENT EXCHANGE TOLL CALLING PLAN

I. INTRODUCTION

In its Opinion and Order ('Order') in Case No. U-9569, dated June 19, 1991. the Commission required Michigan Bell Telephone Company (Michigan Bell) to offer Adjacent Exchange toll Calling Ran (AETCP) to all residential and business customers of Michigan Bell and customers in MECA exchanges to whom Michigan Bell provides toll service. In addition, the MTA in Section 312(5) provides: 'Adjacent exchange calling plans as ordered by the commission on June 19, 1991 shall remain in effect until altered by order of the commission.'

To provide initial funding for AETCP the Commission authorized Michigan Bell to assess a monthly $.02 per access line charge on each Michigan Bell residential, business and Centrex access line. Also the Order authorized Michigan Bell to assess the *same* monthly charge on customers in MECA exchanges to whom Michigan Bell provides toll service for each month in which a customer made an intraLATA toll call. The Order directed that this charge shall not be reflected as a separate line item, but shall be included within the Company's billing for local service rates, and reflected on the Company's books as toll revenue.

The Commission further directed that,

> 'Within 60 days of the one year anniversary of the Adjacent Exchange Toll Calling Plan, Michigan Bell Telephone Company shall file a report of the total subscribers, revenues and expenses for the plan. The report shall also include proposals for the future funding of the Adjacent Exchange Toll Calling Plan.' (Order P. 36)

This report is filed in compliance with the Commission's Order in Case No. U-9569.

II. REVIEW OF 1ST YEAR REVENUES AND EXPENSES

On November 1, 1991 Michigan Bell implemented and began billing AETCP in accordance with the Commission's Order, as modified by an Order dated September 10, 1991 extending the deadline to begin implementation. Most of the MECA companies have implemented the plan at different times over the course of the last year as each company completed the work necessary to modify their respective billing systems. As of the end of September, 1992, the MECA companies have reported results covering some 66% of MECA access lines. The service is being offered to the remaining customers but MBT has not received any data as of thii date.

Since November 1, 1991 Michigan Bell has received $.02 per month for each subscriber line for which Michigan Bell is the local exchange company. In MECA company exchanges for which Michigan Bell provides toll service the 8.02 for each subscriber line per month is assessed only to those who make at least one intraLATA toll cell during the month. The charge in MECA companies began at the same time the plan was introduced in each company.

In the initial months of service as customers began to sign UP for AETCP, revenues from the per access line charge exceeded the toll revenue reductions resulting from the plan. However, as more customers subscribed to AETCP and the revenues from the per access line charge *were* relatively constant, the toll revenue reductions from the plan increased and the revenue reductions now significantly exceed the revenue received from the per access line charge, primarily because of the disproportionately high rate at which customers residing in MECA territory have subscribed to AETCP.

1 1,101 customers, less than .5% of all customers in Michigan Bell local exchange territory subscribe to the service, while 100% of the customers pay the per access line charge each month. This equates to over 200 customers paying the surcharge per subscriber to AETCP in Michigan Bell exchanges. This compares to 9,223 customers, approximately 7% of customers in MECA local exchange territory subscribing to the service with 83% on average paying the per access line charge. This equates to approximately 12 customers paying the surcharge per AETCP subscriber in MECA territory. This results in a significantly higher revenue shortfall in MECA exchanges *than* in Michigan Bell exchanges.

The revenue shortfall (per access line charge less revenue reductions associated with the plan) for the MECA exchanges, in aggregate, is currently running more than triple the total revenue shortfall in all Michigan Belt exchanges. This ratio is projected to increase further in 1993 when all the MECA companies will have totally implemented the plan and have further increased subscribership levels.

For the period from November. 1991 through October, 1992 the net shortfall for Michigan Bell's exchange customers was 8147.000. For MECA exchange customers the

IV. PROPOSALS FOR THE FUTURE

To fully fund the service for 1993, Michigan Bell has identified four proposals for consideration by the Commission. Each is briefly described below:

(1) Increase the monthly rate for block-of-time and flat rate offerings.[1]

This approach would relate cost recovery more closely with customers receiving benefits; however, it might tend to reduce the appeal of the AETCP to potential and existing customers.

(2) Reduce Access Charge payments to the MECA companies to recover the cost of providing AETCP to MECA exchange customers.

This approach would relate cost recovery more closely with customers receiving benefits (by associating Michigan Bell toll customer costs in MECA exchanges with MECA local exchange customers. and Michigan Bell toll customer costs in Michigan Bell exchanges with Michigan Bell local exchange customers). It could, however, reopen the disagreement between Michigan Bell and the MECA companies as to whether this funding mechanism is appropriate.

(3) Institute separate per access line charges for Michigan Bell local exchange customers and MECA local exchange customers. Based on the data provided on Exhibit II the per access line charge for MECA local exchange customers would be s.78 per month and for Michigan Bell local exchange customers it would be $.03 per month.[2]

This approach would also relate cost recovery more closely with customers receiving benefits (by associating Michigan Bell toll customer costs in MECA exchanges with MECA local exchange customers, and Michigan Bell toll customer costs in Michigan Bell exchanges with Michigan Bell local exchange customers). It could, however, result in customer reaction in MECA territory as too costly for those not benefitting from the plan.

(4) Increase the existing par access line charge, applied uniformly to both MECA local exchange customers who make intraLATA toll calls and Michigan Bail local exchange customers, from $.02 to $.06 per month.[3]

---

[1] Alternatively part of the projected revenue shortfall could be to eliminate the flat rate option which contributes most of the plan shortfall and leave rates for the block-of-time option unchanged.

[2] The proposed charges forego the recovery of the identified 1992 revenue shortfall and implementation costs for the service. They are based on the projected growth in access lines and AETCP subscribership.

[3] The proposed charge foregoes the recovery of the identified 1992 revenue shortfall and implementation costs for the service. It is based on the projected growth in access lines and AETCP subscribership.

This approach has the advantage of utilizing the billing and accounting procedures already in place and working. It also employs an approach ordered by the Commission after hearing evidence from all interested parties. On the other hand, it maintains subsidies from customers who receive little benefit from AETCP to those who benefit significantly from it.

V. Summary

In summary, during the initial *year* of the plan, AETCP proved to be a popular offering and met the needs of customers. The funding provided for in the order came close to covering the cumulative costs for the year with the initial months recovering more than the loss and the latter *months* recovering less than the costs. Currently the funding falls far short of covering the costs of providing the plan and the projected shortfall for 1993 is $2.2 Million.

In the immediate future and into 1993 Michigan Bell proposes to work informally with the Commission Staff to discuss and further assess implementation of the appropriate funding option. Michigan Bell will formally request, if required. Commission approval of relief necessary to make AETCP service compensatory.

EXHIBIT I

Nov. 1991 Through Sept. 1992
AETCP Revenue Shortfall

1.	**Michigan Bell (Note 1)**	($147.3311
2.	**MECA (Reported)**	**($503,845)**
3.	**Total revenue shortfall**	**($651,176)**
4.	**Michigan Bell Implementation Cost**	**$296,091**
5.	MECA **Implementation Cost paid** by **MBT**	8141,560
6.	**Total implementation cost**	**$437,65**1
7.	**Net shortfall** **(Revenue shortfall** minus **implementation costs)**	**($1,088,827)**

Note **1: Michigan Bell Data reflected through October** 1992

EXHIBIT II

PROJECTED 1993 REVENUE SHORTFALL SUMMARY

MBT

1. 1993 Revenue Shortfall
2. Access Lines
3. % Lines with

EXHIBIT D

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

*** * * * ***

In the matter of the Application of Michigan Bell Telephone Company d/h/a Ameritech Michigan for modification of the requirement to provide adjacent exchange toll calling plans.	))))	Case No.: U- 12077

AFFIDAVIT OF DAVID SORENSON

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

I, David Sorenson, being first duly sworn, state:

1. I have personal knowledge of the facts contained herein.

2. I am the Ameritech Manager for Consumer Pricing and I have responsibility for developing prices and pricing strategies for residential usage and access line products. I am familiar with the requirements of the existing adjacent exchange toll calling plan ("AETCP") that is the subject of this Application.

3. Due to the growth in the number of AETCP subscribers as well as the growth in the unlimited plan usage volumes, the differential between revenue generated under AETCP rates and revenue generated with alternative usage services (other than AETCP) has steadily increased since the inception of the AETCP.

4. The last time Ameritech Michigan received relief due to shortfalls in AETCP funding was in 1993, when, in Case No. U-10283 regarding local directory assistance, Ameritech Michigan proposed and received Commission approval to offset a $3.2 million AETCP shortfall with part of an increase in directory assistance rates.

5. From 1994 through the present, Ameritech Michigan has continued to incur shortfalls in AETCP funding.

6. The formula for calculating Ameritech Michigan's annual revenue shortfall is as follows:

    a. Determine the revenue from the AETCP; and

b. Subtract it from what Ameritech Michigan's revenue would have been had the AETCP users used other toll services offered by Ameritech Michigan.

7. For 1999, I have calculated the AETCP revenue shortfall to range between $17 million and $34 million. In making this calculation, I determined the AETCP revenue using the March 1999 number of AETCP subscribers, the current AETCP usage (monthly average from the first quarter of 1999), the surcharge revenue based on March 1999 Ameritech access lines and MECA customers with toll usage, and included $3.2 million for the directory assistance price increase taken in 1993 in lieu of a change to AETCP rates. I then subtracted the revenue that would be generated based on the usage rates from other services that would likely be utilized if AETCP were unavailable to the AETCP users, and, finally, I annualized the difference by multiplying the result by twelve.

8. There are different ways to determine the amount described in ¶ 6b above. The high end of the revenue shortfall range ($34 million) is based on applying basic intraLATA toll (MTS) rates to the AETCP usage statistics. This $34 million amount is based on the MTS rates as of March 1999 ($0.18 per minute for residence and $0.2222 per minute for business). The low end of the revenue shortfall range ($17 million) is based on applying the recently introduced residential optional calling plan, marketed as the Anytime Rate Plan, which offers a postalized rate per minute of $0.10 plus a monthly recurring charge of $4.95, to the AETCP usage numbers.

9. The revenue shortfall I have used in the remainder of this Affidavit was calculated conservatively using the average rates per minute (average of MTS and OCPs) from 1994 ($0.12 for residence, $0.154 for business). These were the rates in effect the last time the AETCP rate structure was addressed. The revenue shortfall using these rates compared to current AETCP rates is $18.8 million.

10. Using the March 1999 number of AETCP subscribers to calculate a forward-looking shortfall (e.g., 1999 calendar year) is conservative because of the continuing growth of subscribers. Exhibit 1 displays the growth in AETCP subscribers over time. The number of customers subscribing to the residence unlimited plan has grown from 8,472 in January 1996 to 17,757 in March 1999. Since December 1998 alone, the number has increased by about 1,000 subscribers.

11. Of the $18.8 million revenue shortfall projected for 1999, approximately $380,000 is attributable to the residential ½ hour and 2 hour calling plans. The remainder is attributable to the unlimited calling plan. Raising the residential calling plan block-time rates to equal the business calling plan block-time rates would decrease the revenue shortfall by approximately $240,000, or reduce the revenue shortfall for the block-time plans by approximately 63%.

12. Some customers benefit excessively from the unlimited calling plan. For example, a review of six high-usage Ameritech Michigan customer accounts that subscribe to the

unlimited AETCP plan revealed the following usage statistics: (a) an average of 205 calls per month; (b) an average total minute usage of 16,5 16 minutes – or 275 hours; and (c) and average per-call duration of 80.6 minutes. Under the AETCP unlimited plan, these subscribers paid Ameritech Michigan $15 for usage that under comparable toll rates would have cost about $2,958.

13. This high level of usage is consistent with a dramatic increase in internet usage in recent years. In general, the duration of calls to internet service providers tends to be longer than that of voice calls. A study I was involved in using August 1998 data determined the average duration of an intemet service provider call in Michigan to be 27.8 minutes. This is substantially longer than the average local call duration (voice and intemet, as of August 1998) of 5.5 minutes. The average local call duration (voice and intemet) has also increased as intemet usage has gained popularity. In 1996, for example, the average local call duration (voice and intemet) was 3.9 minutes.

14. The table set forth in Part Two of Ameritech Michigan's AETCP Rate Increase Proposal (Application, p.5) displays a sliding scale of the shortfall that would remain using this $18.8 million as the starting point (and taking into account the increases to the block-time plans requested in Part One of the AETCP Rate Increase Plan) and varying the monthly surcharge and the unlimited plan price. For example, by increasing the residence ½-hour plan to $1.75, the residence 2-hour plan to $7.00, the residence unlimited plan to $35 and the surcharge to $.07, the revenue shortfall would still be $8.0 million.

David Sorenson

Subscribed and sworn to before me, a
Notary Public, this 11 day of Aug., 1999

Victoria Russo

LANSING 34060-62 240746

"OFFICIAL SEAL"
VICTORIA RUSSO
Notary Public, State of Illinois
My Commission Expires 05/12/00

EXHIBIT D TAB 1

AETCP SUBSCRIBERS -- AMERITECH CUSTOMERS

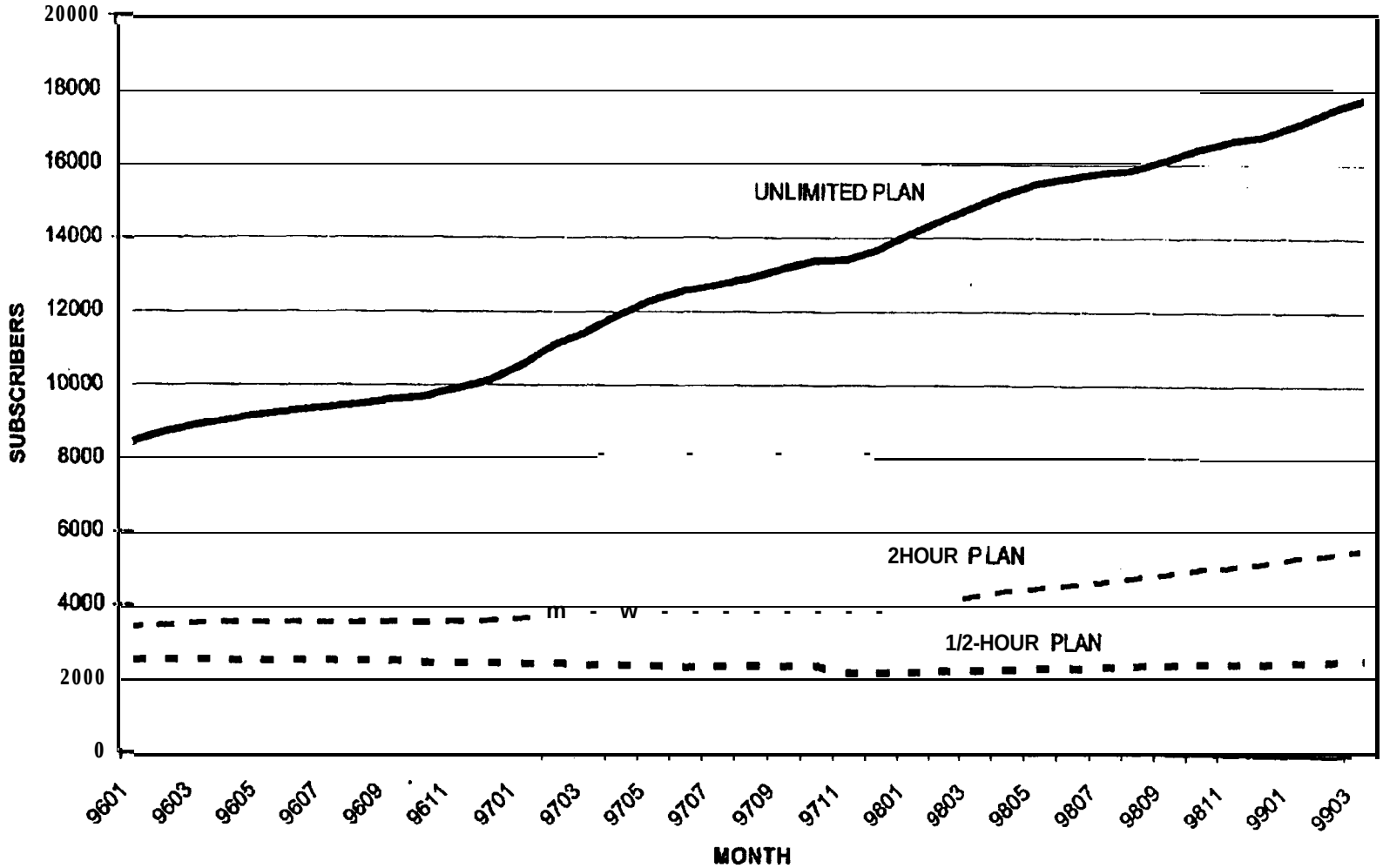

EXHIBIT E

MESSAGE TOLL SERVICES

3. Toll Surcharge

a. A monthly toll surcharge of $.07 applies to Michigan Bell Telephone Company intrastate services as follows: (I)

Description /Billing Code/
- Business and residence exchange lines, each /SCFXE/
- PBX trunks, each
- IPP Service (See Part 13, Section 2, Sheet No. 10)
Centrex local loops, each

b. A toll surcharge of $.07 applies to each residence or business exchange line, including P.B.X. Trunks, Centrex Station lines and IPP service in (I)

ADJACENT EXCHANGE TOLL CALLING PLAN

D. Rates and Charges

1. The Miscellaneous Service Charge is applicable to establish AETCP subsequent to the establishment of service.

2. No service charge applies to add AETCP when a line connection or line rearrangement charge is applicable.

3. Monthly Rates and Nonrecurring Charges:

Description /Billing Code/	Nonrecurring Charge	Monthly Price
AETCP-30		
- per residence line /AJTB1/	/1/	$1.75(I)
- per business line /AJTB1/	/1/	1.75
AETCP-120		
- per residence line /AJTB2/	/1/	7.00(I)
- per business line /AJTB2/	/1/	7.00
AETCP-Unlimited		
- per residence line /AJTFX/	/1/	35.00(I)

/1/ Refer to the Miscellaneous Services Charge in Part 3, Section 2 of this tariff.