STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of
AMERITECH MICHIGAN for a
determination that directory assistance
services provided to end-users are
competitive services under the
Michigan Telecommunications Act.
_____/

Case No. **U-13007**

REPLIES TO EXCEPTIONS OF THE
MICHIGAN PUBLIC SERVICE COMMISSION STAFF

In accordance with the schedule established by the Administrative Law Judge (ALJ) in his Notice of Proposal for Decision (PFD), Staff submits these replies to the Ameritech Exceptions.

The criticisms leveled by Staff at Ameritech's DA cost studies are well deserved. Even Ameritech admits that its proposed DA cost studies do not reflect the approved costs ordered by the Commission in Case No. U-11831.[1] Ameritech's only defense for its non-compliance with approved costs is that its proposed changes/updates are consistent with the forward-looking methodology (Ameritech Exceptions, p 26). Ameritech is incorrect in this assertion. Staff has previously explained, in detail, why Ameritech is incorrect in this regard.[2] Ameritech's estimate of its forward-looking costs were previously determined and ultimately ordered in Case No. U-11831. If adjustments are required as Ameritech suggests, they must be for the entire network, not one particular service (i.e. retail DA). As the ALJ correctly states:

[1] See Staff's Exhibits S-12, S-13, and S-14.

[2] Staff discusses in detail Ameritech's inconsistencies with the TSLRIC methodology and the Commission's costing principles at pages 8-11 of its initial brief.

> [I]f an individual service is going to be studies, the study should use a methodology, time frames and inputs consistent with the broader TSLRIC study in U-11831.

PFD, p 22.

The ALJ further notes that:

> The array of changes proposed by Ameritech in the DA cost studies as compared to the approved study in U-11831 creates inconsistencies which lead to "apples and oranges" results.

PFD, p 22.

Staff relied on the fundamental concept stated by the Commission in Case No. U-11831 that cost studies for individual services (i.e. retail DA) not be done on a piecemeal basis. There is no dispute that Ameritech's DA studies are based on cost parameters that conflict with those previously approved by the Commission. As a result, Ameritech's DA studies were performed on a piecemeal basis in direct violation of the Commission's May 3, 2000 Order in Case No. U-11831.

As the ALJ found retail DA not to be competitive, Staff would submit that the cost study issue is essentially moot. However, if the Commission rejects the ALJ's findings and finds the service to be competitive, Staff concurs in the ALJ's recommendation that this action be deferred until Ameritech files and gains approval of a DA cost study that is consistent with the TSLRIC study approved in Case No. U-11831.

Respectfully submitted,

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

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Dated: December 14, 2001
2001014446A

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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MPSC Case No. **U-13007**

_____/

PROOF OF SERVICE

STATE OF MICHIGAN)
)
COUNTY OF INGHAM)

Linda Andreas, being first duly sworn, deposes and says that on **December 14, 2001**, she served a true copy of **Replies to Exceptions of the Michigan Public Service Commission Staff** upon the following parties via electronic filing and by depositing the same in a United States postal depository enclosed in an envelope bearing postage fully prepaid, plainly addressed as follows::

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Linda Andreas

Subscribed and sworn to before me
this 14th day of December, 2001.

Tina L. Bibbs, Notary Public
Ingham County, Michigan
My Commission Expires: 11/13/2003