

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion, )  
to consider issues related to the creation of a state )  
universal service fund. )  
\_\_\_\_\_ )

Case No. U-13477

At the July 10, 2002 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Laura Chappelle, Chairman  
Hon. David A. Svanda, Commissioner  
Hon. Robert B. Nelson, Commissioner

**ORDER COMMENCING PROCEEDING**

Section 316a of the Michigan Telecommunications Act, MCL 484.2316a, was added by 2000 PA 295. It requires the Commission to initiate an investigation to determine whether an intrastate universal service fund should be created. The investigation is not to commence before July 1, 2002 nor to be completed before December 1, 2002. However, the statute does not require that the investigation be commenced or completed by any particular date. Nevertheless, the Commission believes it is prudent to begin the investigation at this time.

The Commission will, at this time, solicit initial comments from all interested persons on (1) the need for a state universal service fund, (2) the extent to which a provider's rates may not be affordable when set at the total service long run incremental cost, (3) other issues that should be examined, and (4) recommendations on the process and schedule to be used in examining these issues. The Commission is not yet requesting the submission of detailed proposals, studies, or

analyses of issues related to universal service. For the convenience of those interested in commenting, the Commission has attached the full text of Section 316a as Exhibit A. As the section provides, all providers will be respondents in this proceeding without the need to file petitions for leave to intervene. Any other interested party may participate and intervene, although at this early stage of the proceeding, the Commission will not require the filing of a petition for leave to intervene.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1991 PA 179, as amended, MCL 484.2101 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17101 et seq.
- b. A proceeding should be commenced to consider issues related to the creation of a state universal service fund.

THEREFORE, IT IS ORDERED that:

- A. All providers shall be respondents in this proceeding, and any other interested party may participate and intervene.
- B. This order shall be mailed to all licensed providers of basic local exchange service.
- C. Initial comments on the issues identified by this order shall be filed on or before September 9, 2002.

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

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Laura Chappelle  
Chairman

( S E A L )

/s/ David A. Svanda  
Commissioner

/s/ Robert B. Nelson  
Commissioner

By its action of July 10, 2002.

/s/ Dorothy Wideman  
Its Executive Secretary

Section 316a of the Michigan Telecommunications Act, MCL 484.2316a:

(1) As used in this section:

(a) "Affordable rates" means, at a minimum, rates in effect on January 1, 2001 or as determined by the commission.

(b) "Intrastate universal service fund" means a fund created by the commission to provide a subsidy to customers for the provision of supported telecommunication services provided by any telecommunication carrier.

(c) "Supported telecommunication services" means primary residential access lines and a minimum level of local usage on those lines, as determined by the commission.

(d) "Universal service" shall mean the provision of supported telecommunication services by any carrier.

(2) No sooner than July 1, 2002, the commission shall initiate an investigation to determine whether an intrastate universal service fund should be created. The commission shall complete the investigation no sooner than December 1, 2002. All providers shall be made respondents in the proceeding and any other interested party may participate and intervene in the proceeding.

(3) The commission shall determine for each provider whether and to what extent the affordable rate level to provide supported telecommunication services is below each provider's forward looking economic cost of the supported telecommunication services.

(4) If a fund is created under this section, to the extent providers provide supported telecommunication services at an affordable rate that is below the forward looking economic cost of the supported telecommunication services, the fund shall provide a subsidy for customers in an amount which is equal to the difference between the affordable rate as determined by the commission and the forward looking economic cost of the supported services, less any federal universal service support received for those supported services.

(5) Eligibility for customers to receive intrastate universal service support under subsection (4) shall be consistent with the eligibility guidelines of section 254(e) of the telecommunications act of 1996 and the rules and regulations of the federal communications commission. The state fund shall be administered by an independent third-party administrator selected by the commission.

(6) To the extent an intrastate universal service fund is established, the commission shall require that the costs of the fund be recovered from all telecommunication providers on a competitively neutral basis. Providers contributing to the intrastate universal service fund may recover from end-users the costs of the financial support through surcharges assessed on end-users' bills.

(7) Upon request or on its own motion, the commission, after notice and hearing, shall determine if, based upon changes in technology or other factors, the findings made under this section should be reviewed.

(8) This section does not apply if an interstate universal service fund exists on the federal level unless otherwise approved by the commission.