

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
<b>SBC AMERITECH MICHIGAN</b> for approval	)	
of revised cost studies related to certain	)	Case No. U-13518
telecommunication services.	)	
_____	)	

In the matter, on the Commission's own motion,	)	
to review the costs of telecommunication services	)	Case No. U-13531
provided by <b>AMERITECH MICHIGAN</b> .	)	
_____	)	

At the September 16, 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**

On August 30, 2002, Ameritech Michigan filed an application for approval of total service long run incremental cost (TSLRIC) studies related to unbundled network elements (UNEs) and certain other services, including retail services. Ameritech Michigan says that its current UNE costs are higher than those previously authorized by the Commission. Because the filed studies relate to many services, but not all services, such as collocation and switched and special access services (and do not include a calculation of the resale discount), it requests that the Commission waive, to the extent necessary, the requirements imposed in Case No. U-11831 with respect to future TSLRIC filings.

On September 11, 2002, AT&T Communications of Michigan, Inc., and TCG Detroit (collectively, AT&T) filed a motion to dismiss the application. They argue that the application does not comply with the Commission's prior orders because it does not include an extended TSLRIC study and Ameritech Michigan did not explain any cost increases of more than 10%. They also argue that the cost studies inappropriately substitute a new methodology rather than updating the prior studies and depart from the Commission's prior findings. In the alternative, they ask the Commission to conduct a pilot proceeding in which Ameritech Michigan would be required to demonstrate the magnitude of the cost changes that have occurred over the last three years before it requires the industry to commit the resources to an element-by-element review of UNE costs.

Also on September 11, 2002, MCImetro Access Transmission Services, Inc., MCI WorldCom Communications, Inc., and Brooks Fiber Communications of Michigan, Inc., (collectively, MCI WorldCom) filed a motion to dismiss. They argue that the application is frivolous as demonstrated by Ameritech Michigan's voluntary decision only months ago to reduce retail rates (which must be no less than cost) for unlimited local calling while now claiming that costs have suddenly increased. They also argue that the application amounts to a collateral attack on the Commission's rulings in Case No. U-11831 and a challenge to the rulings in Case No. U-12540 that are now on appeal. They further argue that the application is incomplete because it does not cover the entirety of the network and does not include an extended TSLRIC analysis. If there is to be a proceeding on Ameritech Michigan's costs, they suggest that it should be through an investigation rather than the filing of an application.

In orders issued in connection with Ameritech Michigan's last cost studies, the Commission addressed future filings:

The Commission concludes that Ameritech Michigan should not be required to file TSLRIC studies every two years as the order in Case No. U-10620 provided, but also should not be permitted to file in less than two years unless it can demonstrate that there has been a fundamental change in circumstances. Rather, Ameritech Michigan should be permitted to file revised costs studies as it deems appropriate, although the Commission will not permit it to file cost studies for individual or a few services (except new services). It must perform and file TSLRIC studies for its entire network. Furthermore, the Commission, acting on its own motion or at the request of another party, retains the authority to require Ameritech Michigan to file as well.

November 16, 1999 order, Case No. U-11831, pp. 42-43. The Commission also required Ameritech Michigan to explain any cost increase of more than 10% and to perform an extended TSLRIC study. Order, p. 39-40.

On rehearing, the Commission added:

The Commission did not intend to require Ameritech Michigan to redo all of its TSLRIC studies if the needed changes affect only a few of the studies. For those studies that are not affected, Ameritech Michigan can merely indicate that there have been no changes. On the other hand, Ameritech Michigan may not make piecemeal changes to its studies. If it changes an input that is used in other studies, or if the results of the changed study are inputs to other studies, it must change those studies as well. Even then, Ameritech Michigan cannot amend its studies more often than every two years unless there is a fundamental change in circumstances. It should accumulate less significant changes and incorporate them into the next general revision. The only exception is that it may file studies for new services when it first offers them, but it shall use the data and costs that were used and approved in this proceeding. Taken as a whole, this approach to future filings minimizes the burden on the parties while permitting Ameritech Michigan a reasonable opportunity to keep its approved TSLRIC costs current. This approach recognizes the integrated nature of the network and reduces the likelihood that different costs will be assigned to similar uses of the network. It also assumes the continued gradual change in costs, while permitting a timely response to fundamental changes.

May 3, 2000 order, Case No. U-11831, p. 13.

As Ameritech Michigan acknowledges in its application and AT&T and MCI WorldCom argue in their motions, the cost studies filed in this docket do not comply with the directives in Case No. U-11831. The Commission is not persuaded by Ameritech Michigan's reasons for seeking a waiver of the requirement to file complete cost studies. The requirement is based,

among other things, on the integrated nature of the network, and ensures that the methodologies and changes to inputs and outputs are reflected consistently in the studies. Ameritech Michigan has not even sought a waiver for the other departures from the orders in Case No. U-11831. The Commission therefore dismisses the August 30, 2002 application with prejudice. On the other hand, the Commission recognizes that Ameritech Michigan's costs may have changed since the Commission last examined them, and therefore commences a new proceeding, on its own motion, to consider cost studies for services provided by Ameritech Michigan.

Ameritech Michigan may choose to file cost studies in Case No. U-13531 in compliance with the Commission's prior orders in Case No. U-11831. The Commission is very aware of the importance of this docket and the potential consequences to both competitors and Ameritech Michigan. Therefore, to assist in the review by the Commission, the Staff, and other interested parties, Ameritech Michigan is directed, in any new filing, to identify cost changes attributable to increases or decreases in costs, changes attributable to changes in the cost methodology, and changes attributable to a decision to seek a modification of a prior Commission determination on an issue.

The Commission has selected this case for participation in its Electronic Filings program. All documents filed in this case must be submitted in both paper and electronic versions. An original and four paper copies and an electronic copy in the portable document format (PDF) should be filed with the Commission. Requirements for filing electronic documents can be found in the Commission's Electronic Filings Users Manual at:

<http://efile.mpsc.cis.state.mi.us/efile/usersmanual.pdf>. You may contact Commission Staff at (800) 292-9555, (517) 241-6170, or by E-mail at [mpsc.efile.cases@michigan.gov](mailto:mpsc.efile.cases@michigan.gov) with any questions and/or to obtain access privileges prior to filing.

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 AACRS, R 460.17101 et seq.

b. Ameritech Michigan's August 30, 2002 application should be dismissed with prejudice.

c. A proceeding should be commenced in Case No. U-13531 to examine the total service long run incremental costs of services provided by Ameritech Michigan, if it files cost studies in compliance with the directives in Case No. U-11831.

THEREFORE, IT IS ORDERED that:

A. The August 30, 2002 application filed by Ameritech Michigan in Case No. U-13518 for approval of cost studies is dismissed with prejudice.

B. A proceeding is commenced in Case No. U-13531 to examine the total service long run incremental costs of services provided by Ameritech Michigan, if it files cost studies in compliance with the directives in Case No. U-11831.

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 September 16, 2002.

/s/ Dorothy Wideman

Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

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Chairman

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Commissioner

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Commissioner

By its action of

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Its Executive Secretary

In the matter of the application of )  
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Case No. U-13518

In the matter, on the Commission’s own motion, )  
to review the costs of telecommunication services )  
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Case No. U-13531

Suggested Minute:

“Adopt and issue order dated September 16, 2002 dismissing with prejudice the application filed by Ameritech Michigan for approval of cost studies and initiating a proceeding to review cost studies filed in compliance with this order, as set forth in the order.”