

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
SHIAWASSEE TELEPHONE COMPANY)
for authority to offer expanded local calling and)
to adjust rates for basic local exchange service.)
_____)

Case No. U-14372

At the _____, 2005 meeting of the Michigan Public Service Commission in
Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chair
Hon. Robert B. Nelson, Commissioner
Hon. Laura Chappelle, Commissioner

OPINION AND ORDER

History of Proceedings

On November 30, 2004, Shiawassee Telephone Company (Shiawassee) filed an application pursuant to Sections 203 and 304 of the Michigan Telecommunications Act (MTA), MCL 484.2101 et seq., for approval to implement expanded local calling and to implement rates related to the provision of such expanded local calling for its Perry, Bell Oak, and Shaftsbury exchanges.

Shiawassee customers in the Perry exchange may make local calls to the Perry, Bell Oak, Lansing, and Shaftsbury exchanges. Shiawassee proposes to add the Bancroft, Laingsburg, Owosso, Fowlerville, and Williamston exchanges to the local calling area of the customers in the Perry exchange.

Shiawassee customers in the Bell Oak exchange may make local calls to the Bell Oak, Fowlerville, Perry, Shaftsburg, Webberville, and Williamston exchanges. Shiawassee proposes to add the Bancroft and Lansing exchanges to the local calling area of Shiawassee customers in the Bell Oak exchange.

Shiawassee customers in the Shaftsburg exchange may make local calls to the Shaftsburg, Perry, Bell Oak, and Lansing exchanges. Shiawassee proposes to add the Bath, Laingsburg, Owosso, and Williamston exchanges to the local calling area of Shiawassee customers in the Shaftsburg exchange.

SBC Michigan (SBC) is the incumbent local exchange carrier (ILEC) serving the Fowlerville and Lansing exchanges. Calls made by SBC customers to adjacent exchanges are local calls, however calls in the opposite direction are toll calls, except to the extent that Shiawassee has extended area service (EAS) arrangements in place.

Verizon North Inc. (Verizon) serves the Bancroft, Bath, Laingsburg, Owosso, and Williamston exchanges. At present, calls made by Verizon customers to adjacent Shiawassee exchanges are local calls, however calls in the opposite direction are toll calls, except to the extent that Shiawassee has EAS arrangements in place.

The application also sought authority to increase Shiawassee's monthly basic local exchange rate in the amount of \$2.23 to its residential and business rates, as shown below:¹

¹ Under Shiawassee's new rate structure, non-metered customers would receive unlimited local calling to their respective expanded local calling area. Shiawassee has eight metered customers. Those customers would continue to receive 20 free local calls per month and be billed \$.15 per call in excess of 20.

Perry and Shaftsbury Exchanges

Class of Service	Current Monthly Rate	Monthly Rate After Increase
Residence –		
One Party:	\$16.55	\$18.78
One Party, Metered Service		\$11.55
		\$13.78
Business –		
One-Party Line:		
6 or fewer lines	\$19.15	\$21.38
7 more lines	\$16.65	\$18.88
PBX Trunk –		
6 or fewer lines	\$21.15	\$23.38
7 more lines	\$18.65	\$20.88

Bell Oak Exchange

Class of Service	Current Monthly Rate	Monthly Rate After Increase
Residence –		
One Party:	\$16.55	\$18.78
One Party, Metered Service		\$11.55
		\$13.78
Business –		
One-Party Line:		
6 or fewer lines	\$18.27	\$20.50
7 more lines	\$15.77	\$18.00
PBX Trunk –		
6 or fewer lines	\$21.15	\$22.38
7 more lines	\$17.65	\$19.88

Under this rate structure, Shiawassee’s customers would receive an unlimited calling allowance for calls placed into the specified exchanges. The proposed rates include the end-user common line charge and the monthly touch-tone calling charge. Customers without touch-tone service have rates \$2.00 less than those listed.

If approved, Shiawassee's customers will be able to make toll-free calls to the exchanges noted above. Shiawassee's application states that it is seeking to recover the lost originating toll access revenue and the costs associated with terminating local traffic in these exchanges. The application states that the proposed rates will not increase net income to a level higher than the levels that existed prior to the implementation of expanded local calling.

Finally, Shiawassee's application requests that, in order to enable it to accomplish its expanded local calling, the Commission grant Shiawassee the authority to increase its rates for basic local exchange service as described above, block 1+ toll calls to the specified exchanges, and pay local termination rates as proposed.

Nine customers provided support for expansion of their calling areas as proposed by Shiawassee, either through individual comment (1) or via submission of a petition (8). Two customers sent in comments opposing the proposal.

On January 31, 2005, the Commission Staff (Staff) filed comments. The Staff endorsed Shiawassee's application and noted that Shiawassee's proposal offers its customers the benefits of expanded local calling areas. Further, the Staff noted that MCL 484.2304(1) of the MTA would require institution of blocking of 1+ calling. Finally, the Staff noted that, although Shiawassee did not request an affirmative statement by the Commission to indicate that Shiawassee would be entitled to pay local access for the termination of these calls for its new local calling area (as opposed to toll access charges), the Commission has already determined this issue. Citing the June 25, 1997 order in Case No. U-11340, the Staff maintained that calls within a local calling area should be compensated with local termination rates, and not toll access charges.

Discussion

The Commission finds that Shiawassee's application for expanded local calling areas should be approved. Shiawassee's application is in the public interest because it offers Shiawassee's customers the benefit of expanded local calling areas with a reasonable rate increase. Shiawassee's application is also substantially similar to recent Commission precedent for expanded local calling areas. See, the July 8, 2003 order in Case No. U-13760.

The Commission also finds that the blocking of 1+ dialing to the new local calling areas is appropriate. All such calls must be blocked in order to effectively implement the expanded local calling areas. As mentioned by the Staff, the Commission has previously determined that calls to these expanded areas must be either local or toll, but cannot be both. Consequently, all calls within the new local calling areas shall be considered local.

Additionally, the Commission finds that Shiawassee is currently exempt from the requirements of Section 304 of the MTA, as recognized in the October 6, 2000 order in Case No. U-12582. However, the exemption will be extinguished upon the granting of this application because of the rate increases that Shiawassee seeks to implement. See, MCL 484.2304(1)(b).

Finally, the Commission reiterates its position that Shiawassee shall pay local access charges for the termination of these calls for its new local calling area. As noted by the Staff, the Commission has already decided this issue in the June 25, 1997 order in Case No. U-11340.

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, 1999 AC, R 460.17101 et seq.

b. Shiawassee's November 30, 2004 application for authority to offer expanded local calling from its Perry, Bell Oak, and Shaftsbury exchanges is in the public interest, and should be approved.

c. Shiawassee's proposed rate increase of \$2.23 per month to its lines is just and reasonable, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The November 30, 2004 application filed by Shiawassee Telephone Company for authority to offer expanded local calling from its Perry, Bell Oak, and Shaftsbury exchanges is approved.

B. The proposed rate increase of \$2.23 per month to the Shiawassee Telephone Company's lines is approved.

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/ J. Peter Lark
Chair

(S E A L)

/s/ Robert B. Nelson
Commissioner

/s/ Laura Chappelle
Commissioner

By its action of February 24, 2005.

/s/ Mary Jo Kunkle
Its Executive Secretary

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

Chair

Commissioner

Commissioner

By its action of February 24, 2005.

Its Executive Secretary