STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of establishing compliance and rate requirements for lifeline service under the Michigan Telecommunications Act.	))))	Case No. U-10091

At the May 6, 1992 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Steven M. Fetter, Chairman
Hon. Ronald E. Russell, Commissioner
Hon. John L. O'Donnell, Commissioner

OPINION AND ORDER

The Michigan Telecommunications Act, 1991 PA 179 (Act 179), MCL 484.2101 et seq., became effective January 1, 1992. Section 316(1) through 316(4) of Act 179 provides that:

> "The commission shall require each provider of residential basic local exchange service to offer certain low income customers the availability of basic local exchange service at a rate below the regulated rate." [MCL 484.2316(1).]
>
> "The commission shall establish a rate for each subscriber line of a provider to allow the provider to recover costs incurred under this section." [MCL 484.2316(2).]
>
> "The commission by order shall determine which customers qualify for the special rate under this section." [MCL 484.2316(3).]
>
> "The commission shall take necessary action to notify the general public of the availability of lifeline services including, but not limited to, public service announcements, newspaper notices, and such other notice reasonably calculated to reach those who may benefit from the services." [MCL 484.2316(4).]

In its November 10, 1988 order in Case No. U-8816, the Commission authorized Michigan Bell Telephone Company (Michigan Bell) to provide lifeline telephone service. The Commission also approved a monthly $.14 per access line charge, to be assessed against non-lifeline residential, business, and Centrex lines to fund the service. Thereafter, in its March 13, 1990 order in Case No. U-8987, the Commission found that the initial revenue excess resulting from the change in Michigan Bell's authorized rate of return on common equity should be used, in part, to fund the company's lifeline program on a permanent basis. As a result, the Commission eliminated the monthly $.14 per access line add-on charge and set lifeline funding at a level of $2 million annually.

In its March 13, 1990 order in Case No. U-9385, the Commission authorized GTE North Incorporated (GTE) to institute a lifeline program. The Commission also approved a monthly $.10 per access line charge, to be assessed against non-lifeline residential and business lines to permit the company to recover its costs for providing lifeline service. Due to less than anticipated participation in the lifeline program, in its November 20, 1991 order in Case No. U-9385, the Commission ordered GTE to reduce the monthly per access line charge from $.10 to $.01. The Commission also ordered GTE to increase its efforts to inform potential customers of lifeline service by more aggressively advertising the program.

The Michigan Exchange Carriers Association (MECA) initiated a lifeline program as a result of the Commission's June 14, 1990 order in Case No. U-9368. Funding for that program consists of a $.07 per access line charge for all non-lifeline customers. Revenues from this charge are pooled by MECA.

For each of the lifeline programs, the Commission determined that eligibility for the service should be restricted to those residential customers whose income is 130% or less of the federal poverty level and who are not dependents for federal income tax purposes if less than 60 years of age. Currently, on a statewide basis, lifeline service provides a 50% discount on installation charges as well as a $4 discount on the monthly local exchange service rate.

The Commission also directed Michigan Bell, GTE, and MECA to file, within 90 days of each yearly anniversary date, a financial review of the lifeline program. The reports were to include information regarding revenues received from the monthly per access line charge and the allowable program expenses incurred, together with projections for the coming year and any proposals for revised charges. As of this date, Michigan Bell, GTE, and MECA have filed their first annual reports on lifeline service, which include reviews of 1989 (1990 for MECA) revenues and expenses, as well as recommendations.

In its November 21, 1990 order in Case No. U-8816 and its November 20, 1991 order in Case No. U-9385, the Commission found that Michigan Bell and GTE should increase their efforts to inform potential customers of lifeline service by more aggressively advertising the programs. Since then, with the oversight of the Commission Staff (Staff), Michigan Bell, GTE, and MECA have developed mass media public service announcements and newspaper articles to more widely publicize their lifeline programs. Additional promotional efforts are planned for the next several months.

The Commission finds that Michigan Bell, GTE, and MECA are complying with the requirements for lifeline service under Act 179. However, the Commission further finds that the companies should nevertheless file annual reports to reconcile the amounts funded with the amounts expended for their respective lifeline programs. This will ensure compliance with Section 316(2) of Act 179. This report shall be filed on April 1 of each year and should cover the previous calendar year period. The report shall include a reconciliation of all funds received and expended and a proposal to deal with any over- or underrecoveries.

Finally, the Commission notes that, under the new law, it has the responsibility to ensure that the availability of lifeline services is publicized throughout the state. Thus, the Commission finds that its past practice of requiring providers of basic local exchange service to inform potential customers of the availability of lifeline service through public service announcements, newspaper articles, and other means fulfills that responsibility and is consistent with Act 179. Therefore, the Commission intends to retain that requirement. Accordingly, providers of basic local exchange service should continue to cooperate with the Staff to increase the level of subscribership for lifeline service.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1991 PA 179, MCL 484.2101 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, R 460.17101 et seq.

b. The existing lifeline programs of Michigan Bell, GTE, and MECA are consistent with Act 179.

c. The previously established funding for the respective lifeline programs is consistent with the cost recovery requirements of Act 179.

d. Michigan Bell, GTE, and MECA should continue to take necessary action to notify the general public of the availability of lifeline services including, but not limited to, public service announcements, newspaper notices, and such other notice reasonably calculated to reach those who may benefit from the services.

THEREFORE, IT IS ORDERED that:

A. The existing lifeline programs and funding shall remain in effect for Michigan Bell Telephone Company, GTE North Incorporated, and Michigan Exchange Carriers Association.

B. Michigan Bell Telephone Company, GTE North Incorporated, and Michigan Exchange Carriers Association shall file annual reports reconciling lifeline funding with expenses. Those reports shall be filed on April 1 of each year and shall cover the previous calendar year.

C. The promotion and notification to the general public of the availability of lifeline service shall remain the responsibility of each provider of basic local exchange service, consistent with previous Commission orders.

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 E A L)

/s/ Steven M. Fetter
Chairman

By its action of May 6, 1992.

/s/ Ronald E. Russell
Commissioner

/s/ Dorothy Wideman
Its Executive Secretary

/s/ John L. O'Donnell
Commissioner