

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
McLEODUSA TELECOMMUNICATIONS)	
SERVICES, INC. , to restructure certain rates)	Case No. U-13038
for basic local exchange service.)	
_____)	

At the October 29, 2001 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

OPINION AND ORDER

On August 1, 2001, McLeodUSA Telecommunications Services, Inc., (McLeod) filed an application to increase some of its rates. It seeks to increase the business line monthly recurring charge from \$13.25 to \$13.50 in access area A, from \$13.25 to \$13.78 in access area B, and from \$13.25 to \$14.57 in access area C. McLeod also seeks to increase its local directory assistance charge per number requested (above the customer's allowance) from \$0.35 to \$0.45 and to implement a national directory assistance charge of \$0.78 per number requested. On August 24, 2001, McLeod filed an amended application.

McLeod mailed a notice of opportunity to comment to its customers and other providers of basic local exchange service. Only the Commission Staff (Staff) filed comments.

The Staff says that, with respect to the increases in business service rates, McLeod has provided sufficient justification, and recommends that the Commission approve the increases.

With respect to the proposed increase in the local directory assistance charge, the Staff suggests, in light of statutory amendments and an increase in competition in the provision of directory assistance, that the Commission evaluate the proposed increase under the criteria in MCL 484.2304(7) rather than the factors identified in the August 14, 1992 order in Case No. U-10074. That order held that such increases would be evaluated on the basis of whether there had been a corresponding increase in the cost of the service or there was an offsetting reduction in the rate for another service. The Staff recommends that the Commission approve the increase. With respect to the implementation of a charge for national directory assistance, the Staff says that McLeod may lawfully implement that new service without Commission approval.

The Commission is to consider the following factors in evaluating a request to increase rates for basic local exchange service:

- (a) Total service long run incremental cost of basic local exchange services.
- (b) Comparison of the proposed rate to the rates charged by other providers in this state for the same service.
- (c) Whether a new function, feature, or capability is being offered as a component of basic local exchange service.
- (d) Whether there has been an increase in the costs to provide basic local exchange service in the geographic area of the proposed rate.
- (e) Whether the provider's further investment in the network infrastructure of the geographic area of the proposed rate is economically justifiable without the proposed rate.

MCL 484.2304(7).

With respect to the increases in business rates, the Commission agrees with the Staff that McLeod's proposed rates are just and reasonable. McLeod filed testimony that its costs have increased since it implemented its current rates and the proposed rates would be the same as Ameritech Michigan's rates. The company should therefore be authorized to increase its business rates as proposed.

With respect to the increase in the local directory assistance charge, the Commission agrees with the Staff that the proposal should be evaluated in the same manner as the increase in local exchange rates. The standard set out in the Commission's August 14, 1992 order in Case No. U-10074 was based on language in Section 304 that has since been repealed. Like the increase in basic local exchange rates, the proposed rate for local directory assistance would be the same as Ameritech Michigan's. The rate is just and reasonable, and should therefore be approved.

Finally, with respect to implementing a charge for national directory assistance, McLeod may do so without Commission approval because it is a new service.

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 AACSR, R 460.17101 et seq.
- b. The application should be approved.

THEREFORE, IT IS ORDERED that McLeodUSA Telecommunications Services, Inc., may increase its rates for business basic local exchange service and local directory assistance as proposed in its application.

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/ Laura Chappelle
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of October 29, 2001.

/s/ Dorothy Wideman
Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

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By its action of October 29, 2001.

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Suggested Minute:

“Adopt and issue order dated October 29, 2001 authorizing McLeodUSA Telecommunications Services, Inc., to increase its rates for business basic local exchange service and local directory assistance, as set forth in the order.”