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**BILL ANALYSIS**

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House Bill 5237 (Substitute H-3 as passed by the House)
Sponsor: Representative Mike Nofs
House Committee: Energy and Technology

CONTENT

The bill would amend the Michigan Telecommunications Act to do the following:

- Delay the Act's sunset from December 31, 2005, to December 31, 2009.
- Define "primary basic local exchange service" as the provision of one primary access line to a residential customer for voice communication that included at least 100 outgoing calls per month, at least 12,000 outgoing minutes per month, and unlimited incoming calls.
- Require a licensed provider to offer primary basic local exchange service to each residential customer within the service area where the provider was offering residential basic local exchange service.
- Require providers to set the initial rates for primary basic local exchange service by April 1, 2006, and prohibit those rates from exceeding the rates for the existing lowest-cost calling plan that included a limited number of outgoing calls.
- Expand the ways in which a provider may alter its rates by filing notice with the Public Service Commission (PSC).
- Provide that a limit of one rate increase for each class or type of service during a 12-month period would apply only to a regulated service.
- Delete a provision exempting a provider from the filing and review requirements if it meets certain criteria.
- Exempt a provider's rate alteration for a package of services from filing and review requirements as long as primary basic local exchange service was provided on a stand-alone basis.
- Require a provider to offer its unregulated calling features on a stand-alone basis to its primary basic local exchange service customers.
- Require a person with disabilities or who voluntarily provided a service for a nonprofit or congressionally chartered veterans organization to be exempt from any call limit, and receive a flat rate allowing unlimited monthly calls.
- Specify the service quality rules the PSC would have to establish and enforce; require the rules to include remedies for enforcement that were consistent with the Act and Federal law; and require the PSC to consider the extent to which existing market conditions were sufficient to provide adequate service quality to customers.
- Revise the timelines for resolving complaints and issuing orders.
- Require the consent of all parties for alternative complaint resolution.
- Allow the PSC to require changes in how telecommunication services were provided if it found that the rates violated the Act or a PSC order.
- Require a provider of a telecommunication service using a new or emerging technology to register with the PSC.
- Allow a public entity to provide telecommunication services within its incorporated boundaries under certain circumstances.
- Require the PSC to designate a State 2-1-1 coordinating agency and issue orders assigning the telephone digits 2-1-1 to a statewide central routing system.

- Delete a provision requiring the PSC to establish operating requirements for operator service providers (OSPs), and specifying what those requirements must include.
- Require an OSP immediately to connect a person making an emergency call to an emergency responder service at no charge.
- Expand the three-person Michigan Telecommunication Relay Service Advisory Board to nine people, and require it to study and report on the ability of deaf, hard of hearing, and speech-impaired customers to gain access to telecommunication services.
- Delete a provision allowing the PSC to alter the geographic area of a license, grant a competing license, or revoke a license if within two years the provider has not marketed its services to all potential customers or has refused to provide services to certain customers.
- Delete a provision prohibiting a telecommunication provider from providing basic local exchange service to customer or end-users in another provider's licensed service area except through interconnection arrangements.
- Prohibit a license from being transferred to an unlicensed provider.
- Require parties to use their current interconnection agreement as the baseline document for negotiating a successor agreement, if the current agreement were less than three years old.
- Allow providers who provided basic local exchange service or basic local exchange and toll service to fewer than 250,000 end-users in Michigan to determine total service long run incremental cost (TSLRIC) through preparation of a cost study or determine that their TSLRIC was the same as that of a provider with more than 250,000 end-users.
- Allow a basic local exchange service provider with fewer than 15,000 end-users in Michigan to determine that its TSLRIC was the same as that of a provider with more than 250,000 end-users.
- Delete a provision prohibiting cellular telecommunication service providers from engaging in certain activities.
- Authorize the PSC to investigate complaints alleging violations and initiate proceedings to resolve disputes between providers regarding identification of traffic and compensation rights and obligations between providers who originate, forward, or terminate intrastate traffic; require the PSC to order a violating provider to make payment; and allow the PSC to assess a fine against the violating provider equal to twice the payment amount.
- Require a telecommunication service provider to give each customer a clear and simple explanation of the terms and conditions of the service before the customer purchased it or upon request.
- Require a provider to ensure that a customer had an alternative means to reach emergency service responders if E 9-1-1 service were not available to the customer.
- Require an educational institution to hold at least one public hearing on a proposed plan to sell excess capacity.
- Prohibit end-user or subscriber line charges from exceeding the rates allowed for the same interstate services by the Federal government as of May 1, 2000; and prohibit a provider from charging, assessing, or imposing on end-users an intrastate subscriber line or end-user line charge after January 1, 2007.
- Allow a provider that charged, assessed, or imposed an intrastate subscriber line or end-user line charge on July 1, 2005, to file with the PSC notice of an increase in the basic local exchange rate.
- Eliminate a requirement that a toll service provider implement an optional discount plan for calling to exchanges within 20 miles of a customer's home exchange.
- Include services for the deaf, hard of hearing, and speech-impaired within the definition of "qualifying customer" for shut-off protection due to military service.
- Increase from \$8.25 to \$12.35 (including the Federal contribution) the rate reduction a residential basic local exchange service provider must offer low-income customers over age 65, and require the rate reductions for all low-income customers to be adjusted annually to reflect any increases or decreases in the Federal contribution.
- Expand the criteria a customer may meet to be eligible for the reduced rate.

- Provide that the rate of a network element could not exceed the tariffed or contract rate a retail customer or affiliate was or would be charged; or the rate and other appropriate charges of a retail service that included the same network element less the TSLRIC of all other components that together formed the same retail service.
- Require the PSC to issue a report and make recommendations to the Legislature and the Governor by January 1, 2007, involving the issues, scope, terms, and conditions of interconnection of telecommunication providers with the basic local exchange service.
- Provide that Section 357, which requires a local exchange service provider to make its basic local exchange services available for resale on nondiscriminatory terms and conditions, would not apply after December 31, 2007.
- Specify that the PSC does not have authority over retail broadband service, except as otherwise provided by law or preempted by Federal law.
- Prohibit a telecommunication service provider from requiring the purchase of a regulated service as a condition of purchasing an unregulated service; or disconnecting service to a customer before the resolution of a dispute between the customer and the provider.
- Repeal Section 208, which allows a provider to file with the PSC to classify as competitive a service for which a competitive market exists, and requires the rate for the service to be deregulated and exempt from review.
- Repeal sections mandating that providers offer specific basic local exchange service rate plans; requiring providers to provide toll dialing parity and number portability; and requiring the PSC to determine the rate that a toll service provider must compensate payphone service providers

MCL 484.2101 et al.

Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill would reduce the regulatory responsibilities of the Michigan Public Service Commission, with possible cost savings to the Commission. The PSC would incur additional costs, however, in registering companies that provide service using new or emerging technology and resolving disputes between telecommunications companies.

The Department of Labor and Economic Growth would incur unknown costs in supporting the work of the Michigan Telecommunication Relay Service Advisory Board, including staff support and the conduct of a study and preparation of a report by January 1, 2008, on the access of the deaf, hard of hearing, and speech-impaired to telecommunications services.

The bill would permit a local entity that currently provides telecommunication services, or meets one of several criteria by November 1, 2005, to offer telecommunication services outside its boundaries. Otherwise, a public entity would be prohibited from offering telecommunication services outside its boundaries. A local government would have to follow a specific bid procedure before offering telecommunications services to the public within its boundaries, which could increase its costs.

Date Completed: 10-27-05

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.