

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
PIGEON TELEPHONE COMPANY)	
for authority to offer expanded local calling and)	Case No. U-14195
to adjust rates for basic local exchange service.)	
_____)	

At the October 4, 2004 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 July 7, 2004, Pigeon Telephone Company (Pigeon) filed an application pursuant to Section 304(11) of the Michigan Telecommunications Act (MTA), 1991 PA 179, as amended, MCL 484.2304(11), requesting authority to offer expanded local calling and to adjust its rates for basic local exchange service. Pigeon proposes to expand its local calling areas from its Alba, Lakes of the North, and Twining exchanges to all adjacent exchanges. Pigeon proposes to expand its local calling area from the Pigeon exchange to all adjacent exchanges and the nearby Bad Axe, Gagetown, Unionville, Cass City, Kinde, and Port Austin exchanges.

If approved, Pigeon’s Alba exchange customers would be able to call the Bellaire and Gaylord exchanges of Contel of the South, Inc., d/b/a Verizon North Inc. (Verizon), the East Jordan and

Mancelona exchanges of SBC Michigan (SBC), the Elmira exchange of CenturyTel of Michigan, Inc. (CenturyTel), as well as Pigeon's Lakes of the North exchange.

Pigeon's Lakes of the North exchange customers would be able to call Verizon's Gaylord and Grayling exchanges, SBC's Mancelona exchange, the Manistee River exchange of Upper Peninsula Telephone Company, as well as Pigeon's Alba exchange.

Pigeon's Twining exchange customers would be able to call Verizon's Prescott exchange, SBC's East Tawas exchange, CenturyTel's Whittemore exchange, and the Omer and Au Gres exchanges of CenturyTel Midwest-Michigan, Inc.

Pigeon's Pigeon exchange customers would be able to call SBC's Bay Port, Owendale, Sebewaing, Bad Axe, Gagetown, and Unionville exchanges, Verizon's Cass City, Caseville, and Elkton exchanges, and CenturyTel's Kinde and Port Austin exchanges.

The application also seeks authority to increase Pigeon's monthly basic local exchange rates in the amount of \$6.00 per line per month for its residential, one-party customers and by \$7.20 per line per month for its business customers. Pigeon does not charge separate rates for dialing parity, touchtone, and intrastate end-user common line (EUCL) service. Pigeon's customers would continue to be able to make unlimited calls within their existing local calling areas. In addition, customers will be able to make 2,000 minutes-of-use (MOU) per line per month in local calling to the expanded local calling area, with additional MOU charged at \$0.05 per minute.¹

Pursuant to Commission directive, Pigeon published a notice of opportunity to comment that requested interested persons to submit written or electronic comments to the Commission by September 7, 2004. The Commission received comments on the application from twelve

¹Calls between the Alba and Lakes of the North exchanges will not count against the 2,000 minute allowance.

customers, seven of whom thought they would benefit from an expansion of their calling areas. Five customers urged rejection of the application.

On September 7, 2004, the Commission Staff (Staff) filed comments. The Staff endorsed Pigeon's application and noted that Pigeon's proposal offers its customers the benefits of expanded local calling areas. Further, the Staff noted that MCL 484.2304(1) would require institution of blocking of 1+ calling.

Discussion

The Commission finds that Pigeon's application for an expanded local calling area should be approved. Pigeon's application is in the public interest because it offers Pigeon's customers the benefit of expanded local calling areas with a reasonable rate increase. Pigeon's application is also substantially similar to recent Commission precedent for expanded local calling areas. See, orders in Cases Nos. U-14157, U-14158, U-14159, and U-14160 issued September 7, 2004.

The Commission also finds that the 2,000-minute calling allowance is reasonable. The Commission has previously approved such a cap for other providers. See, the September 30, 2003 order in Case No. U-13760, the December 6, 2002 order in Case No. U-13533, and the September 7, 2004 orders in Cases Nos. U-14157, U-14158, U-14159, and U-14160. Moreover, as noted by the Staff, Pigeon's customers may be able to use calling cards to achieve even greater savings beyond the \$0.05 per MOU rate for excess use proposed by Pigeon.

The Commission also finds that the blocking of 1+ dialing to the new local calling area is appropriate. All such calls must be blocked in order to effectively implement the expanded local calling area. 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 to the

new local calling area shall be considered local calling whether the calls are included within the 2,000-minute cap or are charged at the excess usage rate.

Additionally, the Commission finds that Pigeon 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 Pigeon seeks to implement. See, MCL 484.2304(10)(b).

Finally, the Commission reiterates its position that Pigeon 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. Pigeon's July 7, 2004 application for authority to offer expanded local calling areas for its Alba, Lakes of the North, Pigeon, and Twining exchanges is in the public interest and should be approved.
- c. Pigeon's proposed rate increase of \$6.00 per month to its residential lines, its \$7.20 per month increase to its business lines, and its excess usage rate of \$0.05 per MOU are just and reasonable and should be approved.

THEREFORE, IT IS ORDERED that:

A. Pigeon Telephone Company's July 7, 2004 application for authority to offer expanded local calling for its Alba, Lakes of the North, Pigeon, and Twining exchanges is approved.

B. The proposed rate increase of \$6.00 per month to Pigeon Telephone Company's residential lines, its \$7.20 per month increase to its business lines, and its excess usage rate of \$0.05 per minute of use are 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 October 4, 2004.

/s/ Mary Jo Kunkle
Its Executive Secretary

B. The proposed rate increase of \$6.00 per month to Pigeon Telephone Company's residential lines, its \$7.20 per month increase to its business lines, and its excess usage rate of \$0.05 per minute of use are approved.

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MICHIGAN PUBLIC SERVICE COMMISSION

Chair

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By its action of October 4, 2004.

Its Executive Secretary