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BILL



ANALYSIS

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Senate Bill 722 (Substitute S-3 as reported by the Committee of the Whole)

Sponsor: Senator Mat J. Dunaskiss

Committee: Technology and Energy

## **CONTENT**

The bill would amend the Michigan Telecommunications Act (MTA) to do all of the following:

- Generally provide that a provider of a regulated telecommunication service could not set rates for various services below the "total service long run incremental cost" (TSLRIC) of providing the service. ("Total service long run incremental cost" would mean, given current service demand, including associated costs of every component necessary to provide the service, either the total forward-looking cost of a telecommunication service, relevant group of services, or basic network component, using current least cost technology that would be avoided if the provider had never offered the service; or the total cost that the provider would incur if the provider were to initially offer the service, group of services, or basic network component.)
- Allow a provider of basic local exchange service to provide cable television service if the provider had received a franchise agreement from the local unit of government to provide cable television service.
- Add an article to the Act that would address interconnection of telecommunication providers with the basic local exchange service.
- Add an article requiring a local unit of government to grant a permit for access to and use of rights-of-way, easements, and public places to providers of telecommunication services, and limiting any fees or assessments for access or use to the local unit's actual costs.
- Allow a provider of telecommunication services to classify a regulated service as a competitive service under certain circumstances.
- Revise provisions regarding rates, including requiring a basic local exchange provider to restructure its rates for certain services to ensure that those rates would be less than the TSLRIC of providing each service.
- Allow educational institutions, other than State institutions of higher education, to sell certain telecommunication services, and allow telecommunications providers, at the request of an educational institution, to provide service across local access and transport areas (LATAs).
- Provide for the regulation of pay phone services, including requiring independent pay phone providers to pay an annual \$100 registration fee and file a list of their pay phone locations with the Public Service Commission (PSC).
- Provide for intra-LATA "dial-1 parity" if a waiver to inter-LATA prohibitions were granted for a specific service area and the service area had a least two providers of local exchange service. ("Dial-1 parity" refers to the ability to make a toll call without having to dial an access code or extra digits if the caller chose a telephone company other than the local exchange carrier.)
- Add burglar and fire alarm services, as well as centrix or its equivalent, except for State institutions of higher education, to the MTA's list of unregulated services.
- Add a list of prohibited practices that would apply to providers of telecommunication services.
- Require the PSC to promulgate rules establishing privacy guidelines in the provision of telecommunication services.

- Repeal and reenact a section of Public Act 206 of 1913 to provide for PSC regulatory authority over an operator service provider (OSP). The bill would require registration annually with the PSC a \$100 annual registration fee, and would cap OSP rates at 200% of the State average rate for operator or toll service by providers of regulated toll service.
- Revise the powers and duties of the PSC, including altering deadlines for the resolution of contested case hearings, and prohibiting a telecommunication provider from discontinuing service to another provider during a contested case under certain circumstances.
- Create an alternative dispute resolution process.
- Provide a rebuttable presumption that certain information would constitute "trade secrets or commercial or financial information", which, under the MTA, are exempt from the Freedom of Information Act.
- Specify that a telecommunication service was not a public utility service.
- Require that a provider using the highways, streets, alleys, or other public places obtain a local franchise before providing service within that local unit.
- Require each telecommunications provider to file with the PSC a small and minority owned telecommunication business participation plan.
- Provide that, if a toll access service rate were reduced after a basic local exchange service provider restructured its rates, the provider receiving the reduced rate would have to reduce its rate to its customers by an equal amount.
- Repeal a section of the MTA that requires the PSC to request the Attorney General to bring an action to enjoin acts or practices of providers that are the PSC determines are "harmful" (MCL 484.2501). ("Harmful" means sexually explicit matter that meets specified criteria.)
- Specify the purposes of the Act.
- Repeal the Act on January 1, 2000 (rather than January 1, 1996).

The bill would take effect on January 1, 1996.

MCL 484.2101 et al.

Legislative Analyst: P. Affholter

### **FISCAL IMPACT**

The bill would require the PSC to hire up to three full-time employees with an annual cost of \$135,000 in order to absorb the regulatory workload related to cost analysis provisions in Section 304a of the bill for rate restructuring. The cost analysis and complaint adjudication provisions could require four more positions. Savings would be possible through the bill's deregulation provisions.

Provisions for the evaluation of the need for a universal service fund, and local exchange calling patterns, could have a fiscal impact on the Public Service Commission. It is likely, however, that any costs associated with these activities could be absorbed within the existing appropriation.

The registration fees for alternative operator services and pay phone services would generate revenue that partially would offset the regulatory fiscal requirements of this bill. A revenue estimate would be possible once the number of providers becomes apparent. It is unlikely that these revenue sources would meet the bills fiscal requirements.

Date Completed: 10-25-95

Fiscal Analyst: K. Lindquist

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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.