

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,	)	
to consider the implementation of limited number	)	Case No. U-13086
pooling trials.	)	
_____	)	

At the November 20, 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 24, 2001, the Commission received conditional authority from the Federal Communications Commission (FCC) to institute thousands-block number pooling in five area codes.<sup>1</sup> On September 7, 2001, the Commission issued an order requesting comments on how best to conduct the number pooling trials in Michigan, including comments on a cost recovery mechanism. Verizon North Inc. (Verizon), Ameritech Michigan, VoiceStream Wireless, Inc., and AT&T Communications of Michigan, Inc., (AT&T) submitted comments regarding cost recovery. On October 11, 2001, the Commission issued an order addressing the other issues and requiring that a number pooling trial begin in the 313 NPA no later than February 24, 2002 and in the 734 NPA no later than July 1, 2002. The order stated that cost recovery issues would be addressed at a later date.

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<sup>1</sup>In the Matter of Numbering Resource Optimization, CC Docket 99-200, NSD-L-01-34, August 24, 2001.

In its comments, Verizon requested that number pooling costs be recovered using a one-time, end-user charge. Ameritech Michigan said that a temporary adjustment to the local number portability (LNP) end-user surcharge should be instituted to avoid the need to create a new line item on customers' bills. VoiceStream Wireless stated that shared industry costs should be allocated among all carriers in Michigan. AT&T stated that each carrier should bear its own carrier-specific costs and that the recovery of shared industry costs should be based on state-specific data.

#### Allocation of Shared Industry Costs

The shared industry costs of administering number pooling include initial meeting costs and the costs of the pooling administrator. The October 11, 2001 order directed the industry to begin negotiations through North American Portability Management, LLC, (NAPM) to develop a contractual agreement to provide payment to NeuStar, Inc., as Michigan's interim number pooling administrator. All industry members were directed to be partners in the negotiations with the NAPM.

On November 8, 2001, NeuStar facilitated the initial number pooling implementation meeting for the 313 NPA. During the implementation meeting, the industry reached consensus that the costs associated with number pooling administration for the 313 number pooling trial would be allocated according to the LNP model on a state-specific basis. The LNP model dictates that joint industry costs are to be allocated to each carrier in proportion to its interstate, intrastate, and international telecommunications revenue. The Commission agrees that the state-specific shared industry costs should be allocated according to the LNP methodology, and notes that the costs become carrier-specific costs upon allocation to the carriers.<sup>2</sup>

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<sup>2</sup>First Report and Order, FCC 00-429, ¶179.

## Cost Recovery

The Commission considers the carrier-specific costs related to number pooling, such as equipment upgrades and employee training, as well as the shared industry costs allocated to carriers as discussed above, to be a cost of doing business. As such, the Commission need not provide a special cost recovery mechanism. This treatment of the costs is consistent with the requirements of the FCC. It requires that any cost recovery mechanism be competitively neutral, and has concluded that treating these costs as a cost of doing business is competitively neutral.<sup>3</sup>

The commenting parties failed to offer any compelling reason why the costs of number pooling should be treated as any different than the costs of other required updates of current systems. Furthermore, numbering resources are allocated to carriers without charge, and number conservation efforts, such as number pooling, will reduce carriers' costs by enabling all carriers to receive numbering resources without the need for rationing and jeopardy proceedings. In addition, although number pooling will not alleviate the need for area code relief, number conservation efforts may avoid the need for some future area code relief and the cost of system changes for any required area code relief will be negligible.

## LNP-Capability Requirements in Michigan

In the course of preparing for the number pooling trials, the Commission has become aware of an issue that should be addressed. Number portability is the technical cornerstone of number pooling, and, in 1998, the FCC approved a five-year line item charge to reimburse carriers for "carrier specific costs directly related to long-term number portability."<sup>4</sup> Furthermore, Section 358(2) of the Michigan Telecommunications Act, MCL 484.2358(2), states: "No later than January 1, 1999,

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<sup>3</sup>First Report and Order, FCC 00-104, ¶208.

<sup>4</sup>Third Report and Order, Telephone Number Portability, CC 95-116, ¶149, March 12, 1998.

a provider of basic local exchange service shall provide number portability.” Accordingly, the Commission expects all providers of basic local exchange service to be prepared to port and pool numbers within the rate centers where they have received telephone numbers.

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 AACCS, R 460.17101 et seq.

b. The industry and NeuStar should work with the NAPM to develop a cost allocation for state-specific number pooling administration costs based on the LNP model.

c. Carrier-specific number pooling costs should be considered a cost of doing business that does not require a special cost recovery mechanism.

d. All providers of basic local exchange service are required to comply with the number portability provisions of Section 358 of the Michigan Telecommunications Act.

THEREFORE, IT IS ORDERED that:

A. The industry and NeuStar, Inc., shall work with North American Portability Management, LLC, to develop a cost allocation for state-specific number pooling administration costs based on the local number portability model.

B. A special cost recovery mechanism is not approved for recovery of carrier-specific costs associated with number pooling.

C. All providers of basic local exchange service in Michigan are subject to sanctions for failing to comply with the number portability provisions of the Michigan Telecommunications Act, MCL 484.2358 and federal law.

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 November 20, 2001.

/s/ Dorothy Wideman  
Its Executive Secretary

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Suggested Minute:

“Adopt and issue order dated November 20, 2001 resolving issues related to the recovery of the costs of implementing number pooling trials in Michigan, as set forth in the order.”