

Date Mailed May 19, 2000

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Administration of the Mechanisms of Price Regulation Pertaining to
GTE North Incorporated on the Fourth Anniversary Date

2180-TI-131

THIRD DECISION

Introduction

This is the third decision in this proceeding, establishing for GTE North Incorporated (GTE) company-specific infrastructure investment components together with benchmark ranges and component weights, and establishing benchmarks related to contributions to the Wisconsin Advanced Telecommunications Foundation (WATF).

The infrastructure investment components, together with benchmark ranges and component weights set forth in Appendix B, and the method for computing WATF contribution amounts shown in Findings of Fact provision 4, shall be used in calculating the adjustment to the productivity offset on GTE's anniversary date in the year 2001.

On May 26, 1999, the Commission issued a Notice of Proceeding and Investigation and Assessment of Costs (Notice) in this docket. The Notice initiated an investigation to administer the mechanisms of price regulation pertaining to the amount that GTE may increase or must decrease its rates for price-regulated services.

The price cap index is the mechanism established by the legislature in 1993 Wisconsin Act 496 (Act 496) for setting reasonable rates in lieu of rate base rate-of-return regulation. The Commission applies Wis. Stat. § 196.196(1)(c), and Wis. Admin. Code § PSC 163.04 to

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determine prospective adjustments in the price cap index. Price-regulated services¹ include basic local exchange service as defined in Wis. Stat. § 196.01(1g), and standard business access lines and usage by small businesses with no more than three access lines.

On June 23, 1999, the Commission issued a decision in this docket (First Decision). The First Decision directed GTE to decrease its average rates for price regulated services by 0.22 percent, and set new company-specific benchmarks for service quality to administer the mechanisms of price regulation pertaining to GTE's anniversary date in the year 2000.

On December 10, 1999, the Commission issued another decision in this docket (Second Decision), setting infrastructure and WATF benchmarks to be measured against 1999 results on GTE's anniversary date in the year 2000.

A draft order was mailed to all parties. Any comments received have been considered in approving this final decision. No hearing was held in this docket and none was requested.

Findings of Fact

1. GTE is a telecommunications utility, as defined in Wis. Stat. § 196.01, engaged in providing telecommunications service to the public through 192 exchanges in the state of Wisconsin.
2. GTE is a price-regulated telecommunications utility as defined in Wis. Stat. § 196.196.

¹ In the order in docket 2180-TI-111, the Commission suspended the application of Wis. Stat. § 196.196(1) to the extent that section regulates the provision of Basic Message Telecommunications Service.

3. The infrastructure investment components together with benchmark ranges and component weights as set forth in Appendix B are reasonable for use in calculating the adjustment to the productivity offset on GTE's anniversary date in the year 2001.

4. It is reasonable to base a decrease in the productivity offset for WATF contributions on the WATF's calculated annual contribution plus 20 percent and an increase in the productivity offset on the WATF's calculated annual contributions less 10 percent.

5. It is reasonable to require GTE to file a timeline that commits to replacing all VIDAR switches as soon as reasonably possible.

Conclusions of Law

THE COMMISSION CONCLUDES:

It has jurisdiction under Wis. Stat. § 196.196(1)(c) and Wis. Admin. Code §§ PSC 163.04(2)(d) and (e) to issue an order establishing infrastructure investment components together with benchmark ranges and component weights, and establishing ranges for contributions to the Wisconsin Advanced Telecommunications Foundation, pursuant to the findings of fact and opinion set forth herein.

Opinion

Infrastructure

Appendix B sets forth infrastructure investment components together with benchmark ranges and component weights to be used in calculating the productivity offset on GTE's anniversary date in the year 2001. Measurement timeframes for infrastructure investment components shall be January 1, 2000, to December 31, 2000. The investment components are

designed to improve or promote the following: switching technology, overall network speed and quality, route diversity, and high-speed data transmission.

One of the components provides an incentive for GTE to replace VIDAR switches. The replacement of VIDAR switches will allow Signalling System 7 connectivity, enabling customers in these GTE exchanges the ability to subscribe to custom calling features such as call waiting and call forwarding. While GTE's central offices in Wisconsin are 100 percent digital, customers in 11 exchanges, representing approximately 25,000 access lines,² are served by VIDAR switches, and cannot subscribe to optional custom calling features that are available to many people in other parts of the state. The Commission directs GTE to file a timeline that commits to replacing these switches as soon as reasonably possible. This timeline shall be filed as part of its upcoming application for an alternative regulatory plan. If no alternative regulatory plan is finalized by December 31, 2000, GTE shall file a VIDAR replacement timeline by January 15, 2001. The delayed filing of this timeline does not affect the inclusion of VIDAR switch replacement as a component of the infrastructure incentive/disincentive calculation on the 2001 anniversary date.

Wisconsin Advanced Telecommunications Foundation

In the Second Decision in this docket, the Commission found that it is reasonable to calculate an incentive for WATF contributions based on WATF's calculated annual contributions plus 20 percent and to calculate a penalty based on WATF's calculated annual contributions less 10 percent. The Commission finds that it is reasonable to continue to use this method.

² These numbers exclude approximately 14,000 access lines in 15 exchanges served by VIDAR switches, which are being sold to other companies.

Order

THE COMMISSION ORDERS:

1. The infrastructure investment components, together with benchmark ranges and component weights set forth in Appendix B shall be used in calculating the adjustment to the productivity offset on GTE's anniversary date in the year 2001.

2. The WATF contribution method discussed in Findings of Fact provision 4 shall be used in calculating the adjustment to the productivity offset on GTE's anniversary date in the year 2001.

3. GTE shall file a timeline that commits to replacing all VIDAR switches as soon as reasonably possible. The timeline shall be filed as part of GTE's upcoming application for an alternative regulatory plan. If no alternative regulatory plan is finalized by December 31, 2000, the timeline shall be filed no later than January 15, 2001. The timeline shall include a substantial commitment for the year 2001.

Dated at Madison, Wisconsin, _____

By the Commission:

Lynda L. Dorr
Secretary to the Commission

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See attached Notice of Appeal Rights

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in Wis. Stat. § 227.01(3), a person aggrieved by the order has the further right to file one petition for rehearing as provided in Wis. Stat. § 227.49. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 9/28/98

APPENDIX A

This proceeding is not a contested case under Chapter 227, Stats., therefore there are no parties to be listed or certified under § 227.47, Stats. However, an investigation was conducted, and the persons listed below participated.

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(Not a party but must be served)
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GTE North Incorporated
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Infrastructure Investment Benchmarks
for Anniversary Date in the Year 2001
(2000 Measurement Timeframe)

Component	Maximum Productivity Offset Values		Productivity Offset Benchmarks					
	Disincentive ¹	Incentive	Disincentive	No Incentive or Disincentive	1/3 Incentive	1/2 Incentive	2/3 Incentive	Full Incentive
Number of Central Offices with Availability, by Tariff Upon Customer Request of Asynchronous Digital Subscriber Line	.02%	.08%	<=3	4-6		7		8
Number of Central Offices Served with Interoffice Fiber ²	.07%	.28%	<=181	182-185	186		187	188
Self-Healing Interoffice Fiber Ring	.02%	.08%	0					1
Replacement of VIDAR Switches ³	.09%	.36%	0	1-2				3
Total Infrastructure Investment	.20%	.80%						

¹ If Wis. Admin. Code ch. 163 has not been revised to reflect the new total disincentive percentage approved in docket 05-TI-174, each component weight will be doubled, resulting in a total disincentive of 0.4 rather than 0.2.

² For those exchanges which GTE is transferring to other companies, GTE shall receive credit for any interoffice fiber which is completed prior to the effective date of the transfer, and interoffice fiber which is substantially complete as of the transfer date, and which is completed by another company prior to December 31, 2000.

³ Measurement based on number of host or remote switches that were served by VIDAR switches as of December 31, 1999 which are converted to digital switches equipped with signaling system 7 by December 31, 2000.