

Date Mailed March 16, 2000

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Administration of the Mechanics of Price Regulation Pertaining
to Wisconsin Bell, Inc. d/b/a Ameritech Wisconsin, on its
September 1, 1999, Anniversary Date

6720-TI-159

SECOND DECISION

Introduction

This is the second decision in this proceeding, establishing for Wisconsin Bell, Inc. d/b/a Ameritech Wisconsin (Ameritech), 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 WATF contribution method discussed in Findings of Fact provision 4 shall be used in calculating the adjustment to the productivity offset on Ameritech's anniversary date in the year 2001.

Background

On August 24, 1999, the Commission issued a Notice of Proceeding and Investigation and Assessment of Costs (Notice) in this docket. The Notice initiated an investigation to determine the amount that Ameritech may increase or must decrease its rates for price-regulated

services. This proceeding was also initiated pursuant to Wis. Admin. Code §§ PSC 163.04(2)(c), (d), and (e) to set new company-specific benchmarks for service quality, infrastructure investment, and contributions to the WATF, and make any other determinations, as necessary, to use on Ameritech's year 2000 anniversary date. In addition, this proceeding was initiated to set new company-specific benchmarks for infrastructure investment and contributions to the WATF, and make any other determinations, as necessary, to use on Ameritech's year 2001 anniversary date.

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 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 October 1, 1999, the Commission issued a decision in this docket (First Decision) directing Ameritech to decrease its average rates for price-regulated services by 0.77 percent. In addition, the First Decision set new company-specific quality of service benchmarks and performance ranges, company-specific infrastructure investment components together with benchmark ranges and component weights, and new benchmarks related to contributions to the WATF, to administer the mechanisms of price regulation pertaining to Ameritech's anniversary date in the year 2000. The First Decision noted that a subsequent decision in this proceeding would set new infrastructure investment components together with benchmark ranges and

¹ In the order in docket 6720-TI-113, the Commission suspended the application of Wis. Stat. § 196.196(1) to the extent that section regulates the provision of Basic Message Telecommunications Service.

component weights, and new benchmarks related to contributions to the WATF for the anniversary date in the year 2001.

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

THE COMMISSION FINDS:

1. Ameritech is a telecommunications utility, as defined in Wis. Stat. § 196.01, engaged in providing telecommunications service to the public through 78 exchanges in the state of Wisconsin.

2. Ameritech is a price-regulated telecommunications utility as defined in Wis. Stat. § 196.196.

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 Ameritech'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.

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 WATF, 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 Ameritech's anniversary date in the year 2001. Measurement timeframes for infrastructure investment components shall be January 1, 2000, to December 31, 2000. Appendix B reflects discussions held between Commission staff and representatives of Ameritech.

Wisconsin Advanced Telecommunications Foundation

In its First Decision, the Commission found that the methodology for determining WATF contribution ranges should be changed. 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 apply this method.

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 Ameritech'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 Ameritech's anniversary date in the year 2001.

Dated at Madison, Wisconsin, _____

By the Commission:

Lynda L. Dorr
Secretary to the Commission

LLD:TJF:reb:g:\order\pending\6720-TI-159 Second Decision.doc

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 Wis. Stat. ch. 227, therefore there are no parties to be listed or certified under Wis. Stat. § 227.47. However, an investigation was conducted, and the persons listed below participated.

Public Service Commission of Wisconsin
(Not a party but must be served)
610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

AMERITECH WISCONSIN (WISCONSIN BELL, INC.)

by
Mr. Michael I. Paulson, Attorney
722 North Broadway, Room 1608
Milwaukee, WI 53202

WISCONSIN STATE TELEPHONE ASSOCIATION

by
Ms. Maureen J. St. Germain
6602 Normandy Lane
Madison, WI 53719

MCI TELECOMMUNICATIONS CORP.

by
Mr. David W. McGann
205 North Michigan Avenue, Suite 3700
Chicago, IL 60601

GTE NORTH INCORPORATED

by
Mr. Paul R. Verhoeven
State Manager - Regulatory Affairs/Tariffs
P.O. Box 49
100 Communications Drive
Sun Prairie, WI 53590

Docket 6720-TI-159

CENTURYTEL

by

Mr. Timothy J. Steffes
P.O. Box 4800
2615 East Avenue South
La Crosse, WI 54602-4800

REINHART, BOERNER, VAN DEUREN, NORRIS, & REISELBACH, S.C.

by

Mr. Peter L. Gardon, Attorney
P.O. Box 2020
Madison, WI 53701-2020

AT&T COMMUNICATIONS OF WISCONSIN, INC.

by

Mr. Phillip Uekert
44 East Mifflin Street, Suite 600
Madison, WI 53703-2877

CITIZENS UTILITY BOARD

by

Mr. Steve Hiniker
16 N. Carroll Street, Suite 300
Madison, WI 53703

Courtesy Copies:

Mr. Niles Berman, Attorney
Wheeler, Van Sickle and Anderson, S.C.
25 West Main Street, Suite 801
Madison, WI 53703-3398

Mr. Edwin J. Hughes
Assistant Attorney General
Wisconsin Department of Justice
123 West Washington Avenue
P.O. Box 7857
Madison, WI 53707-7857

INTER-D

APPENDIX B

Ameritech Wisconsin
6720-TI-159
Infrastructure Investment Benchmarks
for Anniversary Date in the Year 2001

Component	Maximum Productivity Offset Values ²		Productivity Offset Benchmarks for Year 2001 Measurement		
	Increase	Decrease	Increase	50% Decrease	100% Decrease
New ISDN Prime Exchanges	.166%	.200%	<2 exchanges		³
New Technologies ⁴		.375%		⁵	⁶
Fiber in the Loop	.167%	.375%	17.5%	20.0%	21.0%
Interoffice-New Routes ⁷		.375%		2 new routes	4 new routes
Titan X-connects	.167%	.375%	<2 sites add or upgrade	3 sites add or upgrade	4 sites add or upgrade; at least 1,000 additional ports
Total Infrastructure Investment	.500%	1.700%			

² Total maximum productivity offset values are based on those anticipated to be in effect on Ameritech's year 2001 anniversary date. These values are based on the Commission's order in docket 05-TI-174 and will be established in docket 1-AC-189.

³ Decrease in productivity offset based on a sliding scale as follows: Full incentive = 8 exchanges;

^{3/4} incentive = 6 exchanges; ^{1/2} incentive = 4 exchanges; ^{1/4} incentive = 2 exchanges.

⁴ New technologies include (1) OC192 SONET route, (2) Dense Wavelength Division Multiplexing, (3) Light Span 2012 (LS2012) ring, and (4) ATM tandem switch. The LS2012 ring shall be a true ring including at least 65 percent of the route based on feet of fiber strands.

⁵ 1-2 technologies used and 2 applications in operation in total.

⁶ 2-4 technologies used and 4 applications in operation in total; at least 1 application outside of Milwaukee and Madison.

⁷ Routes can be between Ameritech central offices not previously connected, a diverse route between Ameritech offices, or a route that creates a fiber-ring providing diversity to Ameritech's central offices.