

Date Mailed October 31, 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,  
2000, Anniversary Date

6720-TI-162

**FINAL DECISION**

This is the final decision to determine the amount that Wisconsin Bell, Inc. d/b/a Ameritech Wisconsin (Ameritech), may increase, or shall decrease, its price-regulated rates pursuant to Wis. Stat. § 196.196(1)(c) and Wis. Admin. Code § PSC 163.04(1). In addition, this decision establishes updated company-specific service quality benchmarks and performance ranges and determines prospective adjustments to the price-cap index for Ameritech.

Ameritech is required to file tariffs that decrease its rates by an average of 0.78 percent for price-regulated services. The quality of service benchmarks and performance ranges set forth in Appendix F shall be used in calculating the adjustment to the productivity offset on Ameritech's anniversary date in the year 2001.

**Introduction**

On August 17, 2000, 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 Ameritech 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 for setting reasonable rates

in lieu of 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. Under Wis. Stat. § 196.196(1)(a), price-regulated services 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.<sup>1</sup>

In addition, the Commission initiated this proceeding to set new company-specific benchmarks for service quality to administer the mechanisms of price regulation pertaining to Ameritech's anniversary date in the year 2001.

Pursuant to Wis. Admin. Code § PSC 163.04(1), on its September 1, 2000, anniversary date, Ameritech filed certain information with the Commission for the Commission's determination of the amount the utility may increase or shall decrease its rates. Pursuant to Wis. Admin. Code § PSC 163.04(8)(a), the Commission shall issue an order no later than 30 days after the utility's anniversary date authorizing the amount the utility may increase its rates or mandating the amount it shall reduce them. If a hearing is held, the time within which the Commission shall issue an order may be extended by 30 days.

A draft order was mailed to all parties listed on Appendix A. Ameritech and the Wisconsin Department of Justice (WDOJ) filed comments. The Commission determined to hold a hearing in this proceeding and issued a Notice of Hearing on September 26, 2000. A contested case hearing was held in Madison, Wisconsin, on October 10, 2000.

---

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

### **Findings of Fact**

1. The gross domestic product price index for the second quarter of 2000 was 106.83. This represented a 2.10 percent increase over the index value of 104.63 for the second quarter of 1999.
2. The increase in the productivity offset for quality of service is 0.48 percent.
3. The total decrease in the productivity offset for infrastructure deployment is 0.60 percent.
4. The decrease in the productivity offset for contributions to the Wisconsin Advanced Telecommunications Foundation (WATF) is 0.20 percent.
5. The increase in the productivity offset based on the Commission's discretion is 0.20 percent.
6. Ameritech shall decrease its rates for price-regulated services an average of 0.78 percent as a result of the order in this docket, so that its unadjusted cumulative actual price index (API), presently equal to 98.22, is no more than its unadjusted cumulative price cap index (PCI) of 97.45.
7. The company-specific service quality benchmarks and performance ranges set forth in Appendix F shall be used in calculating the adjustment to the productivity offset on Ameritech's anniversary date in the year 2001.

### **Conclusions of Law**

1. Ameritech is a telecommunications utility, as defined in Wis. Stat. § 196.01, engaged in providing telecommunications service to the public.

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

3. The Commission has jurisdiction under Wis. Stat. § 196.196(1)(c) and Wis. Admin. Code ch. PSC 163 to issue an order establishing updated company-specific quality of service benchmarks and performance ranges, determining prospective adjustments to the price-cap index for Ameritech, and authorizing the amount by which Ameritech may increase its rates or mandating the amount it shall reduce them, pursuant to the findings of fact and opinion set forth herein.

### **Opinion**

Under Wis. Stat. §§ 196.196(1)(c) and (cm), in determining the amount the utility may increase its rates or mandating the amount it shall reduce them, the Commission shall consider: (1) the annual percentage change in the Gross Domestic Product Price Index (GDPPI); (2) a statutory productivity factor offset; (3) an increase in the productivity offset for inadequate service or insufficient investment; and (4) a decrease in the productivity offset to encourage infrastructure investment. In determining the increase or decrease to the productivity offset, the Commission shall consider the extent to which Ameritech has contributed to the WATF.

### **Gross Domestic Product Price Index (GDPPI)**

According to Wis. Admin. Code § PSC 163.04(2)(a), the annual percentage change in GDPPI is calculated by using the most recent quarterly GDPPI index and the price index that was used in the calculation on the previous anniversary date. According to Wis. Admin. Code § PSC 163.02(4), GDPPI means the figure as reported by the U.S. Department of Commerce

(USDOC) in its Survey of Current Business. As reported in the USDOC's August 2000 Survey of Current Business, the GDPPI chain-type index for the second quarter of 2000 was 106.83.

This represented a 2.10 percent increase over the restated index value of 104.63 for the second quarter of 1999, which was used to reflect the revised GDPPI series.

### **Productivity Factor Offset**

According to Wis. Stat. § 196.196(1)(c), the productivity offset is three percentage points for a telecommunications utility with more than 500,000 access lines at the time of electing to be price regulated. Since Ameritech had more than 500,000 access lines as of September 1, 1994, the productivity offset for Ameritech is three percent.

### **Increase in Productivity Offset for Inadequate Service**

The service quality mechanism set forth in Wis. Admin. Code § PSC 163.04(2)(c), is based on comparing actual results to industry-wide standards and company-specific benchmarks. For Ameritech's 2000 anniversary date, the maximum increase to the productivity offset for inadequate service specified in Wis. Admin. Code § PSC 163.04(2)(g) is 0.8 percent. Once the comparison is made between actual performance and industry-wide standards and company-specific benchmarks, the Commission must determine to weight to be given to each component. The Commission finds that it is reasonable to give equal weight to each of the five service quality components specified in Wis. Admin. Code § PSC 163.04(2)(c)2., so that the maximum value for each component is 0.16 percent.

The calculation of the increase to the productivity offset for inadequate service for the year 2000 anniversary date is shown in Appendix B. Actual performance is compared against

Docket 6720-TI-162

industry-wide standards, as well as against Ameritech's most recent 3-year average performance and performance ranges as approved in the Commission's order in docket 6720-TI-159, dated October 1, 1999, (6720-TI-159 October Order). The performance ranges for all components represent a 10 percent range above and below the 3-year averages.

For average time interval for installation and percent repeat trouble reports, Ameritech's most recent performance fails to meet both the industry-wide standard and the company-specific 3-year average performance. Therefore, according to Wis. Admin. Code § PSC 163.04(2)(c)8.a., an adjustment equal to 100 percent of 0.16 percent shall be assessed for these components, increasing the productivity offset.

The Commission's orders in dockets 05-TI-157 and 05-TI-248 established a 2-part industry-wide standard for speed of repair. One of those dual standards is that 95 percent of all routine out-of-service troubles be cleared within 24 hours for at least 10 months in any calendar-year period. As shown in Appendix B, Ameritech has not met this standard. In addition, Ameritech's actual performance for speed of repair fails to meet the company-specific 3-year average performance. Therefore, according to Wis. Admin. Code § PSC 163.04(2)(c)8.a., an adjustment equal to 100 percent of 0.16 percent shall be assessed for this component, increasing the productivity offset.

The Commission's orders in dockets 05-TI-157 and 05-TI-248 also established a 2-part industry-wide standard for overall network quality. If a company fails to achieve either part of this standard, a full disincentive for this component shall be assessed. The first standard is that total company customer trouble reports for the calendar year may not exceed 20 troubles per 100 lines. This is equivalent to a monthly average of approximately 1.7 troubles per 100 lines.

The other industry-wide standard for overall network quality is based on trouble reports in each of Ameritech's exchanges. No exchange may have more than five troubles per 100 lines in any three or more months during the calendar year. Ameritech's 1999 performance met these standards. As shown in Appendix B, Ameritech also met the company-specific 3-year average performance for trouble reports per 100 access lines. As shown in Appendix B, Ameritech's performance for average employee answer time for repair calls met the industry-wide standard and the company-specific 3-year average performance. Therefore, according to Wis. Admin. Code § PSC 163.04(2)(c)6.a., no adjustment to the productivity offset shall be assessed for overall network quality and average employee answer time for repair calls.

### **Adjustment to Productivity Offset for Infrastructure Investment**

The calculation of the adjustment to the productivity offset for infrastructure investment applicable to Ameritech's year 2000 anniversary date is set forth in Appendix C. The calculation is based on comparing actual performance against thresholds approved in the 6720-TI-159 October Order.

Based on Ameritech's actual deployment of interoffice circuits as of December 31, 1999, an adjustment equal to 0.20 percent, shall be granted for this component, decreasing the productivity offset. Based on Ameritech's actual deployment of interoffice-new routes in 1999, an adjustment equal to 0.40 percent, shall be granted for this component, decreasing the productivity offset.

**Wisconsin Advanced Telecommunications Foundation (WATF)**

According to the 6720-TI-159 October Order, an increase in the productivity offset will be imposed if the annual amount of contributions to the WATF during 1999 is less than \$1,448,000. A total WATF decrease in the productivity offset will apply if the annual amount of contributions in 1999 is greater than \$1,972,000.

During 1999, Ameritech contributed \$1,975,000 to the WATF. Therefore, the Commission determines that a decrease in the productivity offset of 0.20 percent will apply for this component.

**Discretionary Adjustment to the Productivity Offset**

According to Wis. Admin. Code § PSC 163.04(2)(f), in addition to the adjustments to the productivity offset for infrastructure investment, quality of service, and WATF as discussed previously, the Commission may also, at its discretion, increase or decrease the productivity offset by up to 0.2 percent for utilities with more than 500,000 access lines. To determine this discretionary adjustment, Wis. Admin. Code § PSC 163.04(2)(f) sets forth the factors the Commission may consider to the extent they relate to the utility's infrastructure investment and quality of service.

As part of its annual filing, Ameritech submitted a number of indicators of performance and commitment for the Commission's consideration in evaluating the 1999 discretionary adjustment to the productivity offset. These indicators reflect Ameritech's performance and commitments in the areas of: (1) customer education; (2) anti-cramming practices; (3) infrastructure deployment; (4) new services; (5) utilization of infrastructure investments by

schools, hospitals, etc.; (6) service quality items not in the price-cap formula; and (7) contributions and community involvement.

Ameritech's customer service complaints increased by over 60 percent from 1998 to 1999 when excluding complaints related to modem speed. This trend has continued in 2000, with complaints up over 35 percent for the period January 1, 2000, to August 31, 2000, when compared to the same period in 1999. In addition, starting on Ameritech's anniversary date in 2001, Ameritech will be evaluated based on a new service quality factor for answer time for business office calls. The standard in effect for 2000, as approved in docket 05-TI-248, is 60 seconds. Ameritech's answer time for business office calls in 1999 was 105.25 seconds.

The Commission finds that the fact that Ameritech's level of customer complaints has significantly increased since 1998 and that the answer speed for business office calls in 1999 exceeds the industry-wide standard that will be effective for Ameritech's 2001 anniversary date, outweighs the indicators as set forth by Ameritech in its annual filing. The Commission, therefore, finds that Ameritech should be assigned a discretionary increase to the productivity offset of 0.20 percent.

### **Calculation of Price-Cap Index**

The calculation of the annual PCI based on the above determinations and Wis. Admin. Code § PSC 163.04 is shown in Appendix D. A summary of PCI and API values is shown in Appendix E.

It is reasonable, based on the calculations shown in Appendices D and E, that Ameritech be required to decrease its rates for price-regulated services an average of 0.78 percent as a result

of the order in this docket, so that its unadjusted cumulative API, presently equal to 98.22, is no more than the authorized unadjusted cumulative PCI of 97.45. This index, when applied to current rates, determines the level of rates that is reasonable on a prospective basis, pursuant to Wis. Stat. § 196.196(1)(c) and Wis. Admin. Code § PSC 163.04.

### **Benchmarks for Anniversary Date in the Year 2001**

**Service Quality.** Pursuant to Wis. Adm. Code § PSC 163.04(2)(c)10., on each anniversary date, the Commission, following an opportunity for hearing, shall compute new industry-wide standards and company-specific benchmarks for service quality. These updated benchmarks shall be used in calculating the adjustment to the productivity offset for service quality on the next anniversary date.

Appendix F contains company-specific quality of service benchmarks and performance ranges for the five service quality components specified in Wis. Adm. Code § 163.04(2)(c)2. These benchmark ranges are to be used in calculating the adjustment to the productivity offset on Ameritech's anniversary date in the year 2001. The benchmarks were computed using a 3-year average of data from 1997-1999. According to Wis. Admin. Code § PSC 163.04(2)(c)10.:

For purposes of computing the updated company-specific benchmarks and subject to a showing to the contrary, past performance for the most recent 3-year average shall meet or exceed past performance for the initial 3-year average.

For average employee answer time for repair calls and initial trouble reports, the most recent 3-year average exceeded the initial 3-year average. For average time interval for installation, percent repeat troubles, and average time out of service, the most recent 3-year average did not meet or exceed the initial 3-year average. No showing was made as to why these

Docket 6720-TI-162

lower levels of quality of service should be reflected in the updated benchmarks. The benchmarks for these components, therefore, were set at the initial 3-year average.

The Commission's order in docket 05-TI-248 established two new components, trunk blockage and answer time for business office calls, to be effective for 2001 anniversary dates. The 3-year averages for these components are being initially set in this docket.

The performance ranges for all components represent a 10 percent range above and below the 3-year averages. The Commission finds the benchmarks and performance ranges set forth on Appendix F to be reasonable for use in calculating the adjustment to the productivity offset on Ameritech's anniversary date in the year 2001.

Industry-wide standards to be used in calculating the adjustment to the productivity offset on Ameritech's anniversary date in the year 2001 will be established by the Commission in docket 05-TI-348.

**Infrastructure and WATF.** The Commission's order dated March 16, 2000, in docket 6720-TI-159 established the following to be used in calculating the productivity offset on Ameritech's anniversary date in the year 2001:

1. Infrastructure investment components together with benchmark ranges, component weights, and measurement timeframes.
2. The methodology for determining an incentive or a penalty for contributions to the WATF.

**Order**

1. This order shall be effective on the date mailed.
2. Ameritech shall file tariffs that decrease its rates by an average of 0.78 percent for price-regulated services so that its unadjusted cumulative actual price index is no more than the authorized unadjusted cumulative price-cap index of 97.45.
3. The service quality benchmarks and performance ranges set forth in Appendix F 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-162 Final.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

To comply with Wis. Stat. § 227.47, the following parties who appeared before the agency are considered parties for purposes of review under Wis. Stat. § 227.53.

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

AMERITECH WISCONSIN

By

Mr. Michael I. Paulson, Attorney  
722 North Broadway, 16<sup>th</sup> Floor  
Milwaukee, WI 53202-4396  
(PH: 414-270-4557 / FAX: 414-270-4553)

STATE OF WISCONSIN,  
DEPARTMENT OF JUSTICE

By

Mr. Edwin J. Hughes  
Assistant Attorney General  
123 West Washington Avenue  
P.O. Box 7857  
Madison, WI 53707-7857  
(PH: 608-264-9487 / FAX: 608-267-2223)

TIME WARNER TELECOM

By

Mr. Peter L. Gardon, Attorney  
Reinhart, Boerner, Van Deuren,  
Norris & Rieselbach, S.C.  
22 East Mifflin Street, Suite 600  
P.O. Box 2020  
Madison, WI 53701-2020  
(PH: 608-229-2200 / FAX: 608-229-2100)

Docket 6720-TI-162

CITIZENS' UTILITY BOARD

By

Ms. Mary Wright, Attorney  
Cullen, Weston, Pines & Bach  
122 West Washington Avenue, Suite 900  
Madison, WI 53703  
(PH: 608-251-0101 / FAX: 608-251-2883)

*Courtesy Copies:*

Ms. Pamela H. Sherwood  
VP of Regulatory Affairs, Midwest Region  
Time Warner Telecom  
4625 West 86<sup>th</sup> Street, Suite 500  
Indianapolis, IN 46268  
(PH: 317-713-8977 / FAX: 317-713-8923)

Mr. Steve Hiniker  
Executive Director  
Citizens' Utility Board  
16 North Carroll Street, Suite 300  
Madison, WI 53703  
(PH: 608-251-3322 / FAX: 608-251-7609)

The Honorable Judy Robson  
The State Senate  
State Capital, 15 South  
Madison, WI 53702  
(PH: 608-266-2253 / FAX: 608-267-5171)

Ameritech Wisconsin  
6720-TI-162  
Increase in Productivity Offset for Inadequate Service  
for the September 1, 2000, Anniversary Date

Component	Actual Performance 1999	Industry- Wide Standard	Three Year Average Performance	Maximum of Performance Range	Increase in Productivity Offset
Average Time Interval for Installation (days)	2.46	2.42	1.20	1.32	0.16%
Overall network quality:					
Trouble Reports per 100 Access Lines	15.52	20.00	17.05	18.76	0.00%
Exchanges with More than 5 Troubles per 100 Lines for at Least 3 Months	0	0			
Speed of Repair:					
Average Time Out of Service (hours)	23.62	14.56	14.13	15.54	0.16%
Months with 95 or More Percent of Routine Out-of- Service Troubles Cleared within 24 Hours	2	>=10			
Percent Repeat Trouble Reports	15.85%	15.10%	10.42%	11.46%	0.16%
Average Employee Answer Time for Repair Calls (seconds)	7.60	20.00	7.86	8.65	0.00%
Total Increase in Productivity Offset for Inadequate Service					0.48%

Ameritech Wisconsin  
6720-TI-162  
Adjustment to Productivity Offset for Infrastructure  
Investment for the September 1, 2000, Anniversary Date

Component	Actual 1999	Increase	Productivity Offset Benchmarks		Infrastructure Investment Productivity Offset	
			50% Decrease	100% Decrease	Increase	Decrease
Physical ISDN Availability	0		25% of total decrease for each new exchange, up to a total of four, with ISDN availability without transport			0.00%
Interoffice Circuits <sup>2</sup>	99.03%	98.1%	98.9%	99.5%	0.00%	0.20%
Fiber in the Loop	16.8%	15.0%	17.0%	18.0%	0.00%	0.00%
Interoffice-New Routes	5	<sup>3</sup>	4 new routes	5 new routes	0.00%	0.40%
Total Infrastructure Investment					0.00%	0.60%

---

<sup>2</sup> Excludes new interoffice fiber routes deployed in 1999.

<sup>3</sup> If one of the three proposed Ameritech to Ameritech new routes is not completed.

Ameritech Wisconsin  
6720-TI-162  
Calculation of Annual Price Cap Index

Annual Change in Gross Domestic Product Price Index		2.10%
Productivity Factor Offset	(3.00%)	
Adjustments to Productivity Offset:		
Quality of Service (Appendix B)	(0.48%)	
Infrastructure Investment (Appendix C)	0.60%	
WATF	0.20%	
Commission Discretion	(0.20%)	(2.88%)
Total		(0.78%)
Annual Price Cap Index		
$[1+\Delta\text{GDPPI-PROD+INC-PEN}]*100$		99.22

Ameritech Wisconsin  
6720-TI-162  
Summary of PCI and API Values

Annual Price Cap Index (PCI)	99.22
Unadjusted Cumulative PCI	97.45
Three-Year Maximum PCI	99.22
Annual Actual Price Index (API)	100.00
Unadjusted Cumulative API	98.22
Three-Year Maximum API	100.00
Allowed Rate Increase or (Required Decrease) <sup>4</sup>	(0.78%)

---

<sup>4</sup> Since the three-year maximum PCI is less than the three-year maximum API, and the unadjusted cumulative PCI is less than the unadjusted cumulative API, Ameritech Wisconsin shall decrease its rates for price-regulated services so that the unadjusted cumulative API does not exceed the unadjusted cumulative PCI.

Ameritech Wisconsin  
6720-TI-162  
Company-Specific Service Quality Benchmarks  
for the September 1, 2001, Anniversary Date

Component	Three-year Average Performance <sup>5</sup>	Performance Range	
		Minimum	Maximum
Average Time Interval for Installation (days)	1.20	1.08	1.32
Trouble Reports per 100 Access Lines	16.87	15.18	18.56
Average Time Out of Service (hours)	14.13	12.72	15.54
Percent Repeat Trouble Reports	10.42%	9.38%	11.46%
Average Employee Answer Time for Repair Calls (seconds)	7.50	6.75	8.25
Average Employee Answer Time for Business Office Calls (seconds)	93.70	84.33	103.07
Percent of Trunk Groups Exceeding Threshold 3 Consecutive Months	100.00%	90.00%	100.00%

---

<sup>5</sup> For average employee answer time for repair calls, trouble reports per 100 access lines, average employee answer time for business office calls, and percent of trunk groups exceeding threshold 3 consecutive months, the three-year average represents an average of 1997 to 1999 calendar year data. For average time interval for installation, percent repeat troubles, and average time out of service, the three-year average represents the initial three-year average.