

Date Mailed  
May 4, 2001

BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

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

2180-TI-133

**DECISION**

This is the second decision in this proceeding, establishing for Verizon North Incorporated (Verizon), formerly known as GTE North Incorporated (GTE), company-specific infrastructure investment components together with benchmark ranges and component weights. 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 Verizon's anniversary date in the year 2002.

**Introduction**

On June 9, 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 GTE (Verizon) may increase or must decrease its rates for price-regulated services for its anniversary date in the year 2000. 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> 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 Wisconsin Advanced Telecommunications Foundation (WATF)<sup>2</sup>, and make any other determinations, as necessary, to use on Verizon's year 2001 anniversary date. An order was issued on June 29, 2000, establishing rate adjustments necessary for the 2000 anniversary date and service quality benchmarks for use on the 2001 anniversary date.

In addition, this proceeding was initiated to set new company-specific benchmarks for infrastructure investment and make any other determinations, as necessary, to use on Verizon's year 2002 anniversary date.

A draft order establishing, for Verizon, company-specific infrastructure investment components together with benchmark ranges and component weights to be used in calculating the adjustment to the productivity offset on Verizon's anniversary date in the year 2002, was mailed to all parties. Any comments received have been considered in approving this second decision. No hearing was held in this docket and none was requested.

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<sup>1</sup> In the order in docket 2180-TI-111, 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.

<sup>2</sup> Wis. Stat. § 196.196(1)(cm) requires the Commission to consider WATF contributions when making adjustments to the offset percentage. Wis. Admin. Code § PSC 163.04(2)(e) implements that statutory requirement. WATF recently voted to dissolve. However, the dissolution does not go into effect until the Joint Finance Committee votes to accept the transfer of the money in the fund. Until that time the WATF remains in existence. Should the dissolution become final, the Commission may wish to reopen this docket for reconsideration of the WATF.

### **Findings of Fact**

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 Verizon's anniversary date in the year 2002.

### **Conclusions of Law**

1. Verizon is a telecommunications utility, as defined in Wis. Stat. § 196.01, engaged in providing telecommunications service to the public.
2. Verizon 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 infrastructure investment components together with benchmark ranges and component weights.

### **Opinion**

Appendix B sets forth infrastructure investment components together with benchmark ranges and component weights to be used in calculating the productivity offset on Verizon's anniversary date in the year 2002. Measurement timeframes for infrastructure investment components shall be January 1, 2001 to December 31, 2001. Appendix B reflects discussions held between Commission staff and representatives of Verizon.

The investment components are designed to improve and promote the replacement of older switching technology and overall network quality. Each of the specific investment components is discussed below:

### **Replacement of VIDAR Switches**

This component provides an incentive for Verizon to replace VIDAR switches. The replacement of VIDAR switches will allow Signaling System 7 (SS7) connectivity, enabling customers in these Verizon exchanges the ability to subscribe to enhanced custom calling features such as caller identification – name and number. While Verizon's central offices in Wisconsin are 100 percent digital, customers in seven exchanges, representing approximately 11,520 access lines, 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.

In its first order in this docket, the Commission directed Verizon to file a timeline that commits to replacing these switches as soon as reasonably possible. This timeline was to be filed as part of Verizon's application for an alternative regulatory plan, or by January 15, 2001, if no alternative regulatory plan was finalized by December 31, 2000. Since Verizon has elected not to file an alternative regulation application to date, it filed a VIDAR replacement timeline on January 8, 2001.

If Verizon replaces all remaining VIDAR switches with switches capable of SS7 before December 31, 2001, it shall receive a full 0.7 percent incentive. If Verizon converts less than or equal to 4,608 access lines, it shall receive a full disincentive of 0.175 percent. If Verizon converts between 4,609 and 5,760 access lines, it shall receive neither an incentive nor a

disincentive. If Verizon converts more than 5,760 lines, but less than all 11,520 lines, it shall receive a partial incentive based on a pro-rata sliding scale.

### **Service Improvement**

The other infrastructure measurement relates to the improvement of exchange network facilities targeted to eliminate causes of customer trouble reports. Verizon's Trouble Analysis System (TAS) database analyzes customer reported trouble to allow isolation and identification of defective outside plant facilities that may be causing that trouble. Further analysis by field technicians and local engineers confirm and prioritize the need for capital expenditures to correct the problem. This program is administered by the Verizon Trouble Administration Center (TAC) and can be tracked and monitored through standard reports.

During the first full year of this program in 2000, there were 6,479 customer-reported troubles eliminated from the network due to the targeted infrastructure improvements that resulted from this program. The target benchmark of trouble report reduction through this program for the year 2001 is 4,860. This is adjusted downward from the year 2000 total due to the sale of exchanges comprising approximately 25 percent of Verizon's access lines to CenturyTel, Inc. in late 2000. If Verizon's performance falls short of the target by more than 25 percent, a full disincentive of 0.025 percent shall be assessed. If Verizon exceeds the target by an additional 1,100 troubles cleared, the full 0.1 percent incentive would be achieved. Partial incentive would be granted on a pro rata basis for troubles cleared over the target benchmark.

**Order**

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 Verizon's anniversary date in the year 2002.

Dated at Madison, Wisconsin, \_\_\_\_\_

By the Commission:

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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 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)*

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Verizon North Incorporated  
2180-TI-133  
Infrastructure Investment Benchmarks  
for Anniversary Date in the Year 2002  
(2001 Measurement Timeframe)

Component	Maximum Productivity Offset Values		Productivity Offset Benchmarks			
	Disincentive <sup>3</sup>	Incentive	Disincentive	No Incentive or Disincentive	Partial Incentive <sup>4</sup>	Full Incentive
Replacement of VIDAR Switches <sup>5</sup>	.175%	.70%	<= 4,608	4,609-5,760	5,761-11,519	11,520
Service Improvement – Troubles Eliminated	.025%	.10%	<= 3,645	3,646-4,860	4,861-5,960	> 5,960
Total Infrastructure Investment	.20%	.80%				

<sup>3</sup> Total maximum productivity offset values are based on those anticipated to be in effect on Verizon's year 2002 anniversary date. These values are based on the Commission's order in docket 05-TI-174 and the proposed rules in docket 1-AC-189. If the rule is not effective by Verizon's next anniversary date, or the final rule promulgates a different total maximum productivity offset value, the maximum productivity value for each component shall be adjusted on a prorata basis.

<sup>4</sup> A partial, pro-rated incentive shall be granted based if performance falls in this range.

<sup>5</sup> Measurement based on number of access lines that were served by VIDAR switches as of December 31, 2000 which are converted to digital switches equipped with signaling system 7 by December 31, 2001. For purposes of this measurement, access line counts shall be based on December 31, 1999.