

Date Mailed April 18, 2001

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

SECOND DECISION

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. 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 2002.

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 for Ameritech's 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

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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.¹ 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),² and make any other determinations, as necessary, to use on Ameritech's year 2001 anniversary date. An order was issued on October 31, 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 Ameritech's year 2002 anniversary date.

A draft order establishing, for Ameritech, company-specific infrastructure investment components together with benchmark ranges and component weights to be used in calculating the adjustment to the productivity offset on Ameritech'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.

¹ 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.

² 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 Ameritech's anniversary date in the year 2002.

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 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 Ameritech'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 Ameritech.

The investment components are designed to improve or promote the following: switching technology, overall network speed and quality, competition, wholesale services, route

diversity, and high-speed data transmission. Each of the specific investment components is discussed below:

New Technologies

This component represents the number of new applications of advanced technology deployed in Ameritech's service territory. The "New Technologies" incentive item challenges Ameritech to place the latest version of transport and switching elements in its Wisconsin network. These technologies increase the efficiency of the network by expanding the capabilities of existing fiber optic cables, with higher transmission speeds or use of multiple light frequencies on the same fibers. Other technologies on the list would reduce the need for conversions of data from higher speeds to lower speeds, or for the first time add diversity of routes in the loop plant.

Service Improvement

This component requires Ameritech to increase by 50 percent its capital expenditures associated with the replacement of problem cable segments, inefficient cable control points, and temporary small pair-gain devices. All of these problem areas contribute to customer troubles.

Percent Of Loops On Fiber

This component is the number of loops served by fiber as a percent of the total loops owned by Ameritech. This incentive element provides for improvements in the loop plant for a

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broad range of customers. Increasing the percentage of loops that have a fiber optics component will help improve transmission characteristics and reduce susceptibility to moisture, which is a major source of customer troubles.

Interoffice Fiber

This component represents the number of new routes between central offices that are served by fiber. The addition of fiber optic cable routes improves the network by increasing the capacity available on the routes and removes older copper based technology that is susceptible to troubles. Routes that provide diversity for traffic between two points, and thus reduce the possibility of an outage due to a cable cut, are also eligible for this incentive.

Titan Cross-Connects

This component represents the number of new sites where Titan Cross-Connects have been added or where there is an upgrade as to the number of ports served by a Titan Cross-Connect. This technology allows for the reconfiguration of dedicated services purchased by carriers and large customers. It improves the provisioning process for these services and eliminates unnecessary digital to analog conversions which can be inefficient and add to troubles on these services.

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 Ameritech's anniversary date in the year 2002.

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 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.

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(Not a party but must be served)
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The Honorable Judy Robson
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APPENDIX B

Ameritech Wisconsin 6720-TI-162 Infrastructure Investment Benchmarks for Anniversary Date in the Year 2002

Component	Maximum Productivity Offset Values ¹		Productivity Offset Benchmarks for Year 2002 Measurement		
	Increase	Decrease	Increase	50% Decrease	100% Decrease
New Technologies ²		.4%		3	4
Service Improvement Capital ⁵	.167%	.1%	Less than \$1.7M in target exchs. or \$3.3M in total	At least \$1.7M in target exchs. and \$3.85M in total	At least \$1.7M in target exchs. and \$4.4M in total
Fiber in the Loop	.167%	.4%	19.0%	22.5%	23.5%
Interoffice-New Routes ⁶		.4%		2 new routes	4 new routes
Titan Cross-connects	.166%	.4%	<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%			

¹ Total maximum productivity offset values are based on those anticipated to be in effect on Ameritech'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 Ameritech'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.

² New technologies include (1) OC192 SONET route, (2) Dense Wavelength Division Multiplexing, (2a) Passive Wave Division Multiplexing, (3) Light Span 2012 (LS2012) ring, (4) ATM tandem switch, (5) Broadband Digital Cross-connect (OC3 -OC48) and (6) Digital Radio. The LS2012 ring shall be a true ring including at least 65 percent of the route based on feet of fiber strands.

³ 1-2 technologies used and 2 applications in operation in total.

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

⁵ The target exchanges are the 14 that have been identified as having the highest trouble report rates per 100 access lines.

⁶ Routes can be between Ameritech central offices not previously connected, a diverse route between Ameritech offices, or a route between Ameritech and an Independent Company office.