

Date Mailed October 1, 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, 2001, Anniversary Date

6720-TI-171

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 0.05 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 2002.

Introduction

On September 4, 2001, the Commission issued a Notice of Proceeding and Investigation and Assessment of Costs (Notice) in this docket. The Notice initiated an investigation into the administration of 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.¹

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 2002.

Pursuant to Wis. Admin. Code § PSC 163.04(1), on August 28, 2001, 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 Ameritech's September 1, 2001, 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 notice was mailed to all parties listed on Appendix A. Any comments received have been considered in approving this final decision. No hearing was held in this docket and none was requested. As a result, this is not a Class 1 proceeding as defined in Wis. Stat. § 227.01(3)(a).

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.

Findings of Fact

1. The gross domestic product price index for the second quarter of 2001 was 109.26. This represented a 2.29 percent increase over the index value of 106.81 for the second quarter of 2000.
2. The increase in the productivity offset for quality of service is 0.51 percent.
3. The total decrease in the productivity offset for infrastructure deployment is 1.07 percent.
4. The decrease in the productivity offset for contributions to the Wisconsin Advanced Telecommunications Foundation (WATF) is 0.2 percent.
5. The increase in the productivity offset based on the Commission's discretion is 0.1 percent.
6. 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 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 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.

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 2001 Survey of Current Business, the GDPPI chain-type index for the second quarter of 2001 was 109.26. This represented a 2.29 percent increase over the restated index value of 106.81 for the second quarter of 2000, 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 3 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 2001 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 the weight to be given to each component. The Commission finds that it is reasonable to give equal weight to each of the seven service quality components specified in Wis. Admin. Code § PSC 163.04(2)(c)2., so that the maximum value for each component is 0.11 or 0.12 percent. Commissioner Mettner dissents from this provision of the order. Commissioner Mettner noted that it would be appropriate to give more weight to the components where Ameritech's performance missed industry-wide standards by large margins. Accordingly, Commissioner Mettner advocated an increase in the productivity offset with respect to this factor at the maximum of 0.8 percent.

The calculation of the increase to the productivity offset for inadequate service for the year 2001 anniversary date is shown in Appendix B. Actual performance is compared against industry-wide standards, as well as against Ameritech's most recent 3-year average performance

Docket 6720-TI-171

and performance ranges as approved in the Commission's order in docket 6720-TI-162, dated October 31, 2000, (6720-TI-162 October Order), with two exceptions. For trouble reports per 100 access lines and percent repeat troubles, the initial and most recent 3-year average performance and performance ranges have been adjusted to restate previously reported data, to conform to a change in reporting of repeat trouble reports. Prior to 2000, Ameritech reported repeat trouble reports twice: once as a repeat trouble, and once as an initial trouble. In 2000, Ameritech no longer reported repeat troubles as initial troubles. Ameritech states that it made this change in order to be consistent with reporting by other telecommunications utilities owned by SBC Communications, Inc. This reporting appears to be consistent with Automated Reporting Management Information System (ARMIS) data reporting requirements. The performance ranges for all components represent a 10 percent range above and below the 3-year averages.

For speed of repair, percent repeat trouble reports, average employee answer time for repair calls, and average employee answer time for business office calls, 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 0.11 or 0.12 percent shall be assessed for these components, increasing the productivity offset.

For speed of repair, the Commission has established a two-part industry-wide standard. One of those dual standards is that 95 percent of all routine out-of-service troubles be cleared within 24 hours for at least ten months in any calendar-year period. Ameritech reports that they have failed to meet this standard, due to clearing more than 95 percent of out-of-service troubles

in only two months during 2000. Ameritech's measurement includes both troubles reported by customers, and troubles detected by Ameritech's switch. The latter are all cleared much quicker than 24 hours. There were no months in which Ameritech cleared more than 95 percent of customer-reported troubles within 24 hours. Under either measurement, a full disincentive would be assessed for this component.

To clarify the issue for future reporting, the Commission finds that this measurement shall include only out-of-service troubles reported by the customer. This is consistent with the calculation for Verizon North Inc., in docket 2180-TI-135. This is also consistent with Wis. Admin. Code § PSC 165.089(2), which states, in part, that, "The minimum objective shall be to clear 95% of all routine out-of-service troubles within 24 hours of the time such troubles are reported." It is reasonable to infer that this section refers to troubles reported by customers, not by switches. This is further substantiated by Wis. Admin. Code § PSC 165.089(7), which requires each telecommunications utility to maintain an accurate record of trouble reports made by its customers. This subsection mandates record keeping which allows verification of whether the 95 percent standard is being met, and refers only to troubles reported by customers.

Ameritech reported that its average interval for installation decreased from 2.46 days in 1999 to 2.38 days in 2000. This measurement includes installations of access lines requiring a field visit, and installations of access lines and custom calling features not requiring a field visit, consistent with ARMIS reporting requirements. There are many times more installations that do not require a field visit than installations that do require a field visit. It appears that an increase in the number of installations of access lines and custom calling features not requiring a field visit more than compensated for longer installation intervals for access lines requiring a field

visit. Ameritech's performance for average time interval for installation, as reported in ARMIS, met the industry-wide standard, but failed to meet the performance range. Therefore, according to Wis. Admin. Code § PSC 163.04(2)(c)7.b., an adjustment equal to 50 percent of 0.12 percent, or 0.06 percent, shall be assessed for this component, increasing the productivity offset.

Ameritech's performance for initial troubles, after excluding repeat troubles, shows only a slight increase, from 13.06 to 13.35 initial trouble reports per 100 lines, from 1999 to 2000. Ameritech's 2000 performance for overall network quality, as well as trunk blockage, 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 these components.

Adjustment to Productivity Offset for Infrastructure Investment

The calculation of the adjustment to the productivity offset for infrastructure investment applicable to Ameritech's year 2001 anniversary date is set forth in Appendix C. The calculation is based on comparing actual performance against thresholds approved in the order issued March 16, 2000, in docket 6720-TI-159.

Based on Ameritech's actual deployment of ISDN Prime exchanges as of December 31, 2000, an adjustment of 0.19 percent shall be granted for this component decreasing the productivity offset. Based on the actual deployment of new technologies as of December 31, 2000, an adjustment equal to 0.18 percent shall be granted for this component, decreasing the productivity offset. Based on the actual deployment of fiber in the loop as of December 31, 2001, there will be no adjustment in the productivity offset. Based on Ameritech's actual deployment of new interoffice routes as of December 31, 2000, an adjustment equal to

Docket 6720-TI-171

0.35 percent, shall be granted for this component, decreasing the productivity offset. Based on Ameritech's deployment of Titan X-Connects as of December 31, 2000, an adjustment of 0.35 percent shall be granted for this component, decreasing the productivity offset.

WATF

The WATF's calculated annual contribution for Ameritech during 2000 was \$1,836,810. According to the Commission's order in docket 6720-TI-159, issued March 16, 2000, an increase in the productivity offset will be imposed if the annual amount of contributions to the WATF during 2000 is less than 10 percent lower than the WATF's calculated annual contributions, or \$1,653,129. A total WATF decrease in the productivity offset will apply if the annual amount of contributions in 2000 is greater than the WATF's calculated annual contribution plus 20 percent, or \$2,204,172.

During 2000, Ameritech contributed \$2,205,000 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 2000 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 52 percent from 1999 to 2000. Ameritech complaints also increased by 446 for the first half of 2001 with 2,189 complaints. This is a 44 percent decrease from the last half of 2000, but a 26 percent increase from the first half of last year. The large number of complaints in the second half of 2000 was the result of outages and service problems that Ameritech experienced. The majority of the complaints for the first half of 2001 were related to billing and credit issues--62 percent.

Ameritech's ARMIS Customer Complaint Satisfaction Survey shows an increase of residential dissatisfaction for installation, repairs, and business office of between 22 and 83 percent from 1999 to 2000. In the same time period for the same categories for small business customers the increases of dissatisfaction range from 12.1 to 29.2 percent.

The Commission determines that Ameritech should be assigned a discretionary disincentive of 0.1 percent. The Commission's determination is based on the level of customer satisfaction, as indicated by complaints and customer satisfaction surveys.

Calculation of Price-Cap Index

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

It is reasonable, based on the API and PCI calculations shown in Appendices D and E, that Ameritech be required to decrease its rates for price regulated services by an average of 0.05 percent as a result of the order in this docket.

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 § PSC 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 2002. The benchmarks were computed using a 3-year average of data from 1998-2000. 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, trunk blockage, 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, average employee answer time for business office calls, 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 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 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 2002.

Industry-wide standards to be used in calculating the adjustment to the productivity offset on Ameritech's anniversary date in the year 2002 were established by the Commission in docket 05-TI-348.

Infrastructure and WATF. The Commission's order dated April 18, 2001, in docket 6720-TI-162 established infrastructure investment components together with benchmark ranges, component weights, and measurement timeframes to be used in calculating the productivity offset on Ameritech's anniversary date in the year 2002.

Since the WATF has dissolved, there shall no longer be 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 0.05 percent for price-regulated services.
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 2002.

Dated at Madison, Wisconsin, _____

By the Commission:

Lynda L. Dorr
Secretary to the Commission

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Attachments

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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Docket 6720-TI-171

**Ameritech Wisconsin
6720-TI-171
Increase in Productivity Offset for Inadequate Service
for the September 1, 2001, Anniversary Date**

Component	Actual Performance 2000	Industry- Wide Standard	3-Year Average Performance	Maximum of Performance Range	Increase in Productivity Offset
Average Time Interval for Installation (days)	2.38	2.42	1.20	1.32	0.06%
Overall Network Quality:					
Trouble Reports per 100 Access Lines	13.35	20.00	14.41	15.85	0.00%
Exchanges With More Than Five Troubles per 100 Lines for at Least Three Months	0	0			
Speed of Repair:					
Average Time Out of Service (hours)	45.9	14.56	14.13	15.54	0.12%
Months with 95 or More Percent of Routine Out-of-Service Troubles Cleared Within 24 Hours	0	>=10			
Percent Repeat Trouble Reports	27.42%	15.10%	12.48%	13.73%	0.11%
Average Employee Answer Time for Repair Calls (seconds)	26.83	20.00	7.50	8.25	0.11%
Average Employee Answer Time for Business Office Calls (seconds)	120.85	60.00	93.70	103.07	0.11%
Percent of Trunk Groups Exceeding Threshold Three Consecutive Months	0.000%	0.209%	0.000%	0.000%	0.00%
Total Increase in Productivity Offset for Inadequate Service					0.51%

**Ameritech Wisconsin
6720-TI-171
Adjustment to Productivity Offset for Infrastructure
Investment for the September 2001, Anniversary Date**

Component	Actual 2000	Productivity Offset Benchmarks			Infrastructure Investment Productivity Offset ¹	
		Increase	50% Decrease	100% Decrease	Increase	Decrease
New ISDN Prime Exchanges	8	<2	25% of total decrease for each two exchanges		0.00%	0.19%
New Technologies	2		2	3		0.18%
Fiber in the Loop	19.7%	17.5%	20.0%	21.0%	0.00%	0.00%
Interoffice - New Routes	4		2	4		0.35%
Titan X- Connects	4	<2 sites	3	4	0.00%	0.35%
Total Infrastructure Investment					0.00%	1.07%

¹ The order dated March 16, 2000 in docket 6720-TI-159 anticipated that a rule adopting a new maximum infrastructure adjustment to the productivity offset would be effective by this time. Since the rule is not yet effective, the percentages have been adjusted to reflect the maximum percentage currently in effect.

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

³ 2-4 technologies used and 4 applications in operation in total; at least 1 application outside of Milwaukee and Madison.

**Ameritech Wisconsin
6720-TI-171
Calculation of Annual Price Cap Index**

Annual Change in Gross Domestic Product Price Index		2.29%
Productivity Factor Offset	(3.00%)	
Adjustments to Productivity Offset:		
Quality of Service (Appendix B)	(0.51%)	
Infrastructure Investment (Appendix C)	1.07%	
WATF	0.20%	
Commission Discretion	(0.10%)	(2.34%)
 Total		 (0.05%)
 Annual Price Cap Index [1+ΔGDPPI-PROD+INC-PEN]*100		 99.95

**Ameritech Wisconsin
6720-TI-171
Summary of PCI and API Values**

Annual Price Cap Index (PCI)	99.95
Unadjusted Cumulative PCI	97.40
3-Year Maximum PCI	99.95
Annual Actual Price Index (API)	100.00
Unadjusted Cumulative API	99.77
Three-Year Maximum API	100.00
Allowed Rate Increase or (Required Decrease)	(0.05%)

**Ameritech Wisconsin
6720-TI-171
Company-Specific Service Quality Benchmarks
for the September 1, 2002, Anniversary Date**

Component	3-year Average Performance ⁴	Performance Range Maximum
Average Time Interval for Installation (days)	1.20	1.32
Trouble Reports per 100 Access Lines	13.97	15.37
Average Time Out of Service (hours)	14.13	15.54
Percent Repeat Trouble Reports	12.48%	13.73%
Average Employee Answer Time for Repair Calls (seconds)	13.94	15.34
Average Employee Answer Time for Business Office Calls (seconds)	93.70	103.07
Percent of Trunk Groups Exceeding Threshold Three Consecutive Months	0.00%	0.00%

⁴ For average employee answer time for repair calls, trouble reports per 100 access lines, and percent of trunk groups exceeding threshold 3 consecutive months, the 3-year average represents an average of 1998 to 2000 calendar year data. For average time interval for installation, percent repeat troubles, average employee answer time for business office calls, and average time out of service, the three-year average represents the initial three-year average.