

## **South Central Library System**

Administration Office

5250 East Terrace Drive, Suite A • Madison, WI 53718-8345

608/246-7970 • FAX 608/246-7958 • TDD 608/246-7974

To the Members of the Committee:

The South Central Library System operates a shared automation system providing many services, including Internet access, to 40 public library locations of all sizes serving the more than 700,000 residents of Adams, Columbia, Dane, Green, Portage, Sauk, and Wood Counties.

As written, SB385 would almost certainly seriously impair the ability of the South Central Library System to run a cost-effective shared library automation system. We therefore urge you to reject this legislation.

Our comments focus on two separate areas: (A) telecommunication services and transmission facilities, and (B) provision of an Internet access service directly or indirectly to the public.

### **(A) Telecommunication services and transmission facilities.**

Perhaps the language of the bill regarding government telecommunication services and transmission facilities is not intended to extend beyond a certain point. However, our reading of the dependent definitions leaves significant doubt in our minds as to where a line could be drawn to divide the services which the South Central Library System provides internally from those provided by the private telecommunications carriers of our Wide Area Network (WAN) data once it leaves our equipment.

Our immediate worry is that SB385's clauses regarding the ownership of telecommunications transmission facilities might forbid a public library system from owning and operating WAN connectivity and routing equipment. Does it void the South Central Library System's recent \$200,000 investment in network development, T-1 access and routing equipment, forcing us to lease similar hardware and subcontract for network management with a "certified" telecommunications carrier? Does it prevent us from deploying new wireless municipal network technologies in the future? From creating our own fiber optic links?

The financial impacts of having to outsource WAN service and management for our

(over)

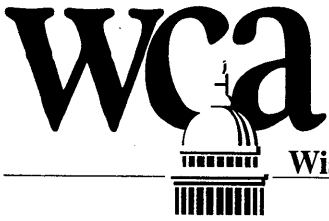
Library Interchange Network could be staggering compared to our current costs. In addition, our entire history of investment in network infrastructure could be at risk due to the clause of the bill which forbids the sale of transmission facilities. In essence, the bill states that if a government unit's use of its transmission equipment were not legal under the bill, they could neither use the equipment nor sell it to recoup their investment.

**(B) Provision of Internet access service.**

The clause of the bill which bans the provision of direct or indirect Internet access service seems diametrically opposed to every network technology investment that the South Central Library System has made in the last 5 years. Although it has been said that this provision of the bill is not intended to preclude Internet access PCs being made available in libraries, the bill could certainly be read as outlawing the South Central Library System's provision of LAN/WAN communication technologies to connect public library PCs through our member network (LINK) to [scls.lib.wi.us](http://scls.lib.wi.us) and through us to the Internet. A public PC in a library would only seem to be legal under this bill if its connectivity is purchased directly from a certified telecommunications carrier.


Whatever its intent, the proposed law in its current form is a direct threat to our way of doing business as a cost-sharing automation consortium. A lawsuit claiming that any portion of our operations were illegal might completely derail our present forward momentum and effectively prevent future library service development in the arena of electronic information delivery.

For these and many other reasons, we believe that SB 385 is incredibly bad public policy, and we urge you to reject this legislation in its entirety. Thank you for your attention and consideration.



MEMORANDUM

TO: Honorable Members of the Senate Committee on Health, Utilities,  
Veterans and Military Affairs

FROM: Craig Thompson, Legislative Director 

DATE: March 8, 2000

SUBJECT: SB 385

The Wisconsin Counties Association (WCA) strongly opposes Senate Bill 385. This bill would prohibit local units of government from owning, operating and providing telecommunications services and internet access services.

There are currently counties which have entered into joint ventures to provide telecommunications networks with other public entities within their boundaries. These joint ventures have benefited the public by allowing high speed access across the county for 911 and other vital services.

These types of joint ventures are certainly a benefit to the taxpaying public and are not designed for the purpose of competing with the private sector. This bill takes a broad brush and prohibits all local units of government from engaging in any of these types of cost-effective services for their constituents.

For these reasons WCA strongly encourages you to vote no on Senate Bill 385.

Thank you for your consideration.

CT/es

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**TESTIMONY OF ANITA T. GALLUCCI  
ON BEHALF OF  
MUNICIPAL ELECTRIC UTILITIES OF WISCONSIN**

**on**

**Senate Bill 385**

**Before the Committee on Health, Utilities,  
Veterans & Military Affairs**

**March 8, 2000**

Mr. Chairperson and members of the committee. My name is Anita Gallucci of Boardman, Suhr, Curry & Field LLP. I represent the Municipal Electric Utilities of Wisconsin ("MEUW"). MEUW is the trade association for Wisconsin's 82 municipal electric utilities. MEUW members provide service in relatively small cities and villages throughout Wisconsin. It is vitally important to MEUW members that those municipalities that choose to offer telecommunications and Internet services be able to, as they currently are allowed under Wisconsin Law. MEUW strongly opposes Senate Bill 385 ("SB 385") because it would bar municipalities, as well as other "governmental subdivisions," from providing these services and others.

**MEUW Members Want to Preserve Their Current Rights to Provide  
Telecommunications and Internet Services.** MEUW members have a long and proud

history of providing efficient, high-quality electric service to the residents and businesses within their communities. MEUW members have on staff personnel with considerable engineering, technical and operations experience of the type necessary to install, operate, maintain and repair the infrastructure necessary to provide the telecommunications services they may wish to provide in their communities. Should a MEUW member choose to provide telecommunications service, it will have the technical ability to provide high quality and efficient service.

Wisconsin's municipalities have long had the right to own and operate telecommunications utilities. See Wis. Stats. § 197.01(2). However, it was not until 1993 Wisconsin Act 496 ("Act 496") that municipalities could offer telecommunications services on a competitive basis without a determination from the Public Service Commission of Wisconsin ("PSC") that such competition was necessary to ensure adequate service. As this committee no doubt knows, with Act 496, the legislature set out to deregulate the telecommunications industry at the request of Wisconsin's telecommunications providers. In deregulating the industry, the legislature sought to replace regulation with competition. The legislature recognized that municipalities could be viable competitors and play an important role in bringing advanced telecommunications services to their communities and, therefore, lifted the barriers to telecommunications competition by municipalities. See Wis. Stats. § 196.50(4), which was amended by 1993 Wis. Act 496, § 153, effective September 1, 1994.

Allowing municipalities to offer competitive telecommunications services was just one piece of the Act 496 "package" the telecommunications industry accepted to gain the deregulation they sought. Because of the balance the legislature sought to achieve in replacing regulation with competition, any changes to Act 496 should not be made in a piecemeal fashion. A piecemeal approach would upset that balance and weaken a key component of Act 496: The encouragement of robust competition in the telecommunications industry to avoid the anti-competitive abuses of market power by incumbent providers in a deregulated environment. Whatever the approach to revising Act 496, any changes to the Act must be pro-competitive. Senate Bill 385 clearly is a step backward in this regard.

It does not make sense to modify Act 496 before we know how well it has been working. Significant changes to the Act, such as barring competition by municipalities, should not be made without a study to determine the degree to which Act 496 has achieved its goal of fostering robust competition in the telecommunications services market. Such a study should determine: (a) whether Act 496 has resulted in any significant amount of telecommunications competition in Wisconsin; (b) where the benefits of this competition, if any, have occurred (e.g., what areas of the state and what type of consumer have benefitted); and (c) whether a "digital divide" exists in Wisconsin such that the less populated areas of the state do not have ready access to advanced telecommunications services. In this regard, we note that the PSC just formed a competitive study committee to collect information regarding the extent to which there is telecommunications competition in

Wisconsin. The work of this committee would be useful in assessing the need for any revisions to Act 496.

**Erecting Barriers to Entry for Municipal Utilities Will Hurt Wisconsin Communities and Consumers.** The Wisconsin State Telecommunications Association (“WSTA”) claims that municipal telecommunications utilities will discourage competition and rob their communities of the cost-saving benefits of competition. This is not true.

Most MEUW communities have populations under 5,000. Communities of this size are unlikely to enjoy the benefits of advanced telecommunications services or the benefits of competition. Wisconsin’s municipal electric utilities can bridge the “digital divide” that exists in most member communities by bringing such advanced services to their communities so that their residents and businesses can enjoy the benefits of competition. In many small Wisconsin communities, the municipality may be the only viable competitor. Without such competition, these communities will only get those services the incumbent provider deems economical to provide.

Wisconsin’s municipal electric utilities developed largely due to the failure of private utilities to provide electrical service in many rural areas of the state because they were viewed as unprofitable. Once again, Wisconsin’s municipal electric utilities are well-positioned to bring the infrastructure of the future to their communities by helping to facilitate the development of competition in the telecommunications industry and by offering new services in the very areas that may not receive them otherwise. Ultimately, preventing municipal utilities from providing telecommunications services within their own communities

will not only inhibit competition in telecommunications, but it will also unfairly limit the telecommunications services available to rural residents, and impede economic development and growth in numerous rural communities throughout Wisconsin.

Municipalities that are considering offering telecommunications services primarily want to offer high-speed or broadband data services in response to requests by local businesses in areas where those services are either unavailable or prohibitively expensive. In its December 1999 report titled, "Status of Investments in Advanced Telecommunications Infrastructure in Wisconsin" ("PSC Report"), the PSC noted that due to lagging infrastructure investment by private telecommunications utilities, there are still some areas of the state where advanced services are not available and that **"customer demand for some services such as high-speed connection to the Internet are not being met."** See PSC Report at p. vi (attached). In light of that finding, it does not make sense to bar municipalities from providing the services the private sector has failed to provide in their communities.

Moreover, if a municipality's right to provide competitive telecommunications services under Act 496 is preserved, this fact alone will help bring competition and advanced telecommunications services to the smaller communities in the state. The mere threat of actual competition from a municipality will often spur the incumbent provider to improve and expand its service offerings. If the private providers know that municipal electric utilities have the ability to provide advanced telecommunications services to their communities, this will spur them to begin offering such services so that the municipal electric



utility will not do so. It is very important that, now that some municipalities are considering providing advanced telecommunications services to help bridge the digital divide in their communities, WSTA not succeed in its efforts to block such potentially beneficial competition.

**SB 385 Will Also Hurt Schools, CESAs and Public Libraries.** SB 385 is a step backward because it would restrict the options our schools, CESAs and libraries have with respect to telecommunications and Internet services. Our schools, CESAs and libraries should not have to select telecommunications and Internet services from only private sector providers. They should be able to choose the best technology for the best price from the best provider, whether that be a municipal utility, a cable operator, or a wireless provider. Under SB 385 schools, CESAs and libraries will pay more for less service because there will be fewer service providers.

**SB 385 is Premised on the Erroneous Assumption That Municipalities Will Violate State and Federal Laws Governing Rights-of-Way and Utility Poles.** WSTA claims that municipalities operating telecommunications systems can be expected to discriminate unduly against private providers with respect to use of local rights-of-way and municipally-owned utility poles. This is not true. This committee should not support a bill that assumes municipalities will violate the law.

State and federal law require that municipalities treat all telecommunications providers in a non-discriminatory and competitively neutral manner. Specifically, municipalities are required to provide non-discriminatory access to local rights-of-way

and to adopt reasonable right-of-way regulations. See 47 U.S.C. § 253 and Wis. Stats. §§ 182.017, 86.16, 196.58. Regulations that allowed a municipality to favor itself over a private telecommunications right-of-way user would be illegal. Moreover, municipalities must charge their municipal telecommunications utilities the same pole attachment fees that they charge private providers. Cf. 47 U.S.C. § 253 and Wis. Stats. § 196.04.

**Wisconsin Law Would Protect Phone Or E-mail Records From Disclosure By A Municipality.** WSTA claims that a municipal telecommunications or Internet services provider cannot protect their customers' personal information contained in phone or e-mail records from disclosure under Wisconsin's Open Records Law. This is not true.

Under Wisconsin case law, municipalities and other governmental agencies subject to the Open Records Law can withhold from disclosure personal information about an individual when release of such information would constitute an unwarranted invasion of personal privacy. Even if a municipality concluded that the public interest in providing access to such information outweighed the targeted individual's interests in personal privacy, the municipality could not release such information without first giving notice to the targeted individual and allowing that person a reasonable amount of time to appeal the decision to the circuit court. In short, phone and e-mail records are well protected under Wisconsin law.

**Taxpayers Benefit Greatly From Municipal Utilities.** WSTA claims that taxpayers have no say in whether their communities form telecommunications utilities. This is not true.

The decision to form a municipal telecommunications utility is a decision which is made by a vote of the City Council or Village or Town Board of the municipality at meetings

that are noticed and open to the public. Often such decisions are preceded by newspaper articles reporting on the issue. Such decisions also attract the attention of the incumbent service providers, who not only lobby individual council and board members against the creation of the municipal utility, but often wage a media campaign against the issue. By the time a council or board votes on the issue, there has been plenty of public opinion and input on the matter. If the issue faced broad opposition from local taxpayers, it would not succeed.

Taxpayers benefit not only from the services provided by their local municipal utility, but they also benefit from the tax equivalent payments each municipal utility makes. *In 1998, for example, Wisconsin's municipal electric and water utilities made a total of \$58,623,474 in tax equivalent payments to their municipalities.*

**The Ratepayers of Municipal Electric and Water Utilities Will Benefit From the Formation of Municipal Telecommunications Utilities.** WSTA claims that municipalities will violate state law and misuse municipal electric and water utility funds to subsidize the operation of municipal telecommunications utilities, forcing rate increases for these services. This is not true.

As PSC staff has recognized, the accounting system municipal telecommunications utilities will use “virtually precludes an opportunity for improper cross-subsidization.” See “Draft Interim Order for Certification as a Competitive Local Exchange Carrier,” PSC Docket No. 470-NC-100 at p. 3. Municipalities will use the same accounting system for their telecommunications utilities that they currently use for their electric and water utilities. State

law requires that the funds in these utility accounts be kept separate and prohibits commingling. See Wis. Stats. § 66.069(c).

Municipal electric and water utilities are building fiber optic systems now for their internal communications needs and to support utility functions (e.g., linking electric substations and well heads). Once these systems are in place, it makes sense to use these systems to provide telecommunications services to the public where local businesses, school districts, and citizens literally beg the municipality to do so. Such use of these existing fiber optics systems will generate additional revenue for the municipal utilities and for the municipality itself. Ratepayers, taxpayers, and consumers will reap the benefits.

**Municipal Utility Rates Are Reasonable Primarily Because Municipal Utilities Are Efficient, Not-for-Profit Entities.** WSTA claims that the availability of tax exempt financing and tax breaks will allow municipal telecommunications utilities to compete unfairly by offering services at much lower rates than the private providers. This is not true.

The availability of tax exempt financing does assist municipal utilities in keeping their rates low. However, such tax exempt financing is available because the municipal utilities are operated on a not-for-profit basis and are dedicated to serving the public interest, unlike their privately owned counterparts. Moreover, tax exempt financing is only partly responsible for municipal utilities' low rates. For example, on the electric side, municipal utilities have an 18% rate advantage over private utilities. That rate differential is primarily attributable to the municipal utilities' structural and operational efficiencies, not access to tax exempt bonds.

Municipal utilities and private utilities pay the same percentage of taxes or their equivalent to state and local governments. In 1996, for example, the median amount of net payments and contributions for this country's municipal power systems was 5.9% of electric operating revenues, compared to 6.1% for private utilities. Moreover, the costs to the U.S. Treasury for tax breaks to private utilities amounted to \$8.8 billion in 1996. In comparison, the Treasury would have collected up to \$1.5 billion in income taxes in 1996 if municipal utility bonds were taxable. When compared to each sector's relative share of the market, the percentage of costs of municipal utilities and private utilities to the Treasury is approximately the same. Private utilities, moreover, enjoy major tax subsidies, such as deferred income taxes, investment tax credits, and tax-exempt bonds.

Wisconsin's Communities Need More Competition, Not Less. Included in the PSC Report (mentioned above) is a map showing the locations of competitive local service providers or "CLECs" in Wisconsin (attached). This map vividly illustrates that there is relatively little facilities-based competition in Wisconsin. One has a choice of providers in Madison or Milwaukee and a few other cities, but the vast majority of consumers have no choice. The PSC Report confirms that not only is there little competition, but there are few competitive providers. Only about a dozen CLECs currently provide service in the state. See PSC Report at p. 26. Moreover, according to the Report,

Many of the larger cities in the state such as Milwaukee, Madison, and Green Bay, which had competitive providers in 1997, have added other competitive providers within the same exchange areas. Frequently, multiple CLECs are serving the same wire centers or exchange area. For example, three CLECs

reported offering service within the Green Bay exchange. They may serve the same or different portions of the exchange.

Id.

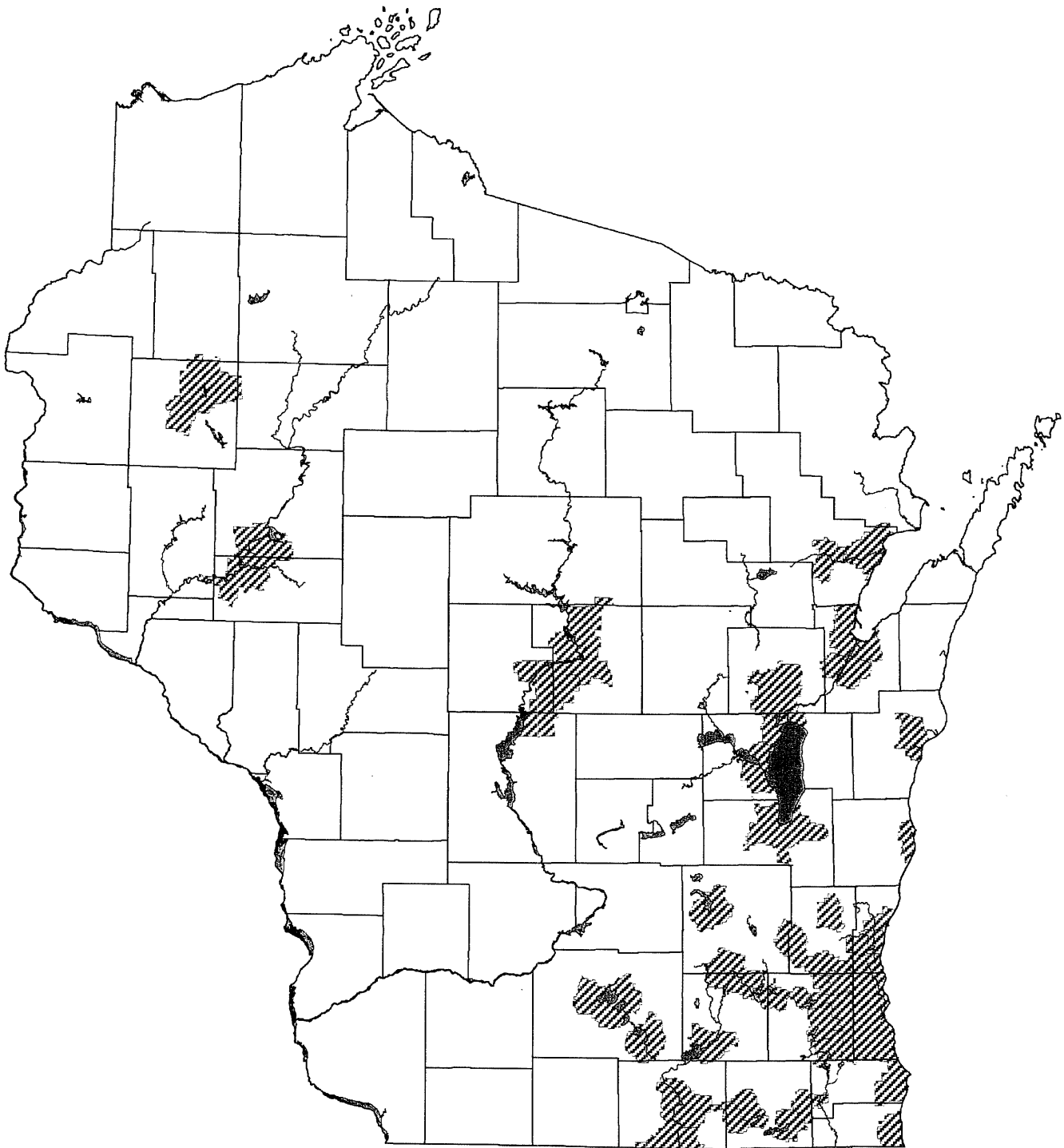
WSTA has complained that municipal telecommunications utilities will be “bad competitors” by being very selective in their provision of service and serve only the “cream” customers. This argument is more properly directed at privately owned CLECs than at municipalities. Once a municipality begins to offer a telecommunications service (high-speed data service, for example), it will, where possible, make that service available to anyone within the municipality who requests it. On the other hand, the PSC Report documents that privately owned CLECs “compete on a selective basis” and “may only serve a portion of an identified exchange.” PSC Report at p. 26. In fact, the PSC Report found that “the majority of CLECs provide specialized services, often to business customers only.”

Id. Moreover, should such “cream skimming” result in the incumbent provider lowering its rates in those areas where there is competition (usually the urban center) and raising its rates in those areas where there is no competition (usually the non-urban areas), the increased rates may be subject to reduction by virtue of the Universal Service Fund. Thus, WSTA’s cream skimming argument is nothing more than a complaint that its largest members simply do not relish competition.

Thank you.

# WISCONSIN

## Competitive Local Service Provider Locations



### MAP 11

The map indicates areas where competitive providers offer local service. Though these competitive companies have the ability and certification to provide service throughout an exchange, they often compete on a selective basis, serving only a portion of an exchange.

Service provided may be business or residential or both.

Key:

— County Line

▨ Areas that have one or more competitive providers

March 3, 2000

Representative David Hutchinson  
Chair, Assembly Committee on Information Policy  
Wisconsin State Assembly  
Post Office Box 8952  
Madison, Wisconsin 53708

RE: MEUW Opposes AB 747/SB 385.

Dear Representative Hutchinson:

Thank you for the opportunity to comment on Assembly Bill 747/Senate Bill 385. The Municipal Electric Utilities of Wisconsin ("MEUW") strongly opposes the bill and will oppose any bill that takes away the existing rights of Wisconsin municipalities to provide Internet and telecommunications services within their communities.

Wisconsin's municipalities have long had the right to own and operate telecommunications utilities. (See Wis. Stats. § 197.01(2).) However, it was not until 1993 Wisconsin Act 496 that municipalities could offer telecommunications services on a competitive basis without a determination from the Public Service Commission of Wisconsin that such competition was necessary to ensure adequate service. As you well know, with Act 496, the legislature set out to deregulate the telecommunications industry at the request of Wisconsin's telecommunications providers. In deregulating the industry, the legislature sought to replace regulation with competition. The legislature recognized that municipalities could play an important role in bringing advanced telecommunications services to their communities and, therefore, lifted the prohibition on telecommunications competition by municipalities. (See Wis. Stats. § 196.50(4), which was amended by 1993 Wis. Act 496, § 153, effective September 1, 1994.)

Allowing municipalities to offer competitive telecommunications services was just one piece of the Act 496 "package" the telecommunications industry accepted to gain the deregulation they sought. Because of the balance the legislature sought to achieve in replacing regulation with competition, any changes to Act 496 should not be made in a piecemeal fashion. A piecemeal approach would upset that balance and weaken a key component of Act 496: the encouragement of robust competition in the telecommunications industry to avoid the anti-competitive abuses of market power by incumbent providers in a deregulated environment. Whatever the approach to revising Act 496, any changes to the Act must be pro-competitive. Assembly Bill 747/Senate Bill 385 clearly is a step backward in this regard.

Moreover, it does not make sense to modify Act 496 before we know how well it has been working. Significant changes to the Act, such as barring competition by municipalities, should not be made without a study to determine the degree to which Act 496 has achieved its goal of fostering robust competition in the telecommunications services market. Such a study should determine: (a) whether Act 496 has resulted in any significant amount of telecommunications competition in

Algoma  
Arcadia  
Argyle  
Bangor  
Barron  
Belmont  
Benton  
Black Earth  
Black River Falls  
Bloomer  
Boscobel  
Brodhead  
Cadott  
Cashton  
Cedarburg  
Centuria  
Clintonville  
Columbus  
Cornell  
Cuba City  
Cumberland  
Eagle River  
Elkhorn  
Elroy  
Evansville  
Fennimore  
Florence  
Gresham  
Hartford  
Hazel Green  
Hustisford  
Jefferson  
Juneau  
Kaukauna  
Kiel  
La Farge  
Lake Mills  
Lodi  
Manitowoc  
Marshfield  
Mazomanie  
Medford  
Menasha  
Merrillan  
Mount Horeb  
Muscoda  
New Glarus  
New Holstein  
New Lisbon  
New London  
New Richmond  
Oconomowoc  
Oconto Falls  
Pardeeville  
Plymouth  
Prairie du Sac  
Princeton  
Reedsburg  
Rice Lake  
Richland Center  
River Falls  
Sauk City  
Shawano  
Sheboygan Falls  
Shullsburg  
Slinger  
Spooner  
Stoughton  
Stratford  
Sturgeon Bay  
Sun Prairie  
Trempealeau  
Two Rivers  
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Waterloo  
Waunakee  
Waupun  
Westby  
Whitehall  
Wisconsin Dells  
Wisconsin Rapids  
Wonewoc



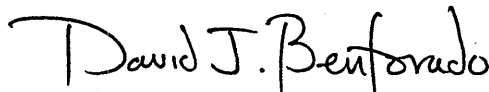
Wisconsin; (b) where the benefits of this competition, if any, have occurred (e.g., what areas of the state and what type of consumer have benefitted); (c) whether a "digital divide" exists in Wisconsin such that the less populated areas of the state do not have ready access to advanced telecommunications services. In this regard, we note that the Public Service Commission of Wisconsin ("PSC") just formed a competitive study committee to collect information regarding the extent to which there is telecommunications competition in Wisconsin. The work of this committee would be useful in assessing the need for any revisions to Act 496.

Likewise, your committee should consider the information that is currently available on the telecommunications industry, such as the PSC's December 1999 Report entitled "Status of Investments in Advanced Telecommunications Infrastructure in Wisconsin." In its Report, the PSC noted that due to lagging infrastructure investment by private telecommunications utilities, there are still some areas of the state where advanced services are not available and that **"customer demand for some services such as high-speed connection to the Internet are not being met."** (See Report at p. vi.) In light of this finding, it does not make sense to bar potential service providers.

Finally, the MEUW believes that Wisconsin's municipal electric utilities can play a vital role in bridging the digital divide that we know exists in many MEUW communities. Most MEUW communities have populations under 5,000. Communities of this size are unlikely to enjoy the benefits of advanced telecommunications services or the benefits of competition. Municipal electric utilities can bring such services to their communities so that their residents and businesses can enjoy the benefits of deregulation. **In many small Wisconsin communities, the municipality may be the only viable competitor. Without such competition, these communities will only get those services the incumbent provider deems economical to provide.** In addition, if a municipality's right to provide competitive telecommunications services under Act 496 is preserved, this fact alone will help bring competition and advanced telecommunications services to the smaller communities in the state. The mere threat of actual competition from a municipality will often spur the incumbent provider to improve and expand its service offerings. If the private providers know that municipal electric utilities have the ability to provide advanced telecommunications services to their communities, this will spur them to begin offering such services so that the municipal electric utility will not do so.

We appreciate this opportunity to offer our comments on these important telecommunications issues.

Sincerely,



David J. Benforado  
Executive Director

cc: Members of the Assembly Committee on Information Policy  
Members of the Senate Committee on Health, Utilities, Veterans and Military Affairs  
Senator Robert Jauch, Co-Chair, Joint Committee on Information Policy  
Senator Mary Panzer, Senate Minority Leader  
Representative Mike Huebsch  
Interested Parties

TO: Members of the Senate Committee on Health, Utilities, Veterans & Military Affairs  
Members of the Assembly Committee on Information Policy

FROM: Don Stevens, Agency Administrator, CESA-5  
League of Wisconsin Municipalities  
Municipal Electric Utilities of Wisconsin  
School Administrators Alliance  
Tony Evers, Agency Administrator, CESA-6  
Winnebago County  
Wisconsin Alliance of Cities  
Wisconsin Association of School Boards  
Wisconsin Counties Association  
Wisconsin Educational Association Council  
Wisconsin Educational Media Association  
Wisconsin Federation of Teachers  
Wisconsin Library Association

DATE: March 8, 2000

RE: Oppose Senate Bill 385/Assembly Bill 747.

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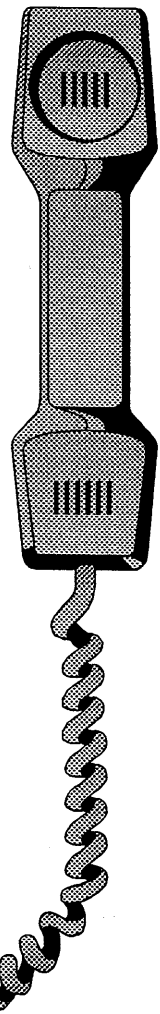
We ask that you oppose Senate Bill 385/Assembly Bill 747, a telecommunications bill being advanced by the Wisconsin State Telecommunications Association (WSTA).

We believe this bill:

- is anti-competitive, by eliminating the number of potential service providers in Wisconsin, which will result in higher costs, especially for some smaller communities, rural areas, and educational needs;
- is protectionistic, serving the special interests of the telephone industry rather than looking out for the best interests of customers;
- is anti-information access, by restricting and eliminating access to the "Information Highway/Internet"; and
- should really be part of a comprehensive look at telecommunication law in Wisconsin (i.e., have we obtained the competitive objectives of Act 496?; is there robust telecommunication competition in all areas of the state?; etc.).

Please oppose this bill. It limits telecommunications opportunities for citizens, schools and businesses in your district. For more information, please contact any of the organizations listed above or Dave Benforado, Executive Director, Municipal Electric Utilities of Wisconsin (608/837-2263 or ben4ado@mailbag.com).

cc: All Legislators



**TESTIMONY OF JOSEPH PACOVSKY  
ON BEHALF OF  
MUNICIPAL ELECTRIC UTILITIES OF WISCONSIN**

**on**

**Senate Bill 385**

**Before the Committee on Health, Utilities,  
Veterans & Military Affairs**

**March 8, 2000**

Mr. Chairperson and members of the committee. My name is Joseph Pacovsky. I am the Utility Manager for the City of Marshfield Utility Commission. Our municipal utilities provide electric service to customers in and around the City of Marshfield and water service for customers within the corporate limits of the City. Marshfield strongly opposes Senate Bill 385 ("SB 385").

Marshfield has just applied to the Public Service Commission of Wisconsin for certification to become a competitive local exchange carrier ("CLEC"). We submitted the CLEC application in order to respond to the requests for communications services we have received from residents and local businesses, who request service either because they cannot get the service from the private sector or it is prohibitively expensive or because they are dissatisfied with the service that is available. For example, a large business in Marshfield, Wick Building Systems, Inc. ("Wick"), had a need for a communications link among their remote plant locations and had to build their own communications network (see attached letter from Wick). Wick would have preferred to buy that service from the municipal utility.

The municipal utility, in turn, would prefer to supply such service rather than allowing individual businesses to attach their communications system to the municipal utility poles. While we are sympathetic to the needs of these businesses, we have a concern about the safety and facility integrity issues raised by having a large number of facilities attached to our poles.

SB 385 is protectionist legislation of the worse sort. It will serve the special interests of the large incumbent telephone providers, while at the same time it will prevent the benefits of competition and advance telecommunications services from coming to the more rural areas of Wisconsin.

Before any changes are made to Wisconsin's Information Superhighway Act, 1993 Wisconsin 496, a study should be conducted to determine the extent to which the Act has resulted in increased competition in this state. Certainly, any changes to Act 496 should be pro-competitive. The customers in the City of Marshfield have not seen the benefits of competition. Our businesses, such as Wick, have to construct their own communications systems because they either cannot obtain such service from the private sector or because to do so would be prohibitively expensive.

Competitive state of the art telecommunications services are urgently needed in the more rural areas of Wisconsin, such as Marshfield. I urge you not to support SB 385. Our residents need more competitive services and options, not fewer.



**Wick**<sup>®</sup>  
Building Systems, Inc.

Marshfield Homes • Artcraft Homes • Rollohome

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Marshfield, WI 54449-0530  
715-387-2551  
FAX 715-384-5346

March 7, 2000

Re: Senate Bill 385

Dear Chairman Moen and members of the Senate Committee on Health, Utilities,  
Veterans and Military Affairs:

My name is Harris (Butch) Berg and I am Vice President & General Manager of Wick Building Systems, Inc., Marshfield Facility. I apologize for not being able to personally attend the hearing, but my schedule did not allow me to attend.

We have been forced to construct our own communication system between remote plant locations. It would be very beneficial to us, if the City of Marshfield, through their local utility could provide these basic services to our company, I understand that the Marshfield Utility has created a Communications Utility which could provide the services that we need. This would help Wick Building Systems competitively and would be a definite benefit to us.

Please do not pass Senate Bill 385. Please allow our local municipal utility to provide the services that we, a private industry, need to compete in the outstate areas.

Sincerely,  
Wick Building Systems, Inc.

Harris Berg  
Vice President & General Manager



www.civic.com

# civic.com

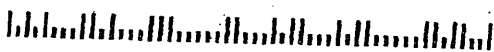
THE MAGAZINE FOR IT PROFESSIONALS IN STATE AND LOCAL GOVERNMENT

MARCH 2000

## MAKING THE CONNECTION

How civic governments help bring broadband networks to suburban and rural businesses

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SENN BROWN  
DIRECTOR OF LEGISLATIVE SV  
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HOW CIVIC  
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NETWORKS TO  
SUBURBAN  
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BUSINESSES

# MAKING THE CONNECTION

B Y H E A T H E R H A Y E S

**L**abel it an unwritten but long-standing contract between citizens and government: Whenever a new or necessary utility comes along that promises quality-of-life improvements or economic opportunity, the government — be it federal, state or local — will step in to make it a reality. They will finance it, regulate it as a monopolistic enterprise or simply take it over — that is how railroads, interstate highways, telephones, electricity and cable television became universal.

The same rationale could be applied to today's newest technological and economic necessity: high-speed telecommunications networks. Any community with long-term business development aspirations will have to find a way to hook up with remote marketplaces. A number of states and communities are trying to figure out the best way to extend broadband networks to businesses off the beaten path.

**"This way, the last person in will benefit...in the same way that a heavy user who negotiates a deal upfront would benefit."**

— Patrick Larkin, senior vice president, Massachusetts Technology Collaborative

gion- and statewide telecom connectivity is aggregating the customer base and enticing telecommunications companies to come in, build the network, and take on the risks.

Consider the case of Berkshire Connect, an organization set up by the Massachusetts Technology Collaborative (MTC) to bring connectivity to the more rural western part of the state. The communities there — stocked with a mix of manufacturers, high-tech firms and small retailers — were chafing under telecom costs that in many cases were as much as four times higher than in Boston. The expenses drove one major firm to relocate to New Jersey.

"Clearly, enterprises were being put at a terrible disadvantage in terms of being able to compete in the marketplace," said Patrick Larkin, senior vice president of MTC, which is an economic development organization set up by the state.

Initially, everyone in the Berkshire Connect effort expected that the state would have to make a substantial financial investment to get a high-bandwidth pipe from Springfield to outlying mountainous communities. Instead, the group conducted surveys, made revenue projections and built technology and business plans.

"The region has become a very prized customer for a telecommunications provider, because they can now come in here with an organized marketplace and not have to spend so much money trying to win the business," Larkin said.

When Berkshire Connect dangled a contract for a new regionwide connection, several providers bid for the opportunity. In early February, the organization announced that Global Crossing Ltd. would build the high-speed voice, data, video and telephone network, which is ex-

pected to be up by late spring.

"This way, the last person in will benefit — even if it's a mom-and-pop general store on the extreme edge of the county — in the same way that a heavy user who negotiates a deal upfront would benefit," Larkin explained.

Likewise, the state of Minnesota recently awarded a contract to Universal Communications Network, Denver, to build a high-speed, fiber-optic backbone that will include loops extending north and south of the Minneapolis/St. Paul area. The network, funded solely by the private-sector, is expected to reach 80 percent of citizens.

In the meantime, Gov. Jesse Ventura's administration has proposed deregulating current telecom laws to spur competition at the local loop level. Among the most critical elements: allowing local service providers to get into long-distance telephone service and a Universal Service Fund that will subsidize firms that provide data access in low-population areas (see "Getting Out of the Way" at left).

Getting the private sector involved is not always as easy as pulling together a few potential customers.

The West Georgia Telecommunications Alliance (WGTA) — a nonprofit coalition of schools, businesses and local and state agencies in a three-county area about an hour west of Atlanta — hopes to leverage free-market forces to build a regional fiber-optic network, but thus far the venture has been tedious. The organization still expects that it will have to rely on public funds — possibly from end-user fees and state grants.

"Density is the magic number for a telecommunications provider to come in and make an investment, and when you've got a dispersed



## Telecom

"It's pretty simple: High-speed Internet access is going to be a key competitive factor for all states, and the regions that don't do something to bring in that access are going to be left behind in the new economy," said Dan Berglund, executive director of the State Science and Technology Institute, Westerville, Ohio. "And so states and counties can either control their own destiny or they can have it controlled by the telecommunication companies."

Still, the old strong-arm tactics used to motivate the building of yesterday's utilities are not likely to work with today's state-of-the-art networks. The rapid advancement of communication technology makes the idea of paying for new infrastructure impractical for budget-strapped governments. And telecommunication companies — left to their own devices — are more inclined to spend their resources plucking the fruits of high-population areas first.

The answer, said Don Upson, secretary of technology for Virginia, is to turn the old model upside down. Instead of government stepping into the thick of it and dictating terms, officials need merely plant a competitive seed and then let free market forces take over.

Virginia, for example, took an active role in helping to establish VirginiaLink, a brand-new multiple-vendor program that offers businesses throughout the state that join a buyer's consortium the opportunity to access a statewide Asynchronous Transfer Mode (ATM) network and to buy advanced telecom services at discounted rates.

The lower prices are expected to draw businesses that otherwise couldn't have afforded such access, and the large number of potential customers is drawing strong participation from telecom companies suddenly eager to increase market share and build advanced data networks.

However, the program is not a government-run program, nor is it government-subsidized in any way, Upson said. "We encouraged it, enabled it and did everything we could to bring it about," he explained, noting that the Virginia Center for Innovative Technology (CIT), a non-profit organization, negotiated the contracts with MCI WorldCom and Sprint (and continues to do so with other potential vendors). "But this is not a state contract. That's what makes it so great. It's the private sector stepping up and doing what it does best."

And now that they're involved, the vendors are well on their way, building networks, developing services and programs, and providing technical advice to potential customers. Sprint, for its part, already has an ATM network in place, thanks to a lead role in a prototype state agency and education discount program known as Network Virginia. But even with that, the vendor wouldn't have gone out on a limb without this gentle prod from the state.

"The truth is, we would never have done this on our own," said Mike McDowell, major account manager for Sprint. "But now we feel like we've got a customer base that we can leverage."

### Making It Happen

Several state and community organizations are concluding that the most attractive avenue to re-

## Getting Out of the Way

It takes more than just a digital network to jump-start a competitive marketplace, a fact that Minnesota knows all too well.

"Our laws regarding telecommunications technologies were written in 1915, which essentially included nothing more complicated than the telephone and the telegraph," said David Fisher, Minnesota commissioner of administration. "It's obviously a little outdated for dealing with complicated services like cell phones, call waiting and digital networks."

Gov. Jesse Ventura's administration recently released the Telecommunications Strategic Plan, which aims to transition the state from a noncompetitive regulatory environment to a consumer-oriented telecom marketplace.

Among the goals: The first universal service plan in the country for providing data and video access to high-cost service areas; no less than two local telephone providers and no less than two competitors for data and video transmission in each market; and a continued effort to lift all regulatory restrictions as the marketplace evolves.

"As competition steps up, the local telephone companies will then see an increased flexibility in regulation, they can adjust their prices more freely and they will no longer be watched over by the Public Utilities Commission as far as quality of service," Fisher said. "But by the same token, as competition increases, the competition itself will cause the existing telephone companies to keep their service up and their rates low. It's the natural order."

—Heather Hayes

# E-government:

## **What is govWorks?**

govWorks is a private company that works with government to provide Internet-based services that enhance interactions between government and constituents. At govWorks.com,<sup>SM</sup> constituents can pay tickets, bills or taxes online, look for government jobs, exchange ideas with elected officials, find information, access government resources, participate in government auctions and much more.

Our solutions range from free access to the govWorks.com network to do-it-yourself Web development tools that local governments can use to create their own site with full transactional capabilities.

Like our government partners, govWorks is dedicated to the people we serve. Through our Community Commitment Program, govWorks re-invests a portion of revenues in the form of computers and pre-paid Internet access to public schools, libraries, educational programs and community centers. It's all part of our effort to help bridge the Digital Divide.

## **How does govWorks work with government?**

govWorks enables governments to provide a variety of services and information to their constituents in an effective, secure and cost-efficient manner, 24 hours a day, 7 days a week.

govWorks seeks to form collaborative relationships with local governments. Dedicated government account managers are assigned to help at every step of the process. Our integration partners work directly with governments to ensure that electronic payments and our software integrate easily with your current systems.

Through a nationwide advertising and marketing campaign, govWorks will bring millions of constituents to the consumer portal, [www.govWorks.com](http://www.govWorks.com), and to government Web sites indexed on our site.

We conduct extensive research with leaders from governments across the country, to help design and test our products and help identify future products and services that address constituents' needs. And we work with other professional service companies that specialize in doing business with government to ensure the best solutions.

govWorks helps governments use the Internet to provide better services, lower costs, increase revenues and free up resources that can be used to address other needs.

## **How does govWorks handle government transactions?**

govWorks currently offers a service that allows people to pay certain government fees, fines and taxes online anywhere in the U.S. using a credit card, debit card or checking account.

govWorks forwards the payments, along with all relevant data, directly to the appropriate government agency.

For our affiliated government partners we provide electronic transfers of funds, electronic data and electronic postmarks. This enables government agencies we partner with to get payments 7-10 days sooner.

We offer online payment facilitation to our government partners more quickly and with more extended functionality than any other private company in the marketplace.

## **How will citizens benefit from govWorks' services?**

- They can make payments and get information on their own, 24 hours a day and 7 days a week.
- They can save money on their transactions through our govRewards program.
- They can instantly get a receipt.
- govWorks has customer service representatives available 24 hours a day and 7 days a week to answer questions.
- Payments can be made instantly to affiliated governments.

# The Next Internet Frontier

Electronic government. Public/private-sector partnerships. These are two of the hottest topics in government today. More and more, local governments are investing in Internet technology to put their services and information online.

But what kinds of online government services do constituents really want? And how can government best use the Internet to meet the needs of the people it serves? Leaders in government are looking for the most efficient way to leverage the power of the Internet.

govWorks, Inc., one of a growing number of Internet companies serving the public sector, uses a collaborative approach to offer government agencies innovative solutions for what has come to be called "e-government."

## How does govWorks handle late payments?

- govWorks delivers payments within specified time periods.
- If a constituent submits a late payment, the constituent is responsible for any late charges.
- In all cases, govWorks will work directly with constituents and governments to resolve problems and answer questions.

## How does govWorks respond to payment processing errors?

govWorks follows up on *all* payments to make certain that they are processed correctly. If payments are not processed correctly, govWorks' customer service representatives personally investigate and work to correct errors. In all areas, govWorks takes every measure to ensure timely and accurate delivery of payments.

## What other services does govWorks offer?

- A nationwide public-sector job listing service—free to job seekers—that gives governments a cost-effective way to find the best prospective employees.
- A nationwide listing of government auctions, which expands the market for these goods and ultimately generates greater revenue for governments. In the near future, we will host online government auctions.
- A comprehensive database of contact information for elected officials and government agencies.
- Coverage of political campaigns.
- A calendar of civic events, and important government dates and deadlines.
- Helpful information about accessing government resources.

## What is the cost to government for these services?

The govWorks.com payment processing service, auction listing service and informational services are free to government agencies. There is a small fee for using the nationwide public-sector job listing service.

Consumers using govWorks to make payments are charged a small convenience fee to cover the transaction processing costs; but *governments receive the full payment amount of every transaction.*

## How secure is govWorks' Web site?

govWorks uses industry-standard Secure Socket Layer technology with 128-bit encryption, the same stringent security system that leading e-commerce and government sites use to conduct transactions on the Internet.

## What are govWorks' support capabilities?

govWorks' customer service staff, including specially trained government account representatives and technical support experts, is always available to answer questions, assist with transactions and receive constituent and government feedback. We can also integrate with your existing constituent service operations.

Customer service can be contacted online or by telephone 24 hours a day, 7 days a week.

## How do I contact govWorks?

For more information, or to provide feedback, please visit [www.govWorks.com](http://www.govWorks.com), e-mail govWorks' Director of Government Accounts at [govsolutions@govWorks.com](mailto:govsolutions@govWorks.com) or call toll-free 1-877-729-8587. govWorks is ready to discuss a solution to meet your e-government needs.



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## Telecom

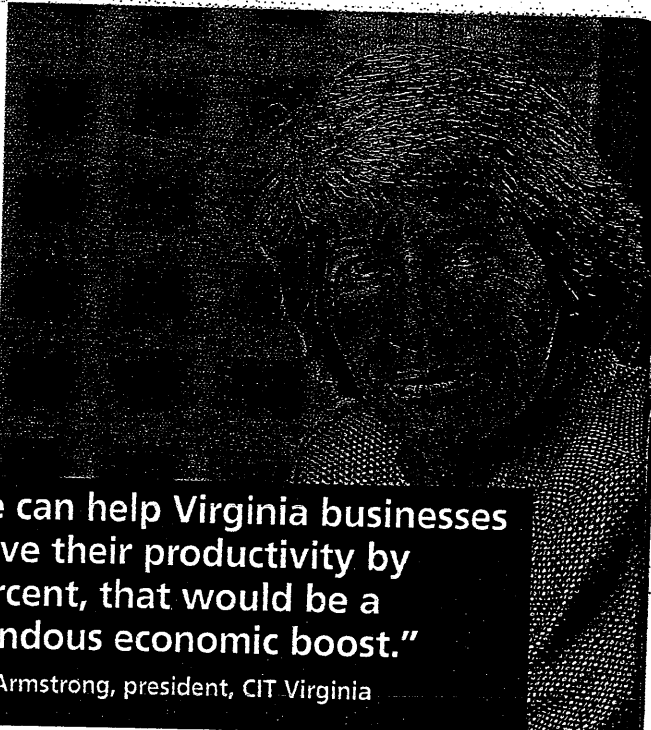
population, you've got to look at other ways," said WGTA founder and past president Martin Smith. "The key for us is to get the basic infrastructure built so that a lot of second-tier and third-tier carriers will come in here and service this market. A lot of them have said they'd love to do it, but they can't take the risk. If we can spread the cost and risk around to end users and perhaps some private investors, then it becomes a little more palatable."

### All Ships Rise

Although states and communities are playing a more laissez-faire role in facilitating the building of this newest utility, government officials recognize that community access to digital networks is critical to long-term economic development. Not taking an active role could leave rural communities in economic ruin.

Such statements might seem dramatic, but businesses with access to high-speed networks have a jump on their competitors.

"If we can help Virginia businesses improve their productivity by 50 percent, that would be a



**"If we can help Virginia businesses improve their productivity by 50 percent, that would be a tremendous economic boost."**

— Anne Armstrong, president, CIT Virginia

tremendous economic boost," said Anne Armstrong, president of CIT, which administers the VirginiaLink program. "It's enough to take a business from paper operations to a true electronic commerce paradigm, and for the state, we're talking about more jobs, more taxes, more spin-off businesses, everything."

An engineering company in rural southwest Virginia, for example, will be able to transmit blueprints to customers in mere seconds, rather than having to rely on overnight mail. Other businesses will have access to videoconferencing, video streaming, medical imaging, World Wide Web-based electronic commerce, remote data storage and enterprise management.

The technology has long been available for companies with enough resources to access it, but VirginiaLink offers affordability and the critical mass of customer demand to make it worthwhile for telecom companies to offer it at competitive rates.

"It's just the right amount of price discount to bring most businesses in this area into the electronic fold," said Doyle Edgerton, president of Rev.Net Technologies Inc., an Internet service provider in Roanoke, Va. "For us, though, it's the support that's critical. We no longer feel like we're taking on the world by ourselves."

The digital connection is only the first step in the process.

"Education is critical," Armstrong said. "If businesses don't understand what this network can do for them, if they don't understand the services and what to ask for, then it's useless to them."

As a result, Armstrong, Upson and participating vendors will hit the road this spring with a

## Small-Town Mettle

Traditional telecommunications companies are generally reticent to bring high-powered networking lines to small towns. But such reticence hardly matters to the town of Newnan, Ga., 30 miles southwest of Atlanta.

Thanks to Newnan Utilities, a municipal-owned provider of services ranging from water and sewer to cable television and dial-tone telephone services, this community of 16,000 people has one of the best rural networks in the country.

The utility provider got into the broadband networking business not because of overwhelming customer demand but to improve its own efficiency, installing a fiber-optic network back in 1993 to streamline its water, sewer and electric distribution. The investment has paid off.

"It's incredibly profitable for us," said Ellis Cadenhead, assistant general manager for Newnan Utilities.

And it is profitable for the town as well, which has had several businesses relocate to this bedroom community in the past few years, thanks in large part to the existence of the 10 megabits/sec network.

For Newnan Utilities, stumbling into the data networking arena has changed its whole business outlook. The provider has begun to extend its network to the rest of Coweta County, will add voice-over-IP and video streaming capabilities in the near future, and has expressed interest in building the regional fiber-optic network being planned by the West Georgia Telecommunications Alliance in nearby Carrollton.

— Heather Hayes

series of seminars aimed at small and midsize businesses. Minnesota and Berkshire Connect are also planning educational ventures.

#### A Brave New World

For states and communities looking to embrace broadband digital networks, the transition from utility provider and controller to change agent and business partner can be difficult. Those who have waded into the public/private waters advise those who are tempted to follow to think positively — while moving slowly.

"The first thing I would suggest to anyone considering this is: Don't underestimate the power of the marketplace," Larkin said. "Quite frankly, we did that. We'd gotten so used to an immature marketplace in the Berkshires that we didn't know what a good functioning market could do for us. But the truth is that the private sector is in the business of doing this, and they can keep up with technology and provide a level of service and quality that no public instrumentality could possibly sustain over time."

Working with those telecom providers and getting them to come to the table isn't always easy. Many of those firms have spent the past century operating as a monopoly in their service areas and may fight any effort to change the model.

"Telecommunications companies can be a somewhat intransigent group, so you have to be very careful when you begin to wean yourself away from this monopolistic practice," said David Fisher, commissioner of administration for Minnesota. "These firms in most cases haven't had any competition and they really don't want any competition, so if you're thinking about bringing them in the door and making a deregulatory marketplace-oriented structure, you have to be prepared for resistance." ●

*Heather Hayes is a free-lance writer based in Stuarts Draft, Va.*

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Richard A. Bohling  
GTE  
100 Communications Drive  
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March 8, 2000

**Comments In Support of Senate Bill 385**

My name is Dick Bohling, and I am submitting comments, on behalf of GTE, in support of the substitute amendment to Senate Bill 385.

GTE supports SB 385 for two main reasons: (1) because of the inherent dangers of unfair competition brought about by municipal entities competing with private telecommunications carriers; and (2) because it is unclear whether municipalities have the authority to operate telecommunications utilities under Wisconsin law.

There are several major areas of concern regarding government entities venturing into commercial endeavors that skew the competitive playing field, including:

**Taxpayer subsidies** - Where a government body has the power to tax, taxpayers can directly subsidize its commercial ventures. In addition, taxpayers indirectly subsidize government commercial ventures due to other situations, such as low cost government loans, exemptions from paying taxes, "free" funding from taxpayers that choose not to subscribe to the service offering, and other benefits as discussed below.

**Ratepayer cross-subsidies** - Rates collected from municipal electric customers, as well as the use of electric utility employees, assets, and other resources, may be used to subsidize the telecommunications services. This is neither fair to customers, good for electric prices, or fair competition with private telecommunications firms.

**Government as a regulator, supplier and/or competitor** - Some governmental bodies regulate their competitors. For example, cities and counties regulate telecommunications and cable companies' use of the public streets and other rights-of-way. They determine to whom and under which conditions rights-of-way are made available. When a state or local government seeks to become a market participant, it places itself in a position in which its ability to be a competitively neutral arbiter may be called into question. Municipal participation in wholesale and retail telecommunications markets requires further rules and safeguards than those that are available. The appropriate balance between public safety and nondiscriminatory management of rights-of-way is yet to be determined. Once government bodies enter into commercial ventures, the ability of that body and other government agencies to be neutral regulators or suppliers may be called into question.

**Different regulation** - Government commercial ventures are typically not subject to the same regulatory oversight as their private competitors.

If private firms are truly failing to meet the needs of governments and the community, it may be in large part the result of a failure of government regulation to provide the telephone companies and their new competitors the economic incentives or freedom to invest in advanced technologies to offer the full range of services, including packaged offerings, and to price flexibly to meet various customers' needs. While competitive firms provide services subject to pervasive regulation, governmental entities in Wisconsin may, according to the PSC Staff's interpretation of Wis. Stat. 196.50(4), enter the market largely unconstrained and with substantial inherent advantages.

**Special financing** - In addition to being able to directly finance their new commercial ventures with tax dollars and/or ratepayer funds from their original activities, government bodies have access to special financing sources not available to their private competitors. Municipalities can finance their networks through utility operations, taxes, or tax-free bonds. Private-sector firms obtain capital through stock issuances, bonds, or retained earnings. All these sources of funds require these firms to provide a return to investors. The result is that private-sector carriers' costs are higher than those of government entities that have no obligation to provide a return on investment. While capital markets are also sensitive to government bond ratings, the tax-free status of government bonds provides the issuing government with an advantage over private entities that issue bonds. Additionally, public utilities are not subject to income taxation. Some estimates suggest that government-owned utilities enjoy a 25 percent cost advantage over investor-owned electric utilities.<sup>1</sup>

**Tax exemptions** - Government bodies' commercial ventures are largely exempt from the taxes that apply to private firms, such as federal income taxes, property taxes, gross receipts or "business and occupation" taxes, etc.

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<sup>1</sup> L. Blumenthal, "Electric Utility Deregulation Could Have Unintended Consequences," *The News Tribune* (Tacoma, WA), March 2, 1997.

**Discouragement of competition and private investment** - When a government body enters a market, it may initially characterize its action as bringing competition to existing firms or filling some need not yet met by private firms. However, with all its financial and regulatory advantages, the government body will likely discourage further private investment and attempt to deter new competitors from entering the market. In fact, Tech Com, a partnership of Richland Grant Telephone Company, LaValle Telephone Company and another utility investing partner, had plans to enter GTE's Reedsburg exchange as a competitor. The firm abandoned its entry efforts upon learning that it would also be competing with the City of Reedsburg when the City requested a copy of Tech Com's business plan. Sun Prairie Water & Light reported in a newspaper story that its new fiber optic Metropolitan Area Network would provide Internet access, local, and long distance telephone service, which will put "the local utility in direct competition with such companies as Ameritech, GTE, MCI-Worldcom and Sprint."<sup>2</sup>

**Universal service impacts** - Today the burden of providing universal affordable basic service is borne by private telecommunications providers such as GTE. The existing network operates at efficient cost levels because of economies of scale and scope. To the extent that government provided telecommunications facilities and services diminish these economies, incumbent telecommunications companies cost of providing universal service will increase. In addition, the Commission has kept the price of basic service artificially low by setting rates significantly above cost for other services, such as business service. To the extent that business customers switch to government provided facilities and services, the support of low universal services rates will be diminished over time.

**Maintenance upgrades, new services, and other ongoing costs and commitments** - Providing telecommunications facilities and services is not a one-shot proposition. At a minimum, the facilities and equipment must be consistently maintained in good working order. In addition, to meet ever changing customer needs, facilities and equipment must be continually upgraded and new functionalities and services introduced. These ongoing commitments place long-term financial and operational demands on municipalities that enter the telecommunications business.

**Potential creation of new monopolies** - As noted above, municipalities and other government bodies may actually displace private firms in certain areas and/or for certain services. This would make a governmental entity the sole provider, i.e., a monopoly. Also, as previously noted, this new monopoly will not be subject to the same regulatory oversight that the supplanted private firms would have been.

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2 Brooke Miller, "P & L to Offer Internet, Phone Service," *Sun Prairie News*, February 16, 2000.



***Wisconsin law is unclear as to whether municipalities have the authority to construct and operate a telecommunications utility.***

It is unclear whether the PSC has the power to grant an application for municipal entry because municipalities are creations of the state legislature and, as such, have only such powers as are expressly granted to them and such other powers as are necessary to implement the powers expressly granted. In fact, we believe that Wisconsin statute 196.50(4) can be read to preclude municipalities from operating a telecommunications entity. It certainly does not expressly grant a municipality the authority to operate a telecommunications utility.

***Potential impacts on private firms' ability to serve.***

GTE is obligated to provide a range of telecommunications services at the lowest reasonable price—and still recover its investment and make a fair profit. We do not believe that municipal telephone companies are prepared to construct the necessary facilities to serve all potential customers in an exchange area because of the enormous capital costs. We are concerned that they will only "cream skim" and serve the large most profitable consumers. When customers leave the network—for whatever reason—the cost to serve each remaining customer increases. Similarly, new investment is not economically viable when studies show that too few customers would use new telecommunications facilities to make the cost of service attractive.

We support competition that is fair and in which all participants play by the same rules. GTE is prepared and willing to work with local communities to identify and address their telecommunications needs.

***If municipal entry into telecommunications is not banned, the Legislature should at least consider implementing safeguards to ensure a level playing field.***

If municipal entry is not banned, succinct rules are required to eliminate inefficient competitive advantages that municipalities inherently possess. To accomplish this task while ensuring competitive equality, the following conditions should be imposed to ensure that all residents of Wisconsin would benefit from a truly competitive telecommunications service environment.

- Government-owned telecommunications services must be provided through a structurally separate entity that functions as a fully separated entity and must be prohibited from using public funds. All accounts of this telecommunications entity must be separate, fully verifiable and auditable.
- The government-owned telecommunications entity must abide by affiliate rules and all other associated requirements that are applicable to any non-governmental provider of telecommunications service.
- The government-owned telecommunications entity must be subject to the same public right-of-way restrictions and all other fees.
- The government-owned telecommunications entity cannot be identified with, associated with or marketed in the name of any governmental entity or agency.
- The government-owned telecommunications entity must be properly certified by the PSC.
- The government-owned telecommunications entity must gain PSC approval of its initial rates and structure, including cost support for rates that reflect no cross-subsidization from other services.
- The government-owned telecommunications entity must be subject to identical regulatory and reporting requirements that are placed on privately owned telecommunications service providers.
- The government-owned telecommunications entity must be prohibited from gaining an unfair competitive advantage by using its authority as a local unit of government. This includes paying the same types of taxes and fees that are imposed on privately owned telecommunications service providers

In summary, for all of the reasons I have stated, GTE urges this committee to recommend adoption of the substitute amendment to SB 385. Thank you for your consideration of these comments.



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## Memorandum

TO: Senator Rodney C. Moen

FROM: Daniel M. Dasho, General Manager  
Shawano Municipal Utilities

DATE: March 2, 2000

SUBJECT: Proposed Revisions to 1999 Assembly Bill 747 and SB 385

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This memorandum summarizes Shawano Municipal Utilities' ("Shawano") proposed revisions to 1999 Assembly Bill 747, as amended February 24, 2000. A black-lined copy of the bill, showing Shawano's proposed amendments, is attached.

1. Shawano's proposed amendments remove the prohibition in § 196.50(1)(b)2., Stats., which precludes the Commission from granting a certificate for the furnishing of local exchange service in a municipality where a public utility with less than 150,000 access lines in use in Wisconsin is engaged in a similar service in the municipality under an indeterminate permit, unless the public utility consents or a public hearing is held.

The overriding goal of 1993 Wisconsin Act 496 is to encourage competition in Wisconsin's telecommunications market. If this goal is going to be realized, the state cannot continue public utility monopoly status for incumbent utilities. For competition to be achieved statewide, all areas of the state must be open to competition.

2. Shawano's proposed amendments allow governmental subdivisions to transfer a transmission facility to another person if the facility is used to furnish a telecommunications service to the public.

Governmental subdivisions in Wisconsin have an interest in ensuring that their businesses and residents have access to the full range of telecommunications and advanced data

services now commonly available to residents in more populated areas. One means of promoting this interest is to make their transmission facilities available to telecommunications providers.

3. Shawano's proposed amendments create a grandfather provision for those governmental subdivisions who have (a) filed an application to provide a telecommunications service with the Commission on or before January 1, 2001; (b) been granted a certificate by the Commission to provide a telecommunications service on or before January 1, 2001; or, (c) have in place a facility or facilities used to furnish a telecommunications service, or Internet access service, to the public on or before January 1, 2001.

Governmental subdivisions that already have applied for or received a certificate to provide telecommunications services, or have made substantial investments in existing facilities, should not retroactively lose their rights under the new legislation. The efforts that the governmental subdivision has already made under existing law should be retained, despite the new legislation.

1999-2000 LEGISLATURE

**1999 ASSEMBLY BILL 747**  
**(as amended February 24, 2000)**

AN ACT *to renumber* 196.203(2) and 196.50 (2) (c); *to renumber and amend* 196.499 (15) and 196.50 (4); *to amend* 196.50 (1) (b) 2., 196.50 (4) (title), 198.12 (6) and 198.22 (6); and *to create* 196.203 (2) (b), 196.499 (15) (b), 196.50 (2) (c) 2., 196.50 (4) (a), ~~and 196.50 (4) (c),~~ and 196.50(4)(d) of the statutes; **relating to:** prohibiting cities, villages, towns, counties, school districts, technical college districts, public library systems and cooperative educational service agencies from providing or selling certain telecommunications services and Internet access services and from making certain transfers of telecommunications transmission facilities.

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

**SECTION 1.** 196.203(2) of the statutes is renumbered 196.203 (2) (a).

**SECTION 2.** 196.203 (2) (b) of the statutes is created to read:

196.203 (2) (b) The commission may not issue a determination under par. (a) to a governmental subdivision, as defined in s. 196.50 (4) (a) 1., except that the commission

may issue such a determination to a governmental subdivision which satisfies s. 196.50(4)(d).

**SECTION 3.** 196.499 (15) of the statutes is renumbered 196.499 (15) (a) and amended to read:

196.499 (15) (a) A telecommunications carrier that is not authorized to provide intrastate telecommunications service on January 1, 1994, may not commence the construction of any plant, extension or facility, or provide intrastate telecommunications service directly or indirectly to the public, unless the telecommunications carrier obtains a certificate from the commission authorizing the telecommunications carrier to provide intrastate telecommunications. Except as provided in par. (b) the commission may issue a certificate if the telecommunications carrier demonstrates that it possesses sufficient technical, financial and managerial resources to provide intrastate telecommunications services. A telecommunications carrier that is authorized to provide intrastate telecommunications service on January 1, 1994, is not required to be recertified under this paragraph.

**SECTION 4.** 196.499 (15) (b) of the statutes is created to read:

196.499 (15) (b) The commission may not issue a certificate under par. (a) to a governmental subdivision, as defined in s. 196.50 (4) (a) 1., except that the commission may issue such a certificate to a governmental subdivision which satisfies s. 196.50(4)(d).

**SECTION 5.** 196.50 (1)(b)2. is amended to read as follows:

(b) 1. In this paragraph, "local exchange service" includes access service, basic local exchange service and business access line and usage service within a local calling area.

2. ~~Except as provided in s. 196.203 (3) (b) or 196.499 (16),~~ The commission may not ~~grant~~deny any person a certificate, license, permit or franchise to own, operate, manage or control any plant or equipment for the furnishing of local exchange service in a municipality, ~~if~~regardless of whether there is in operation under an indeterminate permit a public utility engaged in similar service in the municipality under an indeterminate permit, ~~unless any of the following conditions is met:~~

a. ~~The holder of the permit is a telecommunications utility with more than 150,000 access lines in use in this state.~~

b. ~~The holder of the permit is a telecommunications utility with 150,000 or less access lines in use in this state and that has consented to the applicant's provision of services.~~

c. ~~The holder of the permit is a telecommunications utility with 150,000 or less access lines in use in this state and that provides local exchange service within the geographic area in which the applicant provides local exchange service other than cross boundary foreign exchange service, services offered in open territory or services offered inadvertently or by mutual agreement between the serving telecommunications utilities.~~

~~d. The commission, after investigation and opportunity for hearing, finds that public convenience and necessity requires the delivery of service by the applicant, in which case the holder's obligation to be provider of last resort is eliminated.~~

~~e. The holder of the permit and the applicant are both providers of cable television service, if the holder's provision of cable television service began after September 1, 1994. This subd. 2.e does not apply if the holder's provision of cable television service is limited to the provisions of satellite cable programming, as defined in s. 943.47 (1) (b).~~

**SECTION 56.** 196.50 (2) (c) of the statutes is renumbered 196.50 (2) (c) 1.

**SECTION 67.** 196.50 (2) (c) 2. of the statutes is created to read:

196.50 (2) (c) 2. The commission may not issue a certificate of authority under this subsection to a governmental subdivision, as defined in s. 196.50 (4) (a) 1., except that the commission may issue such a certificate to a governmental subdivision which satisfies s. 196.50(4)(d).

**SECTION 78.** 196.50 (4) (title) of the statutes is amended to read:

196.50 (4) (title) MUNICIPALITY~~MUNICIPALITIES~~ AND GOVERNMENTAL SUBDIVISIONS RESTRAINED.

**SECTION 89.** 196.50 (4) of the statutes is renumbered 196.50 (4) (b) and amended to read:

196.50 (4) (b) No municipality may construct any public utility ~~that is not a telecommunications utility or alternative telecommunications utility~~ if there is in



operation under an indeterminate permit in the municipality a public utility engaged in similar service other than a telecommunications service, unless it secures from the commission a declaration, after a public hearing of all parties interested, that public convenience and necessity require the municipal public utility.

**SECTION 910.** 196.50 (4) (a) of the statutes is created to read:

196.50 (4) (a) In this subsection:

1. "Governmental subdivision" means any of the following:
  - (a) A political subdivision.
  - (b) A school district.
  - (c) A cooperative educational services agency.
  - (d) A technical college district.
  - (e) A public library system, as defined in s. 43.01 (5).
  - (f) An instrumentality or corporation of any person specified in subd. 1. a. to g.
  - (g) A combination or subunit of any person specified in subd. 1. a. to f.
2. "Internet access service" means a service that enables a user to obtain access to content, information, electronic mail or any other service offered over the Internet.
  - 2e. "Local governmental unit" means any of the following:
    - (a) A political subdivision.
    - (b) A special purpose district.

(c) An instrumentality or corporation of a political subdivision or special purpose district.

(d) A combination or subunit of any person specified in subd. 2e. a. to d.

2m. "Member of the public" means any person except a governmental subdivision.

2r. "Political subdivision" means any city, village, town or county.

2w. "State agency" means any office, department, independent agency, institution of higher education, association, society or other body in state government created or authorized to be created by the constitution or any law, including the legislature and courts.

3. "Transfer" means to sell, lease or transfer for consideration of any interest in ownership, title or right to use.

3m. "Transmission facility" means any plant or equipment used to transmit a telecommunications service by wire, optics, radio signal or other means. "Transmission facility" does not include any conduit, pole, tower or other structure that supports the plant or equipment used to transmit the telecommunications service.

**SECTION ~~1011~~.** 196.50 (4) (c) of the statutes is created to read:

196.50 (4) (c) Except as provided in par. (d), no governmental subdivision may do any of the following:

1. Provide a telecommunications service in this state to a member of the public.

~~2. Transfer a transmission facility in this state to another person if the facility is used to furnish a telecommunications service directly or indirectly to a member of the public.~~

32. Sell an Internet access service directly or indirectly to a member of the public.

SECTION 12. 196.50(4)(d) of the statutes is created to read:

Notwithstanding par. (c), a governmental subdivision may do the following:

~~196.50 (4) (d) 1. Paragraph (c) 1., 2. and 3. does not apply to a governmental subdivision that~~ Provides a telecommunications service, ~~transfers a transmission facility or sells an Internet access service~~ to a local governmental unit, state agency, federally recognized Indian tribe or band located in this state or volunteer fire company or fire department organized under ch. 213, under a contract or agreement under ch. 43 or s. 66.30 or a similar contract or agreement for the sharing of services or facilities.

2. ~~Paragraph (c) 3. does not apply to~~ If it is a school district, cooperative educational service agency or technical college district, ~~that~~ sells an Internet access service as part of the delivery by the school district, cooperative educational service agency or technical college district of an educational service, including an instructional service or related support service.

3. Provide a telecommunications service in this state as a telecommunications utility, alternative telecommunications utility or telecommunications carrier or may provide an Internet access service directly or indirectly to the public, if:

(a) the governmental subdivision has filed an application to provide a telecommunications service with the commission on or before January 1, 2001; or

(b) the governmental subdivision has been granted a certificate by the commission to provide a telecommunications service on or before January 1, 2001; or

(c) the governmental subdivision has in place a facility or facilities used to furnish a telecommunications service, or Internet access service, directly or indirectly to the public, on or before January 1, 2001.

4. Transfer a facility or facilities located in this state used to furnish a telecommunications service or an Internet access service directly or indirectly to the public.

**SECTION ~~4113~~ 198.12 (6)** of the statutes is amended to read:

198.12 (6) UTILITIES, ACQUIRE, CONSTRUCT, OPERATE; WATER POWER; SALE OF SERVICE; USE OF STREETS. The district shall have power and authority to own, acquire and, subject to the restrictions applying to a municipality under s. 196.50 (4)-~~(b)~~, to construct any utility or portion thereof to operate, in whole or in part, in the district, and to own, acquire and, subject to ss. 196.01 to 196.53 and 196.59 to 196.76 where applicable, to construct any addition to or extension of any such utility, and to own, acquire and construct any water power and hydroelectric power plant, within or without the district, to be operated in connection with any such utility, and to operate, maintain and conduct such utility and water power and hydroelectric power plant and system both within and without the district, and to furnish, deliver and sell to the public and to any

municipality and to the state and any state institution heat, light and power service and any other service, commodity or facility which may be produced or furnished thereby, and to charge and collect rates, tolls and charges for the same. For said purposes the district is granted and shall have and exercise the right freely to use and occupy any public highway, street, way or place reasonably necessary to be used or occupied for the maintenance and operation of such utility or any part thereof, subject, however, to such local police regulations as may be imposed by any ordinance adopted by the governing body of the municipality in which such highway, street, way or place is located.

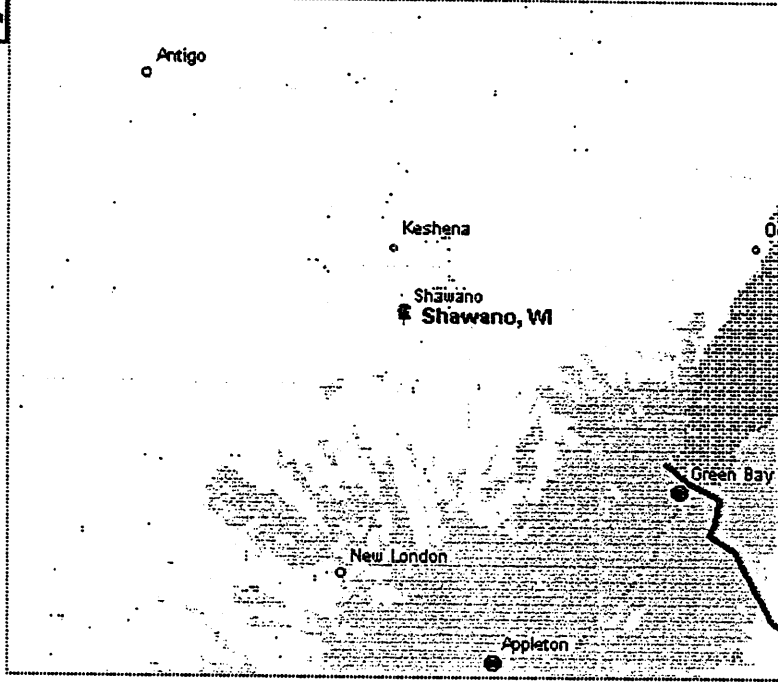
**SECTION ~~1214~~.** 198.22 (6) of the statutes is amended to read:

198.22 (6) ACQUISITION; CONSTRUCTION; OPERATION; SALE OF SERVICE; USE OF STREETS. The district shall have power and authority to own, acquire, and, subject to the restrictions applying to a municipality under s. 196.50 (4)~~(b)~~, to construct any water utility or portion thereof, to operate, in whole or in part, in the district and to construct any addition or extension to any such utility. For such purpose the district is granted and shall have and exercise the right freely to use and occupy any public highway, street, way or place reasonably necessary to be used or occupied for the construction, operation or maintenance of such utility or any part thereof, subject, however, to the obligation of the district to replace said grounds in the same condition as they previously were in.

~~SECTION 13. Initial applicability.~~

~~(1) The treatment of section 196.50 (4) (c) of the statutes first applies to services provided or sold or facilities transferred under contracts entered into, extended, modified or renewed on the effective date of this subsection.~~

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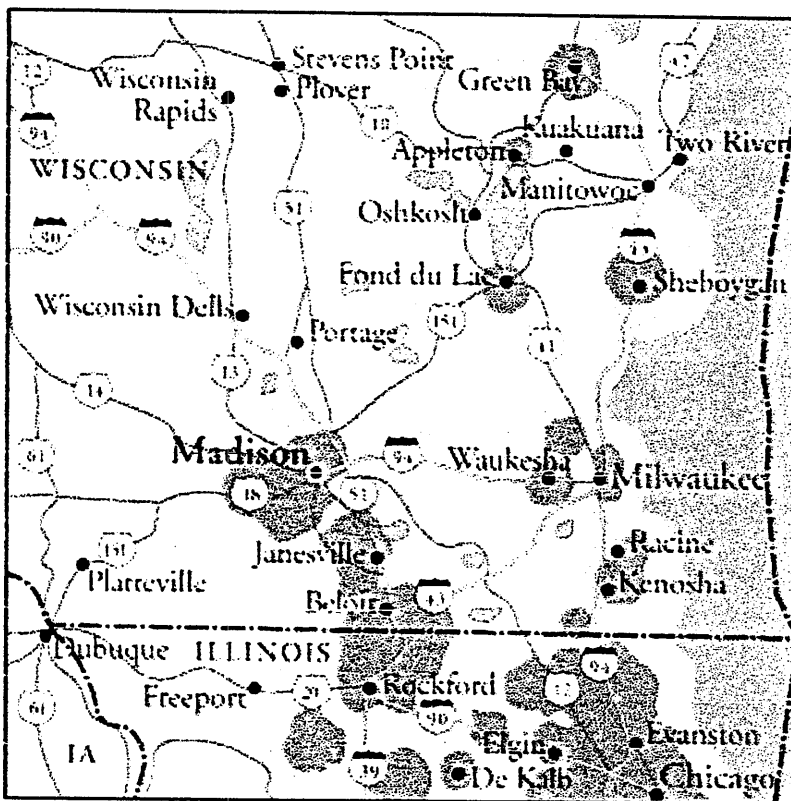


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# School Administrators Alliance

4797 Hayes Rd  
Suite 201  
Madison, WI 53704  
(608) 242-1370  
FAX (608) 242-1290  
<http://www.wsaa.org>

TO: Senate Health, Utilities, Veterans And Miliary Affairs Committee  
FROM: Jennifer Kammerud  
DATE: March 8, 2000  
RE: Senate Bill 385

**Jennifer A. Kammerud**  
Director of  
Government Relations

An Alliance of:

**Association of  
Wisconsin School  
Administrators**  
*Thomas Beattie*  
Executive Director

**Wisconsin Association  
of School District  
Administrators**  
*Miles Turner*  
Executive Director

**Wisconsin Association  
of School Business  
Officials**  
*Don Mrdjenovich*  
Executive Director

**Wisconsin Council of  
Administrators of  
Special Services**  
*Phil Knobel*  
Executive Director

The School Administrators Alliance (SAA) is opposed to Senate Bill 385 as it restricts competition and innovation, eliminates shared services among governmental units, and inhibits our ability to work with the community.

According to the Public Service Commission, a large portion of the state does not have a competitive telecommunications market. This often means school districts are forced to pay a higher price for these services or go without them. School districts are not looking to become telecommunications service providers, but are looking for affordable service providers. Municipalities at times will fill this role. Yet, they will not get into the business of providing these services, as they did many years before with electricity and other utilities when competition was lacking, if they cannot come up with a revenue stream to cover capital and operating costs. Thus, the choices we are faced with, as school districts looking for telecommunications services, are still restricted, because the alternative service providers are effectively unable to enter the market.

Technology is changing our lives, our work, and our schools ever more rapidly. Schools today operate very differently today than they did even five years ago due to technological changes. We may soon have on-line high schools and youth options programs provided through distance technology, as well as many other educational innovations. Senate Bill 385 would restrict what schools may be able to do in working with private businesses, private schools, and other units of government in meeting future challenges and creating new opportunities for our students.

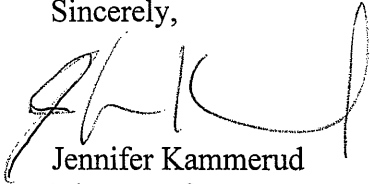
Senate Bill 385 would also force the elimination of telecommunications services currently being provided to school districts through alternate service providers, such as municipalities. These are services that are saving participating schools hundreds of thousands of taxpayer dollars.

Finally, we would like to point out that Senate Bill 385 also prohibits our efforts to reach out to our communities in the future. For example, if we as a school district wanted to sell internet access to parents in our community or employees in the district, we would be unable to do this. If we wanted to work with other local units of government to provide telecommunications services to a low-income population so students from that area were better prepared for school and work we would again be unable to participate in these types of pilot projects.

Senate Bill 385 is legislation that should be opposed. It has the potential to harm Wisconsin taxpayers and keep Wisconsin's students behind their counterparts in other states.

If you have any questions, please feel free to contact me at the phone number or address listed at the top of the page.

Sincerely,

A handwritten signature in black ink, appearing to read 'JK', with a large, sweeping flourish extending to the right.

Jennifer Kammerud  
Director of Government Relations

## Senate Bill 385

Testimony

David Byers  
Mount Horeb Telephone Company  
200 East Main Street  
Mount Horeb, WI 53572  
608.437.5551

Recently the cities of Sun Prairie and Reedsburg, WI requested, and were granted certification by the Public Service Commission of Wisconsin to become Competitive Local Exchange Carriers. These certifications allow the municipalities to provide telecommunications services to the residences and businesses of their respective communities.

**The central question to these certifications and subsequent legislation is whether it is good public policy for state, county or local government units to compete with private sector businesses in the marketplace.**

Local units of government, particularly municipalities make decisions regarding their local marketplace. The types of businesses that are located within their communities and the services that are available to their local citizens are often times the result of local government actions. Essential services such as power and telecommunications, were historically operated with monopoly protection. During the early part of the 20th century, some municipalities were forced into providing essential

electric service to their customers when private sector businesses failed to step forward. In most instances, they continue to provide this service today. In the case of telecommunications, however, private business did step forward, and currently provides service to every municipality in the state of Wisconsin. Until recently, both electric utilities and telecommunications providers have operated as monopolies within their respective franchised areas.

In the area of the competitive marketplace, local municipalities have played a critical role in shaping the business landscape within their respective communities. Through the use of enterprise zones, bloc grant programs and tax incremental financing (TIF) districts, municipalities are able to recruit businesses and attract investments in their communities. They have tremendous opportunities to incent businesses to either build or relocate in their communities to provide goods and services that benefit their citizens. Tangible benefits of these programs include new employment opportunities, increasing the local property tax base or providing new services that would attract other businesses or promote residential growth within the community.

These are effective tools that government entities have used to attract private sector businesses to their communities rather than electing to enter into the marketplace to provide these goods and services.

While electric companies still maintain monopoly power, the same is not true for telecommunications providers. Wisconsin Act 496 as well as the Federal Telecommunications Act have essentially removed franchise protections for incumbent telecommunications carriers. This means that other providers can enter the marketplace to provide telecommunications services based upon customer demand.

It has been suggested by some municipalities that the incumbent telecommunications providers are not delivering the services needed for their communities to thrive and grow. Further, they have suggested that Act 496 gives them the right to go into the marketplace and compete with private sector businesses to provide these services. However, does it follow then that the municipalities should be the ones to provide these competitive services ?

As stated above, municipalities have left it to the private sector to provide the necessary market based services for their communities through the use of enterprise zones, bloc grants and TIF districts. If a municipality wants a new business in its' industrial park, they don't build the factory and start making the products. Likewise, if a municipality wants a new movie theater in its' community, it doesn't build one and operate it. They create enterprise zones, access to bloc grants or TIF districts that encourage private sector businesses to build the factory or movie theater.

One example of the effective use a TIF district to attract private business was recently completed by the City of Boscobel, WI. After the Supermax prison was built in Boscobel, the city approved a TIF district for a developer to build a new motel in anticipation of increased demand for motel rooms. There were already two (2) other motels in the community, but the local municipality made a determination that this was in the best interest of their community. They did not make a decision that based upon their belief that another motel was required, that the city should build and operate a motel that would compete with other private motels in the area. Rather, they left it to a private business to take the risk of success or failure in the venture and simply provided an incentive to take that risk.

Why then should telecommunications be any different ? The intent of Act 496 is indeed to promote competition within the telecommunications industry. Municipalities should embrace Act 496 and look upon it as an opportunity to recruit private sector telecommunications providers to serve their communities rather than take on the responsibility of such a high risk, capital intensive business venture. Just as municipalities recruit businesses to build in their industrial parks or retail establishments in their downtown areas, recruitment of telecommunications providers to service their communities would seem to be a natural extension of these efforts.

Factors to consider when assessing the proper role of government in providing competitive telecommunications services:

- 1) Municipalities have the potential to significantly increase their tax base from private sector telecommunications providers since they are now subject to local property taxes. Infrastructure investments of several million dollars are not uncommon in order to provide these services.
- 2) If the municipality is providing the competitive telecommunications services, they will not collect property tax revenues on these investments.
- 3) The municipality will have the risk exposure of losses if the business plan fails to meet revenue projections. This becomes even more onerous when you consider the potential loss of property tax revenues that could be assessed to a private entity.

The days of municipalities needing to provide essential services are no longer necessary. With universal service already available to everyone, the decision to provide alternative choices for telecommunication services is a competitive one.

Where is it written in the constitution of the United States or the constitution of the state of Wisconsin, that it is the

responsibility of government to provide competitive services in the marketplace, whether its selling groceries, making widgets or providing telecommunications services ?

Please support Senate Bill 385. It does nothing to prohibit a municipality from recruiting competitive telecommunications providers to serve their community just as it does any other business. Governments role is to promote private sector business growth, not compete against it.



**Menasha Joint School District  
Ameritech DS3 leasing costs**

Charges provided upon request by Ameritech

(Note: These charges do not include labor at \$100/hour for installation if routers)

Item Description	Monthly lease charge	Installation Charge
Line 1 (Banta) administration charge		\$ 60.00
Line 1 Customer connection charge		\$ 1,120.00
Line 1 monthly fee	\$ 2,116.18	
Technical premise visit charge		\$ 51.00
<b>First Site Subtotal</b>	<b>\$ 2,116.18</b>	<b>\$ 1,231.00</b>

Lines 2 through 8 administration charge		\$ 60.00
Lines 2 through 8 Customer connection charge		\$ 1,120.00
Lines 2 through 8 monthly fee	\$ 2,081.52	
Technical premise visit charge		\$ 51.00
<b>Site Subtotal</b>	<b>\$ 2,081.52</b>	<b>\$ 1,231.00</b>
Number of sites (7)	7	7
<b>Sites 2 through 8 Subtotal</b>	<b>\$ 14,570.64</b>	<b>\$ 8,617.00</b>

Line 9 (Maplewood) administration charge		\$ 60.00
Line 9 Customer connection charge		\$ 1,120.00
Line 9 monthly fee	\$ 3,060.82	
Technical premise visit charge		\$ 51.00
<b>Maplewood Site Subtotal</b>	<b>\$ 3,060.82</b>	<b>\$ 1,231.00</b>

Total Number of sites (9)		\$ 15,000.00
		9
<b>Router Subtotal</b>		<b>\$ 135,000.00</b>

	Monthly lease charge	Installation Charge
	\$ 19,747.64	\$ 146,079.00

**MJSD Payback time calculations (WITH ROUTERS)**

MJSD Fiber Installation Costs (one time)	\$ 150,000.00
Subtract Ameritech DS3 Costs (one time)	\$ (146,079.00)
<b>MJSD Fiber Subtotal</b>	<b>\$ 3,921.00</b>
Divide by Ameritech DS3 monthly lease fee	\$ 19,747.64
<b>Payback time (in months) for MJSD Fiber network</b>	<b>0.20</b>
<b>Payback time (in DAYS) for MJSD Fiber network</b>	<b>5.96</b>

**MJSD Payback time calculations (WITHOUT ROUTERS)**

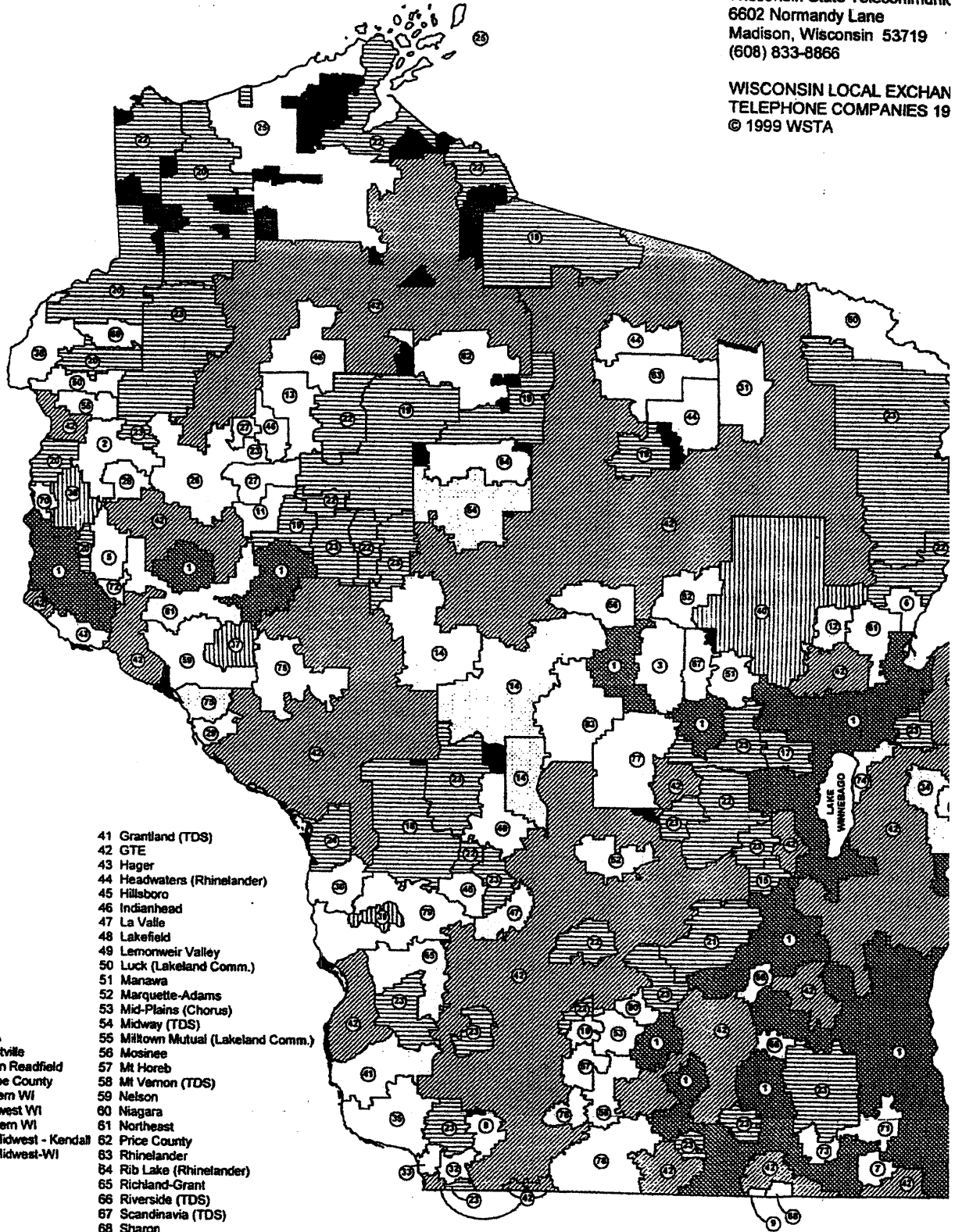
MJSD Fiber Installation Costs (one time)	\$ 150,000.00
Subtract Ameritech DS3 Costs (one time)	\$ (11,079.00)
<b>MJSD Fiber Subtotal</b>	<b>\$ 138,921.00</b>
Divide by Ameritech DS3 monthly lease fee	\$ 19,747.64
<b>Payback time (in months) for MJSD Fiber network</b>	<b>7.03</b>
<b>Payback time (in DAYS) for MJSD Fiber network</b>	<b>211.04</b>

# Wisconsin's 11 Telephone Cooperatives





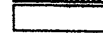



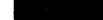
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 (608) 833-8866

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- |  |                                     |
|--|-------------------------------------|
| 1 Ameritech                            | 41 Grantland (TDS)                  |
| 2 Amery                                | 42 GTE                              |
| 3 Amherst                              | 43 Hager                            |
| 4 Badger (TDS)                         | 44 Headwaters (Rhineland)           |
| 5 Baldwin                              | 45 Hillsboro                        |
| 6 Bayland                              | 46 Indianhead                       |
| 7 BB&W (TDS)                           | 47 La Valle                         |
| 8 Belmont (Lynch)                      | 48 Lakefield                        |
| 9 Bergen                               | 49 Lemorweir Valley                 |
| 10 Black Earth (TDS)                   | 50 Luck (Lakeland Comm.)            |
| 11 Bloomer                             | 51 Manawa                           |
| 12 Bonduel (TDS)                       | 52 Marquette-Adams                  |
| 13 Bruce                               | 53 Mid-Plains (Chorus)              |
| 14 Central State (TDS)                 | 54 Midway (TDS)                     |
| 15 CenturyTel of F-B-A                 | 55 Milltown Mutual (Lakeland Comm.) |
| 16 CenturyTel of Forestville           | 56 Mosinee                          |
| 17 CenturyTel of Larsen Readfield      | 57 Mt Horeb                         |
| 18 CenturyTel of Monroe County         | 58 Mt Vernon (TDS)                  |
| 19 CenturyTel of Northern WI           | 59 Nelson                           |
| 20 CenturyTel of Northwest WI          | 60 Niagara                          |
| 21 CenturyTel of Southern WI           | 61 Northeast                        |
| 22 CenturyTel of The Midwest - Kendall | 62 Price County                     |
| 23 CenturyTel of The Midwest-WI        | 63 Rhineland                        |
| 24 CenturyTel of WI                    | 64 Rib Lake (Rhineland)             |
| 25 Chippewa                            | 65 Richland-Grant                   |
| 26 Chibardun                           | 66 Riverside (TDS)                  |
| 27 Citizens                            | 67 Scandinavia (TDS)                |
| 28 Clear Lake                          | 68 Sharon                           |
| 29 Cochrane                            | 69 Siren                            |
| 30 Coon Valley                         | 70 Somerset                         |
| 31 Crandon (Rhineland)                 | 71 Southeast                        |
| 32 Cuba City (Lynch)                   | 72 Spring Valley                    |
| 33 Dickeyville (Chorus)                | 73 State Long Distance              |
| 34 Eastcoast (TDS)                     | 74 Stockbridge & Sherwood (TDS)     |
| 35 Farmers (Chorus)                    | 75 Tenney (TDS)                     |
| 36 Farmers Independent                 | 76 Tri-County                       |
| 37 Frontier of Mondovi                 | 77 Union                            |
| 38 Frontier of St. Croix               | 78 Uteco Inc (TDS)                  |
| 39 Frontier of Viroqua                 | 79 Vernon                           |
| 40 Frontier of WI                      | 80 Waunakee (TDS)                   |

- |                |
|----------------|
| 81 West WI     |
| 82 Wittenberg  |
| 83 Wood County |

- |   |             |
|---|-------------|
|  | AMERITECH   |
|  | GTE         |
|  | TDS TELECO  |
|  | FRONTIER    |
|  | CENTURYTEL  |
|  | OTHER INDEI |
|  | UNASSIGNED  |