

CR 90-218

CERTIFICATE

STATE OF WISCONSIN)	
)	
PUBLIC SERVICE COMMISSION)	ss. File 1-AC-132
OF WISCONSIN)	

TO ALL WHOM THESE PRESENTS SHALL COME GREETINGS:

I, Jacqueline K. Reynolds, Secretary of the Public Service Commission of Wisconsin, and custodian of the official records of said Commission, do hereby certify that the annexed order adopting rules was duly approved and adopted by this Commission on May 30, 1991.

I further certify that said copy has been compared by me with the original on file in this Commission and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Commission at Hill Farms State Transportation Building in the City of Madison, WI June 12, 1991.



Jacqueline K. Reynolds
Secretary to the Commission
PUBLIC SERVICE COMMISSION OF WISCONSIN

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BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Rules Regarding Commission Review of)
Rate of Return of Small Telecommunications) 1-AC-132
Utilities)

ORDER OF THE PUBLIC SERVICE
COMMISSION ADOPTING RULES

To create s. PSC 174.01 relating to procedures governing Commission review of rate of return of small telecommunications utilities and establishing a target rate for purposes of establishing a rate of return range.

ANALYSIS PREPARED BY THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

In 1989, Act 344, the legislature established a procedure under s. 196.215, Stats., governing Commission review of the rate of return of small telecommunications utilities which are not regulated with respect to rates. A rate of return range will be calculated for each small telecommunications utility by using a target rate established under these rules and by adding two percent above and two percent below the utility's target rate. This rule implements the requirements of s. 196.215, Stats.

RULE AND STATUTORY AUTHORITY

Pursuant to authority vested in the Public Service Commission by ss. 196.215(5)(b) and 227.11(2)(a), Stats., and interpreting those sections the Public Service Commission creates the following rule:

SECTION 1: PSC 174.01 is created to read:

174.01. TARGET RATE OF RETURN FOR A SMALL
TELECOMMUNICATIONS UTILITY

(1) METHOD OF CALCULATION. The target rate of return for a small telecommunications utility for purposes of establishing a rate of return range under s. 196.215(5)(b)3 shall be calculated by adding Moody's average of yields on Baa public utility bonds, expressed in percent, to percentage set in PSC sub. (2)

(2) PERCENTAGES. The percentage to be used for calculating the target rate of return for a small telecommunications utility shall be set by calculating the percentage of the small telecommunications utility's common stock equity in its utility capital structure. The percentages for calculating the target rate of return are set forth in the following table:

Common Stock Equity	Percentage
70% or more	3.65%
65% to 69.99%	4.15%
60% to 64.99%	4.65%
55% to 59.99%	5.15%
50% to 54.99%	5.65%
45% to 49.99%	6.15%
40% to 44.99%	6.65%
35% to 39.99%	7.65%
30% to 34.99%	8.15%
25% to 29.99%	8.65%

(3) ANNUAL ORDER ON BOND YIELD. As set forth in s. 196.215(5)(b)4, Stats., annually no later than January 31, the Commission shall issue an order adjusting the Moody's average of yields on Baa public utility bonds used to determine the target rate of return by taking the most recent 12-month average of Moody's average of yields on Baa public utility bonds. The order shall take effect on February 1 immediately following the order. The Commission may issue the order without a hearing.

(4) PERCENTAGES EFFECTIVE FOR SEVEN YEARS. As set forth in s. 196.215(5)(b)2, Stats., the percentages set under this subsection shall be effective for seven years from the date of publication. If the Commission proposes to change a percentage set under this subsection, it may not change the percentage by more than 20 percent of the amount set under this subsection and the change shall be made by rule adopted at least two years before the effective date of the change.

(Note: Date of Publication:)

FISCAL ESTIMATE AND INITIAL
REGULATORY FLEXIBILITY ANALYSIS

There will be no impact of this rule on state or local units of government. This rule will have no financial effect on small businesses.

EFFECTIVE DATE

This rule takes effect on the first day of the month following publication in the Wisconsin Administrative Register, as provided in s. 227.232(c), Stats.

This is a Type 3 action pursuant to s. PSC 2.90(3), Wis. Adm. Code. It consequently requires neither an environmental impact statement under s. 1.11, Stats., nor an environmental assessment.

Dated at Madison, Wisconsin, May 22 1991

By the Commission.

[Handwritten Signature]

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