



2001 ASSEMBLY BILL 431

May 31, 2001 – Introduced by Representatives BLACK, MILLER, J. LEHMAN, LA FAVE, TURNER, CARPENTER, BERCEAU and POWERS. Referred to Joint committee on Information Policy and Technology.

- 1 **AN ACT to amend** 196.196 (1) (c) 1. of the statutes; **relating to:** service rates of
2 telecommunications utilities that are subject to price regulation.

Analysis by the Legislative Reference Bureau

Under current law, a telecommunications utility that elects to subject itself to price regulation may increase its service rates according to a formula that is based on annual changes in the gross domestic product price index (GDPPI). Under the formula, the change in the revenue weighted price indexes for all services that are subject to price regulation may not exceed the difference between the most recent annual change in GDPPI and an offset percentage. In addition, the offset percentage is subject to the following: 1) a penalty adjustment that increases the offset percentage for inadequate service or insufficient investment by a telecommunications utility; and 2) an incentive adjustment that decreases the offset percentage for encouraging infrastructure investment by a telecommunications utility.

The amount of the offset percentage and the penalty and incentive adjustments depend on the size of a telecommunications utility. For a telecommunications utility that had more than 500,000 access lines in use in the state when it elected to subject itself to price regulation, the offset percentage is 3%, which is subject to a penalty adjustment that may not exceed 2% and an incentive adjustment that may not exceed 2%. For all other telecommunications utilities, the offset percentage is 2%, which is subject to a penalty adjustment that may not exceed 1% and an incentive adjustment that may not exceed 1%. The public service commission is required to promulgate rules that establish the penalty and incentive adjustments.

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This bill changes the penalty adjustment to the offset percentage. Under the bill, the penalty adjustment may not exceed 25%. In addition, the same penalty adjustment applies regardless of the size of a telecommunications utility.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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

1 **SECTION 1.** 196.196 (1) (c) 1. of the statutes is amended to read:

2 196.196 (1) (c) 1. A price-regulated telecommunications utility may not
3 increase its rates for services under par. (a), except for basic message
4 telecommunications service, for a period of 3 years after electing to become price
5 regulated. Following the initial 3-year period for services under par. (a), except for
6 basic message telecommunications service, and at any time for basic message
7 telecommunications service, a price-regulated telecommunications utility may
8 increase its rates for those services to the extent that the change in the revenue
9 weighted price indices does not exceed 2 percentage points less than the most recent
10 annual change in the gross domestic product price index, as published by the federal
11 government. The commission shall, by rule, create a penalty mechanism for up to
12 a ~~one~~ 25 percentage point increase in the percentage offset for inadequate service
13 provided by or insufficient investment made by a price-regulated
14 telecommunications utility. The commission shall, by rule, create an incentive
15 mechanism for up to a one percentage point decrease in the percentage offset to
16 encourage infrastructure investment by the price-regulated telecommunications
17 utility. For a telecommunications utility with more than 500,000 access lines in use
18 in this state at the time of electing to become price regulated, the percentage offset
19 to the change in the gross domestic product price index shall be 3 percentage points

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1 and, the penalty mechanism shall be up to 25 percentage points, and the incentive
2 mechanism shall be up to 2 percentage points. No earlier than 6 years after
3 September 1, 1994, and no more frequently than every 3 years thereafter, the
4 commission may, following notice and an opportunity for hearing, by rule increase
5 or decrease the gross domestic product price index percentage offset by a maximum
6 of one percentage point in any 12-month period to reflect any statewide changes in
7 the productivity experience of the telecommunications industry. The commission
8 shall promulgate rules to identify the factors that the commission may consider in
9 determining changes in the productivity experience of the telecommunications
10 industry. If application of the price regulation index formula achieves a negative
11 result, prices shall be reduced so that the cumulative price change for services under
12 par. (a), including prior price reductions in these services, achieves the negative
13 result.

14 (END)