



2005 SENATE BILL 111

March 10, 2005 - Introduced by Senators BROWN, ERPENBACH, GROTHMAN, HARSDORF, JAUCH, KANAVAS, OLSEN and ZIEN, cosponsored by Representatives FREESE, GRONEMUS, ALBERS, GARD, HAHN, HINES, HUBLER, KREIBICH, LOEFFELHOLZ, MUSSER, NERISON, OTT, PETROWSKI, SCHNEIDER, SHERMAN, TOWNSEND, VOS and WOOD. Referred to Committee on Job Creation, Economic Development and Consumer Affairs.

- 1 **AN ACT** *to renumber* 196.204 (1); and *to create* 196.204 (1) (b) of the statutes;
2 **relating to:** retained earnings of telecommunications cooperatives.

Analysis by the Legislative Reference Bureau

Under current law, a telecommunications utility is allowed to subsidize nonutility activities only with the telecommunications utility's retained earnings. Before 2003, the Public Service Commission (PSC) required a telecommunications utility that is a cooperative to follow accounting procedures that, for purposes of this law, treated the cooperative's patronage capital in the same manner as the retained earnings of other telecommunications utilities. Patronage capital is generally understood to mean the revenues of a cooperative that exceed its costs. In a decision effective January 1, 2003, the PSC interpreted the meaning of "retained earnings" for purposes of this law so that it does not include the patronage capital of a cooperative.

This bill reverses the PSC's decision and, as a result, restores the accounting procedures that were in effect before 2003. Under the bill, the retained earnings of a telecommunications utility that is a cooperative include its patronage capital. The bill specifies that retained earnings include patronage capital whether or not it is allocated to cooperative members, and regardless of its source or the manner in which it is classified in the financial statements of the cooperative.

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

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1 **SECTION 1.** 196.204 (1) of the statutes is renumbered 196.204 (1) (a).

2 **SECTION 2.** 196.204 (1) (b) of the statutes is created to read:

3 196.204 (1) (b) For purposes of par. (a), the retained earnings of a
4 telecommunications cooperative include the patronage capital of the
5 telecommunications cooperative, whether or not the patronage capital is allocated
6 to members of the telecommunications cooperative, regardless of the source of the
7 patronage capital and regardless of the manner in which the patronage capital is
8 classified in the financial statements of the telecommunications cooperative.

9 **SECTION 3. Effective date.**

10 (1) This act takes effect retroactively to January 1, 2003.

11

(END)