Public Service Commission of Wisconsin

Daniel R. Ebert, Chairperson
Mark Meyer, Commissioner
Lauren Azar, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

February 21, 2008

Dan Ebert – AB 561 testimony

Thank you.

When I testified on SB 285 (the companion bill to AB 561) on October 25, 2007, I noted that I neither opposed nor supported the bill at that time, and that I thought there was work needed on the bill.

I noted my perspective that a framework for changes to telecommunications legislation must address

- consumer protection,
- competition, and
- the deployment of advanced services throughout the state.

I noted that the challenge of crafting legislation on these issues is to strike a balance between maintaining safeguards and promoting competition.

I also indicated that I was willing to work with the bill's authors to improve it.

AB 561 as originally drafted would garner these same comments.

Today, I am pleased to note that there have been two significant happenings on this front since October.

First, earlier this month, the PSC opened a docket – 05-TI-1777 – that will examine "the overall status of and need for changes to the regulations that apply to telecommunications services and providers in Wisconsin." I have furnished you with copies of the Notice of this case. I intend this to be a comprehensive evaluation of whether and where we need regulatory changes in this state to reflect the evolving telecommunications marketplace and of ways we can promote and ensure that the core needs of consumer protection, competitive fairness and advanced service deployment are achieved. The PSC is seeking input from all interested parties, and we plan to have a report ready late this year that will address and identify changes needed in PSC policies and rules, and if relevant, in statutes. This comprehensive review will offer a forum for consumers and providers alike to identify and advocate for the regulatory architecture of Wisconsin's future.

Many issues touched on in SB 285 and AB 561 as originally introduced will be topics appropriately on the table in that investigation. It will be a lot of work, but I anticipate spirited and purposeful dialog on issues that will ultimately benefit the consumers of this state.

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Secondly, since last October, at the requests and with the encouragement of Senator Plale and Representative Montgomery, the PSC has engaged in dialog with the Wisconsin State Telecommunications Association to address limited conceptual modification to these bills that will offer some regulatory change in the short run to recognize today's telecommunications market. That effort has been fruitful and I am supportive of a substitute amendment that has been drafted for these bills.

Put simply, the proposal does two things:

- It provides **pricing flexibility** to providers (so they can offer consumers a wider array of service packages and bundles). This is accomplished by removing the applicability of 196.204 and 196.52 to telecommunications utilities that offer customers packages and bundles of services and prices.
- It promotes competition in Wisconsin - all parts of Wisconsin – by removing some statutory hurdles to entry by new providers. This accomplished by removing the consent provisions of 196.50 on new entry to some markets and gives certification in Wisconsin a statewide footprint.

The proposal stops short of the full deregulatory menu laid out in the original bills, it maintains many statutes that protect consumers, yet it strikes a reasonable balance between giving providers the chance to package their services to meet changing consumer demands and the removal of some legal constraints that stopped or slowed competitive providers from coming to rural Wisconsin.

This proposal, worked out over many hours and drafts, is not comprehensive. There are many issues not covered. But is responsive and it is fair. The PSC's recently opened investigation will explore in more depth and breadth other issues not included in the substitute amendment proposal.

But this substitute amendment does have real short term advantages: it provides **pricing flexibility** though lesser regulation of utility packages and bundles, and it opens the door wider to **competition** – promoting the entry of new providers to some rural markets. Both of these ultimately should give consumers access to more services, to a wider menu of pricing plans, and to choices of providers to meet their service demands.

In 1985 Wisconsin Act 297 over 20 years ago, the legislature noted its intention that "The public service commission shall, when consistent with the protection of ratepayers and other public interest goals established by the legislature, rely on competition rather than regulation to determine the variety, quality and price of telecommunications services."
The substitute amendment, as a first step, moves in this direction and, as a package – with both price flexibility and competitive entry provisions - I support its adoption.

BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN

Investigation into the Level of Regulation for Telecommunication Providers — 5-TI-1777

SECOND NOTICE

Comments Due:	Address Comments To:
Tuesday, March 25, 2008 – 4:00 P.M.	Sandra J. Paske, Secretary to the Commission Public Service Commission
This docket uses the Electronic Regulatory Filing (ERF) system.	P.O. Box 7854 Madison, WI 53707-7854

THIS IS AN INVESTIGATION of the overall status of, and need for changes to the regulations that apply to telecommunications services and providers in Wisconsin.

By Notice of February 7, 2008, the Commission opened this investigation and requested comments by interested persons on broad issues related to the regulation of telecommunications in Wisconsin. Comments were due February 29, 2008. On February 14, 2008, over 100 providers of many types and sizes submitted a joint request that the Commission extend the comment date to April 1, 2008. CenturyTel filed in support of that request on February 15, 2008. Also, on February 15, 2008, the Citizens Utility Board (CUB) filed a request for an extension to May 1, 2008. These submittals cited the importance of the investigation and need for adequate time to prepare comments on a wide range of issues.

By this Second Notice, the date for comments is extended to **Tuesday, March 25, 2008.**[1] With this extra time to consider these issues and to prepare comments and proposals, parties are also encouraged to continue their collaborative efforts and to file joint comments if possible when their positions on issues coincide.

As noted in the February 7, 2008, Notice party comments must be filed using the Electronic Regulatory Filing (ERF) system. The ERF system can be accessed through the Public Service Commission's website at http://psc.wi.gov. Members of the public may file comments using the ERF system or may file an original in person or by mail at Public Service Commission, 610 North Whitney Way, P.O. Box 7854, Madison, Wisconsin 53707-7854.

[1] In the February 7, 2008, Notice; the Commission delegated scheduling matters to the docket coordinator.

In the February 7, 2008, Notice the Commission noted that it would be conducting a technical conference in this docket in the spring. The Commission asked that interested parties wishing to speak at that technical conference notify the docket coordinator of that interest by March 14, 2008. By this Further Notice, that notification date is also extended; such notifications to the docket coordinator are due by 4:00 P.M. on Tuesday, April 1, 2008. This additional time will allow parties to see the comments filed by others and, if possible, to coordinate joint oral presentations.

Questions regarding this matter may be directed to docket coordinator Gary A. Evenson, Administrator, Telecommunications Division, at (608) 266-6744.

Dated at Madison, Wisconsin, 19 February 2008

For the Commission:

Gary A. Evenson, Docket Coordinator
Administrator
Telecommunications Division

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BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN

Investigation into the Level of Regulation for Telecommunications Providers — 5-TI-1777

NOTICE OF INVESTIGATION, REQUEST FOR COMMENTS AND ASSESSMENT OF COSTS

Comments Due:	Address Comments To:
Friday, February 29, 2008 – Noon	Sandra J. Paske, Secretary to the Commission
This docket uses the Electronic	Public Service Commission
Regulatory Filing system (ERF).	P.O. Box 7854
	Madison, WI 53707-7854

THIS IS AN INVESTIGATION of the overall status of, and need for changes to, the regulations that apply to telecommunications services and providers in Wisconsin.

The Public Service Commission of Wisconsin has regulated utility services – including telecommunications – for over 100 years. In those years, regulation has adapted to changing technologies, markets, services and providers. Statutes and rules have been modified over time as public policies have dictated a need for adjustments. Significant changes to telecommunications markets and regulation came about with enactment of 1993 Wisconsin Act 496 (Act 496) in 1994, followed in early 1996 by the Federal Telecommunications Act of 1996 (TA96). Following these legislative mandates, more competition emerged in the telecommunications marketplace and, in response, regulations were either reduced or significantly revised. In the dozen years since the enactment of those two major legislative changes, the telecommunications landscape in Wisconsin – and the nation – has changed markedly. Across much of the state, incumbent local exchange carriers (ILECs) are seeing more competition and, as a result, are experiencing a loss of access lines. Dozens of competitive local exchange carriers (CLECs) have been certified in this state. Major cable television service providers have joined these CLEC ranks and have extended their telephony offerings into many communities – large and small – throughout Wisconsin. CLECs now serve hundreds of thousands of Wisconsin consumers. The wireless telecommunications industry market has exploded, adding hundreds of thousands of customers every year, now reaching the point where there are more wireless numbers in service in Wisconsin than there are wired access lines. Consumers throughout this period – in many parts of the state – have been offered more choices for service. Many are also subscribing to broadband services and are seeing other increased options like Voice over Internet Protocol (VoIP) services.

Under current law and Commission rules, not all providers for the array of services available in the state are subject to the same regulation. With more competition, new providers, and changing modes of service provision, it is appropriate to examine whether changes are needed in the way telecommunications services and providers are regulated. The Commission is opening this docket to comprehensively explore – in a timely manner – the state of the telecommunications industry in this state and to consider changes that may be needed – in statutes, Commission rules and Commission policies – to recognize the current and changing marketplace of telecommunications in Wisconsin. Underlying this examination will be a set of guiding principles applicable to crafting a potential new regulatory construct in the state:

- a commitment to maintaining necessary consumer protections,
- the promotion of fair competition,
- the maintenance of universal service,
- the assurance of adequate basic and advanced service deployment throughout the state,
- the imposition of regulation that will permit efficient telecommunications provider operations, consistent with these other delineated parameters, and
- a reliance upon competition rather than regulation, when possible, to determine the variety, quality and price of services offered to customers.

The Commission encourages an open dialog on these matters and an exploration of what regulations are needed in an increasingly competitive market, and how they can be designed to assure consumer protection, competitive fairness, and adequate service, while not imposing unfair or unreasonably burdensome requirements on various providers. To that end, the Commission is requesting written comments on whether and how telecommunications regulation should be changed in this state.

Written comments should address the following questions and offer relevant proposals.

1. How can the level of regulation for providers be reduced without compromising:
    a. Consumer protection?
    b. Service quality?
    c. Basic service adequacy?
    d. Universal service?
    e. Fair competition?

2. How can government encourage the deployment of advanced services, particularly broadband services in under- and un-served areas of the state?
    a. By regulatory fiat?
    b. Through universal service programs?
    c. Through tax and other incentives?
    d. Through other financing mechanisms?

3. What specific issues should the Commission address in this investigation? (Examples may include annual reporting, competitive entry, service quality, elective deregulation, carrier access charges, etc.)

4. Should the Commission's investigation be focused on, or limited to, incumbent local exchange carriers, or should it include other providers?

The Commission intends to also hold a technical conference in early spring 2008 at which the Commissioners will be present to hear brief presentations by interested parties, followed by a question and answer period. Presentations will be subject to time limitations. Where possible, speakers are encouraged to combine their presentations with other parties who share similar positions or points of view. Interested parties wishing to speak at this technical conference should notify the docket coordinator indicated below by March 14, 2008. A subsequent notice will be issued regarding this technical conference.

Following the filing of comments and the technical conference mentioned in this notice, the Commission will determine the scope of this proceeding by adopting a final issues list. Thereafter, staff is directed to meet with interested parties to obtain additional information regarding the identified issues for the purpose of producing a draft report. Staff may also obtain additional information through data requests. This draft report should reflect the views of staff and interested parties and be filed with the Commission no later than November 21, 2008. Among other things, this draft report should include recommendations on how regulation should be modified, and whether or not those modifications require statutory changes.

The Commission encourages its staff and interested parties to identify issues where consensus may be reached and to bring those issues to the Commission's attention for appropriate action as soon as possible in the form of an interim written report.

The Commission delegates to Gary A. Evenson, Administrator of the Telecommunications Division, the authority to schedule and notice further matters in this docket.

NOTICE IS GIVEN that the Commission considers it necessary, in order to carry out its duties, to investigate all books, accounts, practices, and activities of telecommunications providers. The expenses incurred or to be incurred by the Commission which are reasonably attributable to such an investigation will be assessed against and collected from telecommunications providers in accordance with the provisions of Wis. Stat. § 196.85 and Wis. Admin. Code ch. PSC 5.

Any person desiring to be included on the mailing list for this docket should provide contact information (name, title, mailing address, phone, fax and e-mail address) using the same filing procedures set forth below for the filing of written comments.

The Commission requests comments on the above issues. Comments must be filed using the Electronic Regulatory Filing system (ERF). The ERF system can be accessed through the

Public Service Commission's website at http://psc.wi.gov. Members of the public may file comments using the ERF system or may file an original in person or by mail at the Public Service Commission, 610 N. Whitney Way, P.O. Box 7854, Madison, WI 53707-7854.

The Commission does not discriminate on the basis of disability in the provision of programs, services, or employment. Any person with a disability who needs accommodations to participate in this proceeding or who needs to obtain this document in a different format should contact the docket coordinator listed below.

Questions regarding this matter may be directed to docket coordinator Gary A. Evenson at (608) 266-6744 or gary.evenson@psc.state.wi.us.

Dated at Madison, Wisconsin, February 7, 2008

By the Commission:

Sandra J. Paske

Sandra J. Paske
Secretary to the Commission

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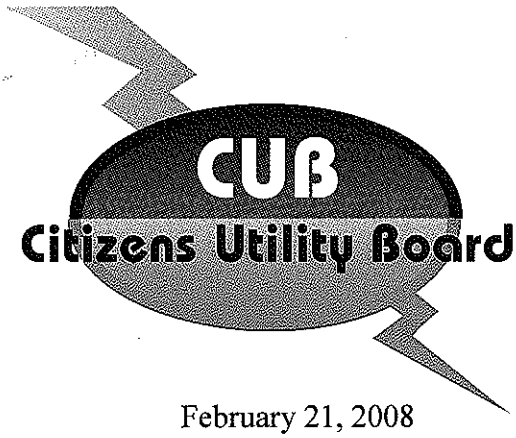

February 21, 2008

The Honorable Members of the Assembly Committee on Energy & Utilities
State Capitol
Madison, WI 53707

Re: Please oppose AB 561 and the Substitute Amendment to AB 561.

On behalf of the Citizens Utility Board, I am asking you to oppose AB 561, relating to the regulation of certain telecommunications utilities. I am also asking you to oppose the Substitute Amendment to AB 561.

The Citizens Utility Board of Wisconsin (CUB) is a member-supported nonprofit organization that advocates for reliable and affordable utility service. CUB represents the interests of residential, farm, and small business customers of electric, natural gas, and telecommunication utilities before the Legislature, regulatory agencies, and the courts.

Concerns with AB 561

CUB is concerned that AB 561 would unnecessarily remove important consumer protections regarding local phone service.

State law requires local phone companies to provide basic land-line telephone service, technically known as "basic local exchange service." This service provides customers with a dial tone and the ability to make local calls, and is still utilized by millions of residents throughout Wisconsin.

This bill would, in two years, allow local phone companies to completely opt out of oversight by the Public Service Commission for basic land-line telephone service. This bill would allow phone companies to charge much higher prices for this critical service, and phone companies would no longer be required to provide notice to their customers of rising prices.

The bill would allow phone companies to engage in "price discrimination": charging higher prices to certain customers for the same type of service they provide to other customers at lower prices. For example, phone companies could raise prices for phone service in areas where there is no competition, and could lower prices in areas where there is competition.

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Unless prohibited, price discrimination can force rural customers, elderly customers, and other less-profitable customers to unfairly pay higher prices for phone service.

The legislation would allow phone companies to charge customers based on the duration of the call, even if it is a local telephone call.

The bill may greatly curtail the ability of customers to file and pursue complaints against local phone companies.

The bill would severely limit the financial and technical information submitted to the Commission by local phone companies, and would require the commission to withhold the information from public inspection. The phrase "and the commission shall withhold the information from public inspection," which appears on p. 4, lines 8-9 and 22-23, does not inspire confidence that this bill is in the public interest.

Section 1 of the bill adds language to 196.02(4)(a), which would affect all public utilities, including electric and gas utilities. The language, "that is reasonably necessary" would introduce vague, undefined terms to a section of law that gives the Commission the authority to obtain information from public utilities.

For these reasons, I urge you to oppose AB 561.

Substitute Amendment to AB 561

Regarding the Substitute Amendment to AB 561, my understanding is that last fall, Chairman Phil Montgomery and Senator Jeff Plale, chairman of the Senate Committee on Commerce, Utilities, and Rail, asked the Public Service Commission to determine whether improvements could be made to SB 285 (the Senate companion that is identical to AB 561).

Unfortunately, it appears that the only parties involved in developing the Substitute Amendment were the offices of Chairman Montgomery, Senator Jeff Plale, and staff from the Public Service Commission and the Wisconsin State Telecommunications Association. To my knowledge, groups that represent the interests of telephone ratepayers were not involved in this process, even though the Substitute Amendment could affect millions of customers. Indeed, I learned less than 48 hours ago that such negotiations were taking place, even though I expressed an interest in being involved in this issue in October, when I testified before the Senate Committee on Commerce, Utilities, and Rail on SB 285.

Therefore, I urge you to oppose the Substitute Amendment because the process of developing it did not include interested parties, such as consumer groups. Unfortunately, the Substitute Amendment represents another example of legislation that may be rushed through at the end of a session that provides benefits to industry at the expense of consumers.

Although the process of developing this legislation was not good, the Substitute Amendment itself raises several concerns. Although I haven't had the time or the resources to fully review the Substitute Amendment, apparently it would:

- Remove restrictions on cross-subsidies between telephone utilities and non-regulated affiliates, which could force telephone utility ratepayers to pay for services they don't receive;

- Allow telephone utilities to change prices for services without notification to customers; and

- Make it easier for telephone utilities to enter into contracts with customers. Typically, telephone contracts are very pro-industry and anti-consumer, so this will make a bad problem worse.

Last October, in my testimony before the Senate Committee on Commerce, Utilities, and Rail, I suggested that the Public Service Commission should open an investigation to explore the issues regarding further deregulation of local telephone service.

Thankfully, the PSC has opened such an investigation, docket 05-TI-1777. This investigation will allow interested parties to state their case regarding laws that should be retained, modified, or deleted. CUB is hopeful that this investigation will lead to legislation that will strengthen the rights and protections of telephone customers.

Therefore, no bill affecting telephone customers and their utilities should be rushed through at the last hour, especially a bill that has had no input from groups that represent the interests of telephone customers.

I urge you to oppose the Substitute Amendment as well as AB 561, and instead ask you to await the results of the PSC's investigation before developing telephone legislation.

Sincerely,

Charlie Higley
Executive Director

CenturyTel, Inc. OPPOSES
Substitute Amendment on AB561/SB285

The Substitute Amendment would substantially alter telecommunications regulation in Wisconsin. It contains specific provisions which, if adopted here in piecemeal fashion, would put ratepayers at risk. It would overturn protections built up through decades of law and regulation. It should not be adopted.

Cross-Subsidization Protections Removed. The central problem with the Substitute Amendment is its removal of the cross-subsidization protections in Section 196.204. By simply offering a "bundled" service -- whether or not any customer ever actually signs up for the bundle – a telephone cooperative or other telephone utility would forever free itself from the prohibition against cross-subsidization.

Intent of Cross-Subsidization Protections. Cross-subsidization protections are a common and important piece of utility regulation throughout the country. The intent is to insure that revenues collected by a regulated utility are not siphoned off to subsidize unregulated ventures to the detriment of the financial health and stability of the utility providing the essential service to ratepayers.

Danger of Eliminating Cross-Subsidization Protections. These protections help insure that the regulated utility, which is providing an essential service, maintains its financial health. With the protections in place, a utility can only use the *profits* it earns from providing regulated service to subsidize affiliates in unregulated ventures. Without these protections, the revenues collected could be misused, threatening the continued viability of the essential service provider. Rather than being kept within the utility to cover the costs of providing service or reduce debt, the Substitutive Amendment would allow utility revenues to be used to support risky unregulated projects outside of the utility's service territory. If those ventures fail and if the utility ends up unable to meet its financial obligations, bankruptcy and disruptions or cessation of service could result. The ratepayers would be harmed.

Cooperative Setting. Since 2001, telephone cooperatives have sought removal of cross-subsidization protections. While for-profit utility corporations are allowed to use their profits, known as "retained earnings," for cross-subsidization, cooperatives are different. They do not make "profits" in the same sense, as they are run on a non-profit basis and are provided with corresponding tax advantages. They are expected to provide service to members at cost. When they charge more for their service than the cost, the extra margin collected is known as patronage capital, which is not the same as a corporation's "retained earnings." It is simply an admitted overcharge, important and necessary to fund the temporary capital needs of the cooperative for providing service to its members. Because of the obvious potential for abuse and as a guarantee that it will remain on a not-for-profit basis, cooperative bylaws carefully restrict the use of this patronage capital. Together with the cross-subsidization restriction which has been a hallmark of Wisconsin telecommunications policy, these restrictions define and protect an important sphere in

which telephone cooperatives properly operate to serve their members on a tax-advantaged basis.

Unfair Competition. By allowing telephone cooperatives to use their privileged tax status to subsidize service to non-members, the Substitute Amendment would promote unfair competition. The cooperatives ask the legislature to allow for the first time the use of tax-free revenue from regulated service to members (i.e. patronage capital) as an unlimited source of cash to subsidize for-profit competitive ventures.

Ratepayer Subsidies to Non-Ratepayers. Why should ratepayers subsidize the telephone cooperative by allowing it to use tax-free money to provide service outside its territory?

Bottom line. Tax-free patronage capital should not be used to subsidize service to non-members, as the Substitute Amendment would allow.

Example. Consider for example a telephone cooperative which, as reported in the Boscobel Dial on February 23, 2006, was sitting on approximately $3 million dollars in patronage capital that it apparently wants to use to provide services to non-members if the law is changed. That $3 million was collected from its approximately 2900 customers, and belongs to those customers. The cooperative did not pay taxes on that $3 million, because it does not represent the profits of a business as with corporations. Wouldn't the members be better off if the telephone cooperative lowered its prices or issued an early patronage dividend, which could be up to a $1000 refund to each member? Then members could choose to spend that money or invest it in an enterprise of their choice.

Dangerously Undercapitalized Utilities. A sound capital structure supports the financial strength and viability of a utility. Wisconsin statutes give the PSC the authority to determine a "level of equity" that is "appropriate for the utility's capital structure." Section 196.52(8). Historically the PSC has not set an explicit level of equity for telephone cooperatives, because the bylaw and legal restrictions on patronage capital have provided adequate assurance that a cooperative's capital structure would support reasonable and reliable service at appropriate rates. Because a cooperative has little real equity, and because the Substitute Amendment would allow patronage capital to be spent on unregulated ventures, the result could be a severely undercapitalized utility that would put core telephone service at risk.

The Substitute Amendment:

- Would legalize previously banned cross-subsidies and place rural telecommunications consumers at risk. The financial health of regulated utilities would be threatened. The Substitute Amendment would remove protections that help provide assurance that these utilities can remain in business and continue to provide an essential service to their ratepayers.

- Was drafted at the behest of telephone cooperatives and others who want to invest in risky competitive ventures to serve non-members, rather than focusing on the core non-profit service to coop members that has served Wisconsin well for decades.

- Would create unfair competition by legalizing a new, subsidized class of competitor.

- The cooperatives are seeking from the legislature something that is forbidden by their bylaws, that contradicts their non-profit organizing principle, and that would place their ratepayers and fair competition in Wisconsin in jeopardy.

- Telephone cooperatives avoid federal income taxation on service to members. This untaxed pool of patronage capital belongs to the cooperative members. Public policy has supported this tax advantage to allow cooperatives to serve their members on a not-for-profit basis. The Substitute Amendment is inconsistent with that policy.

- Would overturn decisions by the Public Service Commission and a State Court which found a telephone cooperative guilty of violating state utility laws. On January 15, 2004, the Dane County Circuit Court required the cooperative to pay forfeiture for violating the law. The Department of Justice represented the Commission. The forfeiture represents the largest amount assessed against a utility for violating anti-cross-subsidization statutes.

- Would remove the discipline created by cooperative bylaws that require the cooperative to operate as a non-profit business which returns its patronage capital to members. Ratepayers will pay more for regulated service, thus creating the margin used to subsidize unregulated businesses which serve non-members. Should the unregulated businesses fail, the entire cooperative could go under.

Historical Summary

- **Early Decades**. Cooperatives have always had restrictions placed on the uses to which patronage capital could be put. The restrictions that patronage capital be returned to members (unlike retained earnings) has been present in most Wisconsin cooperative bylaws since they were created, and form an important basis for the tax benefits that cooperatives have always enjoyed.

- **1985 Act 297**. The Legislature restricted the ability of telecommunications utilities to subsidize unregulated business ventures in 1985. This prohibited utilities from charging higher rates for regulated services in order to finance competitive ventures, as only corporate after-tax profits, *i.e.* retained earnings, could be used for such ventures.

- **1988**. The restrictions placed on patronage capital and distinguishing it from retained earnings have always been embedded in a cooperative's bylaws. The system of accounts used by the PSC happened to include separate subaccount titled patronage capital. A new system was adopted in 1988 did not have an account by that name.

- **Chibardun Order, November 2001**. The PSC found that a cooperative had been using patronage capital to subsidize unregulated affiliates providing service to non-members. It found this to be a violation of the law, because the subsidies did not come out of "retained earnings." Chibardun was later fined in a related proceeding in state court.

- **Patronage Capital Accounting Decision, January 2003**. After the Chibardun Order, the PSC instructed the cooperatives as to the correct account to be used for patronage capital, as the case had brought this issue to the PSC's attention. In response, the cooperatives asked the PSC to allow patronage capital to be considered retained earnings and thus eligible for subsidization of unregulated businesses. The PSC denied the request, viewing it as too great a risk to ratepayers. In measuring the financial health and ability of cooperatives to provide economical, reliable service to members, the PSC saw the change as a serious threat. It said patronage capital "should not be placed at risk of loss (or gain)" and that to "do otherwise would endanger the cooperative's core utility capital structure, inconsistent with the legislative intent expressed in Section 1 of 1985 Wisconsin Act 297, which [said] the Commission should keep 'as its main purpose the protection of the interests of ratepayers of public utilities offering regulated telecommunications services' during a time of transition in the telecommunications industry." *Accounting Treatment for Patronage Capital by Telecommunications Cooperatives*, PSCW Docket No. 05-US-115, January, 2003.

- **2003 and 2005**. Attempts to change the law on cross-subsidization rejected by legislature.

- **Now**. The cooperatives are seeking from the legislature something that is forbidden by their bylaws, is antithetical to their non-profit organizing principle, and that would place their ratepayers and fair competition in Wisconsin in jeopardy. This attempt goes even further, in that it would apply not only to cooperatives but would allow all telecommunications utilities to cross-subsidize unregulated ventures without restriction.