

Chapter PSC 174

SMALL TELECOMMUNICATIONS UTILITY

PSC 174.01 Target rate of return for a small telecommunications utility

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(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, Stats., shall be calculated by adding Moody's average of yields on Baa public utility bonds, expressed in percent, to percentage set in 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 7 YEARS.** As set forth in s. 196.215 (5) (b) 2, Stats., the percentages set under this subsection shall be effective for 7 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% of the amount set under this subsection and the change shall be made by rule adopted at least 2 years before the effective date of the change.

History: Cr. Register, July, 1991, No. 427, eff. 8-1-91.