



Colorado PUC Connections Newsletter - June 1999

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startpoint

Now that the legislature has completed its work for another year, it's a good time to step back and assess the impact of the 1999 session on this agency. As expected, it was a busy and challenging four months under the dome.

Since this was the first session under a new administration and a General Assembly that was significantly reshaped by term limits, it was a time of striking up new relationships and getting to know one another. I am confident that as we build on these relationships, we also will continue to build a level of credibility and trust with those whom we serve.

This was the fourth legislative session since the passage of Colorado's telecommunications bill in 1995, and telecommunications issues are still very prevalent. The issue of local telephone competition continues to be highly visible and contentious, and I expect that to continue into the future. However, the '99 session might be remembered more for the bills that didn't pass than those that did. Few of the major bills involving telecommunications survived the session.

One telecom bill that did make the final cut was Senate bill 57, which contains some important provisions from our perspective. It clarifies that information obtained by PUC staff through audit is confidential; it makes it easier for rural telephone companies to obtain pricing flexibility for services other than basic telephone service; and it defines all new services introduced by U S West as deregulated services.

Perhaps the major piece of legislation approved this session, from a PUC standpoint, came on the energy side. Senate bill 153, the natural gas "unbundling" measure, allows utilities to voluntarily submit plans that would give residential and small business customers the opportunity to choose their natural gas supplier – the same choice that large business customers have now. It's the last step on the path to full competition in the natural gas industry. This agency will be required to report to the legislature by Dec. 1, 2001, on how the voluntary process is working.

Another bill – Senate bill 165 – requires the PUC to conduct a study on telephone equipment for people with disabilities and report back to the legislature in December of this year. There also will be a study conducted by an interim committee of six legislators to report on the status of local telephone competition in Colorado.

These are just a few of the highlights of what turned out to be a busier than expected session. And there appears to be no change in sight, at least for the immediate future.

USW service quality

U S West put on notice for service problems

The Colorado Public Utilities Commission issued formal notice to U S West Communications on May 19 that it believes the company has violated the Commission's quality of service rules.

In a letter from Director Bruce Smith, PUC staff outlined possible violations of Commission rules concerning repair response time, the number of allowable customer trouble reports, speed of answering calls to the company's business offices and the provision of timely service. PUC Commissioners asked U S West to submit a plan by June 9 on how it intends to correct the problems.

Under PUC rules, local telephone companies are required to repair 85 percent of all out-of-service reports per wire center each month within 24 hours. PUC staff has determined that for 1998, 133 of U S West's 163 wire centers were not in compliance for at least one month out of the year. And 53 of the wire centers failed to meet the requirement for any of the 12 months.

PUC rules also require telephone companies to maintain their networks so that customer trouble reports do not exceed eight reports per 100 customer lines per month in a wire center, averaged over a three-month period. PUC staff has determined that one U S West wire center violated this rule during the year.

The company also is required to answer 85 percent of calls to its business offices within 60 seconds each month. According to PUC staff, at least one of U S West's three main business offices – residential, small business and repair -- failed to meet this standard for every month during 1998.

Finally, PUC rules require U S West provide basic telephone service no later than 150 business days from a customer's application, except when the customer requests a later date of service. Based on data submitted by the company, PUC staff has determined that 135 customer orders were held more than 150 days in 1998 in violation of PUC rules.

A recently approved settlement with U S West Communications contains a plan that requires the company to meet certain quality of service standards beginning in 1999 or provide up to \$15 million a year in customer bill credits. However, the alleged violations presented by staff occurred between the end of the company's previous regulatory plan in 1997 and the start of the new five-year agreement.

Depending on U S West's response, the PUC may decide to hold a hearing on the allegations and possible remedies. These remedies might include rate reductions, refunds, reparations, or any other corrective action the Commission deems appropriate.

Conference to unveil regulatory future

Colorado congressman, FCC official among WCPSC participants

Colorado congressman Tom Tancredo, Federal Communications Commission commissioner Michael Powell, and former Illinois senator and Democratic presidential candidate Paul Simon are among the noted panelists and speakers who will take part in the 58th Western Conference of Public Service Commissioners (WCPSC) conference June 13-16 in Vail. The conference will be hosted by the Colorado Public Utilities Commission.

The WCPSC, which is made up of utility regulators from 13 western states and Guam, meets annually for education, training and information-sharing. Colorado Public Utilities Commission commissioner **Vince Majkowski** is the group's current president.

The conference, which will be held at the Marriott's Mountain Resort at Vail, is expected to attract as many as 300 participants. Business sessions will focus on the theme "un Vail ing the Future, Reflecting the Past."

Tancredo, who was elected to Congress in 1998 from Colorado's Sixth District, will provide the keynote address during a reception on June 13. His speech will offer a national-level legislative insight into where he believes regulation needs to continue, as well as where it should stop.

Tancredo formerly served as the Secretary of Education Regional Representative under Presidents Reagan and Bush, and is the former president of the Independence Institute, a public policy research organization in Golden.

Powell, who was appointed to the FCC in 1997 and is a member of the President's Council on Year 2000 Conversion, will take part in a panel discussion on Wednesday, June 16, on Y2K issues – "Six months to go, Where do we stand?"

Simon, now a professor at Southern Illinois University and director of the Public Policy Institute at SIU, will speak during a water session on Monday, June 14. He is the author of the book *"Tapped Out: The Coming World Crisis in Water and What We Can Do About It."*

The conference, which will feature a cross-section of regulatory and industry panelists representing both state and federal perspectives, also will include panels and discussions on telecommunications, natural gas, electricity, national and state issues, and international energy.

Other speakers will include Colorado Lt. Gov. Joe Rogers, who will give the welcoming address, and Jim Sullivan, president of the Alabama Public Service Commission and president of the National Association of Regulatory Utility Commissioners (NARUC), who will provide "A View from Washington, D.C." on Tuesday, June 15.

Twenty-five credits of Continuing Legal Education are available to conference

attendees.

The WCPSC is one of five regional affiliates of NARUC. The Western Conference is comprised of utility commissioners from Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming and Guam. Jerome Block, a commissioner from New Mexico, is the WCPSC vice president; and Marlene Showalter, commissioner from Washington, is the secretary-treasurer.

Park

Korean official ends PUC stay

The Colorado Public Utilities Commission bid farewell last month to Seong Yong Park, who has returned to his native South Korea following a two-year study assignment in the United States.

Park, a senior telecommunications official for the Korean government, arrived in May of 1997 to study telecommunications regulatory structures and policies. The Colorado PUC served as his base while he attended courses at the University of Colorado and the University of Denver and interacted with state and federal regulators.

Park said he hopes to use the knowledge that he gained during his two-year stint in the U.S. to help his own country make the transition from a government-owned telecommunications system to a private, competitive industry.

"This was a very great experience in my life. I will not have an opportunity like this again," Park said. "I learned much about local telephone competition. The (Colorado PUC) is very active in introducing competition. I think it is one of the leading states in the U.S."

Park said one of the big differences in regulation between Korea and the U.S. is the importance that is placed on consumer rights and education.

"The Colorado PUC is very democratic in terms of policy-making and decisions," he said. "It is very impressive to me to focus on consumers' rights and protections instead of only the companies' interests."

Park said the politics, administration and culture of government in the U.S. is much different than that in Korea, and he hopes to apply many of the principles that he learned here.

"The Korean government has been very authoritarian. Nowadays, with the change in government, our president is promoting democratization in government," Park said. "The United States is the number one country in the world. Our country is a developing country. Your country has a lot of resources, a lot of diversity, which I think is the source of its strength. The Colorado PUC is a very good example of that."

"I'd like to thank all of the PUC family – they were very kind and very great," he added. "I will miss Colorado and miss the PUC."

inside connections

If it has to do with the Public Utilities Commission and money, **Bill Wiley** probably has his fingers on it.

Wiley, a General Professional in the Administrative Services section, is the PUC's fiscal officer. His duties include processing expenditures, helping manage the yearly budget, providing financial information for the budget and purchasing supplies, equipment and services for PUC staff.

He also requests revenue reimbursements from the federal government, and is the PUC's Department of Regulatory Agencies contact for accounting and purchasing matters. It's that variety of tasks from day to day that makes his job interesting and enjoyable, he said.

Bill has been a state government employee since 1972 and has worked at the PUC since 1978, moving him closer to his goal "to retire at age 50 and enjoy my grandkids."

Away from work, Bill's personal interests include family, music and travel.

"Each year I usually go out of the country at least once," he said. "My favorite places are the Fiji Islands and Amsterdam."

Bill also enjoys reading and listening to music. His collection of rock and roll and blues includes some 500 CDs, 600 cassettes and 450 albums. He also hopes to relearn playing the guitar when he retires.

He advises everyone to "enjoy life, because you're not really in control of how long it will be."

(Inside Connections will feature a PUC employee each edition as selected by PUC section chiefs.)

poscharges

Kudos to **Morey Wolfson**, **Gary Schmitz** and **Saeed Barhaghi** for the work they have done for the Electric Advisory Panel. Also, special recognition to Saeed, who had an article published in the March/April edition of *Imaging Notes* magazine. The article, entitled "Utilities Balance Rural/Urban Service," describes innovative efforts by staff to use satellite imagery to locate customers in rural service areas.

The PUC welcomes **Jeannie Mai**, Administrative Assistant to the Transportation section. She transferred to the PUC from the Department of Human Services.

Several PUC employees have switched positions within the agency in the last few

months. **Josef Mason** transferred from an Administrative Assistant in the Transportation section to a Compliance Investigator in the Safety and Enforcement section; **Dino Ioannides** transferred from a Compliance Investigator to a Rate/Financial Analyst in the Utilities section; and on June 7, **Frank Shafer** will transfer from a Rate/Financial Analyst in the Advisory Coordinating Team to an Information Technologies Technician in Administrative Services.

Kudos to **Dee Thompson** for spotting a critical mistake by the copy center in a nine-page mailing on the PUC's new local calling area criteria that was to go out to 400 recipients.

No change in basic service

The Colorado Public Utilities Commission (PUC) has decided to leave the definition of basic telephone service essentially unchanged.

After holding public meetings across the state, conducting consumer surveys and gathering comments from telephone companies, the Commissioners decided at deliberations on April 30 not to require additional features that would have resulted in monthly rate increases for customers.

The PUC also said it would not adopt a higher standard for facsimile and data transmission speed as part of basic telephone service, but would defer that issue to a later proceeding that will look at access to advanced services across the state. Advanced services are considered to be high-speed, broadband services that enable customers to send and receive high-quality, voice, data, graphics or video telecommunications.

The PUC said it would remove a 2.4 kilobits per second (kbps) data speed requirement from the basic service definition. Instead, it will replace it with a technical standard that companies must provide bandwidth for voice grade access in the frequency range of between 300 to 3,000 Hertz, with no more than an eight-decibel loss across the frequency. That bandwidth requirement, which also conforms with the Federal Communications Commission (FCC) definition of basic telephone service, automatically produces data speeds of at least 2.4 kbps, and possibly much higher.

The PUC is required by state law to review the definition of basic telephone service every three years. In addition to the technical bandwidth standard, the PUC left intact the other current elements of basic service – a single-party line; touch tone; access to long-distance, 9-1-1, operator services and directory assistance; white page directory listing; and a local calling area that reflects a community of interest.

The PUC made minor modifications to its rules to require telephone companies to provide additional back-up power for central offices, and it added language to clarify services to which customers may voluntarily subscribe to limit access to long-distance services, such as toll blocking and toll limitation. Those changes are expected to take effect on July 30.

PUC considering changes to local calling area criteria

The Colorado Public Utilities Commission (PUC) is considering changes to the criteria that it uses to establish local calling areas throughout Colorado.

A hearing on the proposed rules was held May 13 at the PUC. Commissioners' deliberations are expected to take place in June.

A local calling area consists of the telephone exchanges that a community can call without paying long distance charges. Local calling areas include calling needs for health, safety, government, business, school and other "community of interest" purposes.

Under the current rules, communities that desire to expand their local calling areas must meet minimum call volumes between the telephone exchanges. The calling rate must exceed an average of four calls per customer per month, with at least 50 percent of the customers in the exchange making at least two calls per month. Communities that wish to add entire metro areas, such as Denver or Colorado Springs, must meet higher calling volumes.

If the calling volumes are not met, no further consideration is given to expansion. If the calling volumes are met, customer surveys are conducted in exchanges under consideration for expansion. A majority of the customers in each of the exchanges would have to support the larger calling area and the resulting rate increase.

Under the proposed rules, the PUC is considering reducing the calling volume criteria, as well as providing a waiver process if the calling volumes are not met. The PUC also is considering an option that would allow communities to impose a rate increase for expanded local calling only on customers in those communities. In the past, all rate increases from local calling area expansions have been spread to all customers of that telephone company.

The PUC will be considering expansion to local calling areas throughout the state later this year. A recently approved settlement with U S West Communications earmarks \$8 million for expansion of local calling areas in the 970 and 719 area codes. The criteria to be used in making expansion decisions will either be based on the current rules or those as modified by the PUC.

The PUC has received a number of petitions and letters from communities seeking local calling expansions – such as between Routt and Moffat counties, Yuma and Washington counties, Lindon and Woodrow, Telluride/Ouray and Grand Junction; and Westcliffe and Pueblo. Those requests will be considered as part of the statewide review later this year.

Universal service charge to increase in July bills

The surcharge that Colorado telecommunications customers pay to keep basic telephone

service affordable across the state will increase on July 1.

The Colorado Universal Service Charge provides money for a fund to reimburse telephone companies that serve areas with higher than average costs. This allows local phone rates to remain reasonably comparable across the state.

The surcharge is assessed as a percentage of a customer's in-state monthly telecommunications charges for local, wireless, paging, in-state long distance and optional services. The surcharge does not apply to interstate long-distance calls.

Since Jan. 1, customers have been paying a monthly surcharge of 0.2 percent to support universal service. The surcharge will increase to 3.2 percent on July 1.

The initial charge was small because it provided money to continue the high-cost support that small, rural telephone companies have been receiving since the early 1990s. The charge is increasing because more companies, including U S West Communications, will be eligible on July 1 to begin receiving support for a larger number of rural, high-cost telephone lines.

Until the 1995 state telecommunications law that allowed local telephone competition, most support for high cost areas was recovered through implicit subsidies built into existing rates. However, under competition, those implicit subsidies are being replaced by explicit ones to provide fair market conditions for all competitors. That is why the universal service surcharge now shows explicitly on the bill.

In order to receive money from the state universal service fund, which is capped at \$60 million for 1999, U S West is required to reduce its rates in other areas to remove those implicit subsidies. The PUC recently approved \$57 million in reductions in rates for business services, in-state long distance and access charges that long-distance companies pay U S West to use the local network. Those reductions also will take effect on July 1.

In deliberations on April 30, the PUC also ruled that companies providing service in high-cost areas should receive support from a state universal service fund only for the first line at a residence and the first line at a business premise.

And the Commission decided that all customers should pay the universal service surcharge, and it should be assessed to all in-state telecommunications services.

Under a recently-approved settlement with U S West, however, the company agreed to provide bill credits to its customers that will offset the surcharge as it applies to basic service for the first line at a residence or business.

PUC simplifies taxi fares for most trips from airport

New Flat-Rated Taxi Fares

	To DIA	From DIA
Downtown	\$43	\$45.50
Denver Tech Center	\$45	\$47.50
Boulder	\$70	\$72.50

Flat-rated taxi fares to and from Denver International Airport to three zones in the Denver metro area could be in place by early August.

The Public Utilities Commission (PUC) has approved rules that require taxi companies to replace metered fares with flat rates for trips between the airport and downtown Denver, the Denver Tech Center and Boulder – which comprise about 70 percent of the airport taxi business. The rules are expected to go into effect on July 30, and the taxi companies will have 10 days after that to put the new rates into effect.

The new rules will simplify the various rate structures used by the five metro-area taxi companies in serving the airport and reduce confusion among both passengers and drivers, PUC Transportation Chief **Lee Smith** said.

Under the new rules, a trip from downtown Denver to DIA initially will be \$43, regardless of the number of passengers. The rate from the Denver Tech Center to the airport will be \$45, and from Boulder to the airport will be \$70. For trips from DIA, a \$2.50 airport gate fee will be included, making the fares \$43.50 to downtown, \$47.50 to the Tech Center, and \$72.50 to Boulder.

All taxi trips to destinations outside the three zones would be charged on a metered basis.

The new rules will replace a shared-ride program, which has failed to gain public support in the five years it has been in effect. Under the shared-ride program, each of 21 different zones throughout the Denver area had its own reduced fare if two or more parties were traveling to or from the same zone. But due to the large number of zones, and the unlikelihood of passengers finding another person going to the same zone, the program has been rarely used.

Under the new rules, a map displaying the three zones and the applicable flat rate will be posted in each cab, and drivers would be required to inform passengers of the total fare prior to beginning the trip. The flat rate on trips from DIA may be increased by a maximum of \$5 for each additional drop within a zone.

The PUC decided against adopting a proposal that would have extended the age limitation on taxi vehicles from six model years to 10 model years.

Settlement cuts Rocky Mountain rates

New rates for Rocky Mountain Natural Gas Company, a wholesale natural gas supplier and gas transportation company, were expected to go into effect on June 1.

An Administrative Law Judge of the Public Utilities Commission (PUC) in May approved a settlement between the company, PUC staff and the Office of Consumer Counsel that called for Rocky Mountain to reduce its rates by \$943,454 a year. If no exceptions were filed, the new rates were to go into effect on June 1.

The agreement to lower rates was reached by the parties after the PUC last December ordered an investigation into possible excess earnings by Rocky Mountain Natural Gas Company.

Rocky Mountain Natural Gas Company supplies wholesale natural gas to Rocky Mountain Natural Gas Division, which in turn provides retail natural gas service to customers on the Western slope. The company also provides gas transportation service.

Under the approved settlement, Rocky Mountain's wholesale rates will go down about 8 percent, and transportation rates will be reduced by about 18.6 percent.

The agreement also prohibits any party from seeking a change in Rocky Mountain Natural Gas Company's rates until at least Jan. 1, 2001.

Electric panel's draft report due July 1

The 30-member panel studying electric utility industry restructuring in Colorado will issue its draft report by July 1.

The Electricity Advisory Panel, created by the state legislature in 1998, has spent the past 12 months collecting and analyzing information about whether electric retail competition is in the best interest of Colorado citizens. The draft report will be the panel's initial public release of its findings.

The draft report will include the results from several in-depth studies prepared by consultants over the past several months. Those studies looked at various social, legal and economic impacts of introducing retail electric competition in Colorado.

Stone & Webster, an engineering firm, conducted detailed energy and economic modeling. In its report, Stone & Webster looked at several scenarios involving competition in order to compare what might happen to electric rates under those scenarios.

Under its base case, using the existing regulated monopoly scenario, electric rates would drop by 1.2 percent, adjusting for inflation, between now and 2017, the analysis said. That would be due mainly to greater technical and system efficiencies, according to PUC economist **Gary Schmitz**.

Under a fully competitive scenario, customers in Colorado could see electric bills rise as

much as 29 percent over the base case rates, according to the Stone & Webster research. That's because Colorado already has low electric rates compared to most other states in the western region and prices under such a scenario would be market-based and not cost-based, Schmitz said.

Once the draft report is issued, the panel will conduct a minimum of five public hearings throughout the state to receive public comment on the report. As of press time, locations and dates for the meetings had not been determined.

Following the public meetings, a final report will be prepared for the legislature by Nov. 1. That report will include a recommendation on whether Colorado should move forward with electric utility restructuring. The legislature is expected to take up the issue again during the 2000 session.

PUC approves part of Public Service gas rate request

The Colorado Public Utilities Commission on May 20 approved a \$14.8 million increase in natural gas rates for Public Service Company of Colorado to pay for investments in the company's natural gas delivery system.

The 2.34 percent increase will add about 87 cents a month to the typical residential bill, while commercial customers will see an increase of about \$3.69 per month. The new rates are expected to take effect this summer.

Public Service Company had requested a \$23.4 million increase to pay for investments it had made in the natural gas delivery system to serve new customers and maintain the existing system. The increase is not based on the fluctuating cost of the natural gas supply. Public Service makes no money on the cost of natural gas, but simply passes on that cost to its customers on a dollar-for-dollar basis each year.

Public Service Company's last increase was in 1997, when the PUC approved an \$18.6 million hike in natural gas rates.

The PUC kept the existing 11.25 percent return on equity for the company's natural gas operations. The return on equity is the measurement of profit. The PUC authorizes a return on equity, but it is not guaranteed.

The company had requested that its return on equity be set at 12 percent. The lower rate of return, along with other rate base and revenue adjustments, resulted in the PUC reaching the \$14.8 million revenue increase.

"The company has incurred certain costs in upgrading and providing service to its customers," PUC Chairman **Robert Hix** said. "The Commission has found a portion of those costs to be reasonable."

The PUC is expected to issue its written order in June. Once the written decision is issued, parties to the case will have an opportunity to file for reconsideration, reargument or rehearing.

Fort St. Vrain agreement reached

Parties reached an agreement without hearing on a proposal by Public Service Company of Colorado to build an additional 235 megawatts of capacity at its Fort St. Vrain generating plant near Platteville.

The settlement gives Public Service Company approval to build the third phase of its gas-fired operations at Fort St. Vrain, while capping the amount of construction costs that ratepayers would be required to bear. Under the agreement, Public Service's recoverable costs for the additional generation are not to exceed \$92.7 million, with an additional cap of \$6 million for off-site transmission improvements.

An Administrative Law Judge of the Public Utilities Commission (PUC) approved the settlement in a recommended decision on May 13. Parties had until June 2 to file exceptions to the decision.

The additional power would bring the total capacity of Fort St. Vrain to 685 megawatts by summer of 2001. One megawatt of electricity is enough to serve about 1,000 households.

The Fort St. Vrain expansion is part of an overall, long-range plan aimed at ensuring that Public Service Company has enough electricity to meet its customers' demand in the future. The company has projected that it will need to add 820 megawatts between now and 2001 to meet that demand.

Public Service Company says the construction and operation of the third phase at Fort St. Vrain will produce a \$26 million savings to customers over 20 years when compared to other resource alternatives.

Fort St. Vrain was built in the 1970s as a nuclear power plant, and began commercial operations in 1979. However, the plant was shut down in 1989 because of prolonged operating inefficiencies.

Public Service began dismantling the plant's nuclear reactor in 1992 after the PUC approved a settlement in which the company agreed to bear most of the costs of decommissioning the plant. In late 1994, the PUC approved the conversion of Fort St. Vrain to a natural gas-fired plant. The plant went back on line in May of 1996 as a natural gas-fired plant.

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