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Startpoint

Senate Bill 99-165, approved last spring, directed the PUC to submit a report to the General Assembly that addresses the telecommunications equipment and service needs of telephone customers with hearing and speech impairments in Colorado. The final report is due by Dec. 15, but I thought I would take this opportunity to report some of the initial positive steps that have already occurred.

The PUC has investigated the issue in two parts. The first part was a survey of what services and equipment other states are providing through their

telephone relay programs that exceed the minimum Federal Communications Commission requirements.

The second part entailed development of a survey questionnaire to be completed by telephone customers with hearing and speech disabilities. We formed a working group that included PUC staff and recognized leaders in the deaf and hearing-impaired community to develop the survey. When completed, the survey was mailed to more than 8,500 Colorado telephone customers with hearing or speech impairments.

At the request of Sen. Dorothy Rupert, sponsor of Senate Bill 99-165, a meeting was held at the PUC on Oct. 21. In attendance were Sen. Rupert, PUC staff, members of the deaf community, and Phil Davey, chairman of the PUC's E-9-1-1 statewide task force. The initial analysis of the survey results was discussed.

The deaf community expressed a strong desire to establish a Colorado Commission on Deafness. Such commissions have been used successfully in many other states to focus on the needs of the hearing and speech impaired citizens.

The top priority for spending any surplus money available in the Colorado Relay Fund should be to improve access to E-9-1-1 emergency services for the deaf, according to the survey results. Other high priorities would be an equipment distribution program, more publicity for the Colorado Telephone Relay Program, and the availability of Caller ID through the relay service. Sen. Rupert indicated that she plans to work with participants in the near future to draft some proposed legislation.

I commend Bill Stricklen, the PUC's relay program administrator, and the rest of the folks who have been involved in putting together this survey and report. Already it has opened lines of communication, and I am certain that it will yield positive results and benefits down the road.

Merger proposals up for PUC review ***- [U S West/Qwest](#) | [NCE/NorthernStates](#)***

U S West/Qwest decision could come by end of December

The Colorado Public Utilities Commission (PUC) could rule before the end of the year on the merger application of U S West Communications and Qwest Communications.

Hearings in the case were scheduled for Dec. 6-8, pending the completion of the U S West quality of service hearings the preceding week. Public comment on the proposed merger was to be heard from 4-6 p.m. on Wednesday, Dec. 8. Deliberations by the Commission are expected to be held later this month.

The two companies filed with the PUC on Aug. 16 seeking expedited approval to merge their parent corporations - U S West, Inc., and Qwest Communications International, Inc. According to the application, Qwest, Inc. would be the surviving corporation following the merger. Regulated subsidiaries of both companies - such as U S West Communications, USLD Communications and LCI International Telecom Corp. - would retain their current names, at least for an initial period of time.

The proposed merger would bring together Qwest's advanced, broadband fiber optic network and U S West's local telecommunications facilities, creating a company "with a significantly increased ability to meet the rapidly evolving needs of business and residential telecommunications customers," according to the application. The companies stated that the merger will lead to expanded and innovative service offerings and increased competition in key market segments such as high-speed data and Internet access.

If approved, and prior to closing of the merger, Qwest would be required to discontinue its long-distance services in the U S West region until it meets the conditions for local telephone competition specified in the federal Telecommunications Act of 1996.

Shareholders of both Qwest and U S West have given their blessing to the proposed merger. State and federal regulatory approval also is required. By law, the Colorado PUC must determine that the merger is in the "public interest."

In a prehearing order issued in October, the PUC in a 2-1 vote said it would narrow the scope of its "public interest" review down to an economic basis. The applicants must show that customer and company welfare gains would result by merging, the PUC said. This could be shown through lower consumer rates, synergies, economies of scale or scope, cost savings, more favorable access to capital, more rapid deployment of technology, and accelerated competitive entry into other markets.

The Commission said wholesale service, service quality, interconnection agreements, collocation, competitive local exchange service and in-state long distance service were beyond the scope of the merger review.

"All of these issues can, or already are, being considered in other proceedings," the Commission wrote.

Hearings set to begin in January in NCE, Northern States case

Hearings will commence Jan. 31 at the Public Utilities Commission (PUC) to consider the proposed merger of New Century Energies, the parent

company of Public Service Company of Colorado, and Northern States Power Company of Minnesota.

Two weeks have been set aside to take formal testimony in the merger case. The public may comment on the proposal from 4-6 p.m. on Monday, Jan. 31, the first day of hearing. The hearing will be at the PUC, 1580 Logan St., in Denver.

The two companies have proposed to join to form Xcel Energy, Inc. They contend the merger will result in increased operating efficiencies and financial stability, and would enhance competition in the electric and natural gas markets.

Shareholders of both companies approved the merger this summer. State and federal regulatory approval also is required. By law, the Colorado PUC must determine that the merger is in the "public interest."

At a prehearing conference in September, Public Service sought to limit the issues that could be raised as part of the merger proceeding. The company asked the PUC to rule that issues such as integrated resource planning, resource acquisition, demand side management, wholesale markets and divestiture of the company's generation assets were beyond the scope of the merger proceeding.

While not fully granting the company's motion, the PUC ruled that it would only consider issues that were germane to the merger, and that the test of the public interest standard would be in showing that customer and company benefits of the proposed merger outweighed the benefits of any conditions proposed by other parties.

Among the key points of the Colorado merger application:

- Public Service Co. will continue to freeze its Colorado electricity rates through 2004. The current rate freeze expires at the end of 2001.
- Public Service Co. will continue the annual electric earnings test and profit-sharing method through 2004, which means customers will share company profits if Public Service earns above agreed-upon levels.
- Public Service Co. will continue its Quality of Service Plan through 2004, which requires the company to meet specific targets related to its electric system reliability, number of PUC complaints and its response time at the company's telephone center.
- The company proposed to maintain its Personal Account Representative (PAR) program for low-income customer assistance and continue funding for investments in the Energy Savings Partnership program.
- Public Service Co. will not reduce the number of emergency response positions as a result of the merger.
- The merger will not reduce the company's commitment to

safety, reliability and quality of service resources.

Staff seeks penalties in U S West case

U S West Communications should issue immediate refunds or credits to customers for service quality problems in 1998-99 and should be subject to even stiffer penalties if it fails to improve service over the next three years, staff of the Public Utilities Commission (PUC) has recommended.

The proposed remedies were part of PUC staff's testimony in the investigation into alleged violations of the Commission's quality of service rules by U S West. As of press time, settlement negotiations were occurring and hearings in the "show cause" proceeding was still scheduled for Nov. 29. A Commission decision in the case could come before the end of the year.

The hearings focused on service problems dealing with repair response time, the provision of timely telephone service, and customer access to the company's business offices. It is the second such investigation in the last five years. A similar probe in 1994 led to a settlement that resulted in \$5.3 million in reparations against U S West for PUC rule violations from 1993 to 1995.

The current investigation covered the time period between the end of the company's previous regulatory plan in 1997 and April of 1999, when a new five-year price regulation plan for U S West took effect. That new plan requires the company to meet certain quality of service standards going forward or provide up to \$15 million a year in customer bill credits.

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 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 that U S West provide basic telephone service no later than 150 business days from a customer's order, 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.

Finally, 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.

In its testimony, PUC staff urged the Commissioners to order immediate

refunds for the 1998-99 time period based on the performance standards contained in the new five-year price regulation plan. Those penalties could amount to up to \$15 million.

Staff also recommended that for customer orders delayed for more than 30 days, U S West be required to provide some form of alternative service that meets the PUC's basic service standard, such as cellular, at the regular flat-rated monthly rates.

For out-of-service situations, PUC staff recommended a sliding scale of bill credits - up to the full monthly rate if service is not restored within five days and additional credits for each day beyond that. U S West also should provide alternative service when outages exceed 48 hours, staff said.

Staff also recommended that U S West be required to make immediate network upgrades at no cost to ratepayers to replace outdated equipment.

If U S West is not in full compliance with PUC quality of service rules by Jan. 1, 2003, PUC staff recommended that the company be required to refund one-third of all its local telephone revenues back to customers.

As part of the investigation, the PUC conducted public hearings in Longmont, Thornton, Conifer, Colorado Springs and Parker to hear directly from customers about U S West service problems.

Retirees close out century's worth of service

When the 20th century is ushered out the door at the end of this month, it will take with it nearly 100 years' worth of experience from the Public Utilities Commission.

Long-time PUC employees **Jim Richards**, **Mike Homyak** and **Floyd Irby** are all retiring at the end of December. **Tony Karahalios** beat them out the door by a couple of months. Between them, the four have spent more than 95 years inside PUC walls, serving the citizens of Colorado.

Richards, chief of the Utilities section, is retiring after 28 years of service. He began his career as a financial analyst and worked his way up through senior financial analyst, supervising financial analyst and, ultimately, chief of the Utilities section, a position he has held for 15 years.

He served on numerous national accounting committees during his career, and was chairman of the National Association of Regulatory Utility Commissioners (NARUC) Accounting Committee for three years. He also taught accounting courses for four years at the annual NARUC course in East Lansing, Mich. For the past six years, Richards also has been the PUC's legislative liaison at the Capitol.

Karahalios retired in September after 25 years at the PUC. He also started in the Utilities section, serving in various financial analyst positions, including supervising financial analyst, for 15 years. For the last 10 years, Karahalios was chief of the Safety and Enforcement section.

While working as a financial analyst, Karahalios worked on several national accounting committees. Later, he was a member of the National Association of Pipeline Safety Representatives, and served as secretary, vice president and president of that organization. He also helped conduct the PUC's annual pipeline safety training workshops and worked with a legislative task force to address the issue of increasing damage to gas pipelines.

Homyak is leaving the Administrative Hearings section after more than 22 years of PUC service. He started in July of 1977 as a hearings examiner, which later became an administrative law judge (ALJ) position. For 12 years he also acted as Commission counsel, advising the Commissioners on legal issues.

Homyak became acting chief ALJ in 1992 when Robert Temmer was named PUC Chairman, and was named chief ALJ about a year later.

Irby is departing after 20¹²/₁₂ years at the PUC. He began his career as a transportation representative, now called a compliance investigator. He eventually worked his way up to supervisor of the Compliance Investigator unit, a position he has held since 1996.

Irby serves on the North American Commercial Vehicle Safety Alliance Drivers' Committee, which reviews safety issues for drivers. He also is a member of the Colorado Motor Carriers Association Safety Management Council.

Positive Charges

Much deserved recognition goes to the following PUC employees for reaching milestones in 1999 for service to the state: 25 years - **Marsha Nemo, Phil Smith**; 20 years - **Floyd Irby, Joe Reed, Dennis Maul**; 15 years - **Jerry Enright, Bruce Smith, Steve Pott, Ken Kirkpatrick, Neil Langland, Bob Hix**; 10 years -- **Ann Civello, Vivian Pederson, Wendell Winger**; 5 years - **Jim Midyett**.

Welcome to new PUC employees **Sharon Podein**, an engineer in the Utilities section; **Guy Quaintance**, a compliance investigator in the Safety and Enforcement section; **Harriet Weisenthal**, a court reporter in the Administrative Hearings section; **John Trogonoski**, a rate/financial analyst in the Utilities section; and **Bridget McGee-Stiles**, a rate/financial analyst in the Utilities section. Also, welcome back to **Dawn Kendall**, who has returned to the PUC to be the administrative assistant in the Safety and

Enforcement section.

Special thanks to **Violet Robinson** for all of her extra work on all of the good-bye and retirement parties at the PUC in the past few months.

Kudos to **Barbara Fernandez** and **Trudy Reinmuth** of the External Affairs section for their work in organizing the NARUC Consumer Affairs Subcommittee meeting in Denver in October. Nothing but favorable comments were received from participants who were impressed by the topics, various panels and speakers.

Utilities chief Jim Richards would like to give a pat on the back to everyone in the Utilities section for working beyond the call of duty to satisfy the current workload.

Truckers' workshops set

Pueblo, Greeley, Burlington and Denver are the sites for the remaining 1999-2000 Truckers' Workshops in Colorado.

The annual workshops, sponsored by the Colorado Department of Transportation, the Colorado State Patrol, the Colorado Department of Revenue, the Colorado Public Utilities Commission, and the U.S. Department of Transportation, provide information about permitting, safety and other trucking regulations.

Members from each of those agencies will be present to provide information and answer questions about both federal and state regulations during the four-hour sessions. The workshops are free and open to anyone interested in trucking regulations.

Workshops were held in Grand Junction in October and Alamosa in November. The remaining schedule includes: **Pueblo**, Jan. 13, 8:30 a.m., at Pueblo Community College; **Greeley**, Jan. 27, 8:30 a.m., at Aims Community College; **Burlington**, Feb. 3, 9 a.m. at the Boy Scout Center; and **Denver**, Feb. 24, 8:30 a.m., at Arapahoe Community College.

Those interested can RSVP by fax to Dennis Maul at 303-894-2071 or e-mail to dennis.maul@dora.state.co.us.

Inside Connections

It's no accident that **Bill Fritzel** has been making positive contributions to the Colorado Public Utilities Commission (PUC) for more than 17 years. It's part of his overall approach to life.

"Embrace a positive value system which contributes to making a better world," Fritzel recommends.

Fritzel weaves that philosophy into his job as an Administrative Law Judge (ALJ) at the PUC, deciding utility cases assigned by the Commissioners. As one of five law judges employed by the agency, Fritzel conducts hearings, writes recommended decisions, rules on motions and researches legal issues.

He enjoys the "interesting and challenging cases that come before the PUC," as well as interaction with staff colleagues and the people who have business before the agency - utility representatives, attorneys and the general public.

In addition to his duties as a law judge, Fritzel is one of several PUC mediators, who attempt to resolve complaint cases between customers and utilities before they reach the formal hearing stage.

Fritzel received both his bachelor of arts and law degrees from the University of Colorado in Boulder. He is a member of the Colorado Bar Association and the American Bar Association.

Away from work, Fritzel's interests include sports, especially golf, travel and reading. History and general non-fiction are his favorite subjects. He also enjoys photography and gardening.

He urges everyone to "maintain a sense of humor and have a positive outlook on life.

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

Majority of electricity panel opposes restructuring

But vote falls short of two-thirds needed for full recommendation

More than half of the members of the Colorado Electricity Advisory Panel believe electric restructuring isn't in the state's best interests, but the vote failed to constitute the two-thirds majority required by the Legislature that would make it a formal recommendation of the panel.

Members of the panel on Nov. 1 issued a series of reports on electric utility industry restructuring in Colorado, capping a 15-month study ordered by the Legislature in 1998.

The 29-member panel voted 17-12 that restructuring is not in the best interests of all Colorado electricity consumers and the state as a whole. But it did not reach the two-thirds majority necessary for a full panel

recommendation.

A simple majority joined in a report setting forth its reasons for concluding that restructuring is not beneficial to Colorado. A minority report, which received support from nine members, contained the viewpoints of those who support restructuring.

A "middle ground" report received support from seven members, four of whom favor restructuring, and three of whom oppose restructuring. Four other minority reports were filed as individual statements. The staff of the Colorado Public Utilities Commission (PUC) also drafted a report that contained a description of the specific issues that received the support of two-thirds of the panel members.

In reaching its findings, the panel gathered data and opinions by holding open discussions with 50 experts, commissioning and reviewing studies by nationally-recognized contractors, hearing the views of 200 members of the public at public comment meetings; and reading written comments that were submitted in response to the panel's draft report.

Along with the vote on the fundamental issue of whether restructuring is a good idea, the report contains findings on more than 300 separate questions in 16 evaluation areas. Included are a comparison of Colorado's electric rates and costs with other states; an assessment of whether retail competition will raise or lower rates for individual customer classes; consumer protections that might be necessary; recovery of costs for investments already made by utilities; the potential impact of retail competition on the development of renewable energy sources; the effect of retail electric competition on low-income, energy efficiency and environmental programs, as well as the specific impact on rural customers, utility employees and communities.

The panel also was directed to provide recommendations regarding implementation and timing of restructuring if the General Assembly determines that it wants to restructure Colorado's electric industry. Those recommendations are detailed in the final report.

"What has come out of all of this is a fairly strong bias toward providing consumer safeguards," said PUC principal economist **Gary Schmitz**, who helped compile the report.

The legislature is expected to take up the issue of electric restructuring again during the 2000 session.

A copy of the final report is available at the PUC web site:
www.dora.state.co.us/puc/euir/euir.htm.

Power of information aids electric customers

Disclosure provides education about price, make-up of generation

Information regarding the price of various components of electricity and the resources used to produce that power was distributed to customers of two Colorado utilities for the first time under new PUC disclosure rules.

Customers of Public Service Company of Colorado and WestPlains Energy received the information via bill inserts in October. The inserts will be mailed to customers twice a year.

PUC rules requiring the disclosure of electricity information became effective in April of this year. The purpose of the rules is to educate customers about the make-up and cost of the generation and delivery of power. The information can also be used to help customers participate in the debate about restructuring of electricity in Colorado.

Under the rules, Public Service and WestPlains, the state's two largest electric utilities, are required to provide information in October and April about the different price components of electricity and power supply mix, based on data from the previous calendar year.

Price information includes the percentage of a customer's average monthly residential or commercial bill that goes for power supply (generation and purchased power) and power delivery (transmission and delivery). For calendar year 1998, 63 percent of a Public Service Company residential customer's average monthly bill went toward power supply, while 37 percent paid for delivery services. For Public Service business customers, 66 percent of the bill paid for supply and 34 percent went for delivery.

For WestPlains' residential customers, 44 percent of the average monthly bill went to obtain the power supply and 56 percent went for delivery. WestPlains business customers paid 65 percent for supply and 35 percent for delivery.

Public Service reported that in 1998, the fuel source mix used in the generation and purchase of its power was 80 percent coal, 11.3 percent natural gas, 1.5 percent hydroelectric, and 7.2 percent from purchases with unknown fuel sources. Public Service did not show any generation from wind sources because its wind farm did not come on line until 1999.

WestPlains obtained 63.4 percent of its electricity from coal sources, 7.5 percent from natural gas, 0.1 percent from oil, and 28 percent from purchases with unknown fuel sources.

The PUC may consider requiring additional information in the future, such as air emissions and price information for the various fuel sources.

PUC approves sale of Public Service turbines

The Public Utilities Commission has authorized Public Service Company to sell new electric generation facilities that are being built at two of its existing metro Denver power plants.

In a decision reached Nov. 19, the PUC granted the company's application to sell to competitive bidders two combustion turbines at the Arapahoe Station and a third at the Valmont Station. The units, totaling 111 megawatts, are being added to help meet anticipated energy demand for next summer.

The PUC granted the request without a hearing after Public Service Company agreed to defer cost recovery issues to a later date.

The turbine projects were part of a contingency plan invoked by Public Service this summer after negotiations to contract for additional power from outside sources fell through. The PUC approved construction of the turbines, even though it found that Public Service had not properly followed the process set out in its 1996 integrated resource plan (IRP).

Approving the sale of the turbine projects back to power supply competitors will restore the ownership position of Public Service in the Colorado power supply market to that which would have existed if the contracts from the 1996 IRP solicitation had all been properly executed, the PUC said.

The PUC also agreed to grant Public Service Company's request to enter into seven-year power purchase contracts with the buyer of the turbine projects outside of the bidding requirements of the IRP rules. In order to have the additional capacity available by June of 2000, compliance with the IRP rules to re-solicit bid proposals was not practical at this date, the PUC said.

Public Service has said it hopes to close the sale by mid-December and divest the turbine facilities by the end of 1999.

PSCO plan projects 12 percent increase in demand by 2004

Public Service Company of Colorado, the state's largest electric utility, is projecting a 12 percent increase in electricity demand for its service territory between now and the summer of 2004.

The estimates are part of the company's draft integrated resource plan (IRP), which was filed Nov. 15 at the Public Utilities Commission. Every three years, regulated electric utilities are required to file a plan outlining its resource needs for the next six years. The IRP process was designed to

create a fair and competitive process for meeting customers' long-term needs.

Public Service Company's preliminary plan calls for the company to acquire a total of 1,031 additional megawatts of electricity to meet anticipated energy demands for the years 2002, 2003 and 2004. One megawatt provides enough electricity to power approximately 1,000 homes.

Public Service said it was taking several steps to encourage a competitive wholesale electric market in the region. New Century Energies and Northern States Power - its proposed merger partner - agreed to refrain from bidding to supply any of the needed power.

Public Service currently generates about two-thirds of the electricity for its customers and purchases the additional one-third from other sources. It said by 2006, Public Service and its affiliates should own less than 50 percent of the power supply that is used to serve its markets.

The IRP plan also calls for Public Service to acquire additional wind generation to serve the company's WindSource program, and to invest in more energy efficiency and conservation measures.

The preliminary plan forecasts a need for 214 additional megawatts of electricity in 2002, and additional 392 megawatts in 2003 and an additional 425 megawatts in 2004. Public Service said it will retain a third party to oversee the fairness of the bidding process and to report to the PUC on fairness issues.

Under the accelerated schedule proposed by Public Service, public participation meetings would be held later this year. The public meetings would allow for PUC staff, independent power producers, environmental interests, the Office of Consumer Counsel, large and small electric customers, and other parties to provide input on the preliminary plan.

If the PUC approves the fast track plan, a bidders' conference would be held in February of 2000 for interested suppliers, and a final plan would be filed by Aug. 16, 2000.

Fund to support universal phone service could grow

The fund that is used to keep basic telephone service available and affordable for all Coloradans could increase to as much as \$72 million for the year 2000, according to a Public Utilities Commission (PUC) staff report.

The annual report on the Colorado High Cost Support Mechanism was released by PUC staff on Dec. 1. The report provides information on the operation of the state's universal service fund for 1999 and also its

proposed operation for 2000.

Telecommunications companies that provide service to customers in high-cost geographic areas are eligible to receive money from the universal service fund, which was capped by law at \$60 million for 1999. The amount of support is based on the difference between the revenues received and the cost of providing the service in high-cost areas.

All Colorado telecommunications customers pay a monthly surcharge to support the fund. The surcharge is assessed as a percentage of a customer's in-state monthly charges for local, wireless, paging, in-state long distance and optional services.

For the first half of 1999, only rural, independent telephone companies received money from the universal service fund. U S West Communications became eligible to receive state universal service funds on July 1. PUC staff estimates that it will distribute about \$31 million to local telephone companies for 1999, with almost \$29 million going to U S West Communications.

For 2000, the first full calendar year for support for all companies, PUC staff estimates that more than \$72 million will be needed, a 21 percent increase over the \$60 million statutory limit, which expires at the end of 1999.

PUC staff said the projected increase is due to growth in the number of lines being supported in high cost areas and a significant reduction in revenue benchmarks due to PUC-ordered rate reductions for U S West. The company was required to reduce its rates in business services, switched access services, and in-state long-distance by an amount equal to its universal service fund support. As revenues decrease, the amount of support received from the universal service fund must increase to cover the greater difference between revenues and costs.

Currently, customers pay a monthly 3.1 percent surcharge on their intrastate services to support the fund. If the size of the fund increases to \$72 million, that surcharge could increase to as much as 3.8 percent, PUC staff said.

However, a provision in the law requires that any increase in the universal service fund above the previous calendar year be suspended until March 31 to allow the legislature to review it. Accordingly, the PUC will limit distributions during at least the first quarter of 2000 to \$15 million and continue the current 3.1 percent surcharge.

The PUC also expects to review the computer model it uses to determine the average costs of providing telephone service in light of a recent Federal Communications Commission ruling on the issue. That review could lead to changes in the amount of high-cost support distributed.

Hearing to focus on rural Internet access

The Colorado Public Utilities Commission (PUC) will hold a hearing early next year to establish guidelines for enterprise zones that would provide tax credits to companies that invest in improving Internet access in rural areas.

A hearing to take formal testimony on the rural enterprise zones is scheduled for Jan. 13 at the PUC, 1580 Logan St., in Denver.

PUC staff on Oct. 14 released its report assessing the technology infrastructure throughout the state and the ability of residents and businesses to access the Internet. The report was the first step toward fulfilling obligations contained in the "Rural Technology Enterprise Zone Act" of 1998, which was designed to ensure that rural areas of the state have adequate access to the Internet.

The bill mandated a technology infrastructure needs assessment and inventory, and gave the PUC the authority to establish rural technology enterprise zones. Those zones would provide tax incentives for companies to invest in technology infrastructure to improve access to the Internet.

In its report, PUC staff concluded that Internet access is available to all residents of the state, but the quality of that access is restricted by two factors: the availability of information networks and the data transmission capability of those that are available. Internet access is primarily achieved over the local telephone network, which limits data transmission rates. Additionally, the performance of the local telephone network in rural areas historically is poorer than in urban areas, the report said.

Written comments on the specifics of the rural enterprise zones were due Dec. 7 and response to those comments will be accepted until Dec. 28. The hearing in January will focus on the interpretation of "rural" as it pertains to the zones; the number, placement and boundaries of the zones; the potential for increasing Internet access in specific areas; and the specific infrastructure technologies that would be utilized to improve access.

The PUC's goal is to designate the zones and create the review process for companies seeking tax credits by the end of the first quarter of next year. Once the zones are in place, companies that invest in technology infrastructure to provide Internet access in the enterprise zones will receive a 10 percent tax credit on their investment, up to \$100,000 each year through 2004.

The PUC staff's technology infrastructure assessment report is available at the PUC's web site at www.dora.state.co.us/puc/.

PUC to review 719/970 local calling requests

Recommendations are due by the end of the year on how to spend \$8 million earmarked for expanded local calling in communities in the 719 and 970 area codes.

The Public Utilities Commission conducted a series of town meetings in October and November to explain the process and criteria being used for expanded local calling areas - which are those telephone exchanges that a community can call without incurring long-distance charges. Specific written proposals for expanded local calling were due on Nov. 30.

PUC staff will evaluate the requests and make its recommendations by Dec. 30. A formal hearing before an administrative law judge is to be held in January.

The \$8 million for expanded local calling in 719 and 970 was part of a comprehensive agreement reached earlier this year with U S West Communications and stemmed, in part, from the decision to expand the 303 area code into a single local calling area for U S West customers. In return for certain pricing flexibility, U S West agreed not to seek recovery of the costs to expand the 303 calling area from customers and agreed to spend up to \$8 million without increasing local rates for expansions in the 719 and 970 area codes.

The PUC will evaluate the specific requests based on "community of interest" criteria contained in its new local calling rules. The criteria includes calling volumes and patterns between communities; local calling for 9-1-1, government, school, business, police and fire, and medical purposes; and the location of primary business, employment, housing and transportation centers.

The PUC may also consider factors such as the level of local and long distance telephone competition, and the availability of optional calling plans.

Implementation of the local calling area expansions is expected to occur by the end of the third quarter of next year.

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COLORADO PUBLIC UTILITIES COMMISSION

1580 Logan Street, Office Level 2

Denver, CO 80203

[CONTACT PUC](#)