STATE OF COLORADO
PUC NEWS RELEASES

Colorado PUC Connections Newsletter – March 2000

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Starting point

Many of you are aware that Gary Klug and I, as members of trial staff, have been observing and participating in the Arizona development of a master plan to test U S West Communication's Operational Support Systems (OSS). We also have been participating in a regional OSS testing effort under the auspices of the U S West Regional Oversight Committee. OSS testing is the major component of demonstrating compliance with the federal checklist which must be demonstrated before U S West is allowed to enter the long-distance market.

Why are we devoting so much time and energy to these efforts?

Quite simply, I believe it is the single, most significant initiative before us in our attempt to implement effective telecommunications competition and bring the benefits of that competition to **all** customers in Colorado.

I think most everyone would agree that true choice has been slow to develop since the Colorado law was changed in 1995 and the federal Telecommunications Act of 1996 was passed to allow competition in the local telephone market.

One theory is that as long as competitors can target only the most lucrative markets and customers, competition will be confined to very segmented markets – mostly urban and business sectors. The only threat to this fragmented pattern is the realization of "one-stop shopping," or the ability of customers' to obtain local, long-distance and other telecommunications services from a single provider. One-stop shopping is viewed as the "holy grail" of competition, and the force that ultimately, in my opinion, is most likely to bring competition to all four corners of our state.

In order for this to be achieved, all telecommunications providers must be allowed to offer this one-stop shopping on equal footing. That is why it is so important that we devote considerable attention to the Section 271 checklist process. Through that process, U S West can obtain the authority to offer long-distance service in its region. But, first, it must demonstrate that local competitors utilizing U S West's network are provided with access and parity.

The Federal Communications Commission will make the ultimate decision on whether the local market is sufficiently open to competitors to allow U S West to enter the long-distance market. But the FCC will be relying on state commissions to help resolve the complex and contentious issues that accompany this process. Our focus for much of the next year will be on reaching that goal – an outcome that I believe is in both the companies' and the customers best interests.

PUC Commissioner turns new page

Former Aurora official, county commissioner tackles new challenge

In January, new PUC Commissioner Polly Page took the oath of office administered by Colorado Supreme Court Justice Michael Bender.

New PUC Commissioner **Polly Page** has never been one to shy away from a challenge.

In 1987, she was elected to the Aurora City Council in her first attempt at political office. In 1994, Page ran a successful campaign for Arapahoe County Commissioner and helped extricate the E-470 highway project, which was stalled in a court battle at the time.

"In my elected positions, I've always had to learn a lot of new things – from transportation acronyms to airport operations," Page said. "You just throw yourself into it."

That's how she plans to approach the latest challenge to come her way – that of PUC commissioner. Page was appointed to the post by Gov. Bill Owens and confirmed by the Colorado Senate in January. She replaced fellow Republican Vince Majkowski.

"There is a steep learning curve here – it will take a lot of dedicated effort. But I'm used to that," Page said. "I don't do anything halfway. You just jump in, find out all you can, and immerse yourself in it."

Page quickly admits she has no previous experience in utility regulation. But she thinks that may have been one of the reasons that Gov. Owens selected her for the position.

"I don't come in with any pre-conceived notions," she said. "I will listen to the other Commissioners, look for input and advice from the staff, and try to use what common sense I have."

Page has been a resident of Colorado since 1971 and started her own diesel repair business the following year. She was active in politics, serving mostly in the background as a volunteer, until deciding to run for Aurora City Council in 1987. She held that position for seven years before being elected to the Arapahoe County Commissioners in 1994 and re-elected without opposition in 1998.

During that time, Page chaired the Denver Regional Council of Governments for a year. She also was chairman of the Arapahoe County Public Airport Authority and is on the board of directors of the E-470 Public Highway Authority. She served as treasurer for the Metro Moves campaign to approve multi-modal improvements to I-25 in the southeast corridor of metro Denver and was a leader in the statewide campaign to approve highway bonds for the widening of I-25.

"Polly Page has a distinguished record of community and elected service," Gov. Owens said. "She has a much deserved reputation as someone who gets things done and she understands the role competition plays in improving service."

Page, appointed to a four-year term, joined Chairman Ray Gifford and Commissioner Bob Hix on the PUC bench. Hix's term expires in January of 2001, while Gifford's term runs through January of 2003.

PUC to review competitive checklist

PUC staff will likely recommend a collaborative approach to addressing competitive telecommunications issues that must be resolved before U S West Communications can receive permission to enter the long-distance market in its 14-state region.

On Nov. 30, 1999, U S West filed with the PUC a notice of intent to file a Section 271 checklist application with the Federal Communications Commission. Section 271 of the federal Telecommunications Act of 1996 sets out a procedure by which regional Bell operating companies could be allowed to provide long-distance in exchange for opening their networks to local competition.

Section 271 includes a 14-point checklist of required competitive elements. The FCC makes the final determination, on a state-by-state basis, based on consultation with state PUCs and the Department of Justice. State commissions play a key role in developing a factual record and resolving the entire range of issues associated with opening the local phone network to competition.

PUC staff is contemplating a non-traditional approach to developing that record, according to Director **Bruce Smith**, a member of trial staff on this issue. Instead of lengthy, litigated hearings, PUC staff will recommend a series of technical workshops to informally resolve as many issues as possible.

"These workshops would allow all sides to interact and try to reach consensus," Smith said. "This collaborative process worked very well four years ago when Colorado was developing its rules to open the local market to competition."

Smith and PUC staff engineer **Gary Klug** have been monitoring the progress of the Operational Support Systems (OSS) testing process in Arizona, as well as participating in a region-wide effort on OSS testing through the U S West Regional Oversight Committee (ROC).

Operational Support Systems are the systems a telephone company uses to provide service to its customers, whether these are its own retail customers or competing telephone companies. OSS functions, which U S West must provide at the same level to its competitors as it provides to itself, include pre-ordering, ordering, provisioning, repair and maintenance and billing. OSS issues have proven to be the most difficult in Section 271 review.

"Each state will have unique issues that it will have to deal with," Smith said. "But to the extent that common issues come up in Arizona and are resolved there, those solutions can be transferred to the ROC effort and vice versa."

In addition to regional cooperative efforts, the FCC on Dec. 27 provided additional guidelines to states and companies when it approved Bell Atlantic's Section 271 application in New York.

"Recognizing that each state's situation will be different, the Bell Atlantic decision still provides a useful roadmap of what is required for a successful application," Smith said.

Although a final timetable has yet to be determined, it is hoped that the Colorado PUC's Section 271 review can be completed by the end of the year, Smith said.

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Wider local calling on tap for some 719/970 towns

U S West Communications customers in northwest Colorado, the central mountains and the Western Slope should receive wider local calling areas within the next three months to a year under a decision issued by an administrative law judge of the Public Utilities Commission (PUC).

The decision, which became final without challenge on Feb. 16, calls for expanded local calling in the Steamboat Springs/Craig area, Fruita/Grand Junction area, Leadville, Fairplay and Montrose at no cost to customers. U S West will pay for the expansions as part of an agreement approved in 1999.

The PUC solicited proposals for local calling expansions in the 719 and 970 area codes late last year. The proposals were evaluated based on calling volumes and alternate criteria, such as growth patterns, availability of essential services, primary centers of business activity, the location of employment and transportation centers, and the location of employee residences. A hearing was held in January.

Based on the evidence presented, the judge found that a sufficient "community of interest" existed to warrant the following local calling area expansions:

- Yampa Valley communities – Steamboat Springs, Craig, Hayden, Yampa and Oak Creek all would have local calling between them.

- Leadville – Local calling for the town of Leadville would be extended north to the I-70 corridor to include the Dillion, Breckenridge and Vail exchanges. Since the expansion crosses the area code boundary between 719 and 970, a waiver must be sought from the Federal Communications Commission.

- Fairplay – Fairplay would also receive expansion into Summit County, including the exchanges of Dillon and Breckenridge. This also requires a waiver from the FCC for crossing the area code boundary.

- Fruita – Fruita, which currently has limited local calling to Grand Junction and Palisade, would add the exchanges of DeBeque, Delta, Olathe, Palisade and Parachute to its local calling area.

- Montrose – Montrose would add the Grand Junction/Fruita exchanges to its local calling area.

The time frame for implementing the local calling area expansions will depend on the FCC waiver process, and whether construction of new facilities or replacement of equipment is required.

U S West estimates that the Fruita expansion can be completed approximately three months from a final PUC decision. The Montrose expansion will require some construction this May plus another three months for the conversion.

No construction is required for the Fairplay expansion, so implementation would be about three months after FCC approval. The Steamboat/Craig projects will require construction during the building season of May to October, and then an additional three months once construction is completed.

The Leadville expansion will require the replacement of a central office switch, which could take up to nine months. The switch replacement won t be commenced until FCC approval of the area code waiver is received.

Under the agreement reached in 1999, there is $8 million available for the local calling expansions in the 719 and 970 area codes. U S West estimates the cost to implement the five approved projects at around $1.65 million. The PUC will allow communities an additional six months to file proposals to utilize the remaining funds. After that, the rest of the money will be used to reduce business rates.

Inside Connections

Tucked away in a corner cubicle on the first floor, behind mountains of manuals, tiers of testimony and an avalanche of applications, is where you'll find PUC energy analyst **Billy Yingyu Kwan**.

Billy, who has worked at the Commission since 1990, prefers to work in the background. But behind the quiet demeanor and a penchant for privacy is one of the brightest minds on the PUC staff.

Billy is responsible for examining rate, tariff and construction filings made by natural gas utilities and making recommendations to the Commission on their disposition, including complex issues such as cost allocation and rate design. Other duties include auditing and reviewing the prudence of gas purchasing and transportation practices of natural gas utilities.

What he likes most about his job is that it affords him "the opportunity to work with the best minds in the industry, and to create complex and challenging solutions that require constant tradeoffs."

"It takes two to tango," he said. "Working with people is the only way to get things done."

Kwan is a registered professional engineer and a certified management accountant (inactive). He holds a bachelor's degree in engineering from Harvey Mudd College, and master's degrees in business administration and accounting from the University of Colorado-Denver.

He serves on the Staff Subcommittee on Gas of the National Association of Regulatory Utility Commissioners and is a member of the Denver Society of Security Analysts and the National Association of Government Deferred Compensation Administrators. That latter stems from his role as Vice Chairperson on the State of Colorado Deferred Compensation (457) Plan, which oversees the administration and record-keeping of $360 million of assets.

All of which seems a little out of character for someone whose stated goal is to "keep a low profile."

Away from work, his hobbies include cuisine, travel, movies, reading and "sharing time with my two daughters before they grow up."

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

Electronic filing of insurance now possible

Colorado is one of 16 states participating in a pilot program designed to improve the process for filing insurance verification or cancellation notices for interstate and intrastate motor carriers.

All motor carriers operating in Colorado are required to file proof of current insurance with the Public Utilities Commission. Historically, this has been done through hard copies sent to the PUC by insurance companies. Often, the filings contain incorrect or missing information, especially for companies that do business in multiple states under multiple names.

The new Electronic Insurance Filing Pilot, implemented in February, is designed to eliminate those mistakes and allow insurance companies to make filings consistent with the way each state has registered the carriers.

Through the pilot program, a company called Information Consortium collects motor carrier information from all the states involved in the project. Instead of making individual filings in each state, insurance companies pay Information Consortium to send out electronic filings to each state that include the appropriate information for that state.

The Colorado PUC handles more than 20,000 insurance filings a year from motor carriers. The new process is expected to cut down on paperwork shuffling and help eliminate errors in the filings.

"This is a value-added service that improves our customers' ability to obtain permits in timely fashion," PUC Operating Rights Supervisor **Ron Jack** said.

Other states participating in the pilot program are Alabama, Arkansas, Kansas, Illinois, Indiana, Kentucky, Louisiana, Massachusetts, Maine, Michigan, Minnesota, Missouri, Ohio, South Carolina and West Virginia.

New PUC system keeps ports-of-entry current

The PUC's Operating Rights section has implemented a new computer system that provides daily updates about the registration status of motor carriers operating in Colorado to the state's ports-of-entry.

The new system gives Department of Revenue officials access to the most current information available when checking trucks that pass through one of the state's 10 ports-of-entry. Enforcement officials receive up-to-date information about whether a company's permit is active, cancelled or revoked.

In the past, ports-of-entry officials had to manually check a company's status from hard copies of lists that were provided once a week, said PUC Operating Rights Supervisor **Ron Jack**. Now they get the information via computer that is updated every 24 hours.

"The new system eliminates the manual process by providing enforcement officials electronic access to current data confirming or denying that carriers have the necessary permits and insurance on file with us," Jack said.

The information provided to ports-of-entry officers is also available to the public on the Commission's web site.

In addition to information about permits and insurance, motor carrier names, addresses, telephone numbers and other contact information about the companies is provided. The data consists of information on more than 12,000 interstate and intrastate property and hazardous materials carriers.

Hearings set for May on Delta County's phone rate hike plan

A proposal by Delta County Tele-Comm, Inc. to raise basic residential telephone rates by 22 percent and business rates by 29 percent will go to hearing in May.

The Public Utilities Commission will conduct an evidentiary hearing May 9-11 at the PUC offices in Denver. A public comment hearing will be held from 4-7 p.m. on Tuesday, March 21, in the City Council Chambers of the Hotchkiss Town Hall, 276 W. Main St., in Hotchkiss.

Delta County Tele-Comm serves about 10,000 customers in western Colorado, including the towns of Paonia, Hotchkiss, Cedaredge, Crawford, Somerset, Orchard City and Eckert.

The company is seeking an increase in revenues of $457,652, including increases in local rates, custom calling services, and advanced features. Under the proposal, residential rates would go from $14.10 a month to $17.25 a month, while business rates would jump from $24.96 to $32.20 a month.

The PUC suspended the request in January and ordered a hearing to determine whether the proposed increases are just and reasonable. Among the issues to be considered is whether the proposal is permissible under the "residential rate cap" contained in Colorado law.

PUC staff and the Office of Consumer Counsel have intervened in the case.

Poscharges

Kudos to **Gary Schmitz** and **Ron Jack** for taking on extra duties as interim section chiefs during a time of transition. Schmitz is overseeing the Utilities section and Jack is serving as temporary chief of Transportation following the recent retirements of Jim Richards and Lee Smith.

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Next area code relief for Colorado projected for 2003

Numbering measures could push date out for another 3-7 years

Colorado likely won't need another area code until at least 2003, and number conservation measures could push that out another three to seven years, according to the latest projections from telephone numbering officials.

Estimates released in January by the North American Numbering Plan Administrator (NANPA) indicate that the 303/720 area is where number exhaust is likely to occur soonest in Colorado. Currently, it is projected that useable telephone prefixes (the middle three numbers in a 10-digit telephone number) in 303/720 will run out by the third quarter of 2003.

Earlier, it had been projected that the 970 area code in northern and western Colorado would run out of assignable prefixes by the fourth quarter of 2002. But the return of a large block of unused prefixes, and a decrease in the rate that prefixes are being assigned has pushed out the exhaust date in 970 to the fourth quarter of 2007, according to **Becky Quintana**, chair of the Public Utilities Commission's Numbering Task Force.

In the 719 area code in southeastern Colorado, number exhaust is not projected to occur until late in 2008.

Since the 720 area code was overlaid onto the 303 geographic region in the fall of 1998, about 200 codes, the equivalent of roughly 2 million numbers, have been assigned from the new area code. The way numbers are assigned, population growth in the area, increases in demand for computer, fax and wireless lines, and the rising number of competitors in the telecommunications industry are all factors driving the need for additional numbers.

Given the current rate of code assignment, the 303/720 area would need a third area code overlay by the third quarter of 2003. But that date could be pushed out depending on the timing of number conservation efforts, Quintana said.

Colorado already has implemented rate center consolidation in the 303/720 area code, which reduces the number of prefixes needed by new competitors, and it has petitioned the Federal Communications Commission for permission to begin number pooling. Number pooling allows telephone numbers to be assigned in blocks of 1,000, instead of 10,000.

Efforts also are under way at the FCC to develop a national policy on number pooling, but the timetable for any decision is uncertain. Depending on when pooling is implemented, and its impact on the rate of prefix assignment, the need for a new area code could be delayed anywhere from 3-7 years, Quintana said.

Number conservation measures, such as pooling, also could help postpone the exhaust of available area codes on a national level. Current projections indicate that the pool of useable three-digit area codes will run out sometime between 2007-2012.

PUC rules U S West action froze out competitors

The Colorado Public Utilities Commission has ruled that U S West Communications acted anti-competitively by "freezing" customers to U S West's intraLATA long-distance service without the customers' consent.

The PUC in February ordered a new four-month period for about 205,000 customers to be able to switch carriers at no charge, and said U S West must refund any previous switching fees paid by customers or carriers that resulted from U S West's actions.

On Feb. 8, 1999, the intraLATA long-distance market in Colorado was opened to competition. Colorado has two LATAs (or Local Access Transport Area). The northern LATA is made up of the 303/720 and 970 area codes. The southern LATA consists of the 719 area code. Prior to Feb. 8 of last year, U S West carried all long-distance calls within a LATA, such as Denver to Fort Collins, or Colorado Springs to Pueblo.

Just prior to implementation of competition in this market, U S West placed a "carrier freeze" on the accounts of about 205,000 customers in Colorado. A carrier freeze prevents the switching of a customer's long-distance service provider without written authorization from that customer. These customers already had a freeze in place for their interLATA long-distance service, and U S West extended that to include intraLATA calling.

MCI WorldCom, AT&T and NextLink filed a complaint against U S West, charging that the company's actions were anti-competitive because U S West unilaterally extended the freeze without the customers' approval.

Testimony showed that carrier change requests for about 16,000 customers of MCI WorldCom, AT&T and NextLink were rejected by U S West because of the company's actions.

The Commission found that U S West's actions violated state statutes and PUC rules and inhibited the entrance of competitors into the intraLATA market. It noted that in at least two other states, U S West had notified the public utility commissions that it was extending the freeze, and those commissions ordered the company to notify customers first. No notice was given either to the PUC or to customers in Colorado prior to U S West implementing the carrier freeze.

The PUC ordered U S West to re-notify all 205,000 customers whose accounts were frozen and give them an additional four months to switch intraLATA carriers at no charge. During the initial switching period last February, customers were given a 120-day window to change carriers at no charge. After that, U S West was allowed to charge a fee for the switch. Those customers whose accounts were frozen and who ended up paying a switching fee after the free period expired are entitled to their money back, the PUC said.

Once the written order is issued, probably in early March, parties will have 20 days to file for reconsideration of the Commission's decision.

$40 million telecom spending plan outlined

Joint proposal calls for 9-1-1 enhancements, network improvements

U S WEST Communications would spend $40 million to enhance the 9-1-1 system and provide added reliability to its telecommunications network in some parts of Colorado under a proposal filed jointly by U S WEST, the Office of Consumer Counsel and the staff of the Public Utilities Commission.

The proposal would implement part of a wide-ranging agreement among these same parties that was approved last year. In that agreement, the PUC granted U S WEST some pricing flexibility and approved certain rate benefits for customers. As part of the settlement, U S WEST agreed to invest $40 million in its Colorado infrastructure to enhance the quality of its basic telephone service.

The $40 million is in addition to the normal investment U S WEST makes in its network and the 9-1-1 system and would accelerate the timetable for improvements to certain network routes that rely on radio facilities to connect calls. The company will not seek recovery of this extra investment in customer rates.

The proposal contemplates three phases of investment. First, U S WEST will invest approximately $2.5 million to enhance the service that U S WEST makes available to 9-1-1 answering centers in counties. The enhancements will provide the capability to increase the speed in which calls are delivered to 9-1-1 answering centers, and also will provide for diverse routing of calls to reduce the chance of 9-1-1 outages due to cable cuts or equipment failures.

Currently, all 9-1-1 calls in the state are routed through one of three 9-1-1 switches – located in Denver, Pueblo and Grand Junction. If the 9-1-1 switch in Denver were to fail, 9-1-1 calls routed through that switch could not be completed. The proposed investments would pay for an additional 9-1-1 router to each location. The new design will continue to process 9-1-1 calls in the event of a failure of a switch in any of the three locations. In addition, the new design will provide the ability to transfer 9-1-1 calls between any call center in the state and retain the caller's information.

Normally, the cost of these improvements would be borne by the 9-1-1 call answering centers, and ultimately Colorado telephone customers through the 9-1-1 surcharge on their monthly bills. Under this proposal, consumers would not pay extra for these improvements.

Second, the company will invest approximately $24 million in new facilities and fiber optic cable to reduce the network's reliance on radio facilities in rural, and predominantly mountainous, areas. Currently, 122,600 lines in rural Colorado rely on radio facilities to connect to other towns. These radio facilities are potentially more susceptible to outages due to age, weather and exposure. If these investments are made, 75 percent of those lines also will connect to other towns using new facilities and fiber optic cable.

These investments will reduce the risk of isolation for the communities of Craig, Hayden, Steamboat Springs, Kremmling, Hot Sulfur Springs, Granby, Durango, Mancos, Cortez, Montrose, Ridgway, Ouray, Telluride, South Fork, Salida, Buena Vista, Del Norte, Monte Vista, Alamosa, Limon and Black Forest.

In addition to providing route diversity, the additional facilities and fiber routes will increase the network's capacity to handle the ever-increasing volume of calls.

U S WEST estimates that it will cost approximately $26.5 million to complete the investments in the first two phases. Once those are completed, the company will invest the remainder of the $40 million to reinforce existing fiber optic routes between Trinidad and Colorado Springs along I-25, and between Denver and Sterling. Those projects also would provide additional diversity so that outages from cable cuts and equipment failures are less likely to occur.

The proposed projects are spread throughout the state, target the most vulnerable areas and are intended to provide the greatest possible consumer benefit.

The PUC is expected to consider the joint application in early March. If approved, the projects are expected to be completed over a two-year period.

U S West, Qwest merger moves forward with Colorado approval

The merger between U S West Communications and Qwest Communications has received the blessing of Colorado regulators.

The Public Utilities Commission ruled in January that combining U S West, Inc. and Qwest Communications International, Inc. was in the public interest and would result in benefits for both consumers and the two companies.

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.

As part of the merger, Qwest will be required to give up its inter-LATA long-distance customers in the 14-state U S West region until it receives federal approval to re-enter the market. That approval will hinge upon a finding of competition in the local markets served by the merged company.

The PUC said it would require periodic independent audits of the merged company's local network investments and maintenance programs to determine if the local network is being adequately maintained and expanded. But it declined to impose any additional conditions on its merger approval.

The Colorado PUC is just one of several state and federal agencies that must approve the merger. Final regulatory approval is not expected until this summer.

May hearings set for shift in residential gas rates

Hearings are scheduled May 1-5 on a proposal by Public Service Company of Colorado to restructure how it charges its residential customers for natural gas service.

The proposal would not increase overall rates above the level approved by the Public Utilities Commission in the company's gas rate case last year, but it would change how those costs are spread among Public Service residential customers.

Currently, Public Service residential customers pay charges on their monthly bills that vary according to the amount of natural gas used each month, except for a fixed $7.41 "metering and billing" charge billed every month. Under the proposed new rate structure, more of the costs of Public Service's delivery system would be included in the fixed monthly charge, and less would be billed on actual energy usage.

For more than 97 percent of the company's residential customers, the new "delivery service charge" would be $16.49 per month. For the other 3 percent, the fixed charge would range from $26.14 to $117.75 per month, depending on the capacity of the gas meter.

Public Service says the proposed rate structure more accurately reflects the costs of the gas delivery services versus the cost of the natural gas itself, and is another step toward competition in the natural gas market.

According to the company, about two-thirds of Public Service Company's approximately 950,000 residential gas customers would see their average monthly bills for 75 therms decrease from about $41 to $40. Customers with the lowest usage would see an increase in their bills from $22 to $27 for about 35 therms. Customers with the highest usage of around 145 therms per month would see a decrease in their bills from $74 to $63.

If approved, the changes would likely take effect around mid-2000. The rate structure for commercial customers would not change.

Among the issues expected to be raised at the hearing is the impact of the proposed rate structure on low and fixed-income customers, its effect on conservation, and whether the proposed reallocation of fixed costs is just and reasonable. Written testimony from PUC staff and other parties in the case is due March 24.

The hearings will be held at the PUC offices in Denver. Members of the public will be given an opportunity to comment on the proposal from 4-6 p.m. on May 1. Or they may submit written comments to the Public Utilities Commission, 1580 Logan St., OL2, Denver, CO 80203. Comments should be addressed to Docket No. 99S-609G.

PUC approves Public Service merger accords

The Colorado Public Utilities Commission (PUC) has approved settlement agreements reached in the merger application of New Century Energies (NCE), the parent company of Public Service Company of Colorado, and Northern States Power Company (NSP) of Minnesota.

The PUC ruled on Feb. 16 that both the main settlement agreement and a separate low-income agreement were in the public interest and resulted in benefits for both customers and the company.

The main settlement agreement calls for approval of the merger in exchange for various customer benefits, including an $11 million annual reduction in electric rates for the next two years. Public Service Company, PUC staff, the Office of Consumer Counsel, Colorado Industrial Energy Consumers, the Colorado Energy Assistance Foundation, Catholic Charities, the City and County of Denver and the Governor's Office of Energy Management and Conservation all supported the agreement.

In addition to the reduction in rates, the settlement agreement includes the following conditions:

- Public Service will file an electric and gas rate case by May 1, 2002, with new rates expected to become effective Jan. 1, 2002. This will allow cost savings and other efficiencies resulting from the merger to be reflected in new rates.

- Public Service will maintain a management presence in Colorado to serve the needs of Colorado customers.

- The earnings sharing mechanism in the company's current performance-based regulatory plan will continue through 2006. That means any year the company earns above its authorized rate of return, a portion of those earnings will be returned to customers.

- The electric quality of service plan will continue through 2006 with an increase in the bill credits imposed if the standards are not met beginning in 2001.

- The settlement also caps the costs of the merger that can be recovered by the company and ensures that stranded costs incurred by Northern States Power will not be recovered from Colorado retail customers.

The PUC also approved a separate low-income agreement in which Public Service will contribute $4.75 million to the Colorado Energy Assistance Foundation over the next 10 years, continue low-income pilot programs, and expand the Energy $avings Partners program for weatherization assistance.

The Colorado PUC is just one of several state and federal agencies that must approve the merger.

Spin-off dockets to speed energy plan review

In an attempt to make its review more efficient and less time consuming, the Public Utilities Commission has spun off several pieces of Public Service Company's 1999 electric resource plan into separate proceedings.

The PUC in January opened individual dockets to look at the company's forecasted demand for the next six years, and the role that energy efficiency programs and renewable energy resources should play in meeting that demand. The PUC also recently opened a third docket to look at transmission issues.

Resolving these issues up front should make the integrated resource planning (IRP) process go more smoothly, according to PUC Economist **Gary Schmitz**.

"We are very sensitive to timing. Since Public Service needs to bring additional electricity on line by 2002, we need to move quickly," Schmitz said.

The company filed its draft IRP in November, 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 power needs.

Public Service has projected that it will need an additional 1,200 megawatts of electricity between now and 2005 to serve its customers. One megawatt provides enough electricity to power approximately 1,000 homes. Public Service has agreed to refrain from bidding to supply any of the additional power itself to further encourage competition in the region's wholesale electric market.

Coming to early agreement on key issues such as demand forecasts and how much to plug into the planning process for energy efficiency and renewables will provide Public Service with more certainty when it goes out to negotiate with bidders for the additional power, Schmitz said.

The company already has issued its request for proposals and bids are due in April. Decisions in the spin-off dockets are due by May 1, and Public Service will then begin negotiations to secure the additional power. A final plan, incorporating the winning bids, would be filed by mid-August of this year.

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