

Colorado PUC Connections Newsletter – September 2000

Starting Point

When the Commission first issued what I considered to be a landmark decision on reciprocal compensation in the U S West/Sprint arbitration a few months back, I felt that it was absolutely the right thing to do, but I was also certain that it would cause a great deal of controversy.

That proved to be a major understatement.

The Commission has since reaffirmed that decision in the Qwest/ICG arbitration case, which has resulted in thousands of letters, e-mails and phone calls to the PUC over this issue. It is the single largest response to a PUC decision that I can remember in the eight years that I have been here. But, more importantly, I am still convinced that the decision is in the best interest of all telephone company ratepayers.

In the Sprint (and now ICG) arbitration decisions, the PUC adopted reciprocal compensation as the method of reimbursement for voice traffic between Sprint and Qwest. Under this method, the company of the customer that initiated the voice call pays the company of the customer where the call is terminated.

For data traffic, however, the PUC ruled that the compensation method should not be reciprocal compensation, but "bill and keep" instead. In this arrangement, neither interconnecting company charges the other for data calls exchanged between networks. Each company obtains its revenues from its own customers and covers its own costs.

The PUC's decision demonstrates that the customer making a telephone call to the Internet is viewed primarily as a customer of the Internet Service Provider (ISP). If there was reciprocal compensation for this type of traffic on the network, a company would be able to shift the costs caused by the ISP customers to a third party, such as Qwest.

Under reciprocal compensation, Qwest would have to pay a per-minute rate to the ISP's telephone provider. This leads to economic distortions because Internet calls usually are not terminated on the local telephone company's network, and are far longer in duration than a voice call.

The Commission believes its decision is a fair one because it felt all Qwest customers were subsidizing those ISPs who were not charging the true cost of providing service. It is true that the decision might increase the rates that ISPs charge their customers. But the decision does not limit the choice of ISPs. And the Commission believes its decision will enhance local telephone competition.

PUC To Host Transit Safety Conference

The Colorado Public Utilities Commission (PUC) will host the fourth annual State Safety Oversight Workshop Oct. 17-19 at the Comfort Inn in Denver.

The workshop is sponsored by the Federal Transit Administration's (FTA) Office of Safety and Security and is designed for state personnel who oversee light rail transit safety issues. The Colorado PUC is one of 22 state agencies that participate in the federal program. One of the highlights of this year's workshop will be a joint presentation by the PUC and the Regional Transportation District (RTD). The two agencies will lead participants on a working tour of RTD's light rail facilities, including the new southwest corridor extension, and discuss safety certification and the safety oversight of light rail expansions.

The National Transportation Safety Board will provide a training session on accident investigation, corrective action plans and inter-agency coordination, especially designed for state oversight personnel. FTA personnel will make presentations on legal issues, national transit safety programs, and the "year in review."

In addition, there will be presentations on federal policy on shared-use track and corridors from the Federal Railroad Administration, and security topics from the Federal Bureau of Investigation. The Transportation Safety Institute will inform participants about training resources available to support state oversight and rail transit personnel.

The PUC, which is responsible for rail crossing safety in the state, was designated by the legislature in 1997 as the agency to administer fixed rail guideway safety programs in Colorado. The bill gave the PUC safety oversight of the RTD's light rail system – including the investigation of hazardous conditions and accidents – with responsibility for enforcing federal safety standards and for ensuring the development by RTD of a system safety plan.

RTD currently is the only transit agency in Colorado with a rail fixed guideway system. New systems are being studied in the Colorado Springs area and between Glenwood Springs and Aspen.

PUC Approves Sale Of Rural Exchanges

The Colorado Public Utilities Commission has approved an agreement that sets the conditions for the sale of 17 rural telephone exchanges from Qwest Communications (formerly U S West) to Citizens Communications.

The agreement, reached by Citizens, Qwest, the PUC staff and the Office of Consumer Counsel, establishes more than \$20 million in benefits to customers in exchange for approval of the sale and transfer of approximately 45,000 customer lines in the 17 communities. A PUC administrative law judge issued a recommended decision approving the agreement on Aug. 4. If no exceptions were filed, the decision was to become final on Aug. 24.

The 17 Qwest exchanges to be transferred to Citizens include Alamosa, Buena Vista, Calhan, Crested Butte, Del Norte, Fairplay, Gunnison, Julesburg, Meeker, Mesa Verde, Monte Vista, Oak Creek, Ovid, Peyton, Salida, South Fortk and Yampa. The 45,000 lines represent less than 2 percent of the total customer lines in Colorado.

As part of the settlement, Citizens has agreed to invest \$20 million in infrastructure improvements in the exchanges over the next four years, including a commitment to spend at least \$7 million in the first two years.

The agreement also implements a four-year service quality assurance plan, with two years of service guarantees followed by a two-year incentive plan. The incentive plan requires Citizens to meet specific service standards or return up to \$300,000 annually in customer bills.

Citizens will maintain Qwest's prices for regulated services in effect within the exchanges at the time of the sale closing, along with the specific bill credits to offset certain surcharges on customer bills. The company also agreed not to seek price increases for basic local service for one year.

"Each of these factors ensures that customers in the exchanges will be at least as well off, if not better off, than would be the case had they continued to receive service from Qwest," PUC Administrative Law Judge **William J. Fri**t**zel** wrote in the recommended decision.

The sale also is in the public interest because it will allow Qwest to better deploy its resources to meet customer demands and competition, and to maintain and improve the service quality of its remaining service areas, Fritzel said.

The sale, when completed, will be the second sale of rural exchanges by Qwest in the last five years. In 1995, U S West sold 45 rural exchanges, including about 50,000 customer lines, to PTI Communications, now CenturyTel.

PUC Suspends Natural Gas Rate Hike Request

The Colorado Public Utilities Commission has suspended a

proposal by Public Service Company to increase natural gas rates by \$39.8 million a year.

The company had asked that the increase take effect on Aug. 17. However the Commission has suspended the request and will hold hearings to determine whether the proposed rates are just and reasonable. A pre-hearing conference was scheduled for Aug. 31, at which time formal hearing dates were to be set.

Under the proposal, residential rates would increase by 5.13 percent, or about \$2.46 a month for a typical residential bill. Commercial rates would increase 3.74 percent, or \$7.49 a month.

The increase would be used to pay for investments in the company's gas delivery system. Public Service said that it has invested \$154.2 million in its system since its last gas rate increase. The proposed increase is separate from a recent increase due to the sharp rise in natural gas commodity rates. Those commodity increases are passed on to customers on a dollar-for-dollar basis. The company does not earn any profit on the price of the natural gas commodity.

In addition to the increase in monthly rates, Public Service is requesting a reduction of more than 50 percent in the construction allowance credit that is applied to extensions for new gas facilities. That means new customers would pay more of the initial costs of connecting to the gas delivery system, instead of those costs being recovered from all ratepayers.

The rate hike request is the third sought by Public Service Company in the last four years. In 1997, the PUC approved an \$18.6 million increase in natural gas rates, and in 1999, the company was granted a \$14.8 million increase.

The latest request also seeks an increase in Public Service Company's authorized rate of return on equity from 11.25 percent to 12.5 percent. 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.

Customers who wish to comment on the rate proposal may write to the PUC, 1580 Logan St., OL2, Denver, CO 80203. Comments should be addressed to Docket No. 00S-422G.

Customer Contacts, Money Saved Reach New Highs

The PUC's External Affairs section reached new highs for contacts from utility customers and money saved for consumers during the past fiscal year, according to Section Manager **Barbara Fernandez**.

The section closed 9,313 contacts from utility customers during the 12-month period ending June 30, 2000, an increase of 14.2 percent from the previous year's 8,154 closed contacts. The number of contacts includes people seeking general information about a utility or utility services, and those with complaints against specific utilities.

The total number of contacts made to the External Affairs section during the year was 8,922, compared to 8,838 for the previous fiscal year. The number of contacts received and closed is not the same because a contact is not necessarily closed within the time frame indicated. For example, there were contacts received in June that will not be closed until the new fiscal year.

The amount of money saved consumers increased substantially. For fiscal year 1999-00, staff intervention resulted in consumer bill corrections or credits of \$361,305, an increase of 108 percent, compared to \$173,395 for the previous year.

The section closed 6,457 contacts concerning U S West Communications (now Qwest) for the fiscal year, compared to 5,521 a year ago, and it closed 558 contacts concerning Public Service Company, compared to 562 last year.

When closing contacts, the staff determines the appropriate category. If it is a general inquiry, the contact is closed as an "information" request. If the complaint is in opposition to a proposed rate increase of a utility's services/action, it is counted as an "objection." If during the investigation of the complaint, it is found that the utility has not followed PUC rules or regulations, the complaint is marked "not in compliance."

Trouble obtaining telephone service and repair problems produced the greatest number of closed contacts involving U S West Communications (Qwest) during the year. The number of "needs service" contacts, excluding customers with credit problems, was 2006 (31 percent of all closed U S West contacts) for the year, compared to 1,565 the previous year. The number of closed repair contacts for the year was 1,985 (30 percent), down from 2,327 a year ago.

For Public Service Company, the largest categories for closed contacts were repair (174 contacts), billing (156 contacts) and disconnections (87 contacts).

The PUC also installed a new telephone system during the year, which includes an Automated Call Distribution System. Next year's annual report will include statistics for the total number of calls the consumer complaint line receives.

The 1999-00 Consumer Assistance Summary may be obtained from the PUC website: www.dora.state.co.us/puc/fyi/carpt.htm or by calling the External Affairs section at 303-894-2070 within the Denver metro area, or 1-800-456-0858 outside the Denver metro area.

Inside Connections

Ray Jantzen would be completely satisfied if no one from the public ever found out what his job entails. Because that would mean that he had performed it successfully.

Ray is a transportation engineer in the Rail Safety section at the PUC and is primarily responsible for safety and security oversight over rail fixed guideway systems in Colorado. At this juncture, that includes RTD light rail, the only such system in the state.

The Colorado Legislature in 1997 designated the PUC as the agency responsible for enforcing federal safety standards for light rail and for ensuring that transit agencies such as RTD have adequate safety and security plans in place. Ray is the point person for that oversight effort.

Ray, who has been with the PUC since August of 1998, also participates on a technical advisory level in several transportation corridor studies in the Denver metro area and along the Front Range. To a lesser degree, he is involved in freight rail crossing safety issues.

"I like the opportunity that my job affords me to participate and interact with many different entities, both public and private," he said.

Ray holds a bachelor's degree in mechanical engineering from the University of Colorado at Denver. Prior to joining the PUC, he worked as a research and development engineer, and as a criticality safety engineer at a nuclear weapons facility.

"Please don't ask me about that or I will have to kill you," he says jokingly.

In his spare time, Ray enjoys going to movies, camping, and undertaking home improvement projects. He and his wife are white water rafting enthusiasts and own two "catarafts" and a "ducky," which is the slang name for an inflatable kayak.

Ray says he strives to model his life in accord with the following advice: "Live like there's no tomorrow; Work like you don't need the money; Love like you've never been hurt; Dance like nobody's watching."

The work part doesn't apply, of course.

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

Annual Customer Service Award Winner Named <u>Frank Shafer, winner of the 2000 Dom Hidalgo</u> <u>Customer Service Award.</u>

The Public Utilities Commission's annual Domingo Hidalgo Customer Service Award was presented in July to Frank Shafer.

The award was established in 1998 to recognize the PUC employee who displays consistent and superior customer service throughout the fiscal year. Previous winners were Joyce Reed in 1998 and Barbara Fernandez in 1999.

Shafer, who recently left the PUC to work for a Boulder technology company, was cited for his service to the Commission as an Information Technology Services (ITS) specialist. He entered the computer and network management field two years ago after spending 12 years as a PUC financial analyst.

Shafer was one of three finalists nominated by a panel of PUC employees. The other finalists for the 1999-00 award were Denise Coven in the Utilities Section and Violet Robinson in the Executive Office.

Nominations for the award were solicited from all PUC employees. After the panel narrowed the field to the three finalists, the winner was chosen by a vote of all PUC employees.

Shafer received \$250 and an individual plaque, and his name was engraved on a permanent plaque in the reception area on Office Level 2 at the PUC. The other two finalists received \$100 and individual plaques.

The PUC's annual customer service award is named for former long-time employee Dom Hidalgo, who exemplified exceptional customer service for more than 35 years in the PUC's Transportation Section before he died in 1997.

Positive Charges

Former PUC employee **Josef Mason** was named Director of the new Colorado Office of Boxing on June 30. The office, part of the Department of Regulatory Agencies, was created by the legislature this spring. It includes a seven-member Colorado State Boxing Commission.

As director, Josef oversees the administrative and technical activities of the boxing commission. He also administers the operation of boxing matches in the state under the rules the commission adopts.

Prior to his appointment, Josef had served as a PUC compliance investigator in the Safety and Enforcement Unit of the Transportation Section.

A pat on the back to **Marisela Chavez**, **Noel Giesige**, **Trudy Reinmuth**, **Vi Robinson** and **Barbara Fernandez** for their extra efforts in responding to more than 2,500 letters and e-mails from customers concerning the PUC's recent decision on reciprocal compensation. The cards and letters are still coming!

Welcome to the following new PUC employees: **Pamela Fischhaber**, an engineer in the Utilities Section; **Ted Barrett**, a compliance investigator in the Transportation Section; **PaulNiemi**, an engineer in the Pipeline Safety Section. And welcome back to **Dino Ioannides**, who has returned to the PUC as a rate analyst in the Transportation Section.

Congratulations to **Ron Jack**, who is the PUC's new director of Administrative Services. Ron replaced **Eric Durland**, who retired at the end of July but is staying on at the Commission to work on some special projects. Also, **Steve Pott** has been named the chief of Gas Pipeline Safety, and **Terry Willert** is the new acting director of Transportation.

PUC Remodel 2000

It was business as usual despite major remodeling at the PUC

offices this summer. New modular cubicles and an expanded Hearing Room B were part of the improvements.

Gas Utilities Favor Customer Choice, But Urge Caution

No Colorado regulated gas utility has identified a specific date by which it intends to submit a voluntary plan to allow competitive gas suppliers into its territory.

That was one of the key points to emerge from a special Public Utilities Commission (PUC) information meeting on natural gas local distribution unbundling. More than 60 people, including representatives from several gas utilities, regulators and other interested parties, attended the meeting on July 20 at the Wells Fargo Bank building in downtown Denver.

While most of the gas utilities indicated that they favor customer choice, they expressed concerns about the costs of implementing gas unbundling and the regulatory proceedings that might accompany it, said PUC Engineer **Bob Bergman**. Utility speakers suggested that it would take several years to develop a plan, receive approval from the PUC, and implement a customer choice program.

Colorado's Natural Gas Supply Retail Competition Act of 1999 permits regulated utilities to submit voluntary plans to the PUC for approval to allow the entry of competitive providers. If the plans are approved, gas supply would be opened to retail competition, and conditions for the regulation of a competitive market would be established. The delivery or distribution of the gas would remain regulated under the control of the utility.

Representatives from some of the smaller gas utilities suggested that more investigation needs to be done in order to answer questions regarding implementation of gas unbundling. They said consumers have yet to voice a strong opinion about a choice of suppliers, and the costs of unbundling could outweigh the benefits on smaller systems.

Public Service Company, the state's largest regulated gas utility, helped to draft the bill to allow for voluntary entry of competitive providers. But the company's top priority has been the completion of its merger with Northern States Power of Minneapolis, Minn. Company officials said it would take at least a year, and possibly as many as three, to come up with a viable plan. In addition to the utility speakers, the meeting included a presentation by Barbara Alexander, a consultant on behalf of the Office of Consumer Counsel. Alexander discussed consumer issues that must be addressed if retail gas unbundling is implemented in Colorado. She also raised concerns about the overall costs to the consumer, due to added general and administrative expenses – marketing costs, bill production, consumer services, etc. – that would have to be covered by competitive providers.

Alexander said that customer education and "rules of the road" for gas marketers and utilities are essential for a customer choice program.

The PUC must file a report by Dec. 1 with the legislature, outlining any voluntary plans filed and actions taken as a result of the statute.

Hearings Scheduled In October On Leyden Adandonment

The Public Utilities Commission has scheduled hearings for Oct. 24-25 on Public Service Company's application to abandon the Leyden Natural Gas Storage Facility northwest of Arvada.

The hearings will begin at 9 a.m. each day before an administrative law judge at the PUC in Denver, 1580 Logan St.

In issuing a procedural order in June, Judge **Ken Kirpatrick** said the hearings would be limited to two main issues: whether the decision to abandon Leyden is an appropriate one, and if so, does Public Service have a plan in effect that will ensure an adequate supply of gas for all of the company's customers in the future?

The PUC previously has ruled that other issues, such as details of the plan to decommission the facility and restore the site to its natural state are outside the scope of the PUC's regulatory authority.

The issue of cost recovery also is not a part of this proceeding, Kirkpatrick said. Public Service has estimated that the cost of shutting down the Leyden facility will be \$8.6 million. The company said it intends to file a proposal at a later time with the PUC to recover the costs of decommissioning the facility from the company's one million natural gas customers. Public Service filed an application in May seeking approval to close the storage facility following the 2000-2001 heating season, due to incompatibility with the land uses and development in the surrounding area. The decommissioning would occur in phases beginning in the fall of 2001 and concluding by the end of 2005.

Public Service has used the former Leyden underground coal mine as a natural gas storage facility since the early 1960s. It has helped maintain gas pressure during cold snaps to avoid natural gas outages, and it has helped to keep rates low by using low-cost storage gas during cold spells when natural gas is sold at a premium.

The company has stated that it will contract with other natural gas suppliers and storage providers to satisfy peak winter demands once the Leyden facility is closed.

FCC Grants State Authority To Begin Number Pooling

Measure could extend life of area codes

The Federal Communications Commission (FCC) has granted Colorado authority to implement a number pooling trial, a measure designed to increase the efficiency of number assignment and extend the life of area codes.

Number pooling allows telephone numbers to be assigned to local telephone companies, competitive providers, wireless and paging companies in blocks of 1,000 at a time instead of 10,000. This reduces the likelihood of having large blocks of unused numbers.

Number pooling wasn't possible in the past due to technical obstacles with the way calls were billed and routed over the telephone network. Each central office prefix (the middle three digits of a 10-digit telephone number) with its 10,000 numbers was assigned to a single company in a single telephone exchange, regardless of the number of customers in that exchange. The advent of local telephone competition and the growth of wireless providers and services only worsened the problem.

Technological advancements have solved many of those issues, and numbers out of the same 10,000 prefix block can now be assigned to different companies.

Number pooling has already been implemented in several states,

notably Illinois and California, with promising results, according to numbering officials. It has significantly slowed the assignment of central office prefixes in those states.

Number pooling has yet to be implemented in any state in Qwest Communications' 14-state territory, although an order to begin 1,000-block pooling has been issued in Nebraska. Colorado hopes to begin implementation by next February, according to Becky Quintana, chair of the PUC's Numbering Task Force.

Under current projections, the 303/720 area code will be facing exhaust by the third quarter of 2003. The use of number pooling could extend that date by several years.

In addition to forestalling the need for new area codes in the state, number pooling also is being counted on to 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 2008-2012. If number pooling is successful, it could buy another 40-50 years before area code exhaust, numbering officials say.

Agreement Reached In Phillips County Case

A settlement has been filed that would lower a proposed rate hike for Phillips County Telephone Company customers, spread the increase to more services, and allow for the increases to be phased in over two years.

The agreement was reached by staff of the Colorado Public Utilities Commission, Phillips County Telephone and the Colorado Office of Consumer Counsel. A hearing on the agreement was held Aug. 18, and an administrative law judge's recommended decision on the settlement is expected in early September.

Under terms of the agreement, the company would be allowed to increase its revenues by \$231,547 a year through increases in basic monthly rates, custom calling features, and one-time connection charges. The increases to the residential and business monthly rates would be phased in over two years to reduce rate shock.

If the agreement is approved, urban residential rates would go from \$4.15 a month to \$8.08 the first year. Rates for rural residential customers would rise from \$6.15 a month to \$10.35. After one year, rates would be allowed to go to \$12.00 for urban residential and \$14.55 for rural residential customers.

Urban business customers would see an increase from \$7.20 a month to \$11.10 a month during the interim period, while rates for rural business customers would increase from \$9.20 a month to \$13.38 a month. After a year, the company can increase its monthly business rates to \$15.00 for urban business and \$17.55 for rural business customers.

The company originally had proposed that urban residential rates would increase from \$4.17 a month to \$15.81 a month, while urban business rates would jump from \$7.22 a month to \$18.86 a month.

A public hearing was held in Holyoke in July in which about a dozen Phillips County customers objected to the size of the proposed increase, as well as the impact of implementing such a large increase all at once. The settlement addresses those issues, the parties said.

In addition to the increases in monthly rates, the agreement calls for increases in non-recurring charges, such as for premise visits (from \$7 to \$25) and the processing of service orders (from \$7 to \$15). The company also would increase monthly charges for features such as Caller ID (\$2 to \$2.75), Call Waiting (\$1 to \$1.50), and for non-listed (from 25 cents to 50 cents) and non-published (75 cents to 90 cents) directory services.

Phillips County serves about 1,500 customers in northeastern Colorado, including the towns of Holyoke and Amherst.

Guffey Area Receives Expanded Local Calling

The Public Utilities Commission (PUC) has approved expanded local calling for the town of Guffey to include the county seat of Fairplay.

Guffey, located in the extreme southeast corner of Park County, is served out of Qwest's Cripple Creek exchange in Teller County. As a result, calls from residents of Guffey to the Park County sheriff, courts, jail, health clinic and county offices – all in Fairplay – were long-distance calls. Also, calls from Fairplay and some other areas surrounding Guffey to Guffey's community charter school, library, post office, road and bridge offices and fire station were also toll calls.

The town of Guffey and Park County petitioned the PUC in April

to expand local calling from Guffey and the Pike Trails area to Fairplay, Canon City and the area served by the South Park Telephone Exchange. After negotiations with PUC staff and the Office of Consumer Counsel, the parties reached agreement to drop the request to add Canon City and the South Park Telephone area.

A PUC administrative law judge issued a recommended decision approving the settlement on Aug. 14. It will become a final decision if no party files exceptions within 20 days.

Under the agreement, there will be local calling between the 689 exchange of Cripple Creek and the 836 exchange of Fairplay. Also, the Pikes Trail 479 exchange served by CenturyTel will have local calling to both Fairplay and Cripple Creek as well.

Implementation of the local calling expansion is not likely to occur until July of next year. According to Qwest, it will take approximately six months to order and receive the necessary digital radio microwave facilities, and then construction cannot begin until May or June. For CenturyTel's territory, the time to complete the expansion will be minimal once Qwest's new facilities are in place.

The expansion will not increase basic local rates for any telephone customers. Qwest's portion of the expansion costs will come from an \$8 million pot that the company agreed to set aside in 1999 for expanded local calling in the 719 and 970 area codes. CenturyTel's costs would be less than one cent per customer per month, and the company has agreed not to seek recovery of those costs.

PUC Sets Hearing On Proposed Increase For Rico Telephone

The Colorado Public Utilities Commission (PUC) has suspended a proposal by Rico Telephone Company to increase its basic local service rates, access rates and special access rates.

The company had asked that the proposed increases take effect on Aug. 1. However the Commission has suspended the request and will hold hearings to determine whether the proposed rates are just and reasonable. A formal evidentiary hearing is scheduled for Nov. 17 in Denver.

Under the proposal, local basic service rates would increase by about 5 percent overall. Residential rates would increase from

\$20.65 per month to \$21.68 per month. Business rates would go from \$25.95 per month to \$27.25 per month.

The company also has requested a 12.4 percent increase in access rates, the rates Rico charges long-distance companies to connect to the local network, and a 115 percent increase in special access rates. The company also is requesting \$107,874 per year from the Colorado High Cost Fund.

Rico Telephone Company serves about 165 customers in and around the town of Rico in southwestern Colorado.

Customers who wish to comment on the proposal may write to the PUC, 1580 Logan St., OL2, Denver, CO 80203. Comments should be addressed to Docket No. 00K-401T and should be received by Nov. 17.

COLORADO PUBLIC UTILITIES COMMISSION

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