

Connections

NEWSLETTER OF THE COLORADO PUBLIC UTILITIES COMMISSION

Bill Owens, Governor • Rick O'Donnell, DORA Executive Director

JANUARY 2004

STARTING POINT



By Bruce Smith
Director

The PUC Commissioners recently issued a statewide opinion/editorial article in response to concerns over higher natural gas prices. I am reprinting that article in this space for the benefit of those who may not have seen it:

The recent increase in natural gas prices has prompted many e-mails, letters and phone calls to the Colorado Public Utilities Commission (PUC) from customers concerned about natural gas rates. Understandably so: the prospect of significantly higher winter heating bills is not a pleasant one. We at the PUC are frustrated by the heating bill increase, and wish we could make it go away. But the simple fact is, we can't. It is a national supply and demand problem that calls out for long-term solutions at the federal level. What we can do at this point is warn natural gas consumers of the higher rates, encourage conservation, and ask the federal government to take certain measures to increase supply, reduce demand, and provide greater support for those who are unable to pay their heating bills.

There are some common misconceptions about natural gas pricing that we would like to clear up. One misconception is that Xcel and other natural gas utilities are reaping excessive profits from higher gas prices. This is not true. The companies sell the natural gas commodity to its customers at the same price that it pays for the gas, on a dollar-for-dollar basis. The utility does not make any profit from the natural gas commodity. It is the independent gas producers and marketers, not the regulated utilities, who benefit from higher wholesale prices.

A second misconception is that the PUC can somehow lower the wholesale price of natural gas. This also is not true. The federal government deregulated wholesale natural gas prices in the 1980s. These prices are market-driven and, lately, extremely volatile. And Colorado law requires the PUC to allow utilities to recover costs that they incur from the competitive wholesale natural gas market.

A third misconception is that the PUC is "allowing" natural gas from Colorado to be shipped via pipeline to other states, driving up prices locally. While the development of new pipeline capacity out of the region is certainly a key factor in the run-up of local natural gas prices, the PUC has no control over where gas producers choose to market their commodity in a competitive wholesale industry.

The fourth misconception is that the rate that customers pay for

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PUC Commissioner to retire in June

*Weary of commute,
Dyer to end PUC
term 6 months early*

PUC Commissioner **Jim Dyer** survived three tours of duty in Vietnam, 14 years battling fellow lawmakers in the Colorado Legislature, and three years of highly esoteric utilities regulation.

What finally did him in was getting from Durango to Denver and back on a weekly basis.

Dyer has announced that he intends to retire at the end of June, exiting his Commissioner post six months before his four-year PUC term is scheduled to expire in January 2005.

"It's not the job, it's just the wear and tear of the commute," said Dyer, who has been traveling back and forth from Durango since first being elected to the Colorado House in 1986. "The experience (at the PUC) has been marvelous. My colleagues—Greg Sopkin and Polly Page—have been tremendously helpful. And the staff has been great. They've been able to break things into bites that even an English major can understand."

He also singled out Karin Gleichauf, his administrative assistant, for "mostly, keeping me out of trouble."

Dyer was appointed to the PUC in

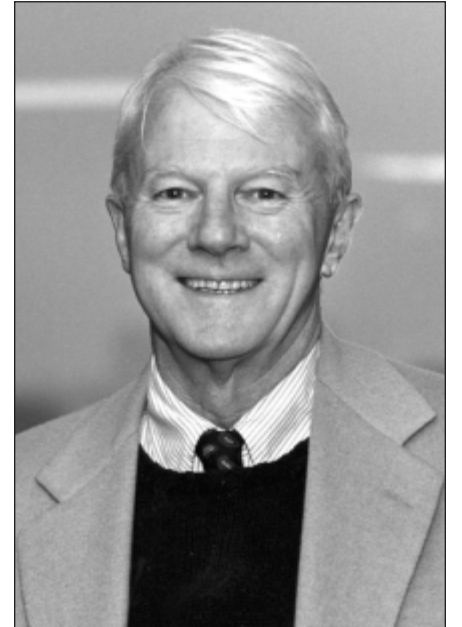
May of 2001, after wrapping up a 14-year stint as a state representative and senator. Part of the arrangement in accepting the PUC post was that Dyer would be able to continue to live in Durango.

"It was important to stay grounded in Durango," said Dyer, whose wife Shari heads the victims assistance unit in Durango's 6th Judicial District. "But I recognized that there was a toll to be taken from the weekly commute, as well as financially maintaining two households."

Despite the countless hours of flying and driving, Dyer said he was proud of the fact that in his three years as PUC Commissioner, he was counted absent only once for a meeting or deliberations.

"Although I get kidded about Durango, I do bring a rural perspective to the job," he said. "I hope to set a precedent of not having just metro-area commissioners. With overnight mail, e-mail, faxes, and cell phones, it can be done."

Once he gives up his PUC post, Dyer intends to devote more time to writing about his experiences in the military and politics. He is about one-third of the way through his memoirs, which he is writing for the benefit of his family. The book will be entitled "Chin Strap Charlie 6," which was Dyer's call sign in Vietnam when he commanded a Marine Corps Artillery Battery. He promises, though, that there will be a chapter on his time at the PUC.



Jim Dyer

Although his wife will keep working for the time being, Dyer said they eventually hope to spend some time traveling in England, Ireland and Scotland. He also plans to return to Vietnam with a fellow Marine as a tribute to two of his Marines who are carried on the rolls as "Missing In Action."

And there may yet even be another chapter on public service still to be included in his memoirs. Dyer said he would be interested in serving on the Colorado Commission on Higher Education.

"At least my plane tickets would be paid for in that job," he said.

Xcel power line approval quiet on noise issue

A PUC Administrative Law Judge has recommended granting in part an application by Xcel Energy to upgrade a high-voltage transmission line that runs from south of Colorado Springs to just south of the Denver metro area.

The judge in November ruled that Xcel should be granted a Certificate of Public Convenience and Necessity (CPCN) to upgrade the Midway-to-Daniels Park line within the existing corridor. The judge also ruled that the anticipated electromagnetic field (EMF) levels from operating the rebuild project are reasonable, but said there was insufficient evidence to make a similar finding about the projected noise levels.

Xcel in July filed for PUC approval to upgrade its transmission system by

removing one of the existing 230 kilovolt (kV) single-circuit transmission lines running between its Midway substation and its Daniels Park substation and replacing it with a double-circuit transmission line to be constructed to 345kV standards but to be operated at 230kV. The company said it needed the upgrade to facilitate the transfer of power between new generating units in the southern part of the state and its Denver-area load. Xcel also asked for specific findings from the PUC concerning the reasonableness of EMF and noise levels associated with the rebuild.

The Castle Pines North homeowners association and several individual homeowners in the Castle Pines North subdivision objected to the proposal.

The homeowners did not dispute the need for the additional transmission capacity to be provided by the project, but opposed the construction within the existing corridor of the approximately two miles of the line that abuts Castle Pines North. The homeowners contended that the upgrade would impair the aesthetics of the area, both visually and through an increase in noise.

The homeowners also urged the PUC to order Xcel to bury the line within Castle Pines and pay the additional cost, approximately \$10 million, of doing so.

Following hearings conducted Oct. 28-31, the judge found that the evidence established an undisputed need

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PUC to rule on Tri-State appeal in January

The Public Utilities Commission (PUC) will deliberate Jan. 7 on a precedent-setting appeal concerning a proposed transmission line upgrade between Nucla and Telluride.

The case is the first test of a 2001 law that allows public utilities to appeal to the PUC if a local government denies a permit or applications that relates to the location, construction or improvement of major electrical or natural gas facilities, or imposes unreasonable conditions on such a permit or application.

Tri-State Generation and Transmission Association filed the appeal against a decision issued by San Miguel County.

Tri-State is proposing to upgrade the existing 69kV transmission line to a 115kV line. San Miguel County has imposed a number of conditions on the construction of the project, including requirements that Tri-State construct portions of the line underground at the company's expense, limit the height of above-ground structures to 60 feet, and submit a construction plan that identi-

fies Tri-State's plans to mitigate environmental impacts to the county for approval prior to construction.

Tri-State appealed San Miguel County's decision to the PUC, asserting that some of the conditions will impair the company's ability to provide safe, reliable and economic service to the public.

The PUC conducted six days of hearing on the appeal in late October. Parties submitted closing statements of position in December.

Cap for private property tows to go up

Maximum allowed rates and associated charges for private property tows will go up 5.7 percent early next year under new rules adopted by the Public Utilities Commission (PUC).

With the rule changes, expected to become effective on Feb. 1, towing carriers will be able to charge up to \$138 for private property tows, up from the current \$130. The maximum allowable rate includes charges for all towing and storage services rendered, including hookup fees, use of dollies or go-jacks, gate fees, commissions paid, and storage for the first 24 hours.

The new rules also increase the maximum release fee from \$50 to \$53 if the owner of a vehicle that is parked without authorization on private property attempts to retrieve the vehicle before it is removed. The release fee must be paid in cash.

One-way mileage charges, which

may be charged in addition to the towing rate, will increase from \$2.50 to \$2.70 per mile under the new rules. And maximum storage charges for passenger vehicles after the first 24-hour period will go up \$2 to \$22 per day.

The 5.7 percent increase reflects the increase in the Consumer Price Index for the Boulder-Denver-Greeley area that has occurred since the present rates became effective in May of 2001.

The PUC only regulates the rates for private property tows. Other than storage, the rates for voluntary tows, or other non-consensual tows, such as those directed by a law enforcement officer, are not regulated.

The new rules also add a provision that requires towing carriers, within the first 48 hours of storing a vehicle, to be available to release a vehicle from storage immediately upon demand during normal business hours or with

one hour's notice during all other times.

Towing carriers are still required to obtain proper authorization before a tow can be made. Authorization must come from a law enforcement officer, the owner or authorized operator of the vehicle, or, in the case of a non-consensual tow, the property owner. Authorization for a private property tow must be filled out in full, signed by the property owner, and given to the towing carrier at the time the vehicle is to be removed from the private property.

Towing carriers must have a valid permit from the PUC and at least \$750,000 combined single limit liability insurance to operate. By law, towing carriers who violate insurance requirements are subject to civil penalties of up to \$11,000 for each violation. Violations of other PUC rules may result in penalty assessments of up to \$1,100 per violation.

New DORA Regulatory Notice email system

The Department of Regulatory Agencies' new Regulatory Notice email system provides business owners with the ability to effortlessly track and comment on proposed state regulations *before* they take effect. After signing up at the Office of Economic Competitiveness and Regulatory Reform website (www.dora.state.co.us/ocerr), participants will receive an email when a proposed regulation has been submitted in their specified industry. The email provides several key items: a link to the proposed rule, details about the hearing (time, location, etc.) and the submitting agency's contact information. The DORA Regulatory Notice email system helps to hold state government more accountable for its actions, and empowers Coloradans to become more involved in the regulatory process. Sign up for DORA Regulatory Notice today!

INSIDE CONNECTIONS

Cheryl Fisher would like to take a class in archeology some day and do some volunteer digs. For now, she must settle for helping others unearth needed artifacts from the dusty archives of the Public Utilities Commission information systems.

Cheryl is a program assistant in the PUC Information Center, where she processes and tracks filings, organizes dockets and updates records. She makes sure documents are electronically imaged and archived, and helps both staff and external customers locate and obtain copies of information relating to both past and present proceedings.

She also is responsible for handling and tracking all confidential material filed at the PUC, and for ensuring that the outgoing mail is posted properly and mailed in a timely fashion.

"I enjoy the diversity of the job and the freedom to proceed with whatever needs to be done," she said. "And I really enjoy the people that I work with."

Cheryl started at the PUC in October of 2000, working first in the Transportation section issuing property carrier permits and tracking single-trip hazardous material permits. She transferred to the Information Center position in July of 2002.

Cheryl has attended Scottsbluff Community College, the University of Colorado at Denver and Arapahoe Community College, focusing on education and accounting courses. She worked at Denver General Hospital for nine years, eventually becoming a supervisor of the Emergency Room, Admissions and Clinics. Prior to joining the PUC, she worked nine years as a dean's secretary at Smoky Hill High School in Aurora.

In addition to her desire to participate in an archeological expedition on land, Cheryl wants to learn to scuba dive and then do some volunteer diving for sunken artifacts. She also would like to go to Florida and volunteer on turtle watches.

"I love gardening, tent camping



Cheryl Fisher

throughout Colorado, building things around my house, and needlework," Cheryl said. "My goal is to have fun and learn something new every day."

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

Number conservation extending area codes

Telephone number conservation measures in Colorado have pushed out the projected exhaust date of the 303/720 area code until 2019, according to the latest figures from the North American Numbering Plan Administrator (NANPA).

Number pooling, rate center consolidation and a reduction in code demand are expected to extend the life of 303/720, which encompasses metro Denver and the surrounding areas, an additional 12 years. Previously, it was forecasted that the 303/720 area code would run out of useable telephone prefixes (the middle three digits of a 10-digit telephone number) by the fourth quarter of 2007.

Colorado implemented rate center consolidation in the 303/720 area code in 2000, reducing the number of prefixes needed by new local telephone competitors to serve the metro Denver area. And in May of 2001, Colorado implemented number pooling, which allows telephone numbers to be assigned in blocks of 1,000 instead of 10,000.

None of the three area codes in Colorado is expected to reach exhaust within the next seven years. The 970 area code, which covers northern and western Colorado, is projected to run out of useable prefixes in the third quarter of 2011. However, numbering pooling was scheduled to be implemented in the 970 area code in November, which could push that date out even further.

In the 719 area code in southern and eastern Colorado, the exhaust projection has been extended from 2015 to 2018. Number pooling was implemented in that area code in July.

Xcel power line

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for the additional transmission capacity, and that the Midway-Daniels Park corridor provided the most

reliable, efficient and least costly method of securing that capacity.

Although the project would be built to 345kV standards, evidence showed a current need to operate the line only at 230kV. The judge said Xcel should be required to submit a subsequent appli-

cation for a CPCN seeking authority to operate the project at the higher voltage level if and when such a need arises.

The judge declined to order Xcel to bury part of the line, stating that the additional \$10 million cost was not prudent. While burial would eliminate noise, it would not eliminate EMF; and evidence suggests it may be more difficult to maintain and repair buried transmission lines than those located overhead, the judge said.

The judge ruled that the evidence warranted a finding that the EMF prudent avoidance techniques to be employed by Xcel in connection with the project strike a reasonable balance between the potential health effects of exposure to EMF and the cost and impacts of mitigating such exposure, and that the EMF levels resulting from the project when operated at 230kV would be reasonable.

But he said the evidence was insufficient to support a similar finding for noise. "Unlike EMF, in the absence of any rule or regulation encompassing the concept of prudent avoidance as it relates to noise produced by a transmission line, the Commission's ability to make noise reasonableness findings is limited," the decision stated.

Exceptions to the judge's recommended decision were due in mid-December. If exceptions were filed, the Commissioners would rule on them, likely some time in January.

POSITIVE CHARGES



Joe Benedetto and Averil Loucks prepare to deliver PUC donations of food and money to a local church at Thanksgiving.

Thanks to everyone who contributed to the 2003 Colorado Combined Campaign. PUC campaign co-coordinator Deb Fajen reports that \$8,317 was donated by PUC employees. The total was tops among all DORA agencies.

The generosity of PUC employees helped make Thanksgiving a little nicer for a few local families. A PUC Thanksgiving Food Drive netted four boxes of food items and \$120 in cash. The food and money was taken to Holy Cross Church to be distributed to families in need. Thanks to Joe Benedetto and Averil Loucks for coordinating this effort.

Welcome to new PUC employees: Tony Munoz, a compliance investigator in the Transportation section; and Arlene Apodaca and Jamima Obeng, administrative assistants in the Administrative Services section.

CONNECTIONS is the newsletter of the Colorado Public Utilities Commission. It covers Commission cases and actions of importance to consumers, utilities, consumer groups and decision makers.

Comments, suggestions and requests for more information should be directed to:

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Northern Colorado seeks larger local calling area

Officials from nearly two dozen governmental and business entities in northern Colorado have filed a joint application for an expanded local calling area that they say represents a regional community of interest.

The petition filed with the Public Utilities Commission (PUC) seeks to establish a single local calling area in northern Colorado that would roughly encompass an area bounded by Platteville on the south, the Colorado-Wyoming border on the north, Greeley on the east and Estes Park on the west. The application is supported by officials from Larimer and Weld counties, Loveland, Greeley, Windsor, Fort Collins, Ault, Timnath, LaSalle, Kersey, Mead, Nunn, Evans, Eaton, Estes Park, Milliken, Platteville, Berthoud and Johnstown, as well as chambers of commerce in Loveland, Fort Collins and Windsor.

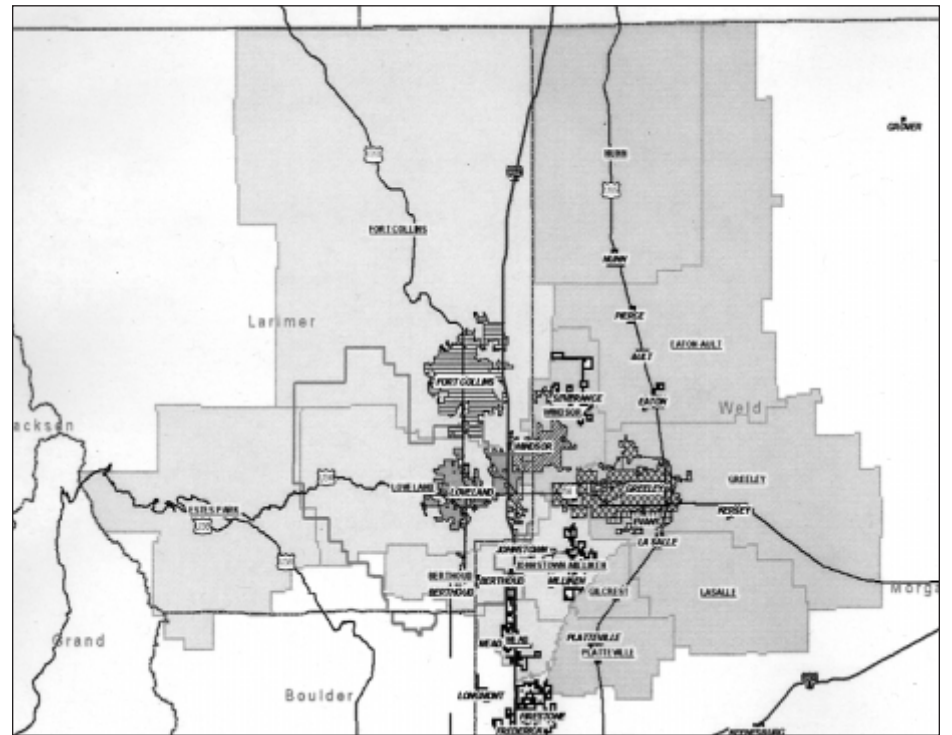
"Residents and businesses in Northern Colorado truly support a regional economy in every aspect of their lives," the application states. "Evidence of the interdependence of the business centers in the Northern Colorado region has been found

to exist in every segment of the economy."

Currently, each of the communities listed in the proposal has two-way local calling to some of the other communities, but not all of them. For example, residents of Fort Collins can call Berthoud, Estes Park, Loveland, Windsor, Nunn, Red Feathers and Walden exchanges without long-distance charges. Under the new proposal, Fort Collins would also receive local calling to Eaton-Ault, Gilcrest, Greeley, Johnstown-Milliken, La Salle and Platteville exchanges.

The application cites an interdependence among the Loveland, Fort Collins and Greeley population centers for business, transportation, medical, education, leisure and human service needs of the region.

The PUC has directed Qwest and Nunn Telephone Company, the two local telephone companies primarily serving the area, to identify calling volumes between the exchanges and determine what the monthly rate impact would be to expand the local calling area for northern Colorado. If the PUC determines that a com-



The proposed local calling area would include the shaded areas above.

munity of interest exists between exchanges, more than 50 percent of the customers in the exchanges would have to support the expanded

local calling at the increased rate.

If public hearings on the proposal are deemed necessary, they would likely be held early in 2004.

Strasburg calling area changes start Jan. 7

Customers in Strasburg could see a reduction in their long-distance bills beginning early next year when the Strasburg telephone exchange is incorporated into the Denver metro local calling area.

Beginning Jan. 7, all calls between TDS Telecom's Strasburg exchange and the Denver metro area will be local calls, with no need to dial a "1" in front of the number. The changes are part of an agreement approved in October by the Public Utilities Commission.

TDS Telecom customers were given a choice in December of four pricing plans for calls made into the Denver metro area. Three of the plans include unlimited local calling to the Denver

area. The packages range from \$24.35 to \$31.35 per month for residential customers and \$34.35 to \$41.35 per month for business customers, depending on the additional services selected.

TDS customers choosing to retain their current plan will continue to pay \$16.40 a month for residential service and \$26.40 a month for business service, with calls to Denver billed at a local measured rate of \$.18 per minute.

As part of the calling area changes, customers in the Denver metro area will receive local calling to Strasburg as well, with no change in monthly rates.

The Strasburg exchange is located about 40 miles east of Denver along

I-70. TDS Telecom is the third independent telephone company along the I-70 corridor to receive expanded local calling to Denver in the past 14 months. Bijou Telephone Co-op Association, which serves Byers and Deer Trail, implemented local calling to Denver in November of 2002, and Eastern Slope Rural Telephone Association, which serves Bennett, expanded its local calling area in September.

Once the Strasburg change is implemented, all 303 and 720 numbers will be part of a single local calling area, with the exception of Roggen Telephone's 849 exchange, which remains a long-distance call.

Lake Durango fee funds water feasibility study

Customers of Lake Durango Water Company were assessed a one-time \$3.47 surcharge in December to pay for a preliminary feasibility study that looked at increasing the company's water supply for current and future customers.

The Public Utilities Commission approved the surcharge for a study by Harris Engineering to assess the viability of acquiring water from Lightner Creek. Lake Durango owns water rights to draw water from the creek, however the water cannot be diverted without building a pipeline and pumping the water to Lake Durango.

Preliminary findings indicate that the cost of the pipeline project would be about \$2 million to \$2.3 million, depending on the route chosen, the study said. The water from Lightner Creek could ease water restrictions for current Lake Durango customers and supply the year-round water needs of about 1,000 additional customers, according to the preliminary study.

Lake Durango currently serves about 460 retail customers and provides water in bulk to several water districts on the western outskirts of Durango. In all, some 1,069 end-use customers rely on water from Lake Durango.

The adequacy of Lake Durango's water supply has been challenged by severe drought conditions during the past several years. The company has implemented strict water restrictions in an attempt to conserve its supply.

As part of the company's recent rate case, it was agreed that Harris Engineering would perform a feasibility study relating to developing the Lightner line. Although an expenditure of \$4,000-\$5,000 was approved for the study, the actual cost came in at approximately \$3,700. Divided among the 1,069 customers, the pro-rata share for each customer was \$3.47. The money collected from the surcharge will be used to reimburse Durango West Metro District 1, which paid Harris Engineering for the preliminary study.

Lake Durango is evaluating the recommendations in the study and exploring possible financing options before deciding whether to go forward with the project.

FCC unbundling order prompts PUC docket

The Colorado Public Utilities Commission (PUC) has opened a docket and established a procedural schedule to conduct the investigations required by the Federal Communications Commission's Triennial Review Order (TRO).

The FCC's order, issued in August, modified the obligations of incumbent local exchange carriers (ILECs) such as Qwest Corporation regarding unbundled network elements. Specifically, the TRO requires ILECs to continue to provide competing carriers with non-discriminatory access to switching, loops and transport, unless state commissions find that competing carriers are not impaired without access to the unbundled network elements.

The FCC order identifies certain "triggers" or criteria regarding the potential deployment of competitive facilities that state commissions must

use in evaluating competitors' impairment, and sets a nine-month deadline for states to complete their reviews.

In a filing made in November, Qwest stated that it did not intend to challenge the FCC's requirement that it continue to provide unbundled loops and transport in Colorado, but it would challenge the switching requirement. Qwest said its preliminary analysis suggests that competitors throughout Colorado are serving, or are capable of serving, mass-market customers using their own switches and would not be impaired in the absence of unbundled switching.

Under the procedural schedule established by the PUC, Qwest will file its direct testimony in the docket by Jan. 26. Answer testimony is due by March 1, with Qwest rebuttal testimony due by March 22. Two weeks of hearings are scheduled to begin April

12, with a decision by the PUC due by July 2.

The FCC's TRO also requires that state commissions establish a "batch hot cut process," by which ILECs simultaneously transfer two or more loops from one carrier's local circuit switch to another carrier's local circuit switch. The PUC has opened a second docket to address this issue.

Under the procedures outlined by the PUC, Qwest and interested parties will attempt to reach a consensus on a batch hot cut process through a series of informal meetings and conferences. Any agreement as a result of the informal negotiations is to be filed by Jan. 20. If hearings are necessary to consider any unresolved issues, they would likely be held in late February or early March.

A decision on the batch hot cut process will be included in the PUC's final order issued by July 2.

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natural gas immediately corresponds to wholesale price changes. This is not so. The rate that customers pay is fixed at any given time. The actual gas prices paid by the utility fluctuate above and below that rate. The companies attempt to purchase

natural gas when they believe prices are low. At these times, they try to inject as much gas as possible into storage. They also commit to long and short-term contracts depending on price. The PUC expects utilities to take these and other mitigation measures to soften the impact of gas price swings. But it's a two-edged sword: customers pay lower retail rates than wholesale prices when those prices are

unusually high, and higher rates when prices are unusually low.

Because of this volatility, utilities have an account that reflects the natural gas costs they incur. This account usually carries a positive or negative balance that varies based on gas costs and ratepayer consumption. A portion of the fixed rate that customers pay makes up for the

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State USF charge expected to rise in April

The Colorado Universal Service Charge is projected to increase from 2 percent to 2.5 in the second quarter of 2004, according to the Public Utilities Commission's (PUC) annual report on the state's high cost fund.

The PUC annually reviews the fund and reports to the legislature each Dec. 1 on the previous year's contributions and disbursements, along with projections for the upcoming year.

Based on a number of factors affecting the fund, the PUC expects the charge that appears on customers' monthly bills to go up a half-percent on April 1, 2004. Based on a local telephone bill of \$30 a month, the projected change would add another 15 cents to a customer's bill.

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

All Colorado telecommunications customers pay the surcharge, which is assessed as a percentage of a customer's in-state monthly telecommunications charges for local, wireless, paging, in-state long-distance and optional services. The charge has dropped from 3.2 percent to 2.0 percent since it was implemented in 1999.

The projected increase in 2004 is based on a number of changes that have occurred in the past year, including

adjustments to the proxy cost model used to determine high cost support; the decision to support all lines in a high-cost area instead of just the first line at a residence or business; and the elimination of Qwest's zone charges. Also, new competitors are entering Colorado's rural areas and becoming eligible to receive high-cost support.

Customers of Qwest Corporation will continue to receive through March of 2004 a 46-cent a month credit for the first line at a residence or business to offset the Colorado Universal Service Charge. That credit was part of a five-year agreement reached in 1999 that established a pricing and service quality regulatory plan for Qwest. But that plan expires in April of 2004.

Low-income charge going up 2 cents a month starting January 1

The Colorado Public Utilities Commission has authorized a 2-cent increase in the Low-Income Telephone Assistance Program (LITAP) monthly surcharge effective Jan. 1, 2004, raising the surcharge on each residential and business access line to 10 cents per month.

The LITAP fund, also known as the "Lifeline" fund, was established by the Colorado legislature in 1990. It is used to offset the costs of providing local telephone service at a discounted rate for some low-income customers.

Under the program, eligible subscribers receive a monthly discount equal to the greater of the federal Subscriber Line Charge or 25 percent off the basic local service rate. The federal Subscriber Line Charge has more than doubled in the past four years, going from \$3 per month to its current \$6.50 per month.

The increased discount, coupled with an increase in the number of LITAP subscribers, would have resulted in a shortfall in the LITAP fund at the current 8-cent surcharge. The 2-cent increase is necessary in order to maintain a positive projected balance of the fund, according to PUC staff member **Jamie Jack**, who administers the fund.

Some 32,903 customers received the LITAP discount in 2003, and the fund distributed approximately \$578,000 in reimbursements to telecommunications service providers. To be eligible for the discount, a person must receive Old Age Pension, Aid to the Blind, Aid to the Needy Disabled or Supplemental Security Income. The Colorado Department of Human Services determines eligibility.

In a related matter, Qwest has filed an application to establish a separate line item on its monthly bill for the LITAP surcharge beginning Jan. 1, 2004. Previously, the LITAP charge has been included in the basic residential and business monthly rate. If approved by the PUC, the basic residential rate would be reduced from \$14.96 to \$14.88 and the business basic rate would go from \$34.59 to \$34.51. The new 10-cent line item would appear in the "Taxes, Fees and Surcharge" section on its bills.

The advertised package rates for Qwest residential and business offerings would not change.

As of press time, the PUC had not acted on the Qwest proposal.

Atmos seeks to acquire assets of ComFurT

Atmos Energy Corp. and ComFurT Gas, Inc. have filed a joint application with the Public Utilities Commission (PUC) for approval of an agreement for Atmos to acquire the natural gas utility assets of ComFurT for \$1.95 million in cash.

The application, which was filed in November, has been set for hearing before an administrative law judge. A PUC decision is expected by the end of March.

ComFurT, which is based in Buena Vista, serves approximately 1,800 natural gas utility customers and 2,000 propane customers in the Buena Vista area. Atmos is purchasing only the natural gas segment of the business,

a 49-mile natural gas distribution system. ComFurT will continue to own and operate the propane business.

Atmos provides natural gas to approximately 104,000 retail customers in 60 communities across Colorado, with Greeley and Canon City being the two largest cities served. Atmos also serves neighboring communities on both sides of ComFurT's territory, including Gunnison and Crested Butte on the west and Salida and Canon City on the east.

Under the proposed sale agreement, Atmos said it would adopt the current ComFurT rates, terms and conditions for "the immediate future."

PUC staff has filed an intervention in the case, raising a number of items that

it states need to be addressed to ensure that the transaction is in the public interest. Among those issues: whether the sale price for ComFurT's assets is justified and prudent; whether the sale will result in synergies and savings to customers of ComFurT and whether those savings should be reflected in rates; whether it is appropriate for Atmos to adopt ComFurT's tariffs as to rates, terms and conditions of service; whether Atmos should commit to a specific length of time for any such adoption; and other accounting and reporting issues.

Hearings on the application are expected to occur in January or February.

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imbalance in this account. For these reasons, wholesale and retail natural gas prices may not always match; indeed, they often differ significantly.

A useful example of how natural gas prices get reflected in consumer rates occurred in 2001. At the beginning of that year, wholesale prices exploded to almost \$10 per thousand cubic feet. Utilities quickly encountered large negative balances in their gas cost accounts, and came to the PUC to adjust consumer rates upward (in fact, the increase in 2001 was greater than that of 2003). However, while rates went up, they did not go anywhere near the \$10 extreme, because utilities had long-term contracts and gas in storage that mitigated the effect of high wholesale prices. Later in 2001, prices plunged to below \$2 per thousand cubic feet, and consumer rates were eventually lowered. But rates were not lowered until the utilities' negative gas account balances were sub-

stantially reduced, and even then rates were significantly higher than \$2.

Consumer rates tend to fall somewhere between wholesale price extremes because of gas cost account balances and risk mitigation measures. This is happening now: although wholesale spot prices have gone down from a high of \$7 in February 2003 to near \$4 at certain points in October, over the last few days prices have gone up again by more than 30 percent. Xcel Energy's gas cost account has a negative balance of almost \$70 million. Therefore, for its customers, the current retail gas rate is likely to remain the same throughout this winter unless it proves to be unusually warm or cold in high population areas across the country, or wholesale gas prices move significantly one direction or the other.

Although customers pay close attention to increases in gas bills, many don't notice when rates decrease. For example, for Xcel Energy since 1982 there have been 63 changes in the "pass through" gas prices to customers. Of these, 37 have been decreases, 25 have been increases,

and one was a refund credited to customers.

While we hope wholesale natural gas prices go down, there are many signs that high prices are a long-term national problem. Prices are high because domestic production has flattened, an international liquefied natural gas market is not yet established, and demand for gas from natural gas-fired electricity plants has increased.

Meanwhile, the PUC is certainly aware of the hardships caused by high heating bills. We will continue to monitor the natural gas industry, to the extent of our authority, to ensure that utilities are making prudent purchasing decisions on behalf of their customers. We encourage support for Energy Outreach Colorado and other local charities that provide heating bill assistance. We note that the federal government is working on ways to increase domestic natural gas production, develop an international market, and assist low-income persons with heating bills. From the PUC's perspective, the sooner, the better.



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