

Connections

NEWSLETTER OF THE COLORADO PUBLIC UTILITIES COMMISSION

JANUARY 2008

STARTING POINT



By Doug Dean
Director

We're less than a month into 2008, but the new year already is shaping up to be one of great transition and significance for this agency. It also promises to be extremely busy over the next 12 months and beyond.

The flurry of activity began with the departure of two of our three commissioners, and the announcements of their replacements by Gov. Bill Ritter. **Carl Miller** decided to retire at the end of 2007, with a year still remaining on his term. And **Polly Page** left the Commission in early January at the end of her second, four-year term. We wish both of them best of luck as they embark on their post-PUC endeavors.

In their place, Gov. Ritter has appointed **James Tarpey** and **Matt Baker** to serve with Chairman **Ron Binz** on the three-member Commission. Both are very familiar with utility issues, and our staff will be working hard to bring them up to speed as quickly as possible on the PUC's wide-ranging regulatory responsibilities.

In addition to the changes on the bench, 2008 is also the PUC's "sunset" year. An 80-page report containing 16 statutory and administrative recommendations was issued by the Department of Regulatory Agencies (DORA) last October. The General Assembly will consider the report and its recommendations, which include continuing the PUC through 2019, during the current session.

Adding to the importance of 2008, several major energy dockets are looming on the PUC's calendar this year, including Xcel Energy's electric resource plan, demand-side management rules and programs, renewable energy proposals, and transmission development and funding, to name just a few. These dockets will have significant impact on the future of electric and gas utilities in the state of Colorado for decades to come.

But our focus won't solely be on energy in 2008. We won't ignore important issues in telecommunications, transportation, and rail-highway crossing and gas pipeline safety. Despite the transitions of new commissioners and new priorities, our ultimate goal remains the same—to provide the best possible service to the citizens of Colorado.

As a department, DORA's mission is "consumer protection." For the PUC, that mission is achieved by setting fair and reasonable rates, preserving utilities' financial health, creating quality standards for utility services, inspecting for safety in areas under our jurisdiction, and making utility services accessible.

Ritter fills vacancies on Commission

Tarpey, Baker picked as PUC replacements

Gov. Bill Ritter has appointed **James Tarpey** and **Matt Baker** as commissioners to fill vacancies on the Colorado Public Utilities Commission (PUC).

Tarpey, an attorney with extensive utility and regulatory experience, was picked to replace **Carl Miller**, who retired on December 31 with a year remaining on his term. Baker, the former executive director of Environment Colorado, was named on January 15 to replace **Polly Page**, whose four-year term expired on January 7.

Both appointments require confirmation by the Colorado Senate, although Tarpey was able to begin serving immediately because his appointment was an interim one.

Tarpey and Baker were selected to join Chairman **Ron Binz** on the three-member Commission, which regulates Colorado's investor-owned telecommunications, gas, electric and water utilities, as well as for-hire motor carriers.

Tarpey will serve the final year of a term that expires in January, 2009. In announcing the appointment, Gov. Ritter said he fully intends to re-appoint Tarpey to a full, four-year term at that time.

"Jim Tarpey brings vital experience, skills and knowledge to the important role of a PUC commissioner," Ritter said. "His expertise extends to the operations



James Tarpey



Matt Baker

of electric, telecommunications and natural gas utilities as well as to various issues associated with electric transmission, energy resource additions and demand side management.

"He also brings extensive legal and regulatory experience, and he understands the need to protect consumers and establish a secure energy future for Colorado," Ritter said.

Prior to his appointment, Tarpey was in private practice and generally represented energy consumers in utility proceedings. He also served on the Colorado Task Force on Reliable Electricity Infrastructure in 2006, and was a member of the Wyoming Infrastructure Authority, appointed by the governor, for three years.

"I am very pleased Gov. Ritter has appointed me to this position and I appreciate the associated responsibilities," Tarpey said. "It is important for Colorado to meet its energy needs in a way that is responsible both environmentally and economically. The PUC will

play a key role in achieving that goal."

Baker, one of the architects of Colorado's renewable energy standards, will fill a term that expires in January, 2012.

"Matt Baker makes an ideal addition to the Public Utilities Commission," Gov. Ritter said. "He is

keenly aware of the important role the PUC will play in building a New Energy Economy that will lead to energy security, environmental security and economic security for our communities and our state."

Baker has served as executive director of Environment Colorado since 2003. He led the Amendment 37 campaign and was involved in the FasTracks campaign, both in 2004. He worked for public interest research groups in Massachusetts and New Jersey, and served as executive director of the Colorado Public Interest Research Group from 2001 to 2003.

"I am honored to be selected by Gov. Ritter for this position," Baker said. "Colorado is at a point where we can grow our economy, protect our environment and provide an affordable energy supply to the people and businesses of Colorado. I'm excited to take on this new role and be a part of that."

Binz, who was appointed PUC chairman by Gov. Ritter in 2007, is serving a term that expires in 2011.

Legislature takes up PUC sunset review

The Colorado Public Utilities Commission (PUC) plays a vital role in the daily lives of virtually every Colorado citizen through the utilities and services it regulates and should be continued.

That's the central recommendation of the 2007 PUC Sunset Review, conducted by the Department of Regulatory Agencies (DORA). The 80-page report, issued on October 15, contains 11 statutory recommendations and five administrative recommendations.

Chief among the statutory recommendations is that the PUC be

continued for 11 years, through 2019.

"Technologies may advance and regulatory policy shift, but the fact remains that in the 21st century United States, reliable and affordable energy, water, telephone and transportation service is considered a basic necessity," the report said. "The PUC, through its licensing, investigatory, enforcement and research activities, preserves access to this necessity. For these reasons, the PUC should be continued."

State law requires a periodic review of all state regulatory agencies to evaluate the need for and the effectiveness

of the agency's functions, also known as the "sunset" process. The PUC's last sunset review was in 2003 and it extended the agency through June, 2008.

"Almost every Coloradan interacts with a PUC-regulated utility on a daily basis, whether by flicking on a light switch or hailing a taxicab," the report said. "The PUC possesses the breadth and depth of knowledge and experience to act on the public's behalf."

The Colorado General Assembly will consider the report and its recommendations during the 2008 session.

2007 PUC Sunset Review

STATUTORY RECOMMENDATIONS:

1. Continue the Public Utilities Commission for 11 years, until 2019.
2. Grant the PUC administrative fining authority over fixed utilities.
3. Amend the *ex parte* rules to exempt rulemaking proceedings.
4. Repeal obsolete language.
5. Require cooperative electric associations and municipal utilities to offer customer-sited generation incentives and net metering.
6. Authorize the Colorado Department of Public Health and Environment, the Colorado Department of Natural Resources, the Colorado Department of Local Affairs and the Governor's Energy Office to participate in proceedings before the PUC, and expand the scope of the Office of Consumer Counsel's authority to participate in such proceedings to include issues pertaining to environmental and health concerns.
7. Amend the Low-Income Telephone Assistance Program eligibility criteria to mirror the Low-Income Energy Assistance Program eligibility criteria.

8. Impose a surcharge on Voice over Internet Protocol carriers to more equitably fund the Colorado High Cost Support Mechanism.
9. Remove the burden of proof on applicants for new taxi service.
10. Update reference to census data.
11. Include investor-owned water and sewer corporations in the definition of a public utility.

ADMINISTRATIVE RECOMMENDATIONS:

1. Conduct a business process reengineering study, culminating in the replacement of the Integrated File Management System.
2. Seek an opinion from the Office of Attorney General on whether the statute permits the Commissioners to delegate more authority to staff.
3. Run a bill to recodify the PUC statutes.
4. Explore the possibility of creating a Division of Public Utilities as a Type 2 agency, and pursue legislation if appropriate.
5. Reform and streamline the process whereby the PUC approves utilities' purchases of Renewable Energy Credits (RECs).

PUC sets 2008 registration fees for telemarketers

The Colorado Public Utilities Commission (PUC) has established the registration fees for 2008 that telemarketers will pay to obtain the state's do-not-call list.

The fees are set on a sliding scale based on the number of employees of the soliciting company. The fees collected are used to pay for administration of the program by a third-party vendor, and to support enforcement activities provided by the Colorado Attorney General's office.

For 2008, the fees will range from \$100 for telemarketers with 5-10 employees, up to \$500 for companies with more than 1,000 employees.

Telemarketers with less than five employees are not charged an annual registration fee.

PUC staff estimates that about 352 telemarketers will pay registration fees in 2007, generating about \$140,000 in annual revenues. Surplus money from previous years will be used to make up the rest of the program costs, expected to be about \$158,000 in 2008.

Colorado's no-call program permits residential and wireless telephone subscribers to notify solicitors of their objection to receiving solicitations by telephone or by fax by placing their telephone numbers on a do-not-call list at no charge. Telemarketers must

update their do-not-call lists four times a year to help reduce the number of unwanted telephone calls.

A state enforcement action may be brought against commercial telemarketers for three or more violations in a month. Certain types of calls are excluded from no-call rules, including political calls, calls from charitable organizations, and calls from businesses that have an existing relationship with a customer.

As of December 1, more than 2.9 million telephone numbers had been placed on Colorado's no-call list.

Customers may register a residential or wireless phone number, or file a

complaint about possible violations of the no-call law, by either calling toll-free at 1-800-309-7041, or by going on-line at www.coloradonocall.com.

2008 TELEMARKETER REGISTRATION FEES

Number of Employees	Fee Amount
1-4	\$0
5-10	\$100
11-50	\$200
51-100	\$375
101-250	\$470
251-400	\$480
401-1,000	\$490
1,001+	\$500

Feds reviewing five-year no-call expiration

The Federal Communications Commission (FCC) is considering eliminating the current requirement that registrations on the National Do-Not-Call Registry automatically expire after five years.

The FCC has opened a rulemaking proceeding to take comment about whether to extend national no-call registrations until the registration is cancelled by the consumer or the telephone number is removed by the database administrator because it was disconnected or reassigned. The FCC said the proposed change would "minimize the inconvenience to consumers of having to re-register their preferences not to receive telemarketing calls."

The National Do-Not-Call Registry, which currently contains more than

145 million numbers, was established on June 27, 2003, with the five-year registration expiration. On June 28, 2008, as many as 10 million registered numbers will expire and be automatically removed from the database, unless consumers take steps to re-register the numbers. By August 2008, as many as 20 million additional numbers will potentially expire and be purged from the registry.

"Such expirations will leave millions of consumers without protections against unwanted telemarketing calls—protections they have come to rely on since registering their numbers in 2003," the FCC said in its notice of proposed rulemaking.

The FCC is expected to take up the matter in early 2008 after a comment

and reply period has expired. The Federal Trade Commission (FTC), which administers the national registry, has pledged not to drop any numbers from the registry pending any final congressional or FCC action on whether to make registrations permanent.

Colorado has its own no-call program in conjunction with the national program. Registrations on the state list do not expire. However, consumers are encouraged to sign up for both the state and national lists, due to differences in enforcement and when registrations take effect.

In July of 2005, the FTC stopped taking uploads from state lists, but still allows states to download numbers from the national list.

POSITIVE CHARGES

Welcome to new PUC employees **Jeff Ackermann**, a rate analyst in the Policy Advisory section; **Katie McBride**, an administrative assistant in the Customer Care unit; and **Lee McNeil**, an administrative assistant in the Internal Support unit.

Jeff Ackermann



Katie McBride



Lee McNeil



PUC employees pledged \$10,223 for 2008 to various charities as part of the Colorado Combined Campaign. The total is a 35 percent increase over the amount donated the previous year. Thanks to **Deb Fajen** and **Elizabeth Hayes** for coordinating the PUC's CCC efforts this year.

The PUC also collected approximately 300 pounds of food and \$388.28 in cash donations during its annual Thanksgiving Food Drive in November. The food and money were donated to the Food Bank of the Rockies. Kudos to **Joe Benedetto** for spearheading the drive again this year.



Harry Di Domenico

Harry Di Domenico carries a squirt gun that was issued to him upon employment in the PUC's Fixed Utilities section. It serves as a light-hearted reminder of his obligation to "serve and protect" the ratepayers of the state of Colorado.

As a Rate/Financial Analyst, Di Domenico examines utility applications, rate proposals and other filings that come before the Commission. He participates in litigated proceedings

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before the PUC, providing analysis and testimony on financial and accounting matters related to regulated utilities.

Di Domenico also is charged with pursuing enforcement actions for violations of PUC rules, including seeking refunds for consumers where appropriate. Two recent actions initiated by PUC telecom staff resulted in savings of nearly \$58,000 for ratepayers.

"I am proud to be part of an organization that is dedicated to the stewardship of the laws and rules that make utility service in Colorado just and reasonable," he said.

Di Domenico came to the PUC in 2000, starting in the consumer complaints unit before transferring to the Utilities section. His experience has primarily been focused on telecommunications issues, but his duties recently have shifted to energy matters.

Di Domenico earned a bachelor's degree in journalism and communications from the University of Florida, and a master's in business administration from the University of Colorado at

Denver. Prior to joining the PUC, he worked as the Executive Dispute Resolution Manager in AT&T's Law and Government Affairs office; as a grant manager for the Office of National Drug Control Policy; and as an Asset Seizure and Forfeiture Specialist in the IRS Criminal Investigation Division.

Di Domenico moved to Colorado from Florida in 1992 after visiting and deciding he liked it here. He enjoys skiing, jogging, weightlifting and riding his Kawasaki Vulcan 900 Classic motorcycle, along with playing with his 18-month-old son.

His goals are "to be a good employee and an even better dad," and he approaches each day with a philosophy of "get up in the morning and get the job done, take care of business and then have some fun."

Hence the squirt gun.

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

Gov. Bill Ritter poses with PUC staff and other volunteers who helped handle registration for a sold-out energy conference in October sponsored by the PUC, Office of Consumer Counsel, Governor's Energy Office and Energy Outreach Colorado. More than 550 attendees gathered at the Denver Marriott City Center to learn about Colorado's energy issues and opportunities at "Colorado's New Energy Economy: The Path Forward." Receiving a thank you from Gov. Ritter were (l-r): **Darlene Del Valle**, **Trudy Reinmuth**, **Cheryl Fisher**, **Elizabeth Hayes**, **Sandy Potter**, **Chere Mitchell** and **Debra Veal**.



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.

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Printed on recycled paper

PUC to determine Xcel's future resource choices

Open, public review over next 16 months to set utility's course

The Colorado Public Utilities Commission (PUC) will conduct an open and comprehensive review over the next 16 months of Xcel Energy's proposed plan outlining how it intends to meet its Colorado customers' electricity demand through 2015.

The company filed its Colorado Resource Plan in November. The PUC scheduled a procedural conference on January 23 in Denver to establish dates for testimony, hearings and deliberations. The two-phase review process is

not expected to be completed until April of 2009.

"Following an open, public process, the PUC will decide how Xcel Energy will meet its growing electric demand over the next eight years," PUC Chairman **Ron Binz** said.

"We will weigh many factors, including consumer cost, environmental sustainability and system reliability. For consumers, it's one of the most important decisions the PUC is asked to make."

In its proposed plan, the company said it intends to add approximately 1,050 megawatts of renewable generation, reduce current electricity demand by 694 megawatts through enhanced energy efficiency programs, and competitively acquire an additional 800 megawatts of natural-gas fired genera-

tion. The company also is requesting to replace two older, coal-fired power plants with a more efficient natural gas facility.

Xcel said the proposed plan would put it on a path to meet the Colorado Climate Action Plan goals recently announced by Gov. Bill Ritter. Those targets include a 20 percent reduction in utility greenhouse gas emissions by 2020. Xcel also said it would file its next resource plan in 2009, two years early, because of the rapidly changing technological and regulatory environment.

Under the PUC's electric resource planning rules, first adopted in 1992, regulated utilities are required to file resource plans every four years forecasting future electric demand and how the utility will meet that demand.

The PUC modified its rules in 2007 to

align with new legislation establishing resource selection criteria beyond "least-cost," and requiring greater PUC input into resource selection. Under the current process, the PUC approves the utility's general plan in the first phase of the proceeding. That decision is expected by June of this year.

Once that phase is complete, the utility solicits bids consistent with the approved plan, and those bids are evaluated by both the utility and an independent evaluator. Both the utility and the independent evaluator then file reports with the PUC recommending resource choices.

Following a comment period, the PUC will hold an expedited proceeding to establish a preferred portfolio. That decision is expected in April of 2009.

Atmos customers receive share of excess earnings

Customers of Atmos Energy will get some relief from rising natural gas bills in January.

The Colorado Public Utilities Commission (PUC) in November approved a negotiated agreement in which Atmos Energy will return \$1.1 million for exceeding its authorized rate of return in 2006. The agreement also calls for the company to share a portion of excess 2007 earnings, if any, with customers.

The agreement was the result of

negotiations by Atmos, PUC staff and the Office of Consumer Counsel (OCC), after an analysis by the OCC showed that Atmos was experiencing earnings above its 11.25 percent rate of return on equity (ROE) authorized by the PUC. The PUC and OCC are divisions of the Department of Regulatory Agencies.

The \$1.1 million, less a 12-percent donation to Energy Outreach Colorado, a low-income, energy-assistance organization, will be returned to customers in the form of bill credits. Credits will be

based on an individual customer's usage. The one-time bill credits will be issued during the January, 2008 billing cycle to provide the most customer benefit when gas bills are generally at their highest level during the heating season.

The contribution to Energy Outreach Colorado is consistent with PUC treatment in previous refund cases where a company typically is unable to locate all customers who are entitled to a refund. Instead of letting the company retain the

unrefundable amount, the money is donated to an energy-assistance organization.

While the agreement maintains Atmos' authorized 11.25 percent ROE, it also calls for the company to share a portion of any earnings above 10.25 percent ROE for 2007.

Atmos serves about 110,000 customers in more than 60 communities in Colorado, including Greeley, Canon City, Durango, Gunnison, Crested Butte, Lamar and Steamboat Springs.

PUC suspends hike in renewable surcharge

The Colorado Public Utilities Commission (PUC) has ordered a hearing on a proposal by Xcel Energy to increase its renewable energy standard adjustment (RESA) from 6-tenths of a percent to 2 percent.

The PUC on December 19 suspended the proposed increase, which the company was seeking to implement on January 1, 2008. A pre-hearing conference was scheduled for January 23.

Under legislation passed in 2007, Xcel can charge customers up to a maximum of 2 percent of their annual energy bills to pay for investments in renewable energy resources required under the state's renewable energy standards. Under the law, which doubled the standards approved by voters in 2004, Xcel must derive 20 percent of its retail elec-

tricity sales from renewable resources by 2020, with at least four percent of that amount coming from solar generation technologies.

The renewable energy surcharge was 6-tenths of a percent in 2007. In its filing, Xcel said that an increase to 2 percent is required at the "earliest possible opportunity" to meet the objectives contained in the company's recently-filed 2008 Renewable Energy Standard Compliance Plan, and the Colorado Resource Plan.

Xcel's proposed increase would add about 79 cents a month to a typical residential customer's bill, bringing the monthly RESA surcharge to \$1.15. A small commercial customer would pay an additional \$1.27, bringing the surcharge to \$1.85 per month.

Xcel said that money from the RESA



would be used to acquire more wind and solar power, beginning in early 2008 when the company plans to issue three requests for proposals: the first for large on-site solar power systems between 100 kilowatts and 2 megawatts; the second for up to 25 megawatts of central solar power; and the third for 300 megawatts of new wind projects.

Xcel electric bills show new monthly transmission charge

Customers of Xcel Energy will see a new charge on their monthly electric bills beginning in January.

The Colorado Public Utilities Commission (PUC) in December approved Xcel's application to implement a Transmission Cost Adjustment (TCA) rider, as allowed under new legislation approved last year. The new charge was effective January 1, 2008.

Senate Bill 100 was designed to encourage investment in transmission infrastructure to ensure the availability of clean, affordable and reliable electricity both now and in the future in Colorado. The law provides for expedited recovery of costs that a utility prudently incurs in planning, developing and completing the construction or expansion of transmission facilities.

In its original application, Xcel sought \$18.2 million to recover all transmission investment that had been made by the company since its last electric rate case in 2005. However the PUC ruled that Xcel could only recover transmission costs incurred since March 27, 2007, the effective date of the statute.

For 2008, the TCA rider will increase Xcel's annual revenues by about \$4.5 million. For residential customers, using an average of 625 kilowatt-hours per month, the TCA rider will increase their monthly bill by 12 cents per month. The impact on a typical small commercial customer's bill, based on usage of 1,025 kilowatt-hours per month, will be an increase of 21 cents per month.

The transmission rider will be subject to annual adjustments after review by the PUC each December. Adjustments will be effective on January 1 of each year, subject to later true-up of actual costs incurred.

Tri-State transmission line hearing delayed

A hearing on an appeal filed by Tri-State Generation and Transmission Association over requirements by two local governments that Tri-State install a proposed 4.5-mile transmission line underground at the company's expense has been delayed until at least February.

An evidentiary hearing had been scheduled January 14-18 before a Public Utilities Commission (PUC) administrative law judge. However, those dates were vacated just prior to the start of the hearing due to procedural issues. As of mid-January, the hearing had not been rescheduled, and it was unlikely that the hearing could take place before mid-February.

Tri-State is asking the PUC to rule that the requirement to bury the line, along with other conditions imposed by Commerce City and Adams County, will unreasonably impair Tri-State's ability to provide safe, reliable and economic service to the public.

Tri-State, headquartered in Westminster, is a wholesale electric

power generation and transmission cooperative that supplies electricity to 44 member systems in Colorado and three surrounding states.

The dispute involves a proposed overhead 115 kilovolt (kV) electrical transmission line that is part of the United Power System Improvement Project. Approximately 3.5 miles of the line will cross through the city limits of Commerce City, and the remaining 1 mile of line will be located in unincorporated Adams County. According to Tri-State, the project is needed to serve the electricity requirements of United Power, Inc., one of Tri-State's electric distribution cooperative members.

In approving Tri-State's request for a conditional use permit, both Adams County and Commerce City imposed a condition that Tri-State construct the line underground at the company's expense within the E-470 multi-use easement. Adams County also imposed additional conditions that Tri-State "obtain all necessary easements/agreements with

property owners and utility companies and obtain transmission line interconnection agreements, if necessary;" and that Tri-State "pay all incremental increases in property taxes resulting from the physical improvements to the property as a result of the transmission pole/line as determined by the County Tax Assessor, if any."

Under a law passed in 2001, public utilities may appeal to the PUC if a local government denies a permit or application that relates to the location, construction or improvement of major electrical or natural gas facilities, or imposed unreasonable conditions on such a permit or application. Tri-State is asking the PUC to overturn the conditions imposed by Commerce City and Adams County.

In reviewing the appeal, the law requires the PUC to balance local government determinations with the broader statewide interest of meeting growing demands for electric and natural gas service.

New tariff reduces local E-911 costs

Changes in how E-9-1-1 costs are calculated and assessed will save local E-9-1-1 authorities throughout Colorado more than \$6 million a year beginning in 2008.

Late last year, the Colorado Public Utilities Commission (PUC) approved a replacement E-9-1-1 tariff restructuring the rates that E-9-1-1 authority boards are charged for emergency telecommunications services provided by Qwest.

"The new tariff will allow a vast majority of authority boards and Public Safety Answering Points to save significant amounts of money," said Brian Shepherd, Chairman of the E-9-1-1 task force. "This money will be available for use on other projects and resources to enhance the 9-1-1 service available

to everyone in the state of Colorado."

Qwest is Colorado's statewide Basic Emergency Service Provider and provides the underlying network and services necessary to take emergency calls and route them to the appropriate Public Safety Answering Point (PSAP). In Colorado, there are approximately 96 PSAPs under the jurisdiction of 57 governing authorities.

Residents of Colorado pay a surcharge ranging from 43 cents to \$1.50 on their phone service each month in order to help fund the costs of the PSAPs. The governing authorities receive the surcharge revenue and reimburse Qwest for the services and network that enable E-9-1-1.

The need to restructure the E-9-1-1

tariff was driven by the need to reassess the current network costs; to clarify and realign charges to the authority boards associated with appropriate emergency service area boundaries; and to restructure the base elements used to calculate charges to align with new technologies such as wireless and Voice over Internet Protocol, according to Lynn Notarianni, head of the PUC telecom unit.

PUC staff, working in partnership with the E-9-1-1 authorities, Qwest, and the Office of Consumer Counsel, spent about 15 months in 2006 and 2007 negotiating a new E-9-1-1 tariff. The new tariff went into effect on August 30, 2007, and will result in annual savings of more than \$6 million in charges to E-9-1-1 authorities statewide, according to Notarianni.

Qwest seeks costs tied to I-25 work in Colorado Springs

The Colorado Public Utilities Commission (PUC) will consider in February an application by Qwest Corporation to recover the costs of relocating its facilities to accommodate the widening of I-25 in Colorado Springs.

The company has filed to recover approximately \$700,000 over a 27-month period from customers in the Colorado Springs area. If approved, a surcharge not to exceed \$0.18 per month would be assessed to bills beginning in the spring of 2008. The charge would be identified on the bill as a "Facility Relocation Cost Recovery Fee—COSMIX" charge.

A law passed in 2003 allows local telephone providers to recover actual costs "beyond the normal course of business" for the relocation of infrastructure or facilities requested by a state or a political subdivision. The PUC may verify the actual costs, determine allocation of costs to various customers, and prescribe the method of such recovery, but it may not deny cost recovery.

The state of Colorado and the Colorado Department of Transportation (CDOT) requested that Qwest relocate its facilities to accommodate the widening of a 12-mile stretch of I-25 through Colorado Springs to three lanes in each direction. The project is commonly referred to as the Colorado Springs Metro Interstate Expansion or "COSMIX."

Qwest said it has incurred about \$700,039 in expenses to complete the relocation, and the work was beyond the normal course of business because Qwest would not have moved the facilities had it not been requested to do so by the state and CDOT.

The surcharge would be placed on the bills of Qwest's retail access line customers that are served out of the Air Force Academy, Black Forest, Calhan, Colorado Springs East, Colorado Springs Main, Cripple Creek, Fountain, Gatehouse, Green Mountain Falls, Manitou Springs, Monument, Peyton, Pikeview, Security, Stratmoor and Woodland Park wire centers. A true-up would be conducted at the end of 12 months and 24 months of the recovery period to adjust the surcharge, if necessary.

In late 2005, the PUC approved a similar request by Qwest to recover costs for relocation of its facilities to accommodate the widening of I-25 in Denver.



DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission.



Judge rejects proposed telecom settlement

An administrative law judge has rejected a proposed settlement between PUC telecommunications staff and Cypress Communications to resolve allegations that the company charged rates for regulated services that were not approved by the PUC.

Under the proposed settlement, filed in December, Cypress would have paid \$51,400 to the Commission to resolve all allegations in a formal complaint filed by PUC staff on August 28. The complaint alleged the company was billing customers at rates different from what was contained in its approved tariff.

Cypress provides both regulated and unregulated services to business customers in Colorado.

In rejecting the proposed settlement, the administrative law judge questioned why a refund could not be made to the

affected customers, instead of a lump-sum payment. The judge also said if the payment was to be a civil penalty paid by Cypress, it must be paid into the General Fund, and not to the Commission.

As a result of denying the settlement, the judge ordered the matter to proceed to hearing and set a pre-hearing conference for January 29.

Haxtun refund approved

In a separate case, the Commission on Jan. 9 approved a plan submitted by Haxtun Telephone Company to credit its customers approximately \$6,400 for incorrectly applying the state universal service charge to customer bills.

PUC staff discovered during an audit that the company had overcharged its customers for the Colorado Universal Service surcharge for a two-year period

from August 2005 through July 2007. Specifically, Haxtun incorrectly applied the surcharge, which is assessed as a percentage of retail intrastate services, to the interstate subscriber line charge.

As a result of the error, Haxtun overcollected \$6,462.10 from its residential and business customers. In a refund plan filed in December, the company proposed to credit this amount back to its customers over a six-month period beginning in February of 2008.

The proposed credit, which would appear as a separate line item on customers' bills labeled "Refund CUSF Over Billing," would be about 52 cents per month for residential and single-line business customers, and about 73 cents per month for multi-line business customers.

Haxtun serves about 1,500 customers in northeast Colorado.

High cost fund charge may jump in late 2008

A surcharge on telephone bills that helps keep basic local telephone service affordable for all Coloradans is expected to remain steady for the first three quarters of 2008, but is likely to increase for the final quarter of the year.

Public Utilities Commission (PUC) staff projects that the Colorado Universal Service Charge will remain at the current 2.7 percent for the first three quarters of 2008, but will increase to 3.4 percent for the fourth quarter to meet the obligations of the state universal service fund.

The surcharge 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.

Most 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 PUC reviews the fund on a quarterly basis and reports to the legislature each December 1 on the previous year's contributions and disbursements, along with projections for the coming year. PUC staff is projecting that about \$72.2 million will be disbursed to telephone providers in 2007.

Qwest Corporation receives the largest amount of support, which is expected to be about \$57.8 million in 2008.

In projecting the 2008 Universal

Service charge, PUC staff considered such factors as: the percentage of growth in the wireless industry; the current line counts for all telecommunications providers receiving support; the current reserve balance that exists in the fund; projected revenues for incumbent telecom providers; and the addition of eligible telecom providers seeking high-cost support in 2008.

An increase from 2.7 percent to 3.4 percent would add about 21 cents to a customer's monthly bill, based on a local telephone bill of \$30 a month.

The Colorado Universal Service Charge was established by the legislature in 1999, and has fluctuated between 1.6 percent and 3.2 percent, depending on the needs of the fund.



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