

# **Telecommunications in 2010 at the Colorado PUC**

## **Colorado Bar Association Telecommunications Section**

Remarks of  
Ron Binz, Chairman  
Colorado Public Utilities Commission

January 6, 2010

# Caveats

- I am one of three equal commissioners
- My positions are my own
- I am confused by many things and have not made up my mind on much at all
- I don't even agree with some of the things I say
- Good advice: *don't believe everything you think*

# Outline of Presentation

- Overview of the PUC
- Telecom Price Regulation at the PUC
  - Qwest basic service rate
- New Rules for High Cost Support (CHCSM)
- Federal Broadband Initiative
  - FCC's Broadband Plan
  - Remand in Qwest II
- Colorado ARRA Status

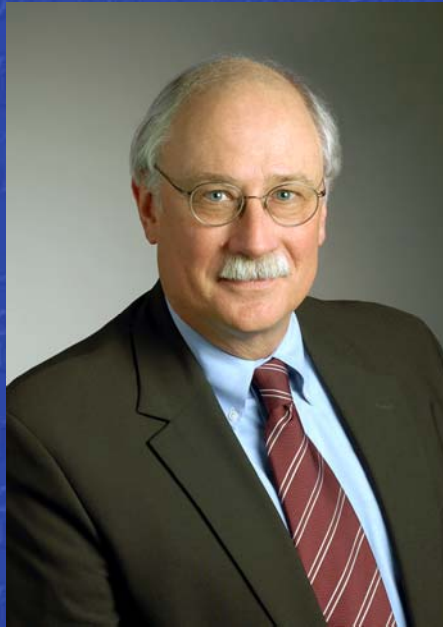
# PUC Structure: Commissioners

- Three Commissioners
- Appointed by the Governor
- Confirmed by majority vote of State Senate
- Serve four-year teams – may be reappointed
- No more than two Commissioners from one political party
- Judicial functions and legislative functions

# The Commissioners



Matt Baker



Ron Binz



Jim Tarpey

# What Do We Regulate?

- Investor-owned electric utilities **60%**
  - Investor-owned natural gas utilities **15%**
  - Some telecommunications carriers & services **10%**
  - 
  - Intrastate natural gas pipelines **1%**
  - Passenger transportation **10%**
  - Railroad crossings
  - Investor-owned water utilities
  - Pipeline safety
  - Relay Service for the hearing impaired
- } **4%**

# Basic Residential Service Rates

- 1996 law capped basic residential rates for all Colorado LECs (40-15-502(3), C.R.S.)
- 2008 amendment requires PUC to set new cap, considering:
  - Change in cost of providing basic service since 1995
  - Change in nationwide average price for service since 1995
  - Flexible tariff options
  - Net revenues from other services, except switched access

## Qwest Case (Docket No. 08A-403T)

- Qwest sought change from \$14.88 to \$16.99 with a cap of \$18.25, citing:
  - Higher costs in NECA reporting
  - Change in national rates (FCC index)
  - Competitive pressure
- Staff and OCC advocated no increase
  - Qwest failed to meet statutory burden
  - Cited declining TSLRIC costs
  - Criticized NECA cost reporting

# Qwest Case (Docket No. 08A-403T)

- Commission found:
  - The FCC index data was probative and in line with the legislative intent, comports with *price* regulation
  - National average rate (FCC index) had increased 11% from 1995 to 2007
  - That NECA data was less compelling, not scrubbed of other services, faulty because the costs increase as line count decreases
- Commission granted increase to a \$16.52 cap first year, and a \$17.00 cap thereafter; reduced notice requirements
- Decision No. C09-0830
- OCC has appealed PUC decision to Denver District Court

## The Colorado High Cost Support Mechanism (CHCSM)

- Established by PUC in 1990. Since 1995 governed by §40-15-208.
- Annual payout averages about \$62 million.
- Currently supports all high cost residential and business lines.
- Qwest, Rural LECs, and Wireless EPs draw from the CHCSM.

Table 3

Rural Carrier	Number of Lines	Recent Adjustment Date	Yearly Projected CHCSM Disbursement
AGATE MUTUAL TEL CO	120	2/25/2008	\$ 18,941
DELTA COUNTY TEL CO	9,618	10/1/2008	\$ 165,721
NUCLA-NATURITA TEL	1,702	2/1/2008	\$ 242,020
NUNN TEL CO	625	5/17/2007	\$ 58,540
PEETZ COOP TEL CO	234	1/18/2008	\$ 26,441
PHILLIPS COUNTY TEL	1,792	1/1/2009	\$ 30,847
PINE DRIVE TEL CO	874	10/1/2008	\$ 450,075
ROGGEN TEL COOP CO	229	10/1/2003	\$ 38,134
<b>Non-Rural Carrier</b>			
QWEST CORPORATION	417,210**	11/12/2009	\$ 56,174,188
<b>Wireless Carriers</b>			
NORTHEAST COLORADO CELLULAR, INC., dba VIAERO	9,843***	12/21/2001	\$ 2,411,691
COMMNET FOUR CORNERS	0	8/8/2008	\$ -
ELBERT COUNTY WIRELESS	0	8/8/2008	\$ -
WESTERN WIRELESS	10,760*	1/8/2001	\$ -
<b>Undesignated Carriers</b>			
PROJECTED ADDITIONAL CARRIERS			\$ 3,094,504
<b>TOTAL DISBURSEMENTS</b>			<b>\$ 63,309,162</b>

Line counts are from 2008 Annual Reports

\* USAC Website Report - HC05 - High Cost Loop Support Projected by State by Study Area - 3Q09

\*\* Qwest line counts from 2010 Qwest Draw Stipulation.

\*\*\* Viaero line counts from 3Q09 reports submitted by carrier.

San Isabel has ETC designation, but not EP designation.

# The CHCSM - Who Draws?

Rural LECs  
1.6%

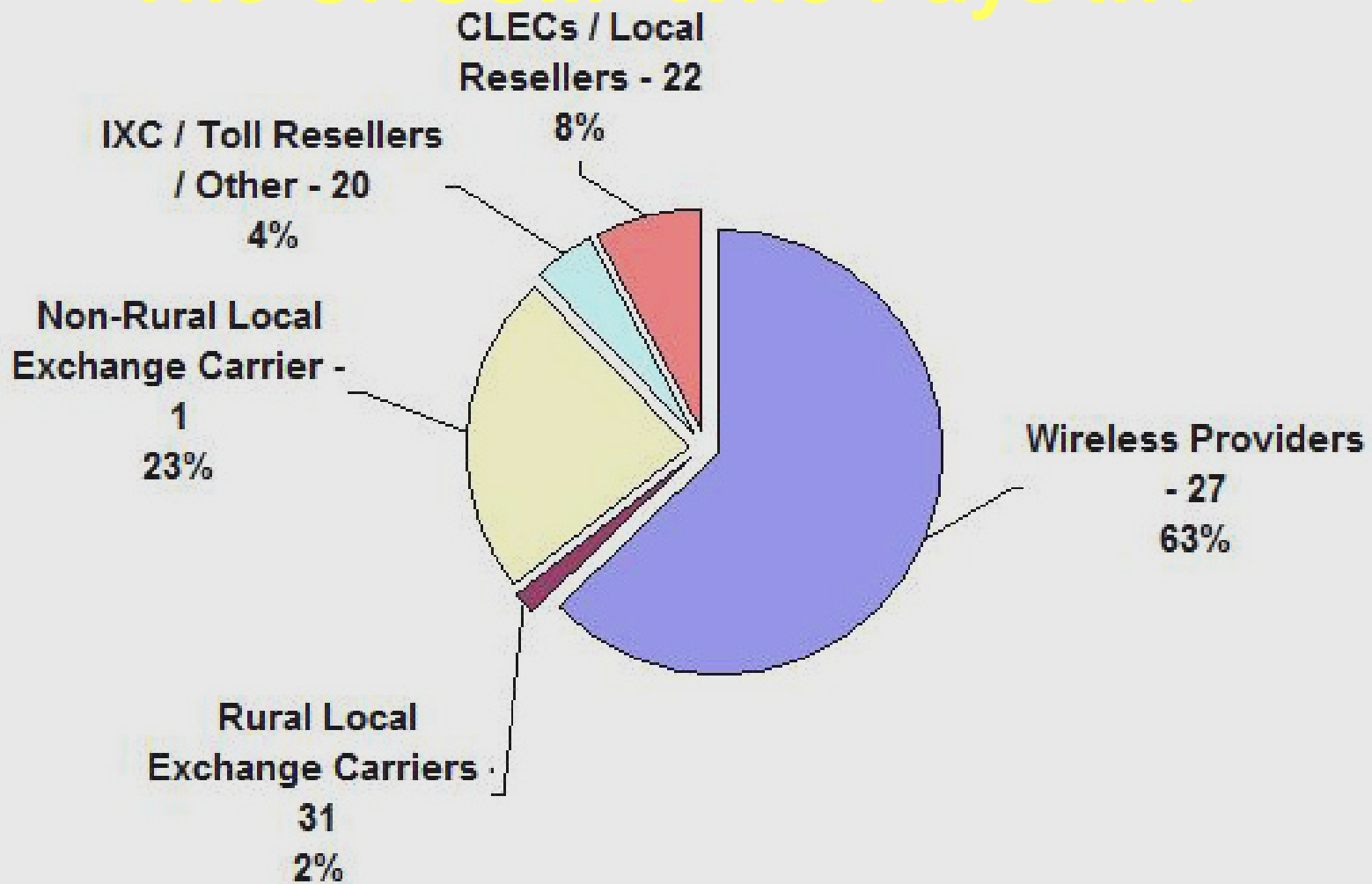
Qwest  
89%

Wireless  
3.8%

New  
5.8%

# Contributions By Carrier Type

## The CHCSM- Who Pays In?



# Potential Changes to CHCSM

- Support only residential lines
- Support only primary lines and a single wireless connection per premises
- Count higher percentage of vertical features and DA revenues
- Impute revenue from a benchmark rate for a supported line

## Impact of Changes to CHCSM

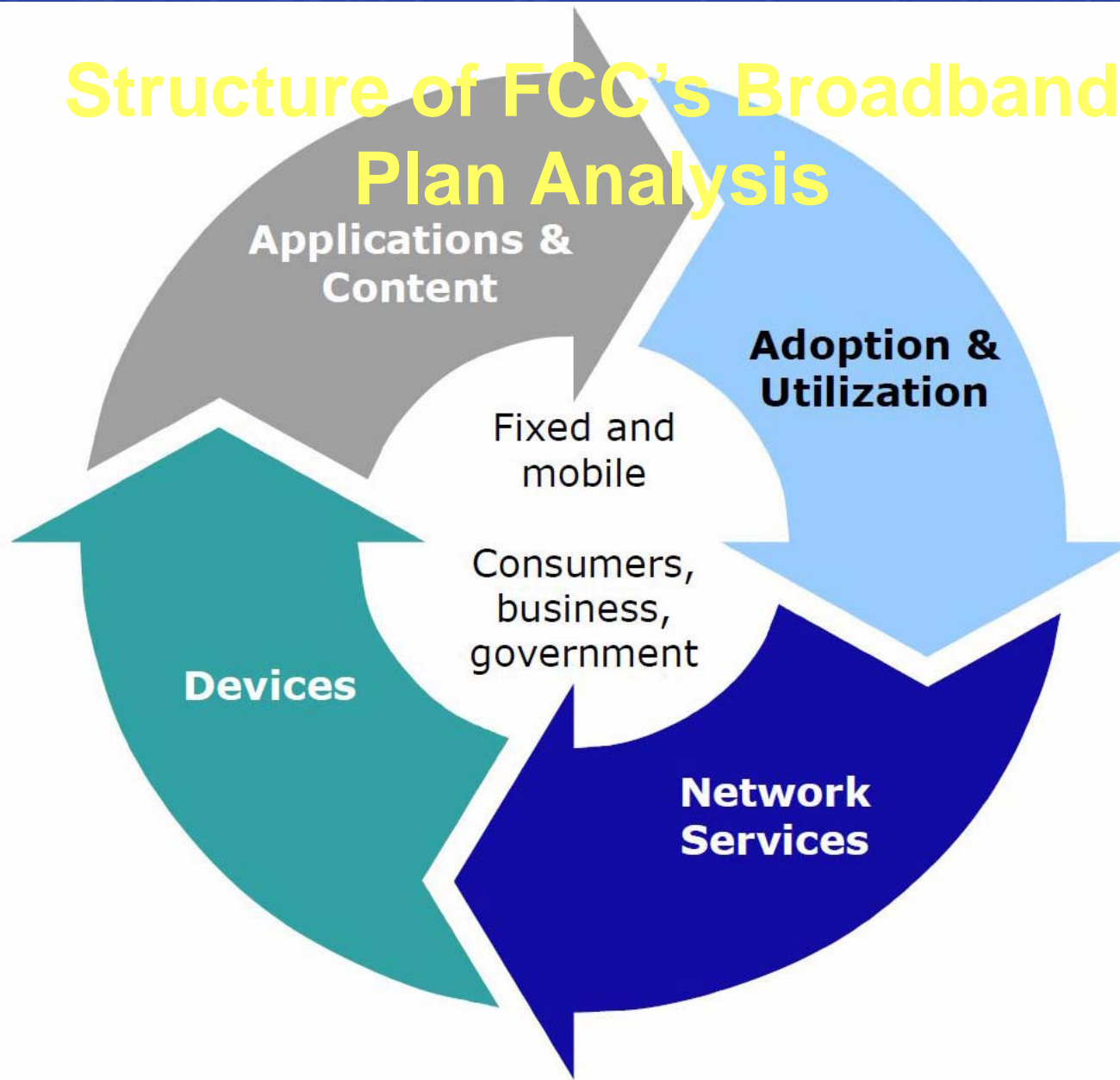
- Residential only: ~ (\$5 million)
- Single premises connection: ~ (\$4 million)
- Count 100% features: ~ (\$14 million)
- \$17 benchmark rate: ~ (\$7 million)

Combination would reduce fund by ~50%

# The National Broadband Plan

- The 2009 Recovery Act (ARRA) requires the FCC to develop a National Broadband Plan.
- The National Broadband Plan shall “seek to ensure all people of the United States have access to broadband capability and shall establish benchmarks for meeting that goal.”
- Project is headed by Blair Levin
- The plan is due on February 17, 2010 (*41 days left*)

# Structure of FCC's Broadband Plan Analysis



# Gaps and Issues

- Network Services
  - Fixed Infrastructure Availability Gap
  - Middle Mile Gap
  - ROW and Pole Attachment Gap
  - Spectrum Gap
  - Data Gap
- Devices
  - Set Top Boxes

# Gaps and Issues

- Applications and Content
  - Consumer Information Gap
  - End User Data Control Gap
  - Media Gap
  - Cybersecurity and Piracy Gap
- Adoption and Utilization
  - Adoption and Utilization Gap
  - Affordability Gap
  - Accessibility Gap

## Implications of FCC Broadband Plan for States and for Colorado

- Federal USF will transition to broadband support, adding to pressure on telephone rates
- New motivation for state/federal cooperation
- Pressure to target subsidies based on need
- New motivation for state broadband planning
- Implications for next-generation 9-1-1

## The FCC's Remand FNPRM (Qwest II)

- 10<sup>th</sup> Circuit remanded FCC's rules on the calculation and distribution of universal service support of non-rural carriers.
- Qwest, Wyoming PSC, Vermont PSB and others sought a Writ of Mandamus from the Court
- FCC settled with parties, committed to having an order responsive to the remand order by April 16, 2010.
- The FCC now argues that the changed market conditions and ARRA requirements of producing a Broadband Plan make it infeasible to meet the April 2010 deadline.

# Colorado Broadband Activities

- In 2008 the Colorado General Assembly passed Senate Bill 215, requiring development of a geographic inventory of broadband availability in Colorado.
- The purpose was to help broadband providers and policymakers better understand the current availability of broadband service throughout the state.
- OIT contracted with Connect Colorado, a subsidiary of Connected Nation, in June 2009 and produced the final project report and findings, as well as maps showing:
  - Broadband availability by technology platform
  - Population density of areas not served by broadband
  - Household density of areas not served by broadband
  - Highest residential download speed tier in areas served by broadband as reported by broadband providers



## Colorado Broadband Mapping Project

### FINAL REPORT

November 2009

**Available at:**

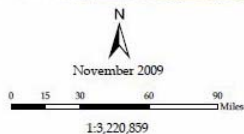
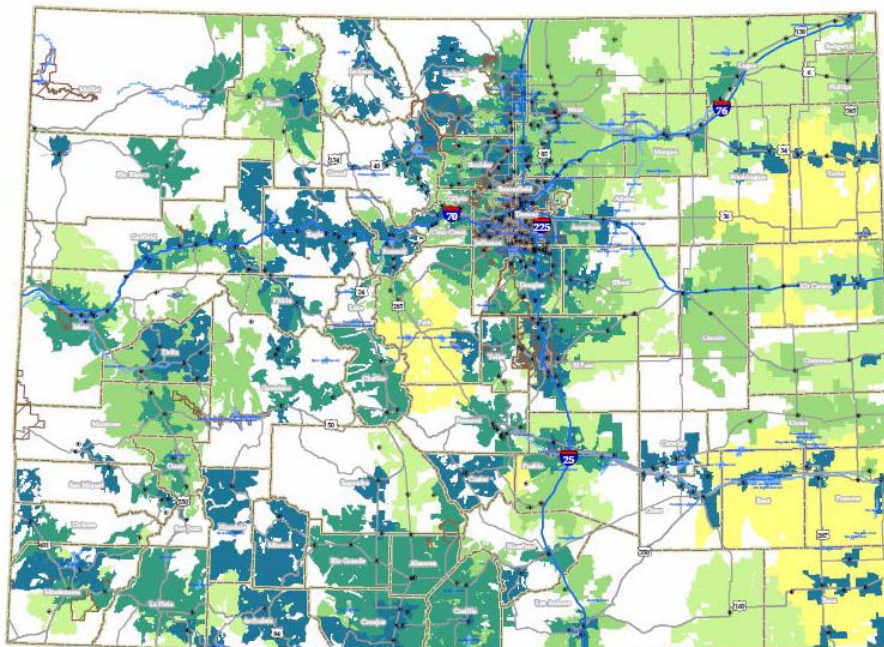
<http://www.colorado.gov/cs/Satellite/OIT-New/OITX/1240492357224>

## Some Overall Results

Type Counties	Count Counties	BB Availability
Urban	7	98.97%
Suburban	10	98.80%
Rural	47	89.42%

# Colorado Highest Residential Download Speed

Submit questions or recommended changes to: [maps@connectednation.org](mailto:maps@connectednation.org)



Broadband service speeds are displayed by the highest speed available at a given census block by a broadband service provider. Speed maps are not a depiction of broadband availability or adoption, nor are they necessarily an indicator of the available bandwidth within a given geographic area.

The representations contained herein are for informational purposes only. Best efforts are undertaken to insure the correctness and accuracy of this information. However, all warranties regarding the accuracy of this map and any representations or inferences derived therefrom are hereby expressly disclaimed. Connect Colorado and its partners neither assume nor accept any liability for the accuracy of these data. Those relying upon this information assume the risk of loss exclusively for any potential inaccuracy. All errors and omissions brought to the attention of Connect Colorado will be promptly corrected.

Data Source:  
IPED Data & Maps (City, Interstate, US Road, County Boundary, National Lands, Unincorporated Areas)  
State of Colorado, Department of Natural Resources (Water)  
Connect Colorado (Speed Information)

Projection: NAD83, UTM 13

## Symbology

- City
- Interstate
- US Road
- No Data
- 1st Generation Data (200 kbps to 768 kbps)
- Basic Broadband Tier 1 (768 kbps to 1.5 Mbps)
- Broadband Tier 2 (1.5 Mbps to 3 Mbps)
- Broadband Tier 3 (3 Mbps to 6 Mbps)
- Broadband Tier 4 (6 Mbps to 10 Mbps)
- Broadband Tier 5 (10 Mbps to 25 Mbps)
- Broadband Tier 6 (25 Mbps to 100 Mbps)
- Broadband Tier 7 (Greater than 100 Mbps)
- County Boundary
- Water
- National Lands

Connect Colorado has worked with broadband providers throughout the State to identify the gaps in broadband service - the first step in a statewide effort to "fill the gaps" for 100% broadband availability.

Note: Satellite-delivered broadband is available throughout the state.

# Colorado ARRA Activities

- ARRA contains \$7.2 billion for Broadband Investment
  - \$4.7 B to NTIA (“BTOP”) focusing on middle mile investments
  - \$2.5 B to Rural Utilities Service (“BIP”) focusing on rural last-mile investment
- Numerous applications filed by Colorado entities for BTOP and BIP grants
- Qwest did not seek ARRA funds
- One Colorado award so far (BIP) to Peetz Cooperative Telephone Co.
- The Governor’s Office of Information Technology (OIT) was awarded \$1.6 million for broadband data collection and mapping, and \$500,000 for broadband planning
  - OIT in final stages of selection of Program Manager

**Thanks for the invitation.**

**I look forward to your questions.**