

# Update on The Telecom Industry: The Transition Continues

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**Dora**  
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# BACKGROUND

- Appointed fourth Consumer Counsel in March 2009
- Office created by statute in 1984 (§40-6.5-101 et seq., C.R.S.) and funded by fee on regulated utilities
- Over 20 years telecom experience - most as director of public policy for MCI in Colorado and other Qwest states
- Prior to joining MCI, Assistant Attorney General for Colorado as well as regional attorney for U. S. Commission on Civil Rights

# ROLE OF CONSUMER COUNSEL

- Represent public interest, particularly residential, agricultural and small business consumers, in electric, gas and telecom proceedings before Public Utilities Commission (§40-6.5-104, C.R.S.)
- OCC also makes legislative suggestions and appears before Federal Communications Commission and Federal Energy Regulatory Commission
- Focus much of time on energy issues – House Bill 1365
  - Xcel and Black Hills Filing by August 15<sup>th</sup>
  - Commission decision by December 15<sup>th</sup>
- Many of telecom services either relaxed regulated, deregulated or unregulated

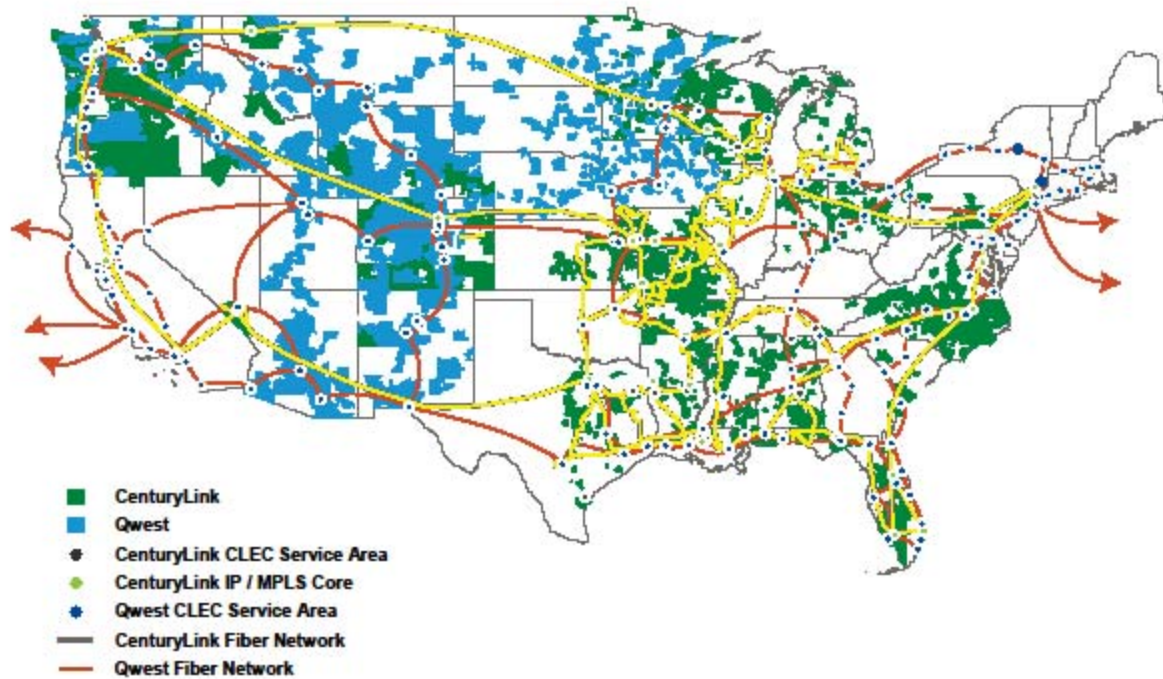
# CHANGING TELECOM LANDSCAPE

- Traditional Landline Phones
  - Basic service fully regulated by PUC unless House Bill 1281 passes
  - Decrease from 192 million to fewer than 155 million lines this decade
  - 911 friendly
- Wireless communications
  - Not regulated except possibly high cost fund
  - Advanced services part of package
  - No distinction between local and long distance
  - Internet access
  - Increase by nearly 33 percent to over 270 million in last three years
  - Post paid vs. prepaid. Senate Bill 120 and contribution to E911
- Voice over Internet Protocol (VoIP)
  - Need broadband connection but can use same inside wiring as landline
  - Advanced services part of package
  - No distinction between local and long distance
  - Comcast third largest phone company in country
  - Qwest has own alternative

# CENTURYLINK-QWEST

- Merger or Acquisition?
- Tax-free stock transaction valued at \$22.4 billion with \$11.8 billion Qwest debt assumption
- New company CenturyLink with headquarters in Monroe, LA
  - Five to seven regional centers including Denver where business market located
  - Except for business markets, leadership CenturyLink
- New CenturyLink in 37 states
  - CenturyLink currently in 33, excluding AZ, ND, SD, UT in 14 state Qwest territory

# National Network



# REGULATORY APPROVAL, INCLUDING COLORADO

- Approval projected second quarter 2011
  - Federal: Department of Justice, FCC, SEC
  - Filings in approximately 20 states beginning mid-May with Colorado PUC application end of month
- Qwest has 7900 employees and 1.65 million access lines in the state
  - Regulated/registered companies with PUC: Qwest local, El Paso, Qwest LD, Qwest CLEC
- CenturyLink has 130 employees and 79,600 access lines
  - Regulated/registered companies with PUC: CenturyLink of Eagle, CenturyLink of Colorado, CenturyLinkLD

# LOCAL SERVICE RATES

- Issue of basic local service rates under §40-15-502(3)(b)(1.5), C.R.S. (2008)
- Commission issued decision permitting Qwest to raise unlimited local rates from \$14.88 to \$16.52, which it did in October 2009 with \$17.00 cap a year later
  - Message and measured local service \$6 cheaper
- OCC appealed Commission decision to Denver District Court, case no. 2009CV9965, filed brief on March 31, 2010
  - Question how Commission applied statute in approving rates
- Question how decision applies to rural telephone providers

# HOUSE BILL 1281

- Would move basic local service from part 2 (fully regulated) to part 3 (relaxed regulated)
- Would still require Commission approval of decision of relaxed regulation
- Also would clearly deregulate VoIP
- Passed on second reading in House on May 4
- To be considered on third reading today

# COLORADO HIGH COST FUND

## § § 40-15-208 and 502(5), C. R. S.

- Fund approximately \$60 million annually
- OCC looking at proliferation of high cost fund applications of wireless competitors, phone company subsidiaries and companies focusing on low income consumers
- Commission opened docket (no. 10R-191T) in April to review identical support and other fund issues. Comments due May 27 and June 11 with hearing June 28-29
- Issue of identical support rule for new providers
  - Identical support rule appear to run counter to statute on high costs which should be based on actual costs of each applicant
- Another issue is level of support given to traditional, landline companies as wireless competitors come into marketplace

# COLORADO HIGH COST FUND

- Should support be offered to all lines or only first residential line, in part because business customers able to deduct cost as business expense?
  - Disparity in rates between residential and business customers
  - Rural rates both below and above those of Qwest
- Should providers of last resort be required to serve increasing number of vacation homes and, if so, at what rate?
- Ultimately, responsibility of paying for high cost fund surcharge falls on ratepayers who are being inundated by ever-increasing number of surcharges on phone bills

# PROPOSITION 101

- Proposed Initiative certified for 2010 ballot
- Would be at Title 39, Article 25, C.R.S. (former gift tax article)
- Key provisions would reduce motor vehicle fees and state income state rate
- For telecommunications, all state and local government fees (except for 911 at 2009 rates) would be eliminated for telephone, pager, cable, television, radio, internet, computer, satellite customer accounts
  - Some 911 authorities raising rates in anticipation of passage
  - Concern over prepaid wireless providers not paying into fund
- Added charges tax increases subject to voter approval

# EVOLVING SERVICE DEFINITION

- Should definition of basic local service be changed and, if so, how?
  - Local
  - Toll
  - Vertical features
  - Broadband
- Is it time to eliminate distinction between wireline, wireless and voice over internet protocol service at least as to which agencies regulate which services?
  - FCC reviewing comments on transition from circuit switched to IP-based network
  - National Broadband Plan-Universal Service
    - SB 135 and prepaid phones for low income
  - Consumer complaints

# OCC ONLINE

- OCC has updated and simplified office brochure including where and how to file complaints
- Continuously updating internet site at [www.dora.state.co.us/occ](http://www.dora.state.co.us/occ)
- Brochure available along with revamped information on telecom services to make more useful to residential, small business and agricultural consumers
- Charts available online on landline, wireless, VOIP and prepaid long distance services