

Decision No. C04-1403

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 98M-236T

IN THE MATTER OF THE ADMINISTRATION OF THE COLORADO HIGH COST
SUPPORT MECHANISM.

**ORDER ADOPTING CALENDAR YEAR 2005 BUDGET OF
THE COLORADO HIGH COST SUPPORT MECHANISM**

Mailed Date: December 3, 2004
Adopted Date: November 29, 2004

I. BY THE COMMISSION

A. Statement

1. The statute addressing the Colorado High Cost Support Mechanism (CHCSM) requires that the Commission include as part of the written report to the General Assembly proposed benchmarks, proposed contributions to be collected through a rate element assessment by each telecommunications provider, and the proposed total amount of the CHCSM from which distributions are to be made for the following calendar year. § 40-15-208(2)(b)(IX), C.R.S.

2. Under the CHCSM Rules at 4 *Code of Colorado Regulations* 723-41-7.2.4, the Administrator will calculate the Universal Service Charge quarterly. Staff of the Commission (Staff) has prepared an annual budget for high cost support for calendar year 2005. Staff estimates that high cost support will total approximately \$60,768,124 (*see* Attachment A), and that contributions to the fund will be \$59,113,186.

3. Now being fully advised and based upon its independent review, the Commission, acting as Administrator, sets the Colorado Universal Service Charge at 2.0 percent for the first

quarter of 2005, and estimates an increase to 2.9 percent¹ for the three remaining quarters of 2005. The Administrator shall review and re-evaluate the rate element for the Colorado Universal Service Charge each quarter hereafter as required by the CHCSM Rules.

4. In determining the 2005 Universal Service Charge, Staff considered five different factors or assumptions: 1) an assumption of constant revenues of telecommunications service providers; 2) the percentage of growth in the industry; 3) the current line counts for all telecommunications service providers receiving support and for those telecommunications service providers contributing to the fund; 4) the current reserve balance that exists in the fund; and 5) the percentage of intrastate telecommunications revenues that may be lost in 2005 as a result of the Federal Communications Commission's recent declaration that Voice over Internet Protocol is an interstate service. After implementing each of the five factors or assumptions into the 2005 budget, Staff believes that contributions will sufficiently cover disbursements for the year 2005.

5. Now being fully advised in the matter, the Commission will adopt the attached budget for calendar year 2005.

¹ This is a "worst case scenario" estimate, as it assumes a mitigation of customers of 16 telecommunications carriers (including Comcast Phone of Colorado, LLC, AT&T Communications of the Mountain States, Inc., and WorldCom, Inc.) from traditional telephony (through which Universal Service Charge conditions are made) to Voice over Internet Protocol (through which such contributions are not made under the Federal Communications Commission's (FCC) recent VoIP order). One hundred percent migration is assumed as of the fourth quarter of 2005 for the customers of the 16 carriers, which seems unlikely given that broadband availability and subscription is necessary for VoIP services. However, since no upward adjustment of the charge is permitted after April 1, 2005, 2.9 percent was chosen as an upward bound to give the Commission flexibility in the event contributions are lower than expected.

II. ORDER

A. The Commission Orders That:

1. The budget for the Colorado High Cost Support Mechanism appended to this Order as Attachment A is adopted for calendar year 2005.

2. Pursuant to Rule 4 Code of Colorado Regulations 723-41-7.2.4, the Commission, acting as Administrator, has determined the Colorado Universal Service Charge shall remain at 2.0 percent for the first quarter of 2005.

3. Each Telecommunications Service Provider as a participant in the Colorado High Cost Support Mechanism shall make changes to its tariff, if necessary, to reflect the current rate element for the Colorado Universal Service Charge on not less than one day's notice, citing this Order as authority, to be effective January 1, 2005.

4. This Order is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' DELIBERATIONS MEETING
November 29, 2004.**

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Commissioners