

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO**

Docket No. 08A-285T

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IN THE MATTER OF THE APPLICATION OF TIME WARNER CABLE INFORMATION SERVICES (COLORADO), LLC, FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES, FOR A LETTER OF REGISTRATION TO PROVIDE EMERGING COMPETITIVE TELECOMMUNICATIONS SERVICES, AND FOR DEREGULATION OF INTRALATA INTEREXCHANGE TELECOMMUNICATIONS SERVICE.

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**STIPULATION AND SETTLEMENT AGREEMENT**

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This Stipulation and Settlement Agreement ("Stipulation") is entered into by and between Staff of the Colorado Public Utilities Commission ("Staff") and Time Warner Cable Information Services (Colorado), LLC. Staff and Time Warner TWCIS collectively are referred to as Parties, and individually as Party.

**INTRODUCTION AND BACKGROUND**

1. Time Warner Cable Information Services (Colorado) LLC ("TWCIS") is a limited liability corporation with its principal office located at 290 Harbor Drive, Stamford, Connecticut 06902.
2. On July 3, 2008, TWCIS initiated this docket by filing its Application for Certificate of Public Convenience and Necessity ("CPCN") to Provide Local Exchange Telecommunications Services, for a Letter of Registration to Provide Emerging Competitive Telecommunications Services, and for Deregulation of IntraLATA Interexchange Telecommunications Service ("Application"). A supplemental filing was made on July 16, 2008.
3. On July 11, 2008, Staff sent a letter to the applicant seeking additional information. The applicant filed a response on July 24, 2008.

4. Staff timely filed its Notice of Intervention in this matter on August 12, 2008. Staff is the only intervener in this Docket.

5. The Parties now stipulate and agree that the Commission should approve the Application on the terms set forth in this Stipulation.

#### **TERMS OF STIPULATION AND SETTLEMENT**

6. Pursuant to Section 40-15-503.5, C.R.S., TWCIS shall maintain a bond for a period of three (3) years from the date that its initial tariff to provide regulated telecommunications service to any customer in Colorado becomes effective, which shall occur after the CPCN becomes effective. Such bond must be renewed annually by TWCIS for a period of three (3) years. Concurrent with the filing of an Advice Letter and initial tariff to provide such telecommunications services in Colorado, TWCIS shall file with the Commission a verified statement, signed by an officer of TWCIS, attaching the original and two copies of the bond to the verified statement. The beneficiary of the bond shall be the Colorado Public Utilities Commission.

7. Initially, the bond shall be in the amount of fifty thousand dollars (\$50,000), which will be the minimum amount required for the duration of the bond. The formula used to calculate the amount of the bond is attached to this Stipulation as Exhibit A and incorporated herein. TWCIS expressly acknowledges that it will not require customer deposits.

8. The issuer of the bond shall be rated "Secure" by A.M. Best Company, Inc.

9. Within thirty (30) calendar days of the calendar date that the number of TWCIS's revenue producing lines<sup>1</sup> reaches one thousand (1,000) lines, TWCIS shall recalculate the amount of

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<sup>1</sup> The Parties acknowledge that TWCIS intends to provide wholesale and retail intrastate telecommunications services to business customers, although TWCIS's future business plans may change. For the purposes of this stipulation and settlement agreement, the term "revenue producing lines" shall mean circuit-switched telephone access lines. Interconnected VoIP services do not constitute such circuit-switched telephone access lines. In the event TWCIS sells systems that serve multiple lines, the calculation of "revenue producing lines" or the equivalent shall be made pursuant to Federal Communications Commission Form 477, "Instructions for the Local Competition and Broadband Reporting Form."



the bond that will be required and shall file a report with the Commission that clearly shows the number of revenue producing lines, as defined above, and the recalculated amount of the bond that is then required, using the same formula used for determining the initial amount of the bond, which is found in and is attached as Exhibit A. Within thirty (30) calendar days of the day after the thirty-day report period set forth above in this same Paragraph No. 8 has expired, an officer of TWCIS shall file with the Commission a verified statement that the bond has been increased to the required amount, clearly identifying the new amount and the new term of the bond and attaching the original and two copies of the bond to the verified statement. Once TWCIS has increased the amount of its bond to the obligation for 1,000 lines, it will not need to increase its bond obligation until the number of access lines increases to the level where the bond obligation is 20% or higher than the amount of the existing bond.

10. TWCIS shall file a report with the Commission no later than December 31 of each year that the bond is required, beginning in the year that TWCIS offers regulated telecommunications services to its customers under its effective tariff. This report shall include the following:

- (a) The total number of revenue producing lines, as defined above, of TWCIS for regulated telecommunications services to end user customers in Colorado for the six (6) months preceding the date of the report;
- (b) Any change in the number of revenue producing lines, as defined above, of TWCIS for regulated telecommunications services to end user customers in Colorado for the six (6) months preceding the date of the report;
- (c) the amount of the existing bond; and
- (d) any recalculation of the amount of the bond that may be required.

11. The monies from the bond shall be disbursed as set forth in this paragraph in the event of the issuance of an order by the Commission resulting from a formal complaint pursuant to paragraph 14 below. Disbursement shall be made on a percentage basis, which percentages are included in Exhibit A. Disbursement of the bond shall be made as described below:

- a. To funds mandated by the Commission and Colorado statute, including the Colorado High Cost Support Mechanism, the Low Income Telephone Assistance Program, the Fixed Utilities Fund, 9-1-1, and the Telecommunications Relay Service;
- b. To wholesale telecommunications provider(s), specifically for services provided to TWCIS for which payment has not yet been received on undisputed amounts; and for the wholesale telecommunications provider's costs of providing notice to customers if TWCIS fails to do so due to TWCIS's discontinuance of providing service, after verification of those costs by Staff;
- c. To refund prepayments for telecommunications services not yet received in the event that TWCIS discontinues service to its customers. Upon attestation by an officer of TWCIS that all refunds owed to customers for payment for services not yet received has been rendered and the disbursement of the funds to all other parties has been completed, the Commission shall disburse to TWCIS any remaining proceeds from the bond up to the amount of the refunds TWCIS issued to customers; and
- d. For Commission-incurred costs for items including, but not limited to, notices mailed by the Commission or the designated default provider if TWCIS discontinues service and fails to mail notice to customers, as required by 4 Code of Colorado Regulations (CCR) 723-2-2108 ("Rule 2108"); any Commission-incurred costs associated with the transitioning of customers to another provider; and any Commission-incurred bankruptcy court costs.

12. At any time any portion of the bond is disbursed, TWCIS shall obtain an addition to the current bond or a new bond for the amount required based on the formula set forth in Exhibit A.

13. TWCIS shall be considered in default of the bond in the following circumstances:

a. If TWCIS

i. untimely (late by more than thirty (30) calendar days which period shall begin on the first day after the due date) remits or fails to remit payments to statutory funds (including the Colorado High Cost Support Mechanism, the Low Income Telephone Assistance Program, the Fixed Utilities Fund, 9-1-1, and the Telecommunications Relay Service);

ii. untimely remits or fails to submit undisputed payments to wholesale providers;

iii. untimely pays or fails to pay any refunds, credits or deposits owed to customers; and

b. untimely files or fails to file Commission-required reports including, but not limited to:

i. annual reports;

ii. line count report when the number of revenue-producing lines first exceed one thousand (1,000) lines for the first time;

iii. verified annual statements of line counts and bond amounts;

iv. verified statements of bond renewal or modification;

iv. and/or violation of any Commission rules concerning regulated telecommunication providers.

14. Occurrence of any or all of the items described in Paragraph No. 13(a) and (b) above shall be cause for Staff to request that the Commission issue a formal complaint concerning the actions



of or failure to act by TWCIS as well as to make recommendations to the Commission concerning TWCIS's bond and the status of TWCIS's CPCN. In the event the Commission issues an order resulting from a formal complaint that finds TWCIS is in breach of any or all of the items described in Paragraph No. 13(a) and (b) above, the Commission may authorize its representatives to draw on the bond. No demand for a draw on the bond shall be honored by the issuing financial institution, absent an order resulting from a formal complaint issued by the Commission authorizing its representative to draw on the bond.

15. TWCIS agrees that it will not discontinue service to customers for any reason unless the Commission has granted its application to discontinue pursuant to Rule 2108. For so long as TWCIS is obligated to provide the bond, in the event that TWCIS files an application pursuant to Rule 2108, TWCIS shall file with the Commission, and serve a copy on Staff, the following: (a) the number of business and residential lines affected by such discontinuance; (b) a customer list, including the name, address and telephone number of each customer; (c) the amount of any refund due to each individual customer for payment of service not received by the customer; and (d) the identity of all underlying providers supporting the regulated telecommunications services affected by such discontinuance.

16. TWCIS expressly acknowledges that, in accordance with Section 40-5-105, C.R.S. (2004), as amended, it cannot sell, assign, or otherwise transfer its Colorado assets that are used in the provision of regulated telecommunications services, including, without limitation, Billing Account Numbers, customers, Interconnection Agreements, and its CPCN, without first having obtained Commission approval.

17. In this docket, TWCIS shall provide Staff notice, within thirty days' of its execution, of any agreement between TWCIS and a third party for the provision of marketing, customer service, or customer acquisition services in connection with TWCIS's provision of regulated telecommunications

service to residential customers in Colorado, should TWCIS undertake to provide such services. If such third party agreement is entered into with a party that is affiliated with TWCIS and over whom TWCIS exercises substantial oversight, TWCIS shall provide notice of such agreement within seven (7) days of its entry into the agreement. This requirement does not include employment agreements with TWCIS employees who may be hired to perform inside sales, marketing or customer service or acquisition activities.

18. For the three (3) year period that TWCIS is required to maintain a bond pursuant to Paragraph No. 5, above, TWCIS shall file a report with the Commission in writing within ten (10) calendar days of any of the following occurrences in connection with the regulated telecommunications services provided by TWCIS or one of its regulated affiliates:

- a. Assessment of civil penalties by any court or regulatory body;
- b. Assessment of criminal penalties by any court or regulatory body;
- c. Injunctive relief awarded by any court or regulatory body;
- d. Any corrective action taken by any court or regulatory body;
- e. Any refund of more than one hundred dollars (\$100) in any individual case, or any refund of two hundred fifty dollars (\$250) or more to any class of customers awarded by any court or regulatory body;
- f. Reparations to any party awarded by any court or regulatory body;
- g. Initiation of a show cause or formal complaint proceeding by any court or regulatory body;
- h. Initiation of disciplinary proceedings by any court or regulatory body, including proceedings to limit or to place restrictions on any authority to operate a CPCN or offer any service;

- i. Refusal to grant authority to operate or provide a service by any court or regulatory body;
  - j. Revocation of authority to operate or to provide a service by any court or regulatory body;
  - k. Voluntary surrender of any certificate or authority to operate in lieu of any action by a court or regulatory body; or
- 1. Any combination of the foregoing sanctions, penalties, corrective actions, or other proceedings.

19. If TWCIS fails to perform any or all of the obligations set forth in this Stipulation including, but not limited to, failing to obtain and maintain a bond according to the terms outlined in this Stipulation and/or fails to timely report to the Commission any events set forth in Paragraph 18 above, Staff shall consider TWCIS to have breached this Stipulation. In that event, Staff may request that the Commission issue a formal complaint to determine whether the Commission should take action against TWCIS's CPCN. In the event the Commission issues an order resulting from a formal complaint that finds TWCIS is in breach of any or all of the obligations set forth in this Stipulation, the Commission may authorize its representatives to draw on the bond. No demand for a draw on the bond shall be honored by the issuing financial institution, absent an order resulting from a formal complaint issued by the Commission authorizing its representative to draw on the bond.

#### **GENERAL SETTLEMENT TERMS AND CONDITIONS**

20. This Stipulation is made for settlement purposes only. No Party concedes the validity or correctness of any regulatory principle or methodology directly or indirectly incorporated in this Stipulation. Furthermore, this Stipulation does not constitute agreement, by any Party, that any principle or methodology contained within this Stipulation may be applied to any situation other than



the above-captioned case. No precedential effect or other significance, except as may be necessary to enforce this Stipulation or a Commission order concerning the Stipulation, shall attach to any principle or methodology contained in the Stipulation.

21. This Stipulation shall not become effective until the Commission issues a final order approving the Stipulation, which order does not contain any modification of the terms and conditions of this Stipulation that is unacceptable to the Parties hereto. In the event the Commission modifies this Stipulation in a manner unacceptable to either Party, that Party shall have the right to withdraw from this Stipulation and proceed to hearing on some or all of the issues that may be appropriately raised by that Party in this Docket under a new procedural schedule. The withdrawing Party shall notify the Commission and the other Party to this Stipulation in writing within ten (10) days of the date of the Commission order that the Party is withdrawing from the Stipulation ("Notice"). A Party who properly serves a Notice shall have and be entitled to exercise all rights the Party would have had in the absence of the Party's agreeing to this Stipulation.

22. In the event this Stipulation is not approved, or is approved with conditions that are unacceptable to any Party who subsequently withdraws, the negotiations or discussions undertaken in conjunction with the Stipulation shall not be admissible into evidence in this or any other proceeding. Moreover, in such an event, except as may be specifically provided for herein, neither anything said, admitted or acknowledged in the negotiations leading up to the execution of this Stipulation, nor the settlement terms and conditions contained herein, nor the Stipulation itself may be used in this or any other administrative or court proceeding by any of the Parties hereto, or otherwise.

23. The Parties state that they have reached this Stipulation by means of a negotiated process that is in the public interest, and that the results reflected in this Stipulation are just, reasonable,

and in the public interest. Each Party pledges its support of this Stipulation and urges the Commission to approve same, without modification.

24. Except as otherwise specifically agreed in this Stipulation, nothing contained herein shall be deemed as constituting either a settled practice or precedent for the purposes of any other proceeding, and by entering into this Stipulation, no Party shall be deemed to have agreed to any specific principles of ratemaking. The Parties expressly reserve the right to advocate positions different from those stated in this Stipulation in any proceeding other than one necessary to obtain approval of, or to implement, this Stipulation or its terms and conditions. Nothing in this Stipulation shall constitute a waiver by any Party with respect to any matter not specifically addressed in this Stipulation.

25. This Stipulation may be executed in separate counterparts, including facsimile. The counterparts taken together shall constitute the Stipulation and Settlement Agreement.

26. The signatories represent that the signatories to this Stipulation have full authority to bind their respective Parties to the terms of this Stipulation.

Dated this 21<sup>st</sup> day of October 2008.

**FOR TIME WARNER CABLE  
INFORMATION SERVICES (COLORADO)  
LLC**

By: Julie P. Laine  
Julie P. Laine  
290 Harbor Drive  
Stamford, CT 06902  
Telephone: (203) 328-0600  
Fax: (203) 328-4042  
Email: julie.laine@twcable.com

**APPROVED AS TO FORM**

By: Raymond L. Gifford, Esq.  
Raymond L. Gifford, Esq.  
Kamlet, Shepherd & Reichert, LLP  
1515 Arapahoe Street, Tower 1, Ste. 1600  
Denver, CO 80202  
Telephone: (303) 572-5662  
Fax: (303) 825-1185  
Email: rgifford@ksrlaw.com

**FOR STAFF OF THE COLORADO PUBLIC  
UTILITIES COMMISSION**

By: Gerald Enright  
Gerald Enright,  
Financial Analyst  
Colorado Public Utilities Commission  
1560 Broadway, Suite 250  
Denver, Colorado 80202

**APPROVED AS TO FORM**

JOHN W. SUTHERS  
Attorney General

By: Anne K. Botterud  
Anne K. Botterud, #20726\*  
First Assistant Attorney General  
Business and Licensing Section

Attorneys for Staff of the Public  
Utilities Commission

1525 Sherman Street, 5th Floor  
Denver, Colorado 80203  
Telephone: (303) 866-3867  
Fax: (303) 866-5395  
Email: anne.botterud@state.co.us

\*Counsel of Record



## EXHIBIT A

### Bond/Letter of Credit

#### Calculation

Estimated Number of Customers: Less than 500

Average Revenue per customer per month: Varies

Fixed Utilities Fund (FUF): 1.433% of Intrastate revenues

911 Fund: \$0.50 per line per month, where applicable

Colorado High Cost Support Mechanism (CHCSM): 2.7% of intrastate revenues

Low Income Fund: \$ .00 per line per month, where applicable

TRS Relay Fund: \$ .07 per line per month, where applicable

PUC Administrative Costs In the event CLEC does not perform customer transition obligations, calculated at \$5.76 per customer.

Prepayments - assume each customer prepays one month of service

Wholesale Supplier Regulatory Obligation is to cover payment obligations if a Provider curtails and/or discontinues service and the Commission orders the underlying wholesale provider to continue service until customers are transitioned to other providers. (TWCIS does not anticipate reselling the service of other providers)

Although its future business plans may change, TWCIS intends to provide wholesale and retail intrastate telecommunications services to business customers. The allocations provided in the following formula appear solely for the purpose of calculating the total bond requirement. TWCIS agrees to an initial bond in the amount of \$50,000.

Number of Revenue Producing Lines	Less than 500	<u>% of Total</u>
Annual Revenues	Less than \$150,000	
FUF		\$2150 4%
911		3000 6%
CHCSM		4050 8%
Low Income		0 0%
TRS Fund		420 1%
PUC Administrative Costs		1630 6%
Customer deposits		1250 3%
Customer Prepayments		12,500 25%
Wholesale Supplier Obligation		<u>25,000</u> 50%
Total Initial BOND/LETTER of CREDIT Requirement		\$50,000 100%