

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 98M-236T

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

**DECISION ADOPTING CALENDAR YEAR 2015
BUDGET FOR THE COLORADO HIGH
COST SUPPORT MECHANISM**

Mailed Date: December 4, 2014

Adopted Date: December 1, 2014

I. BY THE COMMISSION

A. Statement

1. Section 40-15-208(2)(b)(IX), C.R.S., requires the Commission to submit a written report to the General Assembly by December 1st of each year. This report must contain proposed benchmarks, proposed contributions to be collected through a rate element assessment by each telecommunications provider, and the proposed total amount of the Colorado High Cost Support Mechanism (CHCSM) from which distributions are to be made for the following calendar year.

2. Under Rule 2846(b)(IV) of the Rules Regulating Telecommunications Providers, Services, and Products, 4 *Code of Colorado Regulations* 723-2, the Administrator of the CHCSM will calculate the Universal Service Charge quarterly. Staff of the Colorado Public Utilities Commission (Staff) has prepared an annual budget for high cost support for calendar year 2015. Staff estimates that high cost support and administrative expenses will total approximately \$53,132,799 (Attachment A), and that contributions to the fund will be approximately \$46,630,158.¹

3. The Commission has reviewed the report and the Staff's estimated budget for 2015. As stated in the report, the CHCSM for the first time will be facing a negative balance in 2015 that

¹ At the current 2.6 percent surcharge

must be addressed by the beginning of the second quarter. By statute, we may not impose an increase in the CHCSM surcharge to compensate for the potential negative balance until after March 31st of the coming year. § 40-15-208(2)(c), C.R.S. The Colorado Universal Service Charge therefore shall remain at the current 2.6 percent through the first quarter for the calendar year 2015, and the Administrator shall review and evaluate the rate element for each quarter of 2015 as required by the CHCSM Rules.

4. When evaluating potential amounts of the 2015 Colorado Universal Service Charge and their effect upon total contributions and the 2015 budget, Staff considered at least five different factors: (1) the revenues of incumbent telecommunications service providers; (2) the current line counts for all telecommunications service providers receiving support; (3) the current reserve balance that exists in the fund; (4) the recent Colorado General Assembly legislation that was passed which significantly reformed telecom legislation that included deregulation of many telecom services and also enabled the CHCSM to support broadband with funds no longer needed to support basic voice service; and (5) the results of future Commission rulemaking and federal legislation and rulemaking. After considering the impact of each of the five factors or assumptions into the 2015 budget, Staff found that, based on the declining contributions, there is a strong possibility that the CHCSM Fund might not, under the current surcharge rate, meet its full payment obligations by the second quarter 2015.

5. In early to mid-February of 2015, the Commission will receive updated accounting information of contributions for the fourth quarter of 2014, which the Commission will analyze to determine the surcharge rate for the remaining quarters of 2015. The Commission will consider all available and practical options, one of which includes increasing the surcharge. If the trend of decreasing contributions continues, an increase of the surcharge to up to 3.4 percent may be necessary to meet estimated expenses in 2015 of \$53,132,799.

6. Now being fully advised in the matter, we approve issuance of the report to the General Assembly and adopt the 2015 calendar year budget for the CHCSM.

II. ORDER

A. The Commission Orders That:

1. The budget for the Colorado High Cost Support Mechanism (CHCSM) attached to this Decision as Attachment A is adopted for calendar year 2015.

2. Pursuant to Rule 4 *Code of Colorado Regulations* 723-2-2846, the Commission, acting as the CHCSM Administrator, has determined that the Colorado Universal Service Charge shall remain at 2.6 percent through the first quarter of calendar year 2015.

3. This Decision is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' DELIBERATIONS MEETING
December 1, 2014.**

(S E A L)



ATTEST: A TRUE COPY

Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JOSHUA B. EPEL

PAMELA J. PATTON

GLENN A. VAAD

Commissioners

Calendar Year 2015

**COLORADO HIGH COST SUPPORT MECHANISM
 Budget**

Disbursements

Estimated Disbursements (Calendar Year)		\$53,132,799
Based on Revenue Benchmarks of:		
Residential	\$17.00	
Business	\$35.02	
Administrative Costs - included in Estimated Disbursements		
Solix*		\$63,700
PUC**		\$105,954
Total Expenses:		\$53,302,453

Contributions:	Rate Element	2.60%
Jan. 1 through March 31, 2014	2.60%	\$11,657,540
April 1 through June 30, 2014	2.60%	\$11,657,540
July 1 through Sept. 30, 2014	2.60%	\$11,657,540
Oct. 1 through Dec. 31, 2014	2.60%	\$11,657,540
Total Contributions		\$46,630,158
Projected Fund Balance end of 2015***		(\$4,026,759)

* Solix Report

* *PUC administrative expense .02% of total disbursements

***** End of Year 2015 Fund Balance Projection Based on current 2.6 percent surcharge. It is anticipated the surcharge will be revised April 1, 2015.**