

BEFORE THE PUBLIC UTILITIES COMMISSION

STATE OF COLORADO

Proceeding No. 14A-0147T

IN THE MATTER OF THE APPLICATION OF THE CHAFFEE COUNTY
EMERGENCY TELEPHONE SERVICE AUTHORITY TO ASSESS AN
EMERGENCY TELEPHONE SURCHARGE RATE OF ONE DOLLAR AND FIFTY
CENTS (\$1.50) PER SERVICE USER PER MONTH PURSUANT TO § 29-11-
102(2)(B), C.R.S.

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement (“Agreement”) dated June 2, 2014, is entered into by and among the Chaffee County Emergency Telephone Service Authority Board (“Chaffee County Authority”), the Staff of the Colorado Public Utilities Commission (“Staff”), and the Colorado Office of Consumer Counsel (“the OCC”) (collectively, the “Settling Parties”). The purpose of the Agreement is to resolve all issues raised by Staff and the OCC regarding the application filed by the Chaffee County Authority (the “Application”) with the Colorado Public Utilities Commission (the “Commission”) in Proceeding No. 14A-0147T to increase its monthly emergency telephone surcharge rate applicable within the areas of Chaffee County, Colorado served by the Chaffee County Authority. The Agreement is set forth below.

Recitals

1. Section 29-11-102(1)(a) of the Colorado Revised Statutes allows a governing body to incur equipment, installation, and other directly related costs for

the continued operation of emergency telephone services as further described in Section 29-11-102 of the Colorado Revised Statutes and pay for the costs of such service by imposing a surcharge in those portions of the governing body's jurisdiction for which emergency telephone services will be provided.

2. Section 29-11-102(1)(a) of the Colorado Revised Statutes allows a governing body to impose a surcharge in an amount not to exceed \$0.70 per user per month per exchange access facility (wireline), per wireless communications access, and per interconnected voice-over-internet-protocol service in those portions of a governing body's jurisdiction for emergency telephone service.

3. Section 29-11-102(1)(b) of the Colorado Revised Statutes allows a governing body to seek approval from the Commission for a surcharge rate in excess of \$0.70 per user per month if the Commission determines it is necessary in order to provide continued and adequate emergency telephone service in the areas served by the subject applicant.

4. The Chaffee County Authority is an emergency telephone service authority formed in September 1989 pursuant to an intergovernmental agreement ("IGA"), as amended, by and between the following parties: Chaffee County, City of Salida, Town of Buena Vista, Town of Poncha Springs, Chaffee County Fire Protection District, South Arkansas Fire Protection District, and Salida Hospital District. The Chaffee County Authority is responsible for administering the operation of the emergency telephone service program serving the exchange access

facilities (wireline), wireless telecommunications services, and interconnected voice-over-Internet-protocol (VoIP) users (“Users”) in those areas.

5. The Chaffee County Authority has previously sought Commission approval of 911 surcharge increase on two occasions: (a) a \$1.00 per user per month surcharge in Proceeding No. 06A-477T, which the Commission granted on September 27, 2006 in Decision No. C06-1146; and (b) an increase in the surcharge from \$1.00 to \$1.25 per user per month in Proceeding No. 10A-241T, which the Commission granted on September 3, 2010 in Decision No. R10-0975.

6. On February 18, 2014, the Chaffee County Authority filed its Application pursuant to C.R.S. § 29-11-102(2)(b) in which it sought authorization to increase its monthly emergency telephone surcharge from \$1.25 to \$1.50 per user per month.

7. The Chaffee County Authority included Direct Testimony and Exhibits with the Application, and also, filed Supplemental Direct Testimony and Exhibits on April 29, 2014.

8. On May 15, 2014, the Commission suspended certain filing deadlines in lieu of a tentative agreement. The Commission set a June 2, 2014 deadline for filing a finished Agreement and a June 18, 2014 deadline for responding to any questions posed by the Commission to the Settling Parties concerning it.

9. Users of the Chaffee County Authority were provided notification of a proposed surcharge increase of \$1.50 per user per month affecting all users of exchange telephone, wireless, wireline, and voice-over-internet-protocol

telecommunications services within the Chaffee County area through publication, once each week for two consecutive weeks, in two newspapers of general circulation in Chaffee County, namely *The Mountain Mail* on March 3 and 10, 2014, and the *Chaffee County Times* on March 6 and 13, 2014. The affidavits attesting to these publications were filed in this proceeding on March 24, 2014, and copies of the notices were attached to the affidavits. The notices advised affected Users how to protest, object or comment upon the proposed surcharge increase and how to intervene in this proceeding. The record in this proceeding reflects that no protests, objections, comments or requests to intervene were filed in this proceeding by any affected Users or any other persons or entities.

10. The Settling Parties have reached a timely Agreement concerning the matters raised in Proceeding No. 14A-0147T and believe that the Agreement is reasonable and necessary in order to provide continued and adequate telephone emergency service within the Chaffee County Authority's jurisdiction, and therefore, that this Agreement should be presented to and approved by the Commission.

Terms of the Agreement

11. This Agreement covers the surcharge increase the Chaffee County Authority seeks pursuant to Section 29-11-102(1)(b) of the Colorado Revised Statutes, which allows a governing body to seek approval from the Commission to increase the statutory allowed \$0.70 per user per month surcharge for the provision of continued and adequate emergency telephone service. The Settling Parties shall

recommend that the Commission approve, in accordance with the terms and conditions of this Agreement, a surcharge of \$1.40 per User per month within the Chaffee County Authority's jurisdiction for its administration and operation of an emergency telephone service by and on behalf of the governing bodies comprising the Chaffee County Authority, which are identified in the IGA referenced above.

12. Regarding whether the Chaffee County Authority satisfied its burden of proof to demonstrate that the proposed increase of the 911 surcharge is reasonable for personnel expenses incurred for persons employed to take emergency telephone calls and dispatch them and persons employed to maintain the computer data base of the public safety answering point, the Settling Parties reached the following resolution:

a. The Settling Parties acknowledge and agree that the supporting document, as hereby amended, used to demonstrate that the personnel costs are related to the emergency telephone calls and maintenance and repair of the computer database of the Chaffee County Authority's public safety answering point are as shown in Attachment A to this Agreement.

b. The Settling Parties accept and agree to the following adjustments resulting in overall lower projected personnel expenses to the information contained in the Chaffee County Authority's Application, which are also shown in Attachment A:

i. Total Communication Salary and Benefits (Line 2)
were reduced to reflect the fact that only 25% of the Dispatch

Manager's compensation should be funded by the surcharge because 25% of her time is directly related to dispatching 911 calls.

ii. Total Communication Salary and Benefits (Line 2) were also reduced by \$24,137 based on salary expense data received through discovery by Staff and the OCC from the Chaffee County Authority.

iii. Total Communication Salary and Benefits (Line 2) were increased by \$21,400 based on retirement benefit expense data received by Staff and the OCC from the Chaffee County Authority in discovery.

13. Regarding whether the Chaffee County Authority satisfied its burden of proof to demonstrate that the Authority's projected increase of expenses and capital outlay warrants the requested increase in the surcharge:

a. The Settling Parties acknowledge and agree that the supporting documents, as hereby amended, used to demonstrate that the revenue and expenses related to the Authority's maintenance, repair, and continued operation of the emergency telephone service facilities and emergency notification services are shown in Attachment A to this Agreement.

b. The Settling Parties accept and agree to the following adjustments to the information contained in the Authority's Application, which are also shown in Attachment A:

i. The projected number of service users/access lines (line 4) beginning in 2014 was adjusted based on improved line count data received by Staff and the OCC from the Chaffee County Authority in discovery. Using these 2014 line count data, and starting in 2015, an estimated 1.5% annual drop in line counts was assumed based on historical line loss trends. This adjustment results in lower total projected revenues than that in the Application.

ii. Prepaid wireless revenue for 2013 was added based on information received by Staff and the OCC from the Chaffee County Authority. For 2014 going forward, an annual increase of 5% was assumed based on analysis of actual revenues received for the first quarter 2013 and first quarter 2014. This adjustment results in higher total projected revenues than that in the Application.

iii. The CenturyLink network fee was adjusted to reflect a more realistic 10 year projection in lieu of a flat estimate. The year 2013 actual CTL network fee expenses included other fees such as repairs to 911 equipment that was not under a maintenance contract. For the year 2014 projection, the network fee for 2013 was used minus such fees for repairs and rounded up to the nearest thousand. Going forward, an annual increase of 5% was assumed. These adjustments give a more accurate projection of the total network fee expenses than that in the Application.

iv. Starting in year 2014, Equipment maintenance expense (line 18) was increased to account for repairs to equipment not under contract and for new maintenance contracts for the anticipated new equipment purchases in 2017 and 2020.

v. Chaffee County Authority adjusted the capital outlay for backup dispatch center from 2015 through 2023 to decrease the cost from \$10,000 to \$2,000 annually. An increase for this yearly capital outlay was not assumed as the backup dispatch center was reconfigured to reduce the cost

14. Based on the above described updates and adjustments to the Authority's Application, the Settling Parties acknowledge and agree that a surcharge of \$1.40 per user per month, an increase of \$0.15 per user per month, is sufficient in order to maintain a reasonable level of reserve balance for future expenditures and further that the increased surcharge will be assessed on exchange access facility (wireline), wireless, and voice-over-Internet protocol users per line on a monthly basis.

15. Moreover, the Settling Parties have also agreed that, if approved, the new \$1.40 per user per month surcharge shall be implemented October 1, 2014 instead of July 1, 2014 as originally projected in the Application.

16. The Settling Parties also acknowledge and agree that the Settling Parties need to institute a mechanism to ensure that the Chaffee County Authority

manages its “sinking fund” or “capital reserve fund” in accordance with the figures in Attachment A. Accordingly, the Settling Parties agree as follows:

a. The Chaffee County Authority shall not seek another increase in the emergency telephone surcharge until after January 1, 2018;

b. The Chaffee County Authority shall make annual \$35,000 deposits into a pre-existing “sinking fund” or “capital reserve fund” beginning in year 2014. The Chaffee County Authority shall earmark these funds to purchase radio consoles for the use in dispatching calls.

c. If the Chaffee County Authority foregoes purchasing these consoles because it is unable to secure the requisite funding in addition to that collected in the sinking fund or capital reserve fund (or foregoes the purchase for any other reason), the Chaffee County Authority shall inform Staff and the OCC of its decision via letter.

d. The Chaffee County Authority may use money from the sinking fund or capital reserve fund for unforeseen capital expenditures provided such expenditures satisfy the requirements enumerated in C.R.S. § 29-11-104(2)(a). The Chaffee County Authority shall, however, inform Staff and the OCC 30 days in advance via letter of such an unforeseen capital expenditure. If, 30 days after receipt of the letter, either Staff or the OCC objects in writing to the Chaffee County Authority to unforeseen capital expenditure, the Chaffee County Authority shall file a motion to reopen the settlement agreement to obtain Commission

approval before spending monies in the capital reserve or sinking fund that it originally earmarked to purchase specific equipment. The Chaffee County Authority, Staff, and the OCC collectively agreed to this provision to meet an important public policy accountability requirement, *i.e.*, that the money in the capital reserve or sinking fund is spent on the equipment for which it seeks an increase in the 911 surcharge. At the same time, it meets the Chaffee County Authority's desire to have some flexibility to deal with unforeseen situations.

17. No sooner than 60 days after a final Commission order approving this Agreement which order does not contain any modification of the terms and conditions of this Agreement that is unacceptable to any of the Settling Parties, the Chaffee County Authority may implement the \$1.40 per user per month surcharge after notifying every service supplier in accordance with § 29-11-103(3)(a).

18. This Agreement is made for settlement purposes only. No Settling Party concedes the validity or correctness of any regulatory principle directly or indirectly incorporated in this Agreement. No binding precedential effect or other significance, except as may be necessary to enforce this Agreement or a Commission order concerning this Agreement, shall attach to any principle contained in this Agreement.

19. The Settling Parties shall support all aspects of this Agreement embodied within this document in any hearing conducted to determine whether the Commission should approve this Agreement, and/or in any other hearing,

proceeding, or judicial review relating to this Agreement or the implementation of its terms and conditions.

20. Each Settling Party also agrees that, except as expressly provided in this Agreement, it will take no action in any administrative or judicial proceeding, or otherwise, which would have the effect, directly or indirectly, of contravening the provisions or purposes of this Agreement.

21. Nothing in this Agreement shall constitute a waiver by a Settling Party with respect to any matter not specifically addressed in this Agreement.

22. This Agreement shall not become effective and shall be of no force and effect until the issuance of a final Commission order approving this Agreement, which order does not contain any modification of the terms and conditions of this Agreement that is unacceptable to any of the Parties.

23. In the event the Commission modifies this Agreement in a manner unacceptable to any Party hereto, that Party may withdraw from this Agreement and shall so notify the Commission and the other Settling Parties in writing within ten (10) days of the date of the Commission order.

24. In the event a Settling Party exercises its right to withdraw from the Agreement, this Agreement shall be null and void and of no effect and no force in these or any other proceedings, and a hearing shall be set on the merits of the Application.

25. In the event this Agreement becomes null and void or in the event the Commission does not approve this Agreement, this Agreement, as well as the

negotiations or discussion undertaken in conjunction with the Agreement, shall not be admissible into evidence in these or any other proceedings.

26. The Settling Parties state they have reached this Agreement by means of a negotiated process and that the increase in the surcharge is necessary in order to provide continued and adequate emergency telephone service within the Chaffee County Authority's jurisdiction, and that the results reflected in this Agreement are just, reasonable, and in the public interest.

27. The Settling Parties agree that approval by the Commission of this Agreement shall constitute a determination that by the Commission that the Agreement is necessary in order to provide continued and adequate emergency telephone service within the Authority's jurisdiction and provides a just, equitable, and reasonable resolution of the issues raised herein.

28. The Settling Parties agree jointly to apply to the Commission for a waiver of compliance with any requirements of the Commission's Rules and Regulations to the extent necessary to permit all provisions of this Agreement to be carried out and effectuated.

29. This Agreement is an integrated agreement that may not be altered by the unilateral determination of any Settling Party.

30. This Agreement may be signed in counterparts, each of which shall be deemed an original.

31. This Agreement may be executed and delivered by facsimile or by e-mail and the Settling Parties agree that such facsimile or scanned e-mail execution

and delivery shall have the same force and effect as delivery of an original document with original signatures, and that each Settling Party may use such facsimile or scanned signatures as evidence of the execution and delivery of this Agreement by the Settling Parties to the same extent that an original signature could be used.

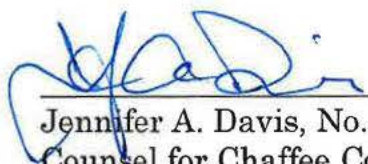
32. This Agreement is entered and effective as of the date in paragraph number one.

CHAFFEE COUNTY EMERGENCY TELEPHONE SERVICE AUTHORITY
BOARD



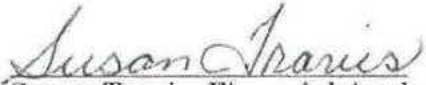
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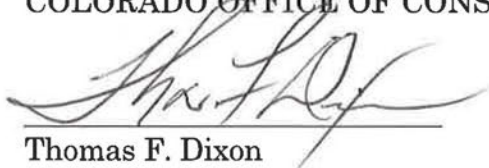


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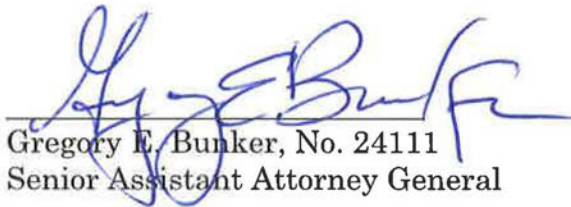
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CHAFFEE COUNTY EMERGENCY TELEPHONE SERVICE AUTHORITY BOARD 10-YEAR BUDGET FORECAST (REVISED)												
	A	C	D	E	F	G	H	I	J	K	L	M
1	BUDGET unless otherwise stated	2013-ACTUAL	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2	Total Communication Center Salaries & Benefits ¹	\$ 546,123.00	\$ 554,228.42	\$ 570,855.27	\$ 587,980.93	\$ 605,620.36	\$ 623,788.97	\$ 642,502.64	\$ 661,777.72	\$ 681,631.05	\$ 702,079.98	\$ 723,142.38
3												
4	Number of service users/access lines	200,908	198,438	195,461	192,530	189,642	186,797	183,995	181,235	178,517	175,839	173,201
5												
6	General Fund-Beginning Balance	\$ 40,909.70	\$ 90,726.00	\$ 81,364.03	\$ 86,599.75	\$ 81,425.68	\$ 71,425.68	\$ 61,425.68	\$ 51,425.68	\$ 41,425.68	\$ (192.94)	\$ (38,152.49)
7												
8	Income											
9	Interest	\$ 318.03	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
10	Prepaid Wireless Revenue	5,203	5,463	5,736	6,023	6,324	6,640	6,972	7,321	7,687	8,071	8,475
11	\$1.25 per service user	\$ 251,135.51	\$ 186,035.63									
12	\$1.40 per service user		\$ 69,453.30	\$ 273,646.00	\$ 269,541.31	\$ 265,498.19	\$ 261,515.72	\$ 257,592.98	\$ 253,729.09	\$ 249,923.15	\$ 246,174.31	\$ 242,481.69
13	Less 2% Vendors' Fees ²	\$ (4,785.78)	\$ (5,109.78)	\$ (5,472.92)	\$ (5,390.83)	\$ (5,309.96)	\$ (5,230.31)	\$ (5,151.86)	\$ (5,074.58)	\$ (4,998.46)	\$ (4,923.49)	\$ (4,849.63)
14	Income Subtotal	\$ 251,870.46	\$ 255,941.98	\$ 274,009.06	\$ 270,273.26	\$ 266,612.14	\$ 263,025.52	\$ 259,513.24	\$ 256,075.23	\$ 252,711.45	\$ 249,421.91	\$ 246,206.71
15												
16	Expenditures											
17	CenturyLink Network Fee	\$ 13,822.00	\$ 12,000.00	\$ 12,600.00	\$ 13,230.00	\$ 13,891.50	\$ 14,586.08	\$ 15,315.38	\$ 16,081.15	\$ 16,885.21	\$ 17,729.47	\$ 18,615.94
18	Equipment Maintenance	\$ -	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 19,000.00	\$ 19,000.00	\$ 4,000.00	\$ 4,000.00
19	Administrative 9-1-1 only ³	\$ 4,999.89	\$ 5,524.00	\$ 5,574.00	\$ 5,624.00	\$ 5,674.00	\$ 5,724.00	\$ 5,774.00	\$ 5,824.00	\$ 5,874.00	\$ 5,924.00	\$ 5,974.00
20	CodeRed ECN ⁴	\$ 10,000.00	\$ 12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00
21	Capital Outlay for Back-up Dispatch Center	\$ 13,750.94	\$ 5,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
22	Expenditures subtotal	\$ 42,572.83	\$ 36,324.00	\$ 33,974.00	\$ 34,654.00	\$ 48,565.50	\$ 49,310.08	\$ 50,089.38	\$ 54,905.15	\$ 55,759.21	\$ 41,653.47	\$ 42,589.94
23	Dispatch-E911 dedicated personnel ⁵	\$ 159,184.00	\$193,979.95	\$199,799.35	\$205,793.33	\$193,046.64	\$188,715.44	\$184,423.86	\$176,170.08	\$ 238,570.87	\$ 245,727.99	\$ 253,099.83
24												
25	To Capital Reserve Fund ⁶	\$ 297.33	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00		\$ -	\$ -
26	Total Expenditures	\$ 202,054.16	\$ 265,303.95	\$ 268,773.35	\$ 275,447.33	\$ 276,612.14	\$ 273,025.52	\$ 269,513.24	\$ 266,075.23	\$ 294,330.07	\$ 287,381.46	\$ 295,689.77
27	General Fund-Ending Balance	\$ 90,726.00	\$ 81,364.03	\$ 86,599.75	\$ 81,425.68	\$ 71,425.68	\$ 61,425.68	\$ 51,425.68	\$ 41,425.68	\$ (192.94)	\$ (38,152.49)	\$ (87,635.55)
28	Amount of County Subsidy ⁷		\$ -	\$ -	\$ -	\$ 18,920.48	\$ 29,610.70	\$ 40,452.06	\$ 55,452.12	\$ -	\$ -	\$ -
29	Capital Reserve-Beginning Balance	\$ 66,382.15	\$ 101,679.48	\$ 136,679.48	\$ 171,679.48	\$ 206,679.48	\$ 119,179.48	\$ 154,179.48	\$ 189,179.48	\$ (10,820.52)	\$ (10,820.52)	\$ (10,820.52)
30	Capital Reserve Fund Expenditures ⁶					\$ 122,500.00			\$ 200,000.00			
31	Capital Reserve Fund Balance	\$ 66,679.48	\$ 101,679.48	\$ 136,679.48	\$ 171,679.48	\$ 84,179.48	\$ 119,179.48	\$ 154,179.48	\$ (10,820.52)	\$ (10,820.52)	\$ (10,820.52)	\$ (10,820.52)
32												
33	This projected budget is based on implementation of the surcharge increase as of October 1, 2014.											
34												
35	¹ This amount reflects the total budget for the Communication Center staffing, less 75% of the Dispatch Manager's compensation (the Manager indicates 25% of her time is dispatching calls). The E911 dedicated personnel account for about 35% of this amount. The estimated Salaries and Benefits reflect a 3% cost of living increase each year.											
36	² Vendors' Fees are the monthly recurring charges of service suppliers and basic emergency service providers (BESPs) for the emergency telephone service.											
37	³ Administrative 9-1-1 only expenses include emergency training program fees and expenses, advertising, office supplies and postage, post office box rent, CodeRed flyers, paper for 9-1-1 printer, bank checks, accounting, CPA audit/review, and minor equipment repairs not included in the Equipment Maintenance line item. Equipment Maintenance includes the ANIALI reports for CodeRed ECN (\$1800/yr.); our equipment maintenance contract ends in 2016.											
38	⁴ CodeRed ECN expenses are for service only.											
39	⁵ E-911 dedicated personnel represent 35% of the total staffing at the Communication Center. Thus, this amount reflects 35% of the Commication Center budget for salary and benefits, unless E911 doesn't have sufficient revenue to reimburse these expenses. Accordingly, based on an agreement with Chaffee County, the reimbursement will not exceed net revenue (excluding personnel expenses), minus a \$25,000 cushion for equipment and capital reserve through the year 2020.											
40												
41	⁶ Capital Reserve Fund is for purchase of the following: (i) 3 new radio consoles that will be needed when the State upgrades above the 7.14 version at which time our radio systems in dispatch will not be compatible. At this time, we anticipate the purchase will be required in no more than 3 years (2017). The total combined estimated cost at this time for the new consoles is \$350,000 or more of which the Authority would be responsible for funding 35% or \$122,500. (ii) replacement of 9-1-1 telephone equipment at an estimated cost of \$200,000 (including a 5-year \$30,000 service contract), no later than 2020, possibly as early as 2016, if funds are available, for which the Authority would be responsible for funding the entire cost.											
42	⁷ Although Communication Center personnel spend 35% of their time for E911 activities, pursuant to agreement with Chaffee County, the Authority Board will only reimburse the County for 35% if the Authority has sufficient revenue, plus a \$25,000 cushion. In years where the revenue is not sufficient, the County must subsidize the difference (that is, the County is not reimbursed the full 35%). The County agreed to this arrangement under the assumption there would be sufficient revenue, so very little, if any, subsidy would be necessary.											

Exhibit 1