

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * *

RE: THE APPLICATION OF U S WEST)	DOCKET NO. 92A-109T
COMMUNICATIONS, INC., FOR)	
APPROVAL OF THE CONTINUATION AND)	RULING ON APPLICATIONS
COMPLETION OF THE RURAL FACILI-)	FOR REHEARING, REARGUMENT,
TIES IMPROVEMENT PROGRAM.)	OR RECONSIDERATION AND
)	MOTION FOR CLARIFICATION

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Mailed Date: March 19, 1993
Adopted Date: March 11, 1993
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STATEMENT

BY THE COMMISSION:

On January 22, 1993, we issued Decision No. C93-36 granting an application by U S WEST Communications, Inc. ("USW" or "Company"), to continue and complete the second phase of the Rural Facilities Improvement Program ("RFIP II" or "Program"). The Colorado Office of Consumer Counsel ("OCC") and the Company timely filed applications for rehearing, reargument, or reconsideration ("RRR") of our decision. In addition, Commission Staff filed a Motion for Clarification requesting that we clarify our intent in two respects. Now being duly advised in the premises, we issue our ruling on the applications for RRR and the Motion for Clarification.

In its application, the Company requests that we modify the approved, accelerated recovery mechanism in various ways. Specifically, the Company suggests that the approved investment per access line is too low, that the funding mechanism should be revised to allow for recovery of \$4,060 per customer over a five-year schedule using a regrade rate of 20 percent per year, that we treat the 1992 investment as a lump sum in the same manner in which the 1991 investment was treated, and that total average allowable investment be increased to at least \$4,060. We reject all these suggestions.

We note that the Company's comments appear to misconstrue the adopted funding plan. As stated on page 15 of our Decision, the approved mechanism was based upon the schedule proposed by the Company in Exhibit C to the original application for RFIP II. Based upon the regrade schedule contained in the application, the Company would be allowed the following accelerated recovery:

Year	Exhibit C Regrade Schedule	Percent Regraded	Cumulative % Regraded Average	Allowable Investment Yearly	Allowable Investment Cumulative ¹
1992	6,273	22.31	22.31	\$ 23,752,715	\$ 23,752,715
1993	9,450	33.60	27.96	43,791,300	67,544,015
1994	4,711	16.75	24.22	19,187,903	86,731,918
1995	3,993	14.20	21.72	14,766,114	101,498,032
1996	3,696	13.14	20.00	12,714,240	114,212,272
ALLOWED 1991 FUNDING				102,996,350	125,208,622

Our approved funding plan does, in fact, allow recovery of \$4,060 per customer based upon the Company's own proposed schedule.² The approved mechanism was intended to provide the Company with incentives to complete regrades as quickly as possible. As such, the funding mechanism is fair and no need exists to change it.

The Company also requests that the RFIP II tariff be filed using the actual number of four-party customers upgraded as of the end of March of each year following the end of the program year (i.e., the Company proposes to change the effective date of the RFIP II tariff rider from January 1 to June 1 of each year using actual numbers of regraded customers as of the end of March). According to the Company, this schedule more closely matches the normal construction cycle and would minimize the need for true-ups (e.g., the January 1 filing would be based, in part, upon projected data with a true-up the following year). We agree with the Company on this point and now modify the approved Program. Therefore, the

¹ The cumulative allowable investment above differs from the \$125,175,730 figure on page 14 of Decision No. C93-36 due to rounding.

² In the original decision, we arrived at the amounts to be included in the accelerated recovery mechanism, in part, by excluding proposed investment in the approximately 20 exchanges in which customer trouble rates were excessive. See: Commission rules regarding allowable trouble rates, 4 CCR 723-2. We excluded these amounts because we determined that they represented investments which should have been undertaken as part of the Company's obligation to provide adequate service in the ordinary course of business.

RFIP II rider will be based upon actual upgrades made as of the end of March of each year (using all financial and actual investment data as of the end of the calendar year).³

The Company next requests that we sever RFIP I from RFIP II for the purpose of tracking investment and performance under the two programs. We now clarify that the two programs are to be treated separately. That is, the performance requirements, investment, and revenue requirements under the two programs are to be kept separate. However, the Commission will continue to track and audit investments under both programs. Therefore, we will not modify the original decision as requested by the Company.

On page 15 of its application for RRR, USW requests that it be allowed to certify partial routes since, according to the Company, the examination of high-cost customers may be complicated and delayed due to further examination by the high cost committee. We reject this request and call the company's attention to the fact that the original decision does allow the Company to include in the accelerated recovery mechanism any RFIP II customer actually regraded (provided that calculated allowable investment may not exceed actual investment in certified wire centers as of the end of the calendar year for the program).

In its application for RRR, the OCC requests clarification regarding how adjustments will be made in the recovery mechanism in the event exchanges are sold by USW. The following table demonstrates the effect of the Company's sale of exchanges with 2,000 customers in the years 1993 and 1994:

Year	Exhibit C Regrade Schedule	Percent Regraded	Cumulative % Regraded Average	Allowable Investment Yearly	Allowable Investment Cumulative
1992	6,273	24.01	24.01	\$25,352,330	\$ 25,352,330
1993	8,450	32.35	28.18	39,436,150	64,788,480
1994	3,711	14.21	23.52	14,725,248	79,513,728
1995	3,993	15.28	21.47	14,616,377	94,130,105
1996	3,696	14.15	20.00	12,714,377	106,844,345
ALLOWED 1991 FUNDING				10,996,350	117,840,695

³ The other parties have not directly addressed this modification of the Program, since the proposal was not made at hearing. We do not believe this change to be significant. Moreover, we believe the modification is supported by the record. However, the parties, including Staff, are encouraged to address this issue in new applications for RRR, if they believe this change is inadvisable.

In short, the sale of a RFIP II exchange would require a true-up of allowed investment for each program year prior to the year of sale.

In addition, the OCC objects to our selection of a high-cost threshold of \$15,000, stating that the Decision does not reflect the basis for the threshold. This argument is inaccurate. While the choice of \$15,000 as the precise threshold involved the exercise of judgment, our selection was based upon data entered in the record by the parties, including the OCC (e.g., exhibit attached to the direct testimony of Binz). Our final decision was within the range of alternatives suggested by the parties. Furthermore, the Decision explained that a threshold at the upper range of the alternatives suggested was chosen in order to avoid making the high-cost analysis unwieldy. The number represents a reasonable upper limit for automatic investment, and eliminates the need for the high-cost committee and the Commission to examine an inordinate number of customers for inclusion in the program.

Staff has requested clarification regarding the application of the approved accelerated recovery mechanism to two-party conversions. We now clarify that, consistent with the Company's proposal, the revenue recovery mechanism applies only to the 28,123 four-party customers listed in Exhibit C to the original application. It is our understanding that these customers are primarily, if not totally, residential four-party customers of the Company.

Staff also requests clarification of ordering paragraph 8 of the Decision. The question is: whether the filing of the referenced status report delays implementation of the recording methodologies suggested by Staff witness Jones. It was not our intent that the filing of the status report result in delay in implementation of record keeping requirements. Our order allows the Company and Staff an opportunity to agree on tracking mechanisms and to submit an agreement to the Commission for approval within 90 days of the Decision. However, if an agreement is not reached within 90 days, the recommendations of witness Jones will be automatically implemented, and the status report will merely inform the Commission of that fact.

Except as specifically discussed in this decision, all other requests for rehearing, reargument, or reconsideration are denied.

THEREFORE THE COMMISSION ORDERS THAT:

1. The application for rehearing, reargument, or reconsideration filed by U S WEST Communications, Inc., is granted consistent with the above discussion, and is otherwise denied.

2. The application for rehearing, reargument, or reconsideration filed by the Colorado Office of Consumer Counsel is granted consistent with the above discussion, and is otherwise denied.

3. The Motion For Clarification filed by Commission Staff is granted consistent with the above discussion.

4. The Motion For Admission Pro Hac Vice by U S WEST Communications, Inc., is granted.

5. The 20-day time period provided for by § 40-6-114(1), C.R.S., to file an application for rehearing, reargument, or reconsideration begins on the first day after the mailing or serving of this Decision and Order.

This Order is effective on its Mailed Date.

ADOPTED IN OPEN MEETING March 11, 1993.

(S E A L)



ATTEST: A TRUE COPY

Bruce N. Smith
Bruce N. Smith
Executive Secretary

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ROBERT E. TEMMER

CHRISTINE E. M. ALVAREZ

VINCENT MAJKOWSKI

Commissioners

TM:srs:109T1