

STATE OF COLORADO

OFFICE OF THE GOVERNOR

136 State Capitol
Denver, Colorado 80203
Phone (303) 866-2471
Fax (303) 866-2003



John W. Hickenlooper
Governor

May 9, 2014

The Honorable Colorado General Assembly
Sixty-ninth General Assembly
Second Regular Session
State Capitol
Denver, CO 80203

Dear Ladies and Gentlemen:

Today, I signed House Bill 14-1327 “Measures to Expand Deployment Communication Networks”, House Bill 14-1329 “Deregulation of Internet Protocol”, House Bill 14-1330 “Updating Telecommunications Technology Language” and House Bill 1331 “Regulation of Basic Local Exchange Service” and tomorrow I will sign House Bill 14-1328 “Connect Colorado Broadband Act”.

Over the past decade, we have seen technology change at a rapid pace and the demand for access to this new and constantly changing resource has grown exponentially over that same time period. Economic development, education, and modern healthcare are just a few critical reasons why the ability to access the internet with reliability and speed is so important for every community in our state. Over the course of a year, we have heard from farmers and ranchers, economic developers in urban and rural communities, and many others on the need to modernize our telecommunications laws to keep pace with technological change and to incentivize the build out of broad networks in hard-to-serve, predominately rural areas of our state.

Earlier this year, we conveyed to legislators that we needed to modernize our telecommunications laws, expand broadband internet access in rural areas, and protect public safety and consumers. We believe that with these five bills the legislature struck a reasonable compromise to achieve these principles and will go a long way to make every corner of Colorado investment ready and globally competitive.

We understand that there is fear regarding what new technology will bring and how we will be able to utilize our statutes to protect public safety and consumers. In our review of these bills, we were sensitive to these concerns and wish to explain our understanding of these issues.

With regard to public safety, we were clear from the outset that any reform effort must maintain reliable and common sense oversight of our basic emergency services (more commonly referred to as 9-1-1) and provide the public safety community the certainty to operate a 9-1-1 network regardless of technology. We believe that HB14-1329 “Deregulation of Internet Protocol” achieves this goal. More specifically, the bill clarifies that the Public Utilities Commission (PUC) will maintain its current authority to regulate basic emergency services, regardless of technology, as provided in section §40-15-201 of current statute. In addition, in order to clarify that the deregulation of IP will not affect the PUC's

authority to regulate basic emergency services the language below was included in the appropriate portion of statute (§40-15-401):

(2) Nothing in this part 4 shall be construed to affect, modify, limit, or expand the commission's authority to regulate basic emergency services.

Testimony in both chambers by the sponsors of this bill reinforce that the intent of this legislation is to maintain the PUC's authority to regulate basic emergency services, regardless of technology.

We were also aware of concerns regarding consumer protection and access to 'land lines' as a result of changes to the regulation of basic local exchange service. We also took these concerns seriously and we were clear that the Public Utilities Commission should maintain the ability to regulate in areas with no effective competition and should continue to accept consumer complaints from throughout the state.

HB14-1331 "Regulation of Basic Local Exchange Service" allows the PUC to continue its work to determine effectively competitive areas, which began with Docket 12R-862T and stated its purpose was "to achieve the statutory directive to 'bring telecommunications regulation into the modern era by guaranteeing the affordability of basic telephone service while fostering free market competition within the telecommunications industry'."¹ This bill is consistent with this goal and further clarifies that after July 1, 2016, the Public Utilities Commission's (PUC) will retain authority in areas where high cost mechanism funding is provided to subsidize basic local exchange service based on the PUC's determinations of effective competition. This authority includes the ability to:

- Designate providers of last resort,
- Determine maximum price for basic service,
- Prohibit discontinuation of service, and
- Audit, investigate and enforce compliance

We understood that concerns remained as to how these 'newly-determined competitive areas' would be monitored should problems regarding service and rates for basic local exchange service arise. To address this concern, the bill includes a 'claw back' provision, which will allow the PUC to re-regulate should it find that such regulation is necessary to protect the public interest after July 1, 2018. As a tool to monitor any problems, we have confirmed that the PUC does and will have the technical capability to track and record complaints from consumers who report issues such as billing, rates, service quality and repair for both regulated and unregulated services.

We believe that this set of bills provides common sense limitations on regulation, maintains basic protections for the consumer and for public safety and will encourage private investment in new technology and infrastructure. As with any legislation, we cannot fully anticipate what our future holds; however, we stand ready to assist should any issues arise.

Sincerely,


John W. Hickenlooper
Governor

¹ § 40-15-101, C.R.S.