



UNDERSTANDING YOUR TELEPHONE BILL

Are you confused by the charges appearing on your monthly telephone bill? Do you wonder who approved these various charges and where the money goes? After reading this information, you should have a better understanding of the charges on your bill.

Keep in mind that the general charges described here may not match word-for-word those on your telephone company bill. The Public Utilities Commission (PUC) does not tell Colorado telephone companies exactly what wording should be used. Also, the bill format may vary from company to company. If you have questions about billing charges not explained in this publication, please first contact your local telephone company.

Generally, your charges will fall into one of the following categories: basic services, optional services (both regulated and unregulated), long distance services, or taxes, fees and surcharges. Here is a breakdown of charges covered under each category:

BASIC SERVICES

Basic services are those considered necessary for you to use your telephone. The monthly basic service charge is the rate for your residential or business line (including any “distance” or “zone” charges). Your local telephone company receives the money from these charges. The PUC must approve telephone company requests for changes in basic service rates. The PUC also determines the services or capabilities that must be included in basic service (such as dial tone, voice grade service, facsimile and data transmission capability, access to 911, access to long distance service, customer billing services, and a white page directory listing). The definition of basic service is reviewed by the PUC every three years.

OPTIONAL SERVICES

Optional services are those special features that some customers want with their basic phone service. They can be either regulated or unregulated services. Caller ID, Call Waiting, and Toll Restriction are examples of regulated optional services. Voice Messaging is an example of an unregulated optional service, because other companies besides your local phone company can provide it to you. The PUC approves changes in rates of regulated optional services, but not for unregulated services. Your local telephone company receives the money from these charges.

LONG DISTANCE SERVICES

Long distance charges are for those calls made to phone numbers outside of your local calling area. These include both long distance calls within Colorado and out-of-state long distance calls. Your local telephone company may serve as a billing agent for your long-distance carrier, or you may receive a separate bill from each provider from which you receive service. The money from these charges goes to the long-distance provider. Long distance companies offer many rate plans, which may include things like minimum usage charges, monthly fees, single bill fees, and in-state connection fees. Because you have the choice of many providers, long distance rates are minimally regulated by the Federal Communications Commission (FCC).

TAXES, FEES AND SURCHARGES

This is where much of the confusion over telephone charges exists. In the past few years, new federal and state charges have appeared on your bill that used to be included in your basic local or long distance rates. Some of these charges are the result of bringing competition into the local telephone market. Here is a brief explanation of some of these charges:

- ***Municipal Charge.*** Nearly all cities in Colorado impose Municipal Occupation taxes on local telephone companies operating within their city limits. Local telephone companies are allowed to recover that tax expense from subscribers within each applicable city. Within each city, the total amount of the tax is divided by the number of customers who have service with the local telephone company to arrive at your monthly charge. The municipal charge is considered a "cost-of-doing-business" for your local telephone company. The tax rate imposed on the local telephone company varies between municipalities and is not present in unincorporated areas. Your local telephone company shows this tax as a separate item on your bill. Your city or town council must approve changes in the amount of this charge.
- ***Federal, State and Local Taxes.*** In addition to showing the municipal charge described earlier, your local telephone company is required to collect various kinds of taxes for payment to federal, state, county and city governments. Local and long-distance services are subject to Federal Excise Tax. The State of Colorado, all counties and cities in Colorado tax local and long-distance services. Home rule cities (most larger cities) in Colorado do not follow state rules and can tax different items. Only the governmental body that originally approved the taxes – such as Congress, the state legislature, a county commission, or a city or town council – can change them.
- ***Federal Access Charge (or, Subscriber Line Charge).*** The FCC ordered this charge to pay for part of the cost to the local telephone company for supplying a phone line to your home or business. In July of 2000, the Federal Access Charge was combined with the Presubscribed Interexchange Carrier Charge (PICC). As a result, the Federal Access Charge increased. As of November 1, 2010, the charge was \$6.46 for your first residential line or business line, and \$7 for each additional residential line. For multi-line businesses, the maximum is \$9.20 per additional line. The FCC must approve changes in the amount of this charge. The money from the charge goes to your local telephone company.

- ***Federal Universal Service Fund (USF).*** The FCC created this charge in 1998 as part of its overhaul of telephone fees. Telecommunications carriers pay into the fund based on their interstate revenues and are permitted to recover those costs from customers. The fund is used to keep rates affordable for low-income customers and those who live in high-cost areas. It also supports telecommunications services for libraries, schools and rural health care providers.
- ***Local Number Portability (LNP) or Service Provider Portability.*** Number portability allows customers to retain their telephone numbers when switching to a competitive local provider at the same location of their residence or business. The FCC allows local telephone companies to charge a fee to offset the costs of providing this service for a period of five years. The recovery period has expired for many companies in Colorado, including Qwest. However, new companies entering the local telephone market in the future may choose to assess this charge to their customers.
- ***Colorado Universal Service Charge.*** This charge was established by state law and implemented by the PUC. It provides additional money to reimburse Colorado local telephone companies that serve areas with higher than average costs. This allows local phone rates to remain reasonably comparable across the state. The state fund is necessary because local carriers receive only about 40 percent of their high-cost support from the federal Universal Service Fund. Currently, the charge is 2.6 percent of all in-state charges on your bill. The PUC reviews this charge on a quarterly basis and makes adjustments as necessary.
- ***Colorado Telecommunications Relay Fund.*** The Colorado Legislature created this fund in 1989 to help hearing-impaired and speech-impaired customers obtain the assistance they need to use the telephone. Money generated from this charge is used to pay for the costs of providing operator relay system services. Total costs of administering and delivering the relay services are divided by the total number of telephone access lines in Colorado to arrive at your monthly charge, which is currently 5 cents. The PUC reviews this fund on an annual basis and may adjust the monthly charge as needed.
- ***911 Surcharge.*** Colorado law authorizes counties and 911 authority boards to charge up to 70 cents per line or wireless access per month to pay for equipment and other costs (excluding personnel costs) of providing 911 services. Charges in excess of 70 cents per line per month must be approved by the PUC. The individual counties and 911 authority boards set this charge and receive the money. The amount of the 911 Surcharge on your bill will vary, depending on where you live.