ATTACHMENT C

THE

PUBLIC UTILITIES COMMISSION

OF THE

STATE OF COLORADO

RULES PRESCRIBING PRINCIPLES

FOR COSTING AND PRICING OF REGULATED SERVICES

OF TELECOMMUNICATIONS SERVICE PROVIDERS

4 *CODE OF COLORADO REGULATIONS* (CCR) 723-30

BASIS, PURPOSE, AND STATUTORY AUTHORITY

The basis and purpose for these rules are to standardize the determination of costs for pricing of regulated services of telecommunications service providers, other than competitive local exchange carriers, in the State of Colorado. The Colorado Public Utilities Commission (Commission) is entrusted with the regulation of rates and charges of all products and services offered by telecommunications providers under its jurisdiction. In the regulation of those rates and charges, the Commission has the responsibility to ensure that the rates and charges are just and reasonable (See § 40-3-101, C.R.S.).

The advent of competition into many telecommunications markets and the deregulation of products and services by either state or federal authorities have greatly complicated the Commission's responsibility to determine whether rates and charges of telecommunications services regulated by the

In mathematical terms, total incremental cost equals total cost assuming the increment is produced, minus total cost assuming the increment is not produced.

723-30-2.44   Total Service Incremental Revenue. The change in the firm's total revenues resulting from adding or deleting a service.

723-30-2.45   Total Service Long Run Incremental Cost. Total service long run incremental cost is equal to the firm's total cost of producing all of its services assuming the service (or group of services) in question is offered minus the firm's total cost of producing all of its services excluding the service (or group of services) in question.

723-30-2.45(a)   The strict definition of total service long run incremental cost requires that it be calculated by first doing two total cost studies and then subtracting one from the other. On the other hand, an estimate of total service long run incremental cost can be made directly.

723-30-2.45(b)   The strict definition of total service long run incremental cost incorporates a forward looking concept which should, therefore, include the costs that the firm would incur today if it were to install its network from scratch. On the other hand, an estimate of total service long run incremental cost can be generated by assuming that the geographic locations of routes and possible switching locations are the same as those available to the firm today and that the types of technological change in the future can be anticipated. In making this estimate, the assumptions

behind it should be made explicit; in addition, the estimating procedure should reflect the time period in which the resulting prices are anticipated to be in effect.

723-30-2.45(c)   Total service long run incremental cost includes both fixed and variable costs specific to the service (or group of services) in question.

723-30-2.45(d)   The total service long run incremental cost for a group of services is at least equal to the sum of the total service long run incremental costs of the individual services within the group. If the total service long run incremental cost for the group is greater than this sum, the difference is equal to the shared costs attributable to the group of services and/or to some subset of that group. In other words, these shared costs are part of the total service long run incremental cost of the group but are not part of the total service long run incremental cost of any individual service within the group.

723-30-2.46   Unbundling. A situation in which the rate elements and tariff provisions for a service are disaggregated to the lowest level practicable to permit customers to buy the features and functions desired by them without having to purchase unneeded features and functions.

723-30-2.47   Variable Cost. A cost that changes (but not necessarily proportionately) either with the number of units produced of a given set of services or with the number of services provided.