

**THE  
PUBLIC UTILITIES COMMISSION  
OF THE  
STATE OF COLORADO**

**RULES PRESCRIBING THE  
PROCEDURES FOR ADMINISTERING THE  
COLORADO HIGH COST FUND**

**4 CCR 723-41**

**BASIS, PURPOSE AND STATUTORY AUTHORITY.**

The basis and purpose of these rules is to provide procedures and regulations to administer the Colorado High Cost Fund (CHCF). The CHCF is intended to further the goal of ensuring that basic local exchange service shall be available and affordable throughout the State of Colorado. The CHCF allows providers to be reimbursed for the difference between the reasonable costs incurred in making basic service available to their customers within a rural, high-cost geographic support area and the price charged for such service. These Rules shall ensure that no local exchange provider receives funds from the CHCF or any other source that, together with local exchange service revenues, exceeds the reasonable cost of providing local exchange service. The CHCF shall be equitable, competitively neutral, and non-discriminatory in its funding, distribution, and administration. No provider shall gain a competitive advantage from the support obtained from this fund.

These Rules are clear and simple and can be understood by persons expected to comply with them. They do not conflict with

any other provision of law. There are no duplicating or overlapping rules.

The Commission is authorized to promulgate rules generally by § 40-2-108 C.R.S., and specifically for telecommunications services by §§ 40-15-201 and 40-15-301 C.R.S. The statutory authority for promulgating these Rules is further found in §§ 40-15-208, 40-15-501(2)(b) and (d), 40-15-502(2),(3), (4), (5) and (6), 40-15-503(2) C.R.S. By § 40-15-502(3)(a) C.R.S., the Commission has the authority to regulate all providers of telecommunications services to the extent necessary to assure that universal service is provided to all consumers in the State at fair, just, and reasonable rates.

Finally, these Rules are consistent with 47 U.S.C. 254.

**RULE 4 CCR 723-41-1. APPLICABILITY.** Part I of these rules contain the permanent provisions regulating the CHCF, and are applicable to all telecommunications service providers in Colorado. Part II of these rules contain the temporary provisions providing for the transition from the CHCF mechanism that was in effect prior to July 1, 1996 to the mechanisms in Part I. Part II is applicable to those providers that were Small LECs on or before July 1, 1996.

**RULE 4 CCR 723-41-2. DEFINITIONS.** The meaning of terms used within these Rules shall be consistent with their general usage in the telecommunications industry unless specifically defined by Colorado statute or this Rule. In addition to the definitions in this section, the statutory definitions apply. In the event the general usage of terms in the telecommunications industry or the definitions in this Rule conflict with statutory definitions, the

statutory definitions control. As used in these Rules, unless the context indicates otherwise, the following definitions shall apply:

723-41-2.1 Access line. The connection of the end-user customer to the public switched network. This definition is not limited to wireline or to any other technology.

723-41-2.2 Administrator. The Commission, or a designee employed by the Commission pursuant to § 40-15-208 C.R.S. to perform the administrative functions of the CHCF under the direction of the Commission.

723-41-2.3 Average Schedule Small LECs. Small LECs who are average schedule companies as defined and used in 47 CFR 69.605 to 69.610.

723-41-2.4 Commission. The Colorado Public Utilities Commission.

723-41-2.5 Eligible Provider. A basic local exchange provider who has been designated by the Commission pursuant to Rule 8 to receive disbursements from the CHCF.

723-41-2.6 Geographic Area. A Commission-defined geographic unit usually smaller than an existing provider's wire center serving area.

723-41-2.7 Geographic Support Area. A Geographic Area where the Commission has determined that the furtherance of universal basic service requires that support be provided by the CHCF.

723-41-2.8 Provider of Last Resort (POLR). A Commission-designated telecommunications provider that carries the responsibility to offer basic local exchange service to all consumers who request it within a Geographic Area.

723-41-2.9 Proxy Cost. The estimate, produced by the use of factors, of the monthly recurring revenue requirement necessary to

support the estimated investment per access line generated by the Proxy Cost Model.

723-41-2.10      Proxy Cost Model. A model which produces an estimate of the reasonable required level of investment per access line in a particular Geographic Area. The proxy telephone services or features assuming efficient engineering cost model produces an estimate of the required investment for a defined set of telephone services or features assuming efficient engineering and design criteria and deployment of current state-of-the-art technology using the current national local exchange network topology. The proxy cost model will not favor one technology over another, perhaps more efficient, technology.

723-41-2.11      Retail Revenues. For the purpose of this Rule, retail revenues are those revenues derived from the sale of intrastate telecommunications services which benefitted from interconnection with the public switched telecommunications network. They include only revenues received from end-users and not other telecommunications providers. A service is considered to have benefitted from interconnection with the public switched telecommunications network if it interconnects with the public switched telecommunications network in a manner that the user of the service can access the general public.

723-41-2.12      Small LEC. A local exchange carrier (LEC) or provider who was certified before July 1, 1996 and who serves a total of fewer than fifty thousand access lines in the State. This is a cumulative statewide total, and therefore not all basic local exchange providers that serve only rural exchanges of ten thousand or fewer access lines are Small LECs. Rural providers that serve a total of more than fifty thousand access lines statewide are not considered Small LECs.

723-41-2.13 Universal service. The goal that basic local exchange service be available and affordable to all citizens of the State of Colorado who desire it.

**RULE 4 CCR 723-41-3. GENERAL.** Toward the ultimate goal of universal service, the Colorado High Cost Fund shall be coordinated with the Federal Communications Commission (FCC) Universal Service Fund, (USF) found at 47 CFR 36.601 to 36.641 and any other Universal Service Support Mechanism that may be adopted by the FCC pursuant to 47 U.S.C. 254 of the Communications Act, as amended by Section 101 of the "Telecommunications Act of 1996".

**RULE 4 CCR 723-41-4. TRANSITION.**

723-41-4.1 The mechanism for making payments into the CHCF established in Rule 7 of Part I shall not take effect until further order of the Commission on or before July 1, 1997.

723-41-4.1.1 Until Rule 7 is effective, the mechanism for making payments into the CHCF established in Rules 18.6.2 through 18.6.5 of Part II of this Rule shall remain in effect.

723-41-4.1.2 After Rule 7 becomes effective, Rules 18.6.2 through 18.6.5 of Part II of this Rule are repealed.

723-41-4.2 Small LECs eligible, as of July 1, 1996, to draw from the CHCF established in Part II of 4 CCR 723-27 and now codified in Part II of this Rule, may only continue to draw support in accordance Part II of this Rule until the first of the following three events occurs:

723-41-4.2.1 July 1, 2003; or

723-41-4.2.2 another provider holding an operating authority within the provider's service territory, pursuant to the Commission's Rules Regulating the Authority to Offer Local Exchange

Telecommunications Services, 4 CCR-723-35, is found by the Commission to be eligible to receive support from the CHCF pursuant to Rule 8; or

723-41-4.2.3 the provider elects into the mechanism established pursuant to Part I of this Rule.

723-41-4.3 Part II of this Rule is repealed effective July 1, 2003.

**RULE 4 CCR 723-41-5. SPECIFIC SERVICES AND FEATURES SUPPORTED BY THE CHCF.** The services and features supported by the CHCF are an evolving level of telecommunications services established by the Commission and periodically updated under § 40-15-502(2) C.R.S., to take into account advances in telecommunications and information technologies and services. Until revised, the CHCF will support such services as are defined in Rule 17.1 of the Rules Regulating Telecommunications Service Providers and Telephone Utilities, 4 CCR 723-2, plus access to 911 service and such other elements, functions, services, standards or levels for quality of service, or criteria that are currently established pursuant to statute or Commission rule.

**RULE 4 CCR 723-41-6. AFFORDABLE PRICE STANDARD FOR BASIC SERVICE.** For the purpose of this Rule, the prices in effect for basic service, excluding outside base rate area zone charges, if any, in each Geographic Area on the effective date of this Rule shall be deemed affordable. Pursuant to § 40-15-502(3) C.R.S., a different level may be set by the Commission and designated as a benchmark price.

**RULE 4 CCR 723-41-7. PAYMENTS INTO THE COLORADO HIGH COST FUND.**

723-41-7.1 Each telecommunications service provider shall be assessed a percentage of the total CHCF equal to the provider's percentage of the total intrastate Retail Revenues.

723-41-7.1.1 Revenues associated with the sale of cable services identified in § 40-15-401(1)(a) C.R.S. shall not be considered when determining a provider's assessment.

723-41-7.1.2 A provider of a service, exempt from regulation pursuant to Part 4 of Article 15 of Title 40 Colorado Revised Statutes (C.R.S.), may apply for approval of an alternative method for calculating the revenues associated with the sale of that service. The Commission shall grant such application for disparate treatment if the Commission determines that such payment under Rule 7.1 would be discriminatory, inequitable and not in the public interest.

723-41-7.2 Process.

723-41-7.2.1 As part of its Annual Report filed pursuant to 4 CCR 723-1, Rule 25, each telecommunications service provider shall provide to the Commission, an audited accounting of its Retail Revenues for the previous calendar year.

723-41-7.2.2 The Administrator shall determine the annual assessment percentage appropriate for each telecommunications provider. The Commission shall issue an order establishing the appropriate assessment percentage for each telecommunications provider before the first day of each fiscal year.

723-41-7.2.3 The Administrator may increase each assessment by an amount necessary to compensate for uncollectible

assessments. Such increase shall generally not exceed 5% of each month's assessment.

723-41-7.2.4 Monthly, the Administrator shall send to each provider a notice of the provider's net assessment (assessment less disbursement). Each provider so notified shall remit, if applicable, the monthly net assessment to the Administrator within the period of time designated by the Administrator.

**RULE 4 CCR 723-41-8. ELIGIBILITY TO RECEIVE SUPPORT FROM THE COLORADO HIGH COST FUND.**

723-41-8.1A provider shall be in compliance with the Commission's rules applicable to the provision of basic local exchange service as a prerequisite for eligibility to receive support from the CHCF.

723-41-8.2To be designated an Eligible Provider within a Geographic Support Area, a provider must file an application with the Commission.

723-41-8.2.1 Contents of Application. The application must provide evidence sufficient to establish that:

723-41-8.2.1.1 The provider is certified by the Commission to offer basic local exchange service within the Geographic Support Area;

723-41-8.2.1.2 The provider will offer basic local exchange service to all customers within the Geographic Support Area;

723-41-8.2.1.3 The provider has the managerial qualifications, financial resources, and technical competence to provide basic local exchange service throughout the specified support area regardless of the availability of facilities or the presence of other providers in the area;



723-41-8.2.1.4 The provider is not receiving funds from the CHCF or any other source that together with local exchange service revenues, exceed the reasonable cost of providing local exchange service to customers of such provider; and

723-41-8.2.1.5 The granting of the application serves the public convenience and necessity, as defined in §§ 40-15-101, 40-15-501, and 40-15-502 C.R.S.

723-41-8.2.2 Process.

723-41-8.2.2.1 The Commission will process applications in accordance with the Rules of Practice and Procedure found at 4 CCR 723-1.

723-41-8.2.2.2 An application filed pursuant to Rule 8.2 may be filed contemporaneously with an application for certification, operating authority, or alternative regulation.

723-41-8.3A reseller may not receive support from the CHCF for customers which are served entirely through resale. Rather, the facilities-based provider may be eligible to receive any applicable CHCF support.

723-41-8.4If a provider serves a customer via a combination of its facilities and another's unbundled facilities which the provider purchased at full cost, the provider may be eligible to receive the CHCF support for that customer.

723-41-8.5CHCF support shall be portable between any Eligible Provider chosen by the end-user. The level of the support per access line paid to any Eligible Provider shall be determined pursuant to Rule 8.2.1.4.

723-41-8.6Providers certified as a Provider of Last Resort who, on the effective date of these Rules, served only rural exchanges with ten thousand or fewer access lines shall be deemed to have met the application requirements in Rules 8.2.1.1, 8.2.1.2,

8.2.1.3, and 8.2.1.5 for the geographic support areas within their service territories as of the effective date of these Rules.

**RULE 4 CCR 723-41-9. DISBURSEMENTS FROM THE COLORADO HIGH COST FUND.**

723-41-9.1 The Commission shall establish Geographic Areas for the State by order. Such Geographic Areas may be revised.

723-41-9.2 The Commission shall: 1) adopt a Proxy Cost Model; and 2) publish the Proxy Cost for each Geographic Area. The Proxy Cost Model and the resultant Proxy Costs shall be updated as necessary. The Commission shall ensure that the Proxy Cost associated with basic local exchange service bears no more than its reasonable share of the joint and common costs of facilities used to provide those services.

723-41-9.3 The Commission shall, based upon the Proxy Costs, designate certain Geographic Areas of the State as Geographic Support Areas.

723-41-9.4 Each Eligible Provider shall receive monthly support from the CHCF based on: 1) the number of access lines it serves in high cost geographic support areas, as designated by the Commission; 2) multiplied by the difference between the revenues received for basic local exchange service, unless the Commission determines a benchmark price should be substituted, and all other sources of support, including, but not limited to Federal USF, low interest Rural Utility Service loans, rent compensation, and Yellow Page Directory compensation; and, 3) a per line proxy cost, as determined by the Commission.

**723-41-9.5 Process.**

723-41-9.5.1 Each month, on or before the 15th, each Eligible Provider shall provide the Administrator with an

accounting of the number of residential access lines and the number of business access lines that the provider served in each Geographic Support Area as of the last day of the preceding month.

723-41-9.5.2 The Administrator shall make monthly disbursements from the CHCF after receipt of the monthly net assessments pursuant to Rule 7.2.4.

**RULE 4 CCR 723-41-10. ADMINISTRATION.** The CHCF shall be under the direction of an Administrator.

723-41-10.1 The Commission, or its designee, shall be the Administrator of the CHCF.

723-41-10.2 The reasonable expenses incurred in the administration of the fund shall be recovered from the CHCF.

723-41-10.3 The Administrator shall determine the assessment each telecommunications provider must pay into the CHCF and determine the disbursement each Eligible Provider may withdraw from the CHCF.

723-41-10.4 The Administrator shall net each provider's assessment and disbursement prior to receipt or disbursement of actual funds.

723-41-10.5 To the extent the funding received from providers in any one fiscal year exceeds: 1) the disbursements required for the CHCF, plus 2) the cost of administering the CHCF (including such reserve as may be necessary for the proper administration of the CHCF), any unexpended and unencumbered moneys shall remain in the CHCF and shall be credited against the assessment each telecommunications service provider must pay in the succeeding fiscal year.

723-41-10.6 The Administrator shall engage and determine the compensation for such professional and technical assistance as

may, in its judgment, be necessary for the proper administration of the fund.

723-41-10.7 The Administrator shall operate on a fiscal year which runs from July 1 to June 30 of the succeeding year.

723-41-10.8 The CHCF records covering both collections and disbursements shall be audited at the end of fiscal year 1997-1998 by an independent external auditor chosen by the Commission. The costs for conducting audits shall be included in the computation of CHCF requirements. Thereafter, the CHCF shall be audited in the same manner at least once every other year.

723-41-10.9 An annual report prepared by the Administrator shall be filed with the Commission by October 1 of each year. This report shall summarize the preceding fiscal year's activity and contain the following:

723-41-10.9.1 a statement of CHCF collections and disbursements,

723-41-10.9.2 a record of the total cost of administration of the CHCF, and

723-41-10.9.3 the most recent audit report.

723-41-10.10 A copy of the Administrator's annual report shall be provided to the Legislative Audit Committee and to each telecommunications service provider who contributes to the CHCF.

**RULE 4 CCR 723-41-11. REVIEW OF THE COLORADO HIGH COST FUND.** The CHCF will be evaluated and reviewed no later than July 1, 1999, and at least every three years thereafter, for the purpose of determining whether the CHCF should be adjusted.

**RULE 4 CCR 723-41-12. BASE RATE AREA SUBSIDIES.** If there are areas, as of July 1, 1996, that are receiving subsidies within a

provider's base rate area, as determined by the Commission, such areas may continue, at the Commission's discretion, to receive subsidies or be eligible for funding under the CHCF after July 1, 1996.

**RULE 4 CCR 723-41-13.      ENFORCEMENT.**

723-41-13.1 Holder of a Certificate. A telecommunications service provider holding a certificate issued by this Commission that fails to pay, in a timely manner, an assessment due and payable under these Rules may, after notice and opportunity for hearing, have its certificate revoked as provided in Article 6 of Title 40 of the Colorado Revised Statutes (C.R.S.).

723-41-13.2 Uncertificated Provider. A telecommunications service provider that: 1) does not hold a certificate from this Commission and 2) fails to pay its assessment when it is due and payable under these Rules may be subject to a Commission action including but not limited to a complaint: 1) to the Federal Communications Commission (FCC) seeking an order directing the delinquent provider to make the payment; or 2) for damages in a Colorado District Court.

**RULE 4 CCR 723-41-14.      SOCIAL PROGRAMS.** These Rules are not intended to limit or conflict with the Rules for Telecommunications Relay Service for the Disabled Telephone Users (4 CCR 723-28) or the Procedures for Administering the Low Income Telephone Assistance Fund (4 CCR 723-13).

**RULE 4 CCR 723-41-15.      VARIANCE AND WAIVER.** The Commission may permit variance or waiver from these Rules, if not contrary to law,

for good cause shown if it finds that compliance is impossible, impracticable or unreasonable.

**RULE 4 CCR 723-41-16.      INCORPORATION BY REFERENCE.** References in these Rules to Parts 32, 36, 64, and 69, are rules issued by the FCC and have been incorporated by reference in these Rules. These rules may be found at 47 CFR Parts 32, 36, 64, and 69, revised as of October 1, 1995. References to Parts 32, 36, 64, and 69 do not include later amendments to or editions of those parts. A certified copy of these parts which have been incorporated by reference are maintained at the offices of the Colorado Public Utilities Commission, 1580 Logan Street, OL-2, Denver, Colorado 80203 and are available for inspection during normal business hours. Certified copies of the incorporated rules shall be provided at cost upon request. The Director of the Public Utilities Commission, or his designee, will provide information regarding how the incorporated rules may be obtained or examined. These incorporated rules may be examined at any state publications depository library.

#### **4 CCR 723-41-PART II**

**RULE 4 CCR 723-41-17.      CALCULATION OF AVERAGE LOOP, LOCAL SWITCHING, AND EXCHANGE TRUNK COSTS FOR FUND SUPPORT.**

723-41-17.1      The averages used in calculating CHCF support in this Part II will be computed on the basis of the data reported per this Rule 17 for the preceding calendar year which may be updated at the option of the Small LEC pursuant to 47 CFR 36.612(a).

723-41-17.2      Each basic local exchange provider shall calculate and report its average unseparated loop cost per study area per working loop as prescribed by 47 CFR 36.621, and 36.622

in its Annual Report as required by Rule 25 of the Commission's Rules of Practice and Procedure (4 CCR 723-1) (Annual Report).

723-41-17.3 The national average unseparated loop cost per working loop shall be as calculated by the National Exchange Carrier Association, as prescribed by 47 CFR 36.622(a)(1).

723-41-17.4 Each Small LEC shall calculate and report, in its Annual Report, its unseparated investment per study area for: 1) local switching equipment (Central Office Equipment, Category 3, [47 CFR 36.125]), and 2) its average number of working loops.

723-41-17.5 Each Small LEC shall calculate and report, in its Annual Report, its unseparated investment per study area for exchange trunk equipment (Cable and Wire Facilities, Category 2, Exchange Trunk, [47 CFR 36.155], and Category 4.12, Exchange Trunk Circuit Equipment [47 CFR 36.126(c)(2)]).

723-41-17.6 The State average unseparated local switching equipment investment per working loop shall be calculated by dividing the sum of the local switching equipment investments in the State, as reported pursuant to Rule 17.4, for all LECs, except Small LECs as determined by the Staff of the Commission, by the sum of the working loops in the State, as reported in Rule 17.4, and for all LECs, except Small LECs as determined by the Staff of the Commission. The State average unseparated exchange trunk equipment investment per working loop shall be calculated by dividing the sum of the exchange trunk equipment investments in the State, as reported pursuant to Rule 17.5, and for all LECs, except Small LECs as determined by the Staff of the Commission, by the sum of the working loops in the State, as reported in Rule 17.4, and for all LECs, except Small LECs as determined by the Staff of the Commission.

723-41-17.7 In its Annual Report, each Small LEC shall report to the Administrator of the CHCF the count for each month of access lines for that twelve month period that were subject to the surcharge of Rule 18.6.4.2 and the amounts collected. The count shall include all residential, business, concession and paystations access lines. Special access, private or dedicated circuits, and company official lines shall be excluded from the count.

723-41-17.8 In its Annual Report each Small LEC shall report to the Administrator of the CHCF the estimated average number of working loops for the next year.

723-41-17.9 Further reporting requirements may be determined by the Commission.

**RULE 4 CCR 723-41-18. TRANSITIONAL COLORADO HIGH COST FUND SUPPORT FOR SMALL LECs.** During the transition period, Small LECs, who are not Average Schedule Small LECs, shall be eligible, upon proper showing, for support from the CHCF for high costs in three areas: a) loops, b) local switching, and 3) exchange trunks. Average Schedule Small LECs shall be eligible, upon proper showing, for support from the CHCF for high costs as determined by Rule 18.6.1.

723-41-18.1 SUPPORT FOR HIGH LOOP COSTS.

723-41-18.1.1 The CHCF revenue requirement for high loop costs of Small LECs who are not Average Schedule Small LECs shall be determined as follows:

723-41-18.1.1.1 For Small LECs reporting an average unseparated loop cost per working loop less than or equal to 115 percent of the national average for this cost, the CHCF revenue requirement for high loop costs shall be the sum of: a) zero (0); and b) the difference between 0.265 and twice the Small LEC's



intrastate interexchange SLU, (if greater than zero), times the LEC's average unseparated loop cost per working loop for this cost.

723-41-18.1.1.2 For Small LECs reporting an average unseparated loop cost per working loop in excess of 115 percent of the national average for this cost but not greater than 150 percent of the national average for this cost, the CHCF revenue requirement for high loop costs will be the sum of: a) the difference between the Small LEC's average unseparated loop cost per working loop and 115 percent of the national average for this cost, times 0.10; and b) the difference between 0.265 and twice the Small LEC's intrastate interexchange SLU, (if greater than zero), times 115 percent of the national average for this cost.

723-41-18.1.1.3 For small LECs reporting an average unseparated loop cost per working loop greater than 150 percent of the national average for this cost, the CHCF revenue requirement for high loop costs will be the sum of: a) the difference between 150 percent of the national average unseparated loop cost per working loop and 115 percent of the national average for this cost, times 0.10; and b) the difference between 0.265 and twice the Small LEC's intrastate interexchange SLU, (if greater than zero) times 115 percent of the national average for this cost.

723-41-18.2 SUPPORT FOR HIGH LOCAL SWITCHING COSTS.

723-41-18.2.1 Small LECs, who are not Average Schedule Small LECs, shall be eligible for support for high local switching costs. The CHCF revenue requirement for high local switching cost support shall be determined as follows:

723-41-18.2.1.1 For Small LECs reporting an average unseparated local switching equipment investment per working loop less than or equal to the Colorado average as determined by Rule

17.6, for this investment, the CHCF revenue requirement for local switching cost support shall be zero (0).

723-41-18.2.1.2 For Small LECs reporting an average unseparated local switching equipment investment per working loop in excess of the Colorado average as determined in Rule 17.6, for this investment, the revenue requirement for high local switching cost support will be calculated by creating a new service category in the separations study and apportioning the costs of the provider to this service generally following Part 36, CFR. The service category for the CHCF high local switching cost support shall be assigned a portion of Category 3 of local switching equipment investment. The percentage of Category 3 allocated to the CHCF service category shall be known as the Colorado High Local Switching Allocation Factor and shall be calculated as one minus the sum of: (a) the Interstate factor(s), (b) the Intrastate factor(s) of Rule 18.2.2, and (c) the local exchange factor. The local exchange factor for each Small LEC shall be calculated as the: (1) Colorado State average unseparated local switching equipment Category 3 investment per working loop as determined by Rule 17.6, for this investment, (2) multiplied by the Small LEC's local DEM percentage, (3) divided by the Small LEC's average investment per working loop for this investment. In no event shall the Colorado High Local Switching Allocation Factor be less than zero. If, by the application of the formula of this Rule 18.2.1.2, the Colorado High Local Switching Allocation Factor is less than zero, the factors of Rule 18.2.1.2. (b) and (c) above shall be reduced proportionally.

723-41-18.3        SUPPORT FOR HIGH EXCHANGE TRUNK COSTS.

723-41-18.3.1    Small LECs, who are not Average Schedule Small LECs, shall be eligible for support for high exchange trunk

costs. The CHCF revenue requirement for high exchange trunk cost support shall be determined as follows:

723-41-18.3.1.1 For Small LECs reporting an average unseparated exchange trunk investment per working loop less than or equal to the Colorado average as determined by Rule 17.6, for this investment, the CHCF revenue requirement for exchange trunk cost support shall be zero (0).

723-41-18.3.1.2 For Small LECs reporting an average unseparated exchange trunk equipment investment per working loop in excess of the Colorado average as determined in Rule 17.6, for this investment, the revenue requirement for high exchange trunk cost support will be calculated by apportioning the costs of the Small LEC to the CHCF service category, as established in Rule 18.2, of the Small LEC's separations study following 47 CFR Part 36, as modified by the Rules found in Part 2 of Rule 4 CCR 723-27. The service category for the CHCF shall be assigned a portion of Cable and Wire Facilities, Category 2 Exchange Trunk [47 CFR 36.155], and a portion of Category 4.12, Exchange Trunk Circuit Equipment [47 CFR 36.126(c)(2)] investment. The percentage allocated to the CHCF service category shall be calculated separately for each as one minus the sum of (a) the interstate factor(s), for exchange trunk, (b) the intrastate factor(s) for exchange trunk, and (c) the local factor for exchange trunk. The local factor for Category 2 exchange trunk of Cable and Wire Facilities, for each Small LEC shall be calculated as the Colorado State average unseparated investment per working loop as determined by Rule 18.6, for this investment, times the Small LEC's local relative number of minutes of use percentage divided by the Small LEC's average investment per working loop for this investment. The local transport allocation factor for Category 4.12 Exchange Trunk Circuit Equipment, for each Small LEC

shall be calculated as the Colorado State average unseparated investment per working loop as determined by Rule 17.6, for this investment, times the Small LEC's local relative number of minutes of use percentage divided by the Small LEC's average investment per working loop for this investment.

723-41-18.4      SUPPORT FOR HIGH COSTS OF AVERAGE SCHEDULE SMALL LECS.

723-41-18.4.1    The CHCF support requirement for high cost support for Average Schedule Small LECs shall be determined as the remainder, if positive, of the following process:

723-41-18.4.1.1 First, the total company revenue requirement for the Average Schedule Small LEC shall be determined;

723-41-18.4.1.2 Next, a value known as the "imputed local network services revenues" is calculated by the Administrator, as the average of the local network services revenues, 47 CFR 32.5000 through 32.5069 for all Small LECs who are not Average Schedule Small LECs, but not including any CHCF revenues;

723-41-18.4.1.3 Then, from the revenue requirement of Rule 18.4.1.1 shall be subtracted the revenues derived from each of the following: 1) all interstate activities and USF support; 2) intrastate network access services; 3) long distance network services; 4) all miscellaneous revenues; and 5) the "imputed local network services revenues".

723-41-18.5      LOCAL NETWORK SERVICES TARIFF CAP.    In no event shall the local network services revenue requirement, as defined in 47 CFR 32.5000 through 32.5069 (1995), of Small LECs, be in excess of 130 percent of the average, of such revenue requirement for local exchange providers which are not Small LECs.

Such excess shall be considered as a part of the Small LECs CHCF support revenue requirement.

723-41-18.6 COLORADO HIGH COST FUND ADMINISTRATION.

723-41-18.6.1 The Commission, acting as Administrator, and pursuant to this Part II of the Rules, shall determine and establish by Order, for each Small LEC, the CHCF support revenue requirement that will be effective for a period of six years beginning with the date of the Order.

723-41-18.6.1.2 At any time, upon the request and proper support as part of a general rate proceeding by a Small LEC, the Commission, acting as Administrator, may revise the CHCF support revenue requirement that will be effective for a period of six years beginning with the date established by order. Further, as a result of a show cause, complaint or other proceeding, the Commission, acting as Administrator, may revise the CHCF support revenue requirement that will be effective for a period of six years beginning with the date established by order.

723-41-18.6.1.2 Once established or revised, no further qualification will be required during the six-year funding period. During the funding period, the amount of CHCF support will be phased down. Funding will be fixed for the first two years (any 12 month period) at 100% of the funding level established. Following the first two years, the support amount will decline and be phased out by year seven. The following is the phase out schedule:

|        |       |        |     |
|--------|-------|--------|-----|
| YEAR 1 | 100%  | YEAR 4 | 65% |
| YEAR 2 | 100%  | YEAR 5 | 40% |
| YEAR 3 | 82.5% | YEAR 6 | 20% |
|        |       | YEAR 7 | 0%  |

723-41-18.6.1.3 The Commission may grant a Small LEC's request for waiver from these Rules for good cause shown, pursuant to Rule 15 of these Rules. Any CHCF support amount so granted shall be in the amounts and for the periods expressly approved by Commission order.

723-41-18.6.1.4 During the CHCF funding period, switched access rates for companies receiving CHCF, will be adjusted annually to reflect a sharing of access minute demand growth, which occurred during the most recent 12 month period when compared to the 12 month period immediately preceding for which billed demand data is available. The following percentages of sharing will be used:

| <u>Percentage of Annual Demand Growth</u>     |     |        |     |
|---|-----|--------|-----|
| <u>(to be used in adjusting access rates)</u> |     |        |     |
| YEAR 1  | N/A | YEAR 4 | 75% |
| YEAR 2  | 75% | YEAR 5 | 50% |
| YEAR 3  | 75% | YEAR 6 | 50% |
|   |     | YEAR 7 | 0%  |

For each year of the CHCF funding period, the applicable percentage from the above table will be multiplied by the actual change (increase or decrease) in access minute demand for the most recent 12-month period as compared to the previous 12-month period immediately preceding for which billed demand date is available, to determine the access minute adjustment amount. The amount determined will then be added to or subtracted from the prior 12-month period adjusted switched access minute demand to determine the current period's adjusted access minute demand. The current period's adjusted switched access demand will then be utilized to revise the switched access rate elements using the access revenue requirements for each element, from the base year rate

determination. The switched access rate adjustments shall be filed with the Commission with a proposed effective date no later than 60 days following the anniversary of the effective date of the CHCF funding period.

723-41-18.6.1.5 For each Average Schedule Small LEC, a surrogate switched access revenue requirement will be used as the "frozen switched access revenue requirement" as described in Rule 18.6.1.4. This surrogate revenue requirement will be calculated by taking the base year Average Schedule access rates times the base year access demand.

723-41-18.6.2 Each intrastate interexchange carrier (IXC) shall report to the Administrator of the CHCF by May 1st of each calendar year its intrastate interexchange switched minutes of use for the previous calendar year. "Intrastate interexchange carrier" includes intrastate interexchange carriers which are also local exchange service providers. "Switched minutes of use" shall include such services as, but is not limited to: message toll service, WATS, 800 service, but would exclude traffic placed over dedicated private line facilities (i.e. special access arrangements). Further reporting methods will be determined by the Administrator of the CHCF.

723-41-18.6.3 The total fund requirements for all Small LECs combined with such fund administration costs and such reserve requirements will be determined by the Administrator.

723-41-18.6.4 The fund requirements of the CHCF will be provided from two sources:

723-41-18.6.4.1 Intrastate IXCs: One-half of the fund requirement as determined pursuant to Rule shall be funded by a bulk bill to each intrastate IXC. Each IXC's CHCF bulk bill amount will be based upon the percentage relationship of each IXC's

appropriate minutes of use for all intrastate interexchange switched services.

723-41-18.6.4.2 Access lines: One-half of the fund requirement as determined pursuant to Rule shall be funded by a uniform charge per access line. CHCF payments will be based upon the percentage relationship of each LEC's working loops.

723-41-18.6.5 The Commission after determining the CHCF requirement, shall, by appropriate order, impose the uniform charge on each access line, and shall establish the bulk bill amount of each IXC. The Commission, as Administrator, shall endeavor to issue such orders so that the amounts and uniform charge can be adjusted, if necessary, effective July 1 of each year.

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