

THE  
PUBLIC UTILITIES COMMISSION  
OF THE  
STATE OF COLORADO

COST ALLOCATION RULES FOR TELECOMMUNICATIONS  
SERVICE PROVIDERS AND TELEPHONE UTILITIES

4 CODE OF COLORADO REGULATIONS (CCR) 723-27

RULE (4 CCR) 723-27-1. APPLICABILITY AND PURPOSE FOR RULES.

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723-27-1.4 The Competitive Local Exchange Carriers (CLECs) are exempt from Rules 4.1, 6.1 through 6.5, Rules 7.2 through 7.6, and, under certain circumstances, Rule 5.1.

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4 CCR 723-27-PART 1

RULES UNDER § 40-15-108, C.R.S. PRESCRIBING  
COST-ALLOCATION METHODS FOR SEGREGATION OF INVESTMENTS  
AND EXPENSES OF TELECOMMUNICATIONS PROVIDERS

RULE (4 CCR) 723-27-2. DEFINITIONS.

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723-27-2.9 Competitive Local Exchange Carrier ("CLEC") means a telecommunications provider that applied for and received a certificate of public convenience and necessity to provide local exchange services in the State of Colorado after February 8, 1996, pursuant to Rules Regulating the Authority to Offer Local Exchange Telecommunications Service, 4 CCR 723-35, and § 40-15-503(2)(f), C.R.S.

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**RULE (4 CCR) 723-27-3. APPLICABILITY TO SPECIFIC TYPES OF SERVICES.**

723-27-3.1 Each provider must file with the Commission, a list of each service that it offers, providing a description of each service and the classification of each service as a regulated or deregulated telecommunications service as those terms are used in Title 40, Article 15, C.R.S., and as determined by the Commission. This list shall be updated as changes occur.

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**RULE (4 CCR) 723-27-4. UNIFORM SYSTEM OF ACCOUNTS ("USOA").**

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723-27-4.2 In the event a provider, other than a CLEC, is authorized by the FCC to maintain its books of account and records in a manner other than under the USOA, it may seek a waiver from Rule 4.1 allowing it to maintain its books of account and records as permitted by the FCC. However, the provider requesting that waiver must implement a suitable alternate method of producing Colorado intrastate-specific information to the Commission.

723-27-4.3 Providers who are already authorized by this Commission prior to April 30, 1990, to maintain their books of account and records in a manner other than the USOA need not seek a waiver from Rule 4.1 and are authorized to continue maintaining their books of account and records in the manner previously authorized by this Commission.

723-27-4.4 CLECs are automatically exempt from Rule 4.1 pursuant to 4 CCR 723-1-25(c)(1). However, a CLEC must implement a suitable alternate method of producing Colorado intrastate-specific information to the Commission.

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**RULE (4 CCR) 723-27-5 SEPARATION OF COSTS BETWEEN THE STATE  
AND INTERSTATE JURISDICTIONS.**

723-27-5.1 Any provider which provides facilities or equipment for use by users or providers of interstate telecommunications services must apply federal cost allocation and separations principles as described in Part 64 (The Cost Allocation Manual) and Part 36 (The Separations Manual).

723-27-5.2 A provider, other provider than a CLEC, which is not required by the FCC to apply the Part 36 rules may apply for a waiver of Rule 5.1 as it relates to Part 36. However, the provider requesting that waiver must implement a suitable alternate method of producing Colorado intrastate-specific information to the Commission.

723-27-5.3 If a CLEC has been given an exemption by the FCC from either Part 64 or Part 36, it is automatically exempt from that portion of Rule 5.1 as well. However, the CLEC must implement a suitable alternate method of producing Colorado intrastate-specific information to the Commission.

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**RULE (4 CCR) 723-27-7. COST-SEGREGATION STANDARDS AND  
GUIDELINES - SPECIFIC.**

723-27-7.1 All investments and expenses attributable to the interstate jurisdiction are to be allocated using applicable federal rules. Each provider must be able to demonstrate that these federal procedures have been properly applied.

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**RULE (4 CCR) 723-27-9. INFORMATION REQUIREMENTS.**

Each provider shall provide the following information:

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723-27-9.4 A list of all services which the provider accords de minimis accounting treatment and treats as

de minimis services and the justification for treating each as de minimis.

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**RULE (4 CCR) 723-27-12.**

**PROPRIETARY INFORMATION.**

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723-27-12.2 The detailed specifications, documentation, and supporting information implementing these rules must be made available to the Commission and its staff and may be given proprietary status if requested.

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**RULE (4 CCR) 723-27-13.**

**AFFILIATE TRANSACTIONS - LOCAL EXCHANGE PROVIDERS.**

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723-27-13.1 Transactions with affiliates involving asset transfers or provision of services into or out of the regulated accounts shall be recorded by the provider in its regulated accounts as provided in Rules paragraphs 13.2 through 13.5. ~~of this Rule.~~

723-27-13.2 Transfer of Assets.

723-27-13.2.1 Assets sold or transferred between a provider and its affiliate pursuant to a tariff shall be recorded in the appropriate revenue accounts at the tariffed rate. Non-tariffed assets sold or transferred between a provider and its affiliate that qualify for prevailing price valuation, as defined in Rule paragraph 13.4, ~~of this rule,~~ shall be recorded at the prevailing price.

723-27-13.2.2 For all other assets sold by or transferred from a provider to its affiliate, the assets shall be recorded at either the higher of fair market value or and net book cost, whichever is higher. For all other assets purchased by or transferred to a provider from its affiliate, the assets shall be recorded at either the lower of fair

market value or ~~and~~ net book cost, whichever is lower. For purposes of this section providers are required to make a good faith determination of fair market value.

723-27-13.3 Valuation of Services Provided to or by an Affiliate.

723-27-13.3.1 Services provided between a provider and its affiliate pursuant to a tariff shall be recorded in the appropriate revenue accounts at the tariffed rate. Non-tariffed services provided between a provider and its affiliate pursuant to publicly-filed agreements submitted to the Commission pursuant to section 252(e) of the Communications Act of 1934 or statements of generally available terms pursuant to section 252(f) shall be recorded using the charges appearing in such publicly-filed agreements or statements. Non-tariffed services provided between a provider and its affiliate that qualify for prevailing price valuation, as defined in Rule paragraph ~~13.4~~, shall be recorded at the prevailing price.

723-27-13.3.2 For all other services provided by a provider to its affiliate, the services shall be recorded at either the higher of fair market value or ~~and~~ fully distributed cost, whichever cost is higher. For all other services received by a provider from its affiliate, the service shall be recorded at either the lower of fair market value or ~~and~~ fully distributed cost, whichever is lower, except that services received by a provider from an its affiliate which that exists solely to provide services to members of the provider's corporate family shall be recorded at fully distributed cost. For purposes of this section providers are required to make a good faith determination of fair market value.

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723-27-13.5      Income taxes shall be allocated among the regulated activities of the provider, its nonregulated divisions<sub>u</sub> and members of an affiliate group. Under circumstances in which income taxes are determined on a consolidated basis by the provider and other members of an affiliated group, the income tax expense to be recorded by the provider shall be the same as would result if determined for the provider separately for all time periods, except that the tax effect of carry-back and carry-forward operating losses, investment tax credits<sub>u</sub> or other tax credits generated by operations of the provider shall be recorded by the provider during the period in which applied in settlement of the taxes otherwise attributable to any member, or combination of members, of the affiliated group.

723-27-13.6      All providers, except small LECs and interexchange providers, must provide to the Commission a statement identifying affiliates that engage in transactions with the provider. They shall describe the nature, terms<sub>u</sub> and frequency of those transactions.