

PUBLIC UTILITIES COMMISSION
MAILED

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(Decision No. C88-761)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE RULES OF THE)	
PUBLIC UTILITIES COMMISSION OF THE)	CASE NO. 6685
STATE OF COLORADO PRESCRIBING COST)	
ALLOCATION METHODS IN ACCORDANCE)	COMMISSION ORDER AND NOTICE OF
WITH TITLE 40, ARTICLE 15, SECTION)	RULEMAKING
108, OF THE COLORADO REVISED)	
STATUTES.)	

- - - - -
June 15, 1988
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STATEMENT, FINDINGS, AND NOTICE

TO ALL INTERESTED PERSONS, FIRMS, AND CORPORATIONS:

By Decision No. C88-508 issued April 27, 1988, in Case No. 6634, the Commission granted a petition filed by Staff of the Public Utilities Commission (Staff) for issuance of rule, and directed that a prehearing conference be conducted on May 2, 1988, for resolution of a pending motion for a hearing upon proprietary materials. The parties were directed to focus upon the rules which were discussed in Staff's petition, the cost allocation manuals and the filed comments or responses.

The prehearing conference in Case No. 6634 began as scheduled on May 2, 1988, and as a preliminary matter, The Mountain States Telephone and Telegraph Company (Mountain Bell) filed a request to withdraw its motion for hearing to determine appropriate designation of proprietary materials. Mountain Bell also filed a motion to dismiss Case No. 6634, which was denied in Decision No. R88-560 issued on May 10, 1988. Case No. 6634 was placed in suspension by Decision No. R88-560 pending rulemaking proceedings as previously directed by the Commission in Decision No. C88-508. The parties, at the prehearing conference, also identified issues that might arise with the proposed rules to be issued by the Commission. Those issues are enumerated in Decision No. R88-560. The parties were given until May 16, 1988, to provide more detailed comments on the issues set forth in Decision No. R88-560.

On July 2, 1987, Governor Roy Romer signed into Law House Bill 1336 (HB 1336) which repealed and reenacted Article 15 of Title 40 of the Colorado Revised Statutes dealing with intrastate telecommunications services. HB 1336 contains four parts and establishes a tripartite

division of telecommunications services consisting of regulated telecommunications services (Part 2 services), emerging telecommunications services (Part 3 services), and deregulated services (Part 4 services). The legislative declaration in § 40-15-101, C.R.S., states that it is the policy of the State of Colorado to promote a competitive telecommunications marketplace while protecting and maintaining the wide availability of high-quality telecommunications services. The general assembly declared that flexible regulatory treatments are appropriate for different telecommunications services. Accordingly, the Commission proposes the rules in Exhibit I attached to this decision and order to effectuate the purposes of reenacted Article 15 of Title 40, and in particular, to effectuate § 40-15-108, C.R.S., and follow from the Commission's deliberations and determinations in applying service and product tariffs to Part 2, 3, and 4 services addressed in Commission Cases No. 6645 and No. 6647.

On June 1, 1988, the Commission issued Decision No. C88-664. This decision proposed rules to implement Title 40, Article 15, § 108, C.R.S., and gave advance notice of hearing dates of July 11 and 12, 1988, dates for intervention and for the filing of comments, suggestions, or modifications. The rules in Appendix A to Decision No. C88-664 were submitted to the Office of Regulatory Reform for comment, if any, for compliance with § 24-4-103.5(1), C.R.S., on June 1, 1988. Now that ten days have passed, from the date of submission of the rules proposed in Appendix A to Decision No. C88-664 have expired, it is appropriate that official notice of proposed rulemaking be given and that dates for intervention and for the filing of comments, suggestions, or modifications to the rules proposed as Appendix A to Decision No. C88-664 be given. The identical rules proposed by Decision No. C88-664 are again proposed by this decision and order and are attached to this decision order as Exhibit 1.

The Commission gives notice that public rulemaking hearings on the rules proposed by Decision No. C88-664 and again proposed in this decision and order as Exhibit 1, will be held on July 11 and 12, 1988, 9:00 a.m., Commission Hearing Room, Office Level 2, 1580 Logan Street, Denver, Colorado 80203. Any interested person, firm, or corporation may file a written entry of appearance and notice of intervention, in duplicate, or other appropriate pleading to be a party in this Case No. 6685 by July 1, 1988. Any person, firm, or corporation may also file comments, suggestions, or modifications to the proposed rules attached to this decision as Exhibit 1, and attached to Decision No. C88-664 as Appendix A, by July 1, 1988. Modifications to the proposed rules must be filed in the legislative drafting format required by the Colorado General Assembly for proposed legislation. A proposed fiscal impact statement is attached as Exhibit 2.

THEREFORE THE COMMISSION ORDERS THAT:

1. Notice is given to all interested persons, firms, or corporations that the Commission proposes to adopt rules implementing Title 40, Article 15, § 108, C.R.S., regarding the cost-allocation

methods for telecommunication providers as Exhibit 1 to this Decision and Order. Exhibit 1 is incorporated by reference into this Decision and Order verbatim.

2. Public rulemaking hearings on the rules proposed in Exhibit 1 to this Decision and Order are set as follows:

DATE: July 11 and 12, 1988
TIME: 9:00 a.m. each day
PLACE: Commission Hearing Room
Office Level 2 (OL 2)
Logan Tower
1580 Logan Street
Denver, Colorado 80203

3. Any person, firm, or corporation desiring to intervene or participate as a party in this proceeding shall file a written entry of appearance and notice of intervention, or other appropriate pleadings to be a party, in duplicate, by July 1, 1988.

4. Any person, firm, or corporation desiring to file comments, suggestions, or modifications to the rules attached to this Decision as Exhibit 1 shall do so by July 1, 1988.

5. This Order and notice is issued under the authority of § 40-15-108, C.R.S., and other pertinent provisions of the public utility law.

This Order is effective forthwith.

DONE IN OPEN MEETING the 15th day of June 1988.

(S E A L)

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ARNOLD H. COOK

ANDRA SCHMIDT

RONALD L. LEHR

Commissioners



ATTEST: A TRUE COPY

James P. Spiers
James P. Spiers
Executive Secretary

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

BASIS, PURPOSE, AND STATUTORY AUTHORITY

The basis and purpose for these rules are to prescribe cost allocation methods in order to allow intrastate telecommunications service providers to provide both regulated and deregulated telecommunications services as permitted by law, to provide for flexible regulatory treatments, and to prevent cross-subsidy and illegal restraint of trade. These rules will establish the policies and requirements for segregating the intrastate investments and expenses of regulated telephone service from the intrastate investments and expenses of non-regulated activities of telephone companies and their affiliates. The specific statutory authority for these rules is §§ 24-4-103, 40-3-101, 40-4-111, 40-15-101, 40-15-106, 40-15-107, 40-15-108, and 40-15-302, C.R.S.

RULE 1: APPLICABILITY

These rules are applicable to all intrastate telecommunications service providers who provide both regulated and deregulated telecommunications services as permitted by law.

There are five classes of telecommunications service providers.

- 1.1 Local exchange providers who furnish more than 20,000 access lines are Class A providers.
- 1.2 Average schedule local exchange providers who furnish fewer than 20,000 access lines are Class B providers.
- 1.3 Local exchange providers who set rates based on their own costs and who furnish fewer than 20,000 access lines are Class C providers.
- 1.4 Interexchange providers who furnish no access lines are Class D providers.

- 1.5 Interexchange providers who furnish no access lines and have been granted relaxed regulatory treatment by Commission decision are Class E providers.

RULE 2: DEFINITION

Provider: As used in this rule, unless the context requires otherwise, provider means telecommunication service provider.

RULE 3: APPLICABILITY TO SPECIFIC TYPES OF ACTIVITIES

- 3.1 Each provider must file with the Commission a list of products and services that it offers, providing a description of that product or service and the classification of that service as a Part 2, Part 3, or Part 4 service as those terms are used in Title 40, Article 15, C.R.S., and as determined by Commission decision. This list shall be updated continuously.

- 3.2 Treatment of incidental activities. Providers will be permitted to continue accounting for nontariffed activities as regulated activities when they are offered incidental to tariffed services provided that:

3.2.1 The activities are outgrowths of regulated operations; and

3.2.2 The revenue from those activities does not exceed:

3.2.2.1 One-half of one percent of the provider's total annual Colorado operating revenue if the company is a Class A or Class D provider; or

3.2.2.2 Two percent of the provider's total annual Colorado operating revenue if the company is a Class B or Class C provider; or

3.2.2.3 The company-specific revenue levels as ordered by the Commission if the company is a Class E provider; and

- 3.2.3 The activity is a non-line-of-business activity;
and
- 3.2.4 The activity has traditionally been treated as an
incidental service.
- 3.3 Providers shall specify in their initial cost-segregation
manuals precisely which activities they propose to treat as
incidental activities.
- 3.4 Providers shall continuously update their cost-segregation
manuals to specify any new activity they propose to treat
as incidental and will ensure that the activity proposed
for treatment as an incidental activity complies with this
rule, except for section 3.2.4.
- 3.5 Each cost-segregation manual filed with the Commission must
include a showing that any activity proposed for treatment
as an incidental activity complies with this rule.

RULE 4: UNIFORM SYSTEM OF ACCOUNTS

- 4.1 All providers who are subject to the jurisdiction of this
Commission are required by Rule 25 (a) of the Rules of
Practice and Procedure of the Commission to file an annual
report by March 31 of each year. Rule 25(c)(1) of the
Rules of Practice and Procedure of this Commission requires
telephone and telegraph companies to maintain their books
of account and records under the Uniform System of Accounts
(USOA) prescribed by the Federal Communications Commission
(FCC) or its successor regulatory agency. The system of
accounts shall be further prescribed for the following
classified types of providers:
 - 4.1.1 Class A FCC Part 32 USOA Class A
 - 4.1.2 Class B FCC Part 32 USOA Class B
 - 4.1.3 Class C FCC Part 32 USOA Class B
 - 4.1.4 Class D FCC Part 32 USOA Class A
 - 4.1.5 Class E In accordance with Commission order.

- 4.2 Any provider within the five classes who has been granted relaxed regulatory treatment for certain products and services, may request a waiver from maintaining their books of account and records under the prescribed system.

RULE 5: SEPARATION OF COSTS BETWEEN THE STATE AND INTERSTATE JURISDICTIONS

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

RULE 6: COST SEGREGATION STANDARDS - GENERAL

The Commission adopts the use of a fully distributed cost-of-service study as the standard for the determination of whether there is cross-subsidization between regulated and deregulated services.

- 6.1 In performing a fully distributed cost-of-service study the following cost segregation principles (listed in descending order of preferred application) will be used by all providers:

- 6.1.1 Cost causation - Costs are assigned to the revenue-producing products and services that cause those costs to be incurred.
- 6.1.2 Traceability - Resources represented by the costs that are identified in their entirety with a revenue-producing product and service are directly assigned.
- 6.1.3 Variability - Costs that are not directly traceable to revenue-producing products and services, but do vary in total with some measure of the volume of activity that is associated with those products and services, are segregated according to the estimated rate of variability.
- 6.1.4 Capacity Required - Costs of capacity are assigned according to whether they are necessary for the performance of the service.

6.1.5 Beneficiality - A service is said to benefit from a cost if that cost is necessary to render that service.

6.2 Any investments or expenses that are used jointly by two or more different products or services or that are common to all services must be segregated among all of those products and services using allocators that, to the maximum extent practicable, track how those costs are incurred.

6.3 Consistent with FCC Docket 86-111, Report and Order adopted September 23, 1986, ¶ 131, these rules do not require or suggest the sole use of Cost Accounting Standards Board (CASB) standards.

6.4 Incremental or marginal costs studies will not be accepted for the purposes of this rule.

RULE 7: COST SEGREGATION STANDARDS AND GUIDELINES - SPECIFIC

7.1 All investments and expenses attributable to interstate jurisdiction are allocated using federal rules. Each cost-segregation procedure manual filed with this Commission must first demonstrate that these federal procedures have been properly applied prior to the intrastate segregation methodology.

7.2 Each Part 2, Part 3, or Part 4 product and service found in Title 40, Article 15, Colorado Revised Statutes, must be treated specifically in the cost-segregation procedure. Each product or service must be identified in sufficient detail to determine the appropriate cost categories to be employed.

7.3 In order to provide a consistent approach to segregating all costs, the Commission requires consideration in descending order of the following factors:

7.3.1 Costs must be directly assigned whenever possible. Directly assignable costs are defined as those costs that can be attributed only to the specific product or service. Clearly, where more than one product or service uses an investment or causes a cost to be incurred, direct assignment is inappropriate. (This employs the Traceability principle in Rule 6.1.2.)

- 7.3.2 The method of segregating common or jointly used investments and expenses, primarily related to the local loop and end-office switching, must use the provider's own engineering and service provision design criteria as the primary assumption. (This employs the Variability principle in Rule 6. 1.3.) The segregation method employed must, to the maximum extent possible, mirror the design criteria, including but not limited to the following:
- 7.3.2.1 Common or joint costs that vary in direct proportion to the relative amounts of use of a product or service shall be segregated based upon those relative amounts of use.
- 7.3.2.2 If the amounts of use vary in intensity by time period, and the engineering design criteria is sensitive to this peak period usage, then the segregation method must also follow this engineering cost-causation.
- 7.3.3 Common or joint costs that do not vary in direct proportion to the relevant amounts of use of the product or service shall be segregated by a surrogate measure that has a logical or observable correlation to the use of the product or service. (This employs the Capacity required principle in Rule. 6 1.4.)
- 7.3.4 Common costs for which there is no direct or indirect measure of allocation shall be segregated using an appropriate general allocator that is based upon assets, expenses, and wages, with equal weighting applied to each. (This employs the Beneficiality principle in Rule 6.1.5.)
- 7.4 Providers ordinarily shall segregate costs using the directly-attributable and cost-causative principles. General allocators shall be used only in exceptional cases and, then, only when the justification for their use is explained fully.

- 7.5 The method for segregating costs between expenses and investments used jointly will include the treatment of all services that use those investments and expenses. Providers will be required to provide the Commission with all the data necessary to verify the cost segregation.
- 7.6 As providers develop new products and services, investments are used and expenses incurred in order to begin offering those products or services. It is not appropriate to allocate these investments or expenses to an existing service. As new products and services begin to use joint and common assets, and expenses are incurred, the methods of segregation in the manuals must be modified to track the usage and expenses.

RULE 8: COST SEGREGATION POINTS OF EMPHASIS

- 8.1 A time-reporting method of allocation rather than a general allocator must be used for labor-intensive items. For example, the allocation of costs associated with joint marketing of services should employ actual time-reporting methods for the allocation.
- 8.2 Gross telephone plant, accumulated depreciation, depreciation expense, deferred taxes, generated and accumulated deferred taxes, salvage costs and other plant-related accounts must be properly segregated between Part 2, Part 3, and Part 4, Title 40, Article 15, C.R.S. Since there may be different depreciation treatments for regulated and deregulated assets, it is essential for a provider to maintain accurate records of its plant and plant-related accounts in Appendix B to its annual report.

RULE 9: IMPLEMENTATION AND ENFORCEMENT

- 9.1 The Commission will enforce these cost-segregation methods and affiliate transaction rules by requiring providers to file cost segregation manuals demonstrating, in detail, their application of the methods and affiliate transaction rules to their particular operations. These manuals must be approved by the Commission and must be kept current. These manuals shall be subject to public comment and Commission Staff review. The results derived from the application of the allocation methods described in these manuals will be subject to audit review by this Commission and its staff.

- 9.2 Any provider desiring an exception to the cost-segregation standards in these rules must make that request by application, and may be granted an exception by Commission order.

RULE 10: COST SEGREGATION MANUALS

- 10.1 Classes of Utilities Required to File. All Local Exchange Companies (LECs) that are classified as Class A or Class C providers are likely to have services that fall into Part 2, Part 3, and Part 4, Title 40, Article 15, C.R.S. Each LEC must be able to provide a manual that segregates its investments and expenses between each of these three categories. Class D Interexchange Carriers are likely to have services defined in Part 3 and Part 4 of Title 40, Article 15, C.R.S. Each of these interexchange carriers must provide a manual that segregates its investments and expenses between these two categories. Class E Interexchange Carriers will perform specific cost segregations between categories on a case-by-case basis in accordance with Commission orders. Class B average schedule providers are not required to file a cost-segregation manual because their rates are not established based upon their costs, but instead on an averaged basis of other Class B average schedule providers.
- 10.2 Filing and Review Procedures. All providers described in these rules must file a cost-segregation manual. The detailed manual will describe the manner in which each provider will implement these cost segregation standards. Each manual will be reviewed by the Staff of the Commission and the public will be given an opportunity for comment. Each manual filing and subsequent change may be the subject of a hearing.
- 10.3 Exemption from the Manual Filing Requirement. A waiver to the manual-filing requirement may be extended to providers who have less than \$5 million in total-Colorado annual operating revenues and have less than two percent of their in-state revenue designated as Part 4 deregulated service as defined in Title 40, Article 15, C.R.S. Any provider desiring a waiver from the manual filing requirement must make that request by application, and may be granted a waiver by Commission order.

- 10.4 Applicability of Cost Segregation Standards after Exemption from Manual Filing Requirement. An exemption from filing a manual would not, however, exempt any provider from conforming to the cost-segregation standards described within these rules when a change in revenue requirement or an annual report is submitted to the Commission.
- 10.5 Manual Content. Each provider's cost-segregation manual shall contain the following information:
- 10.5.1 A description of each service (or service family) provided by provider comprehensive enough to provide sufficient information about the service to ascertain its cost treatment.
 - 10.5.2 The category in which the service belongs, namely, Part 2, Part 3, or Part 4, Title 40, Article 15, C.R.S.
 - 10.5.3 For each USOA account and sub-account, a detailed specification of cost categories to which amounts in each account or sub-account will be assigned and the basis on which each cost category will be apportioned. Whenever a direct assignment is made, it must be specifically explained. Each provider must show in its manual the method it uses to segregate its costs between Part 2, Part 3, and Part 4 service grouping described in Title 40, Article 15, C.R.S. The manual must show how the segregation methods used conform to the prescribed standards in this rule.
 - 10.5.4 An audit trail verifying that the federally mandated Part 32, Part 64 and Part 36 (FCC) accounting methods were used prior to segregation procedures being incorporated for the services and products in Colorado.
 - 10.5.5 A list of all activities to which the company now accords incidental accounting treatment, and the justification for treating each as incidental.
 - 10.5.6 A chart showing all of its corporate affiliates, as defined in Rule 13.

- 10.5.7 A statement identifying affiliates that engage in or will engage in transactions with the provider entity and describing the nature, terms, and frequency of those transactions.

RULE 11: REPORTING AND RECORDKEEPING

- 11.1 Each provider will be required to keep permanent records of all supporting documentation for cost segregations. The providers will be required to keep a complete audit trail of all cost segregations and affiliate transactions.
- 11.2 Each provider shall, as an Appendix B to its annual report, provide to the Commission its segregated financial statements.

RULE 12: AUDITING

- 12.1 The providers will be required to submit certified reports of an independent auditor, attesting that the provider has designed and implemented its cost segregation manual in a manner consistent with these regulatory requirements. These audit reports also will be required as part of any formal request by the provider for a change in revenue requirements submitted to the Commission. It is expected that the independent auditor will determine and certify that the manual is in compliance with both federal and state cost allocation and accounting rules.
- 12.2 The independent auditor should specifically address the segregation manuals approved by this Commission for the segregation of investments, revenues, and expenses. Segregations that are questioned or in doubt, and could be replaced to better reflect cost-causation or prevent cross subsidies, should be updated following authorization from the Commission.
- 12.3 In the event that a provider has petitioned the Commission and received a waiver from the cost-segregation manual filing requirement, that provider must certify that it is in compliance with the cost-segregation standards described in these rules when it files for any change in revenue requirements with the Commission.

12.4 The independent auditor's certified report filed with the Commission shall include:

- 12.4.1 The scope of work conducted, specifying the items examined and the extent of examination.
- 12.4.2 The auditor's conclusion as to whether actual methods and procedures implemented and performed by the provider conform with the objectives, approach and procedures described in the cost-segregation manual or with the cost-segregation standards given in these rules.
- 12.4.3 Any material exceptions or qualifications that the auditor may have identifying the adequacy of the procedures.
- 12.4.4 Any limitations in the scope of review imposed upon the auditor by the provider.
- 12.4.5 A statement that the attestation standards have been fully met during the examination.

RULE 13: PROPRIETARY INFORMATION

The Auditor's Attestation Report shall be filed with the Commission and may be given proprietary status if requested and approved. Any workpapers used by the independent auditors must be made available for Commission staff review. The provider must make the proper authorization to release these workpapers to the Staff of the Commission.

RULE 14: AFFILIATE TRANSACTIONS

All providers are subject to the following rule. This rule applies to transfers between regulated and nonregulated books of accounts and records within the company as well as between regulated and nonregulated affiliates.

14.1 Transfer of Assets

- 14.1.1 All assets transferred between regulated providers and nonregulated affiliates must be valued at the prevailing market price held out to the general public in the normal course of business or at the current effective tariff rate on file with the Commission.
- 14.1.2 If there is no prevailing company price or tariff rate, the asset transfer from the nonregulated affiliate to the regulated provider should be recorded at the lower of net-book cost or fair market value, while transfers from the regulated provider to the nonregulated affiliate should be recorded at the higher of net-book cost or fair market value.

14.2 Valuation of Services Provided to or by an Affiliate.

- 14.2.1 All services provided to or by an affiliate must be valued at the federally tariffed rate or the rate on file with the Colorado Commission.
- 14.2.2 If there is no tariffed rate, but the affiliate provides the service to the general public in the normal course of business, then this prevailing price should be used to determine the price charged to the regulated provider.
- 14.2.3 When a regulated provider furnishes to a nonregulated affiliate a service which is neither tariffed nor offered to the general public in the normal course of business, or when a regulated provider receives from a nonregulated affiliate a service which is not offered to the general public in the normal course of business, the cost of the service should be valued at the fully allocated cost, determined in a manner that complies with these cost segregation standards and rules.

- 14.3 Prevailing Price. The mere offering of a service to unaffiliated persons or entities is not sufficient to establish a prevailing company price. The company must

show that the service is actually provided to a sufficient number of unaffiliated persons or entities to establish a prevailing price.

- 14.4 Manual Content. The providers must include in their cost-segregation manuals a statement identifying affiliates that do engage in or will engage in transactions with the provider. They shall describe the nature, terms and frequency of those transactions.
- 14.4.1 Nature of transactions. The company must state in its manual, for each service transaction, a description of the nature of the transactions (that is, whether the service involves the provision of services or asset transfers).
- 14.4.2 Terms of affiliate transactions. The company must state in its manual the terms at which the service is provided (that is, at tariff rate, prevailing company price, or fully distributed cost).
- 14.4.3 Frequency of affiliate transactions. The company must state in its manual the frequency with which the service is rendered.
- 14.5 Transactions with nonaffiliates. Providers must state whether the services listed in the affiliate transactions portion of the manual are offered to nonaffiliates, and if so, the terms and frequency at which they are provided to the nonaffiliates.

Exhibit 2
Decision No. C88-761
June 15, 1988
Page 1 of 1
Case No. 6685

PROPOSED FISCAL IMPACT STATEMENT FOR RULES ISSUED
IN ACCORDANCE WITH § 40-15-108, C.R.S.

1. Requirement of fiscal impact statement - determination of fiscal impact.

The proposed rules to prescribe cost-allocation methods attached as Appendix A to Decision No. C88-664 issued June 1, 1988, will not result in increased expenditures by state agencies or any political subdivision of the state. It also is believed that these rules will not result in any increased or decreased revenues by any state agency or any political subdivision of the state.

The Colorado General Assembly enacted House Bill 1336 (§§ 40-15-101 et. seq., C.R.S.), which was effective July 2, 1987, upon the signature of Governor Roy Romer. This bill requires the Colorado Public Utilities Commission (CPUC) to issue rules under § 40-15-108 prescribing cost-allocation methods in order to allow telecommunication service providers to provide both regulated and deregulated telecommunications services. These rules impose policing, processing, and administrative requirements, upon the CPUC; however, existing personnel and facilities will be used to implement and enforce these rules.

The proposed rules likely will have a beneficial impact upon the citizens of the State of Colorado by encouraging competition within the telecommunications industry which should produce competitive pricing for the services described in these rules but avoid the possibility of cross-subsidization between regulated services and products and deregulated services and products.

2. The cost and benefits to persons or groups affected by the rules.

The persons or groups in addition to the State and agencies who will bear the cost of these rules will be the providers of telecommunication services in the State of Colorado. However, the same persons or groups should also benefit from the rules since it is the intent of the CPUC, consistent with the legislative intent, to allow telecommunications providers to offer both regulated and deregulated communications services in a manner that will not result in cross-subsidization of deregulated products by regulated products and services.

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