State of Rhode Island and Providence Plantations
A. Ralph Mollis
Secretary of State

Rules and Regulations Filing Form

1. Agency Name and Address
Public Utilities Commission
89 Jefferson Blvd. , Warwick

2. Title of Rule
Regulations Regarding "Avoided Costs" For Development Of "Wholesale" Discounts From Retail Rates

3. Statutory Source of Authority
R.I.G.L. Chapter 39 and U.S.C. Sections 151–760 of the Telecommunications Act of 1996

4. Concise Explanatory Statement – §42–35–2.3
Provide guidelines for the development of wholesale discounts from retail rates that the incumbent local exchange carrier must grant its competitors in the local exchange market under the terms of the Telecommunications Act of 1996

5. Type of Filing

Emergency Rules

A1. Emergency 120–day initial – §42–35–3(b)
☐ Adoption
☐ Amendment of ERLID:
☐ Repeal of ERLID:

A2. Emergency 90–day renewal – §42–35–3(b)
☐ Adoption
☐ Amendment
Indicate ERLID of 120–day initial:

Brief Statement of Reason for Finding Imminent Peril §42–35–3(b)(2):

Final Rules

☐ B1. Amendment ☐ B2. Adoption ☐ B3. Repeal ☑ C. Technical Revision

Supersedes ERLID: 979 Repeals ERLID: Expires ERLID:

If B1 or C, please indicate new, amended, deleted, or revised sections:
Change the name of the incumbent local exchange carrier from NYNEX to Verizon New England, Inc. and remove signature of former Chairman on the last page

6. Notice and Hearing Information
Date of Public Notice – §42–35–3(a)(1):Notice Not Required
Date of Public Hearing – §42–35–3(a)(2):Hearing Not Required
End of Comment Period:00/00/0000

7. Agency Additional Information – Web Page
http:// .

8. Certification
I hereby certify that the attached rules and regulations were adopted in accordance with the Administrative Procedures Act (42–35) and that they are true copies of this Department, attest,

Leila E. Massaro
Name

Commission Clerk
Title

Notary Public

Subscribed and sworn before me
this 30th day of December, 2010

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION

REGULATIONS REGARDING "AVOIDED COST" FOR DEVELOPMENT OF "WHOLESALE" DISCOUNTS FROM RETAIL RATES

(Docket No. 2518)

Date of Public Notice: November 5, 1997

Date of Public Hearing: November 18, 1997

Effective Date: March 1, 1998

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REGULATIONS REGARDING "AVOIDED COST" FOR
DEVELOPMENT OF WHOLESALE DISCOUNTS FROM RETAIL RATES

I. INTRODUCTION:

On January 10, 1997, the Public Utilities Commission released a Notice of Inquiry on the subject of the calculation of Avoided Cost for determining the amount of discount from retail rates that Verizon New England, Inc. (doing business as Verizon Rhode Island (Verizon), the incumbent local exchange carrier, must grants its competitors in the local exchange market under the terms of the federal Telecommunications Act of 1996 ("Act"), P.L. 104-104, 110 Stat. 56, codified as 47 U.S.C. §§151-760, particularly § 251(b)(1) and §251(c)(4). Following a public hearing on November 18, 1997, the Commission adopted guidelines or the development of wholesale discounts from retail rates. These regulations reflect the Commission's decision in Order No. 15511 (issued January 29, 1998).

II. DEFINITIONS

A. *Business services*: for the purpose of determining the conditions under which services might be resold, business services are all those services provided at retail other than residential services.

B. *Commission:* the Rhode Island Public Utilities Commission.

C. *Common carrier:* a company authorized by the Commission to provide telephone service.

D. *Exchange access:* the offering of access to telephone exchange service or facilities for the purpose of the origination of telephone toll services.

E. *Local exchange carrier:* a common carrier authorized by the Commission to provide local exchange service or exchange access in Rhode Island , or

any portion thereof. An *incumbent local exchange carrier* is one that was providing such service on February 9, 1996; a *competitive local exchange carrier* is one that provides such service in an exchange where there is an incumbent already providing such service, or where there is no incumbent.

F. *Local exchange service:* telephone service or facilities for the purpose of originating or terminating telephone service, and the provision of such services within an exchange.

G. *Services provided at retail:* telephone services provided to customers that are not common carriers.

H. *Residential services:* for the purpose of determining the conditions under which services might be resold, residential services are services provided at retail to individuals and families at their places of residence, or for personal use in mobile services.

III. SERVICES AVAILABLE FOR RESALE:

A. All services provided at retail by Verizon, the incumbent local exchange carrier in Rhode Island, shall be presumptively available to competitive local exchange carriers for resale. Such sales shall be at a discount from the tariffed retail rate, calculated as provided elsewhere in this section.

B. Services provided at retail shall include all services in the general tariff of the incumbent local exchange carrier, plus all services provided in temporary promotional tariffs in effect for 90 days or longer in any calendar year. Services provided under other tariffs may be designated as services provided at retail upon submission of evidence that the incumbent local exchange carriers has provided them to some customers who are not common carriers. Services provided under tariffs other than the general tariff, or services provided under experimental tariffs or as technical trials, may be subject to restrictions as to whether they may be available for resale, or as to the customers to which they may be resold.

C. Competitive local exchange carriers may resell business services to any customer, or use them for their own internal purposes, and this includes services subject to bulk discounts, quantity discounts, or discounts related to the contract term. Competitive local exchange carriers may resell residential service only to residential customers, as defined in the tariff of the incumbent local exchange carrier. The Commission may, when appropriate, order restrictions on the resale of services to another group or class of customers that are offered only to a limited group or class of customers.

D. Services that are offered only to present customers, but not to new customers, may be resold, but only to the present customers.

IV. CALCULATION OF AVOIDED COST DISCOUNT

A. When calculation the avoided cost discount for wholesale rates, the incumbent local exchange carrier shall start with its jurisdictionally separated costs for the State of Rhode Island. From the jurisdictionally separated accounts, it will make the following calculations in nits cost study of retail avoided costs to produce two components (direct cost component and an indirect cost component) of the total avoided cost discount:

1. Include as avoided direct costs the intrastate costs in USOA accounts 6611 (product management), 6612 (sales), 6613 (product advertising), 6621 (call completion services), 6622 (number services), and 6623 (customer services). The sum of these intrastate costs will be divided by intrastate revenues to yield the direct avoided cost discount component of the total avoided cost discount.

2. Include as avoided indirect costs a portion of the intrastate costs included in USOA accounts 6121-6124 (general support expenses), 6711, 6712, 6721-6728 (corporate operations expenses), and 5301 (telecommunications uncollectables). These intrastate costs are assumed to be avoided in the same proportion to total intrastate revenues as direct costs are avoided, as defined in IV.A.1 above, to yield the indirect avoided cost discount component of the total avoided cost discount.

3. The total avoided cost discount will be the sum of the direct avoided cost component as described in IV.A.1 above, and the indirect avoided cost component, as described in IV.A.2 above.

4. Not included plant-specific expenses and plant non-specific expenses other than general support expenses, that is, not included accounts 6110-6116 and 6210-6565, except as provided above.

5. Costs included in accounts 6611-6613 and 6621-6623 may be included in wholesale rates (that is, excluded from the avoided costs) only to the extent that a party demonstrates that *specific* costs in these accounts will be incurred and are not avoidable with respect to services sold at wholesale, or that *specific* costs in these accounts are not included in the costs of services sold at retail. Costs included in accounts 6110-6116 and 6210-6565 may be

treated as direct avoided costs (see IV.A.3 above), and excluded from wholesale rates only to be the extent that a party demonstrates that *specific* costs in these accounts can reasonably be avoided when an incumbent local exchange carrier provides a telecommunications service to a requesting carrier for resale.

6. An incumbent local exchange carrier may include up to one (1) per cent of the amount in account 5301 (telecommunications uncollectables) in its resale rates to compensate itself for the risk we impose upon it by requiring that it continue to serve the ultimate customers, without interruption, in the event of default by the carrier reselling its services.

B. In the event a reseller defaults in its payments to the carrier providing the wholesale service, the carrier providing the wholesale service may not disconnect any of the ultimate retail customers who have paid their bills, and must continue to serve them *without interruption*, at its regular tariffed rates for the service. Its remedies shall be limited to claims against the reseller for all services it provides for which the reseller collected payment (recognizing that many telecommunications services are normally paid for in advance).

The foregoing requirements, after due notice and an opportunity for hearing, are hereby adopted and filed with the Secretary of State this 29th day of January, 1998, to become effective thirty (30) days after filing, in accordance with the provisions of R.I.G.L. 1956 (1998 Reenactment) §42-35-2(a)(2) and §42-35-3.

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