

**PROPOSED REGULATION OF THE  
PUBLIC UTILITIES COMMISSION OF NEVADA**

**LCB File No. R010-98**

May 4, 1998

EXPLANATION – Matter in *italics* is new; matter in brackets [ ] is material to be omitted.

AUTHORITY: §§2-12, NRS 704.020 and 704.210.

**Section 1.** Chapter 704 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 12, inclusive, of this regulation.

**Sec. 2.** *As used in sections 2 to 12, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 8, inclusive, of this regulation have the meanings ascribed to them in those sections.*

**Sec. 3.** *“All other services” means all telecommunications services that an incumbent local exchange carrier is required to offer for resale pursuant to 47 U.S.C. § 251(c)(4). The term does not include operator and directory assistance services.*

**Sec. 4.** *“Avoided cost study” means a study to determine wholesale discount factors that an incumbent local exchange carrier is required to conduct pursuant to section 9 of this regulation.*

**Sec. 5.** *“Avoided retail costs” means the difference between:*

*1. The level of costs that an incumbent local exchange carrier incurs currently to provide a given level of service at retail; and*

2. *The level of costs that the incumbent local exchange carrier would incur if it were to provide the same level of service solely through sale at wholesale.*

**Sec. 6.** *“Incumbent local exchange carrier” has the meaning ascribed to it in 47 U.S.C. § 251(h)(1).*

**Sec. 7.** *“Wholesale discount factor” means the ratio obtained by dividing the avoided retail costs for a particular service or group of services by the total costs incurred by the incumbent local exchange carrier to provide that service or group of services at retail.*

**Sec. 8.** *“Wholesale rate” means the rate that an incumbent local exchange carrier charges to provide a telecommunications service at retail, less the portion thereof attributable to avoided retail costs. The wholesale rate is determined in accordance with the formula set forth in section 10 of this regulation.*

**Sec. 9.** 1. *Except as otherwise provided in subsection 4, an incumbent local exchange carrier shall determine wholesale discount factors on the basis of an avoided cost study that meets the requirements of sections 11 and 12 of this regulation.*

2. *An incumbent local exchange carrier shall determine separate wholesale discount factors:*

(a) *For operator and directory assistance services; and*

(b) *Except as otherwise provided in subsection 3, for all other services as a group.*

3. *Notwithstanding the provisions of paragraph (b) of subsection 2, an incumbent local exchange carrier:*

(a) *Shall determine service-specific wholesale discount factors if such service-specific wholesale discount factors are required pursuant to 47 U.S.C. § 252(b), (c) or (d).*

*(b) May elect voluntarily to determine service-specific wholesale discount factors.*

*4. An incumbent local exchange carrier and a requesting telecommunications carrier may negotiate voluntarily and enter into a binding agreement for wholesale discount factors without regard to the provisions of sections 11 and 12 of this regulation.*

*5. As used in this section, “requesting telecommunications carrier” means a telecommunications carrier, as that term is defined in 47 U.S.C. § 153(44), which requests to purchase at wholesale rates services offered by an incumbent local exchange carrier.*

**Sec. 10.** *An incumbent local exchange carrier shall, in complying with 47 U.S.C. § 251(c)(4), determine the wholesale rate for a telecommunications service that is offered for resale by subtracting from the retail rate for that service the product obtained by multiplying the retail rate by the applicable wholesale discount factor.*

**Sec. 11.** *1. An incumbent local exchange carrier shall conduct separate avoided cost studies:*

*(a) For operator and directory assistance services; and*

*(b) Except as otherwise provided in subsection 2, for all other services as a group.*

*2. Notwithstanding the provisions of paragraph (b) of subsection 1, an incumbent local exchange carrier:*

*(a) Shall conduct service-specific avoided cost studies if such service-specific avoided cost studies are required pursuant to 47 U.S.C. § 252(b), (c) or (d).*

*(b) May elect voluntarily to conduct service-specific avoided cost studies.*

**Sec. 12.** *1. An avoided cost study required pursuant to section 11 of this regulation must:*

*(a) Use the most current data pertaining to the incumbent local exchange carrier that is available, as reported by the Automated Reporting Management Information System (ARMIS) of the Federal Communications Commission in report number 43-03.*

*(b) Be conducted in accordance with the Uniform System of Accounts for Class A and B telephone companies (“USOA accounts”) that is described in 47 C.F.R. Part 32.*

*(c) Exclude expenses associated with telecommunications services that are not offered for resale.*

*(d) Be based upon avoided retail costs.*

*(e) Include as avoided direct costs:*

*(1) A portion of the costs recorded in USOA account 6611 (product management); and*

*(2) The vast majority of costs recorded in USOA accounts 6612 (sales), 6613 (product advertising) and 6623 (customer services).*

*(f) Include as avoided indirect costs a portion of the costs recorded in:*

*(1) USOA accounts 6121 to 6124, inclusive (general support expenses);*

*(2) USOA accounts 6711, 6712 and 6721 to 6728, inclusive (corporate operations expenses); and*

*(3) USOA account 5301 (uncollectible revenue - telecommunications).*

*2. As used in this section:*

*(a) “Avoided direct costs” means costs that an incumbent local exchange carrier avoids directly by providing services at wholesale rather than at retail.*

*(b) “Avoided indirect costs” means costs that an incumbent local exchange carrier avoids indirectly by providing services at wholesale rather than at retail.*