

Before The  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF NORTH PENN :  
TELEPHONE COMPANY FOR :  
APPROVAL OF A STREAMLINED : Docket No. P-00981436 F1000  
FORM OF REGULATION AND :  
NETWORK MODERNIZATION PLAN :

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AMENDED STREAMLINED FORM OF REGULATION  
AND  
NETWORK MODERNIZATION PLAN  
OF  
NORTH PENN TELEPHONE COMPANY

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This Chapter 30 Plan iswas filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended March 4, 2005

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## INTRODUCTION

This Plan ~~is~~was filed by North Penn Telephone Company ("Company") pursuant to Act 67 of 1993, Section 3006 of the Public Utility Code, 66 Pa.C.S. §3006, and Pennsylvania Public Utility Commission ("Commission") Opinions and Orders entered January 20, 2000, and March 30, 2000, at Docket Nos. P-00981425, et al., and is amended herein pursuant to Act 183 of 2004.<sup>1</sup>

Chapter 30 of the Public Utility Code was originally signed into law on July 8, 1993. See Act 67, P.L. 456 ("Act 67"), codified at 66 Pa.C.S. §§3001-3009 ("Chapter 30"). Act 67 sunsetted by operation of law on December 31, 2003. Act 183 of 2004 (hereinafter referred to as "Act 183" or "Chapter 30") was signed into law on November 30, 2004, to replace Act 67, and codified at 66 Pa.C.S. §3011-3019. The primary goal of Chapter 30 as newly enacted is to accelerate further the deployment of a universally available "broadband" telecommunications network throughout Pennsylvania. In order to achieve the ~~accelerated~~ deployment of ~~the~~a broadband network, Chapter 30, as amended, provides an opportunity for the continuation of alternative and streamlined regulation ~~to replace "traditional" rate base/rate of return ratemaking.~~ with the opportunity to accelerate the deployment of the Company's broadband network.

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<sup>1</sup>In an effort to clarify what terms of the Company's existing Chapter 30 Plan remain in effect and which are superceded by Act 183, the Company has amended both its Streamlined Regulation and Network Modernization Plans herein to comport with Act 183. Section 3015(h) of Act 183, however, deems the Company's Streamlined Regulation Plan amended upon approval of the amended NMP. In the event of any oversight, the terms of Act 183 control.

\_\_\_\_\_ Section 3003 of ~~Chapter 30~~, Act 67, 66 Pa.C.S. §3003, specifically authorizes~~sd~~ local exchange carriers to petition for approval of an alternative form of regulation:

(a) **Petition.**--When a local exchange telecommunications company seeks to be regulated under an alternative form of regulation, it shall submit to the commission a petition requesting the alternative form of regulation. In the petition, the company shall submit its proposal and supporting data for an alternative form of regulation. The petition shall also identify all competitive services which the local exchange telecommunications company proposes at that time.

Smaller local exchange carriers, including the Company, serving less than 50,000 access lines ~~may~~were permitted to petition for a streamlined form of regulation. See Act 67, 66 Pa.C.S. §3006. Section 3006(a) sets~~s~~ forth the parameters of streamlined regulation as follows:

The streamlined form of rate regulation shall be designed to decrease regulatory delays and costs and may include, but is not limited to, use of an index formula, price stability plan, zone of rate freedom or a combination thereof. The streamlined form of rate regulation may be proposed to revise or decrease notice periods, suspension periods and other procedures currently required by Chapter 13 (relating to rates and rate making) consistent with due process requirements.

66 Pa.C.S. §3006(a) (footnote omitted).

~~Chapter 30~~Act 67 requires~~sd~~ that a network modernization plan be included as part of an alternative or streamlined regulation petition under which each local exchange carrier ("LEC") ~~must~~was required to commit to universal broadband availability including "converting 100% of its interoffice and distribution telecommunications network to broadband capability by December 31, 2015." 66 Pa.C.S. §3003(b)(1). Also, ~~Chapter 30 permits~~Act 67 permitted LECs to request a determination and classification that certain services or other business activities

offered ~~are~~were competitive. 66 Pa.C.S. §3005. Services determined to be competitive ~~are~~were no longer subject to Commission regulation unless expressly provided for in ~~Chapter 30~~Act 67. 66 Pa.C.S. §3009(f).

Consistent therewith, this Plan for Streamlined Regulation satisfies~~s~~d the requirements of Section 3006 and the Commission Opinions and Orders entered January 20, 2000, and March 30, 2000, at Docket No. P-00981436. The~~s~~is Plan, as originally approved (and as amended herein), contains the following five parts, which are interrelated and dependent upon one another:

- Part 1        The “Network Modernization Plan” as amended sets forth the Company’s commitment to provide universal broadband availability by December 31, 20~~15~~08.
- Part 2        The “Competitive Services Deregulation Plan” provides for the deregulation of the prices and earnings of competitive services, but preserves the Commission's authority over the quality of those services. In addition, the Competitive Services Deregulation Plan contains safeguards to protect competitors from potential abuses and to insulate basic ratepayers from the economic risk of competitive services.
- Part 3        The Price Stability Plans, Plan A and Plan B, govern rate changes for noncompetitive services for the duration of the respective Plan. They also constrain noncompetitive service price changes and provide for interim tariff rate adjustments.
- Part 4        The section entitled “Additional Commitments and Other Terms” describes the Company’s ongoing obligations and

commitments regarding service and regulatory reporting requirements.

Part 5 This section, Glossary of Terms, contains a glossary which defines terms used in connection with this Plan.

Act 183 provides the Company options for the amendment of this Plan.

Section 3014(b)(1)(ii) provides the Company the following amendment option:

(ii) The rural telecommunications carrier shall commit to accelerate 100% broadband availability by December 31, 2008.

Pursuant to this option, this Plan, as amended, sets forth the Company's commitment to accelerate 100% broadband availability by December 31, 2008, and amends the Company's Chapter 30 Plan consistent with the provisions of Act 183.

This Plan has been amended to be and has been found by the Commission to be compliant with Act 183 of 2004, 66 Pa.C.S. §§3011-3019.

## **PART 1 - NETWORK MODERNIZATION PLAN**

The amended Network Modernization Plan ("NMP"), which is set forth in Appendix A hereto, sets forth the Company's commitment to accelerate the modernization of its network, leading to full development of universal broadband availability by December 31, 2015~~08~~.

## **PART 2 - COMPETITIVE SERVICES DEREGULATION PLAN**

The Company's Competitive Services Deregulation Plan ("CSP") provides for the price and earnings deregulation of services found by the Commission to be competitive or declared by the Company to be competitive in accordance with Chapter 30. Certain services ~~are~~have already been deregulated or declared under this Plan to be competitive.

### **A. Competitive Services**

1. The following services ~~are currently~~were deregulated and ~~shall~~ so continue: Interstate Billing & Collection, Customer Premise Equipment, Inside Wire and Voice Mail.

2. Directory Advertising ~~is immediately~~has been classified as a competitive service. Directory Advertising service has already met all of the preexisting criteria necessary for a determination that the service is competitive and ~~has been~~was deemed competitive for similarly situated markets.

3. Competitive services shall not be regulated on any basis whatsoever other than quality of service, including as to rates, tolls, charges, rate structures, rate base, rate of return or earnings. The Commission will retain its existing authority over competitive services for the purpose of service quality standards only



as contained in 52 Pa. Code that address the safety, adequacy, reliability and privacy of telecommunications services and the ordering, installation, suspension, termination and restoration of any telecommunications service. Any review or revision shall take into consideration the emergence of new industry participants, technological advancements, service standards, and consumer demand. ~~The Company shall identify, at the time of the filing of an Annual Report with the Commission, the revenues, expenses, rate base and net income associated with all services deemed competitive under Chapter 30. Five (5) years after approval of the Plan, the Company may request thereafter that this reporting requirement be discontinued.~~

4. ~~Informational price lists or tariffs shall be filed by the Company for services declared competitive in the future, pursuant to the Interim Guidelines adopted by the Commission in Appendix D of the Global Order entered September 30, 1999, Docket Nos. P-00991648 and P-00991649, and any subsequent rules to be established at Docket No. L-00940095. The Company may price competitive services at its discretion. Tariffs shall not be required by the Commission for competitive services. At its option, the Company may tariff the rates, subject to rules and regulations applicable to the provision of competitive services. The Commission may require the Company to maintain price lists with the Commission applicable to its competitive services. Price changes that are filed in the Company's tariff for competitive services will go into effect on a one-day notice.~~

5. ~~The Company may request that additional services be classified as competitive. The Company may petition the Commission for a determination of whether a protected or retail noncompetitive service or other business activity in its~~

service territory or a particular geographic area or exchange or group of exchanges within its service territory is competitive based on the demonstrated availability of like or substitute services or other business activities provided or offered by alternative service providers. The Commission, after notice and hearing, shall enter an order granting or denying the petition within 60 days of the filing date, or within 150 days of filing date where a protest is timely filed, or the petition shall be deemed granted. The Company shall serve a copy of its petition on the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA") and each of the parties to the Commission's proceeding in which the Company's original Chapter 30 Plan was approved by the Commission. In making its determination, the Commission shall consider all relevant information submitted to it, including the availability of like or substitute services or other business activities, and shall limit its determination to the service territory or the particular geographic area or exchange or group of exchanges in which the service or other business activity has been proved to be competitive. The burden of proving that a protected or retail noncompetitive service or other business activity is competitive rests on the Company. In the event that the Commission declares a service to be competitive in another company's Chapter 30 proceeding or subsequent filing, such declaration shall then also be applied as a rebuttable presumption in any proceeding filed by the Company requesting that the same or similar service be declared competitive under Chapter 30, so long as the markets are substantially similar. ~~For the purposes of such filing, a sixty (60) day notice procedure shall be followed.~~

~~6. Where the Company requests that new or existing services be classified as competitive, a sixty (60) day notice procedure shall be followed. The~~

~~public shall be notified of the proposed competitive classification by general newspaper notice, bill insert or billing message. Such request shall be served in-hand upon the Office of Trial Staff ("OTS"), Office of Consumer Advocate ("OCA"), Office of Small Business Advocate ("OSBA"), and any other Chapter 30 party and shall be served upon any other party as directed by the Commission Secretary. Any complaint or comment in support of or opposition to the proposed classification shall be filed with the Commission within twenty-five (25) days of the original filing. The Company may respond within fifteen (15) days thereafter. The Commission shall enter an Order within sixty (60) days of the filing or the service shall be deemed competitive, unless such time period is extended by the Company to permit time for the ADR mediation process.~~ Notwithstanding the provisions of Part 2.A.5. of this Plan, the Company may declare any retail nonprotected service as competitive by filing a declaration with the Commission and serving it on the OCA, OSBA and each of the parties to the Commission's proceeding in which the Company's original Network Modernization Plan was approved by the Commission, provided that the Company may not use this declaration process for any service that the Commission previously has reclassified as noncompetitive under either Part 2.A.7. of this Plan or prior law. A declaration of a retail nonprotected service as competitive shall be effective upon filing by the Company with the Commission.

7. A party may petition the Commission for a determination of whether a service or other business activity previously determined or declared to be competitive is noncompetitive. The Commission, after notice and hearing, shall enter an order deciding the petition within 60 days of the filing date or 90 days of the filing date where a protest is timely filed, or the petition shall be approved. The

petitioner shall serve a copy of the petition on the Company, serving it on the OCA, OSBA and each of the parties to the Commission's proceeding in which the Company's original Network Modernization Plan was approved by the Commission. In making its determination, the Commission shall consider all relevant information submitted to it, including the availability of like or substitute services or other business activities, and shall limit its determination to the particular geographic area, exchange or density cell in which the service or other business activity has been proved to be noncompetitive. The burden of proving that a competitive service or other business activity should be reclassified as noncompetitive rests on the party seeking the reclassification. If the Commission reclassifies a service or other business activity as noncompetitive, the Commission shall determine a just and reasonable rate for the reclassified service or business activity in accordance with 66 Pa.C.S. §1301 (relating to rates to be just and reasonable).

**B. Statutory Protections**

1. The Company shall meet the requirements of Chapter 30 with respect to services deemed competitive, i.e., 66 Pa.C.S. ~~§3005(e)(1) and (2)~~.§3016.

~~2. As of the date of approval of this Plan for the services declared competitive herein, the Company meets the requirements of 66 Pa.C.S. §3005(e)(2) to the extent that such requirements apply.~~

~~3. By operation of the Price Stability Plans later described, the~~

2. The Company shall not use revenues earned and/or expenses incurred for any in conjunction with noncompetitive service ~~will not cross-subsidize or support~~ anys to subsidize competitive ~~service~~. services. This provision shall not be construed to prevent its marketing and billing of packages containing both

noncompetitive and competitive services to customers. 66 Pa.C.S. §3016(f)(1) and (2). Therefore, this Plan is in compliance with the requirements of Chapter 30.

3. The price that the Company charges for competitive services shall not be less than the costs to provide the services. 66 Pa.C.S. §3016(g)(21).

~~4.~~ The Company may use comparable cost studies presented by larger or other telephone companies in order to comply with **any applicable** competitive costing and pricing safeguards to the extent that such requirements apply.

~~5. The Company will not maintain any resale or sharing restrictions, except those resale restrictions otherwise permitted pursuant to appropriate regulatory authority, e.g. class of service restrictions, on any service deemed competitive.~~

### **C. Compliance**

1. Formal challenge to the Company's compliance with the provisions of the CSP may be made through separate complaint procedures. Any competitor or other party who believes the Company has violated any of the provisions of this CSP may file a complaint with the Commission.

## **PART 3 - PRICE STABILITY PLANS FOR NONCOMPETITIVE SERVICES**

The Price Stability Plans ("PSPs") set forth the principles and procedures applicable to changes in the Company's rates which would otherwise be governed by the ratemaking methodology set forth in Chapter 13 of the Pennsylvania Public Utility Code. Plan A is a Price Stability Mechanism ("PSM") and Plan B is a Simplified Ratemaking Plan ("SRP"). Plan B will apply to the Company until such

time as the Company elects to switch to Plan A pursuant to Part B.(A)9 (“Plan A Election”).

Nothing in these Plans shall be construed to limit the requirement of 66 Pa.C.S. §1301 that rates shall be just and reasonable. The annual rate change limitations set forth in the Company's Plan and any other Commission-approved annual rate change limitation shall remain applicable and shall be deemed just and reasonable under §1301.

## **PLAN A - PRICE STABILITY MECHANISM PLAN**

### **A.(A) Price Stability Mechanism (PSI and SPI)**

1. The Price Stability Mechanism (“PSM”), designated herein as Plan A, shall apply to the Company only following a Plan A Election. Plan A will be based upon the Company’s rates in effect on the date the Company makes a Plan A Election.

2. The Price Stability Index (“PSI”) under the PSM determines the allowable change (increase or decrease) in rates for noncompetitive services based upon the annual change in the Gross Domestic Product Price Index (“GDP-PI”), as calculated by the United States Department of Commerce. Changes based upon this formula are then cumulatively tracked using the Service Price Index (“SPI”). Plan A also addresses rate rebalancing, rate restructuring and the introduction of new services.

3. Plan A will be the exclusive basis upon which the Company’s noncompetitive rates will be regulated once the Company makes a Plan A Election. All tariff filings for noncompetitive services are subject to review under the terms of this Plan. Chapter 13, Sections 1301 through 1305, inclusive, 1309, and 1312;

~~1324 and 1325~~ of the Public Utility Code (the "Code") remain applicable under the provisions of the Plan. All other provisions of the Code, other laws of the Commonwealth, or regulations in conflict with this Plan are hereby superseded.

4. Annually, the Company will calculate the new PSI, which will include the added impact of exogenous events, according to the following methodology:

$$PSI_t = PSI_{t-1} (1 + \% \Delta GDP-PI - X \pm Z)$$

which comprises the "PSM formula," where:

PSI <sub>t</sub>	The new index that determines the maximum prices for the noncompetitive service category based on the cumulative changes in the price cap index for the current twelve month period.
PSI <sub>t-1</sub>	The current index that determines the current maximum prices for the noncompetitive service category based on the cumulative changes in the price cap index for the previous twelve month period. <sup>42</sup>
%Δ GDP- PI	The percentage change in the Chain Weighted Gross Domestic Product - Price Index based on a quarter ending not more than eight months prior to the advance notice date of the new annual tariff and the corresponding quarter of the previous year.
X	20% inflation offset
Z	The effect of any exogenous events. Exogenous events are positive or negative changes in the Company's revenues or expenses as defined in the Plan.

In no event shall the PSI<sub>t</sub>, excluding the impact of exogenous events, be less than the PSI calculated as of the effective date of the PSM.

If the Department of Commerce should cease or alter the reporting of the GDP-PI during the term of the Plan, then, subject to Commission approval, the Company will substitute an alternative index and make any adjustments to the formula necessary to replicate the current formula as closely as possible.

5. The SPI is an index that represents the current level of prices including price changes from the current and prior years associated with the PSI

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<sup>21</sup>The PSI applies to the sum of effective rates (and units of demand) which were realized during the previous twelve month period.

and tracks the price changes for noncompetitive services related to the PSI. No Company proposed SPI may exceed, on a total intrastate basis, the PSI accumulated after the effective date of Plan A, except as otherwise expressly provided in this Plan A (e.g., exogenous events). As of the effective date of Plan A, the PSI and SPI equal 100.

6. The SPI shall be computed according to the following methodology:

$$SPI_t = SPI_{t-1} [\sum V_i (P_t/P_{t-1})]$$

Where:

$SPI_t$	=	The proposed new SPI value.
$SPI_{t-1}$	=	The current SPI value as of the last approved tariff filing.
$P_t$	=	The proposed price for rate element "i."
$P_{t-1}$	=	The current price for rate element "i."
$V_i$	=	The current estimated revenue weight for rate element "i," calculated as the ratio of the base period demand for the rate element "i" priced at the existing rate, to the base period demand for all noncompetitive services priced at existing rates.

When a new service is incorporated into the index calculations pursuant to Section A.(C) hereof, the demand for the new service during the base period must be included in determining the weights to be used in calculating the SPI.

7. If the Company elects not to increase its rates by the full amount allowed under the terms of the Plan, including exogenous events in a given year, the Company may increase its rates in future years to reflect the full amount of the allowable increases previously deferred. The Company may bank increases for a period not to exceed four (4) consecutive years. The Company may not bank decreases, but may offset increases with decreases for banking purposes. The



Company will not, however, attempt to recover any revenues foregone as a result of deferring the increase in prices.

8. On or before the anniversary date of Plan A (or the closest Commission working day thereafter) and annually thereafter, the Company shall file with the Commission a PSI and SPI Report. Each such annual filing may be accompanied by tariffs to implement any required or authorized rate changes.

9. The proposed tariff(s) accompanying the PSI and SPI Reports, if any, shall become effective within 30 days of filing (unless otherwise provided herein) and shall be deemed Commission-made rates. Upon a successful complaint, rates may change prospectively only. The Commission shall review the tariff rate change proposals to determine whether they comply with the criteria set forth in Section A.(D) below. If the Commission determines that the Company's rate proposals do not comply with this criteria, then the Commission may order the Company to modify them to be in compliance. If the Company's proposals comply with this criteria, then the Commission shall approve them.

10. The Company shall provide fifteen (15) days advance notice of filing to the Commission, which shall generally describe the anticipated filing.<sup>23</sup> Any and all interventions or complaints shall be due within fifteen (15) days after the initial filing. The initial filing by the Company shall include a full explanation of all reasons for such filing, including work papers. Responses to interrogatories shall be due within fifteen (15) days of service. Twenty (20) days after the filing date, any and

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<sup>32</sup>This notice may be provided to the public by the Company through billing insert, bill message or separately mailed notice. Notice will also be served upon the OCA, OSBA, OTS and any other Chapter 30 party, as identified by the Commission Secretary. The notice will be similar in nature to that described in 52 Pa.Code §53.45 for a general rate case.

all comments by intervenors in support of or in opposition to the filing are due to be filed at the Commission. Responses to such comments may be filed by the Company within fifteen (15) days thereafter. A Commission Order must be entered within sixty (60) days of the filing (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed. The Company may extend the 60-day period to permit time for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than \$3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.<sup>34</sup>

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond

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<sup>34</sup>The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the \$3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the \$3.50 increase for purposes of this sub-part.

the scope of the PSI to recognize exogenous events (“Z”), including but not limited to the following:

- a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;
- b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and
- c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company’s control.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles (“GAAP”) that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.<sup>45</sup> Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such

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<sup>54</sup>See paragraph 13, infra.

expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS or extension of basic local exchange services may be recovered by the Company at the time of implementing any extended calling scope service or additional basic local exchange service. This same treatment shall also apply to new Optional Calling Plans.

13. In connection with the implementation of IntraLATA presubscription, the Company shall be permitted to recover related incremental costs as defined by the Commission at Docket No. I-00940034 and in accordance with the methodology set forth in the Global Order. Any revenues received therefrom shall not be included in the calculation of PSI or SPI. Further, the Company will also abide with any Commission policy established regarding toll imputation in the design of its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers operating in the same serving area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

14. The Telecommunications Act of 1996 ("TA-96") was signed into law on February 8, 1996, and is being implemented over time. The regulatory and market changes which will result from TA-96 and applicable regulations have not been incorporated into Plan A. Nothing herein shall be construed to preclude the

Company from fully and completely exercising its rights under the Act, which rights are preserved.

15. Should the Company experience a loss of revenue so that its commitment for its Network Modernization Plan is jeopardized, the Company may petition the Commission for appropriate and timely relief under the “75-day procedure.” The Company shall notify the Commission and Chapter 30 parties at Docket No. P-00981425, et al., of such circumstances prior to filing the petition.

**A.(B) Rate Restructuring and Rebalancing**

1. In addition to the annual PSM filing, the Company under Plan A may file tariffs proposing to rebalance and/or restructure rates for noncompetitive services. The Company may implement only one rate restructuring/rebalancing filing in the same calendar year which affects residential and small business rates (3 lines or less), exclusive of changes made pursuant to the PSM formula and exogenous events not reflected therein.<sup>56</sup>

2. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues.

3. The Commission shall review the tariff proposals to determine that they are within the limits as set forth in Section A.(D) below. If the Commission determines that the Company's rate proposals are not within this criteria, then the Commission may order the Company to modify them to produce a tariff which does not exceed this criteria. If the tariff proposals are within these criteria, then the Commission shall approve them.

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<sup>65</sup>The Company retains the right to make changes in intraLATA toll rates and services pursuant to the Commission Order entered December 14, 1995, at Docket No. I-00940034.

4. The "75-day procedure" shall apply to all PSM, exogenous events and restructuring and rebalancing filings, with the allowance of time to permit ADR mediation and an additional 15 calendar days to allow time for hearings, if specifically requested by the OTS, OCA, OSBA, a customer, or Chapter 30 party at Docket No. P-00981425, et al., made at the time of complaint or intervention. Further provided, in the event that the proposed impact of such rate restructuring and rebalancing filing on local services rates for residential one-party service is an increase greater than \$3.50 per month, then the additional allowance of time shall be 45 calendar days, rather than 15 calendar days.<sup>67</sup> Reductions in residential and small business rates may be initiated more often by the Company. Tariff filings involving a limited number of services with the intent of packaging/restructuring the services may be made. The prices of the packaging/restructuring will not exceed in total the individual service prices of the services comprising those packages. Reductions in residential and small business rates and limited services tariff filings shall become effective on one (1) day's notice to the Commission.

#### **A.(C) New Services**

1. The Company may introduce new services at any time.

2. If a new service is offered which falls within the definition of "protected services," then the "75-day procedure" shall apply. Protected services are as follows: unless the Commission has determined the service to be competitive:

- ~~a. Telecommunications services provided to business or residential customers that are necessary for completing~~
- a. Service provided to residential consumers or business consumers that is necessary to complete a local exchange call;

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<sup>76</sup>The term "local service" as used in this part is as set forth in footnote 34, supra.

- b. Touch-tone service;
  - c. Switched access service;
  - d. Special access service; and
  - e. Ordering, installation restoration and disconnection of these services.
3. Any new service which is not a "protected" service shall become effective upon one (1) day's notice to the Commission.
4. Revenues from new services shall be included in the calculation of the PSI and SPI, beginning with the first annual PSM filing after the new service has been in effect for one year.

**A.(D) Consumer Protections**

1. All rate changes proposed either under the PSM formula, including exogenous events, or under the rate restructuring and rebalancing provisions of this Plan shall be approved if just and reasonable and if a proposed tariff does not cause one of the following to occur and is otherwise in compliance with this Plan A:
- a. The SPI is not greater than the PSI; and
  - b. The proposed changes to basic, local rates for both residential and small business customers (three (3) lines or less), by any combination of filings, will not cause an increase in the rates in existence at the end of the preceding year greater than \$3.50 per month.<sup>78</sup>
2. Pursuant to the Global Order entered September 30, 1999, the Commission instituted a transitional universal service funding mechanism, i.e. the Pennsylvania USF, with a projected termination date of December 31, 2003. During the pendency of the Pennsylvania USF, the Company retains the right to change

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<sup>87</sup>This cap shall not be applicable where a generic Commission Order requires changes in the Company's rate design and causes a rate increase which exceeds the cap.

and rebalance its intrastate rates in accordance with Plan A, and if such rates are found by the Commission to be just and reasonable, they shall be permitted to become effective. Further, should the new rates exceed the \$16.00 monthly residential ceiling established in the Global Order for the duration of the Pennsylvania USF, the Company is permitted to recover the revenue difference arising from application of the Global Order rate ceilings from the Pennsylvania USF. By Order entered July 15, 2003, at Docket No. M-00021596, et al., the Commission approved modifications to the Global Order including a continuation of the USF and an increase of the \$16.00 residential cap to \$18.00.

#### **A.(E) Complaints**

1. Complaints under Section 1309 of the Public Utility Code against existing rates may be filed only if such rates fail to comply with the terms of this Plan. Section 1309 shall be the exclusive basis for filing complaints against existing rates and such a complaint may be sustained only if such existing rates do not comply with the terms of this Plan A. In proceedings under this part, the burden of proof shall be upon the complainant to show, by a preponderance of the evidence, that the rates are not just and reasonable under Section 1309. Further, the Commission shall retain the authority to issue complaints or investigations to assure a Company's compliance with this Plan, with the burden of proof resting with the Company.

2. A formal complaint to deny rate changes for noncompetitive services, unless signed by at least 20 customers of the rural telecommunications carrier, shall not prevent implementation of the rate changes pending the adjudication of the formal complaint by the Commission.



## PLAN B - SIMPLIFIED RATEMAKING PLAN

### B.(A) Simplified Ratemaking Methodology

1. The Simplified Ratemaking Plan ("SRP"), designated herein as Plan B, sets forth the principles and procedures applicable to changes in rates for the Company until such time as it elects to employ Plan A. Like Plan A, the SRP governs changes in rates which would otherwise be governed by the ratemaking methodology set forth in Chapter 13 of the Pennsylvania Public Utility Code. The SRP also addresses rate rebalancing, rate restructuring and the introduction of new services.

2. The SRP is a substitution of "traditional" rate base/rate of return regulation and is the exclusive basis upon which the Company's noncompetitive rates will be regulated on and after the date of Commission approval of this Plan. All tariff filings for noncompetitive services are subject to review under the terms of this Plan B. Chapter 13, Sections 1301 through 1305, inclusive, 1309, and 1312; ~~1324 and 1325~~ of the Code remain applicable under the provisions of the Plan. All other provisions of the Code, other laws of the Commonwealth, or regulations in conflict with this Plan B are hereby superseded. The Company may elect, on or before May 1<sup>st</sup> (or the closest Commission working day thereafter) of any year, to switch to Plan A. Once the Company makes such election, it may not revert to Plan B.

3. The SRP is based upon the Company's noncompetitive rates in effect on the approval date of the Plan, which rates are just, reasonable, nondiscriminatory and otherwise fully in compliance with all Pennsylvania laws.

4. The Company may, following the effective date of this Plan, file tariffs making increases, decreases and changes in its noncompetitive rates subject to the following conditions and procedures (hereinafter "Simplified Rate Filing"):

- a. If the Company is an average schedule company, a Simplified Rate Filing seeking increased revenues may only be filed if its total company return on common equity capital does not exceed its cost of common equity capital based upon applicable marketplace standards not limited to a Discounted Cash Flow ("DCF") analysis, as calculated employing the procedure set forth in Schedule A hereto.
- b. If the Company is a cost-based company, a Simplified Rate Filing seeking increased revenues may only be filed if its jurisdictional return on common equity capital does not exceed its cost of common equity capital based upon applicable marketplace standards not limited to a DCF analysis, as calculated employing the procedure set forth in Schedule B hereto.
- c. Noncompetitive rates are only subject to an excess earnings complaint or other challenge if the Company's jurisdictional earnings as calculated using the applicable procedure set forth in Schedule A or B result in a return on jurisdictional common equity capital in excess of its cost of common equity capital as calculated above. Upon a successful complaint or other challenge, rates may change prospectively only.
- d. The Company may, in lieu of seeking increased revenues under the Simplified Rate Filing procedure, file revenue neutral rate changes to its noncompetitive rates for restructuring/rebalancing purposes.
- e. The Company shall provide twenty (20) days advance notice of a Simplified Rate Filing to the Commission, which generally describes the proposed rate changes.<sup>89</sup>
- f. The rates proposed in any Simplified Rate Filing shall be filed to be effective on forty-five (45) days notice. Any and all interventions or complaints shall be due within ten (10) days of such filing with no formal answer in response thereto required. A Simplified Rate Filing seeking increased revenues shall include either Schedule A or B adjusted to reflect the

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<sup>9a</sup>As to the requirements of this notice, see footnote [23](#) herein.

annualized impact of the rate changes together with all applicable workpapers and an Executive Overview setting forth a full explanation of the rate changes. A revenue neutral Simplified Rate Filing shall include schedules detailing the annualized revenue impact of the rate changes together with all applicable workpapers and an Executive Overview setting forth a full explanation of the rate changes.

- g. Data requests/interrogatories (including subparts) addressing the Simplified Rate Filing, which will be limited to fifty (50) per party, must be served on the Company within twenty-five (25) days of the filing with responses due within twelve (12) business days of receipt.<sup>910</sup>
- h. The proposed rate changes shall become effective on the 45<sup>th</sup> day if no ~~qualifying~~<sup>10</sup> ~~are filed or no~~ investigation is instituted by the Commission.
- i. Should a ~~qualifying~~<sup>formal</sup> complaint be filed or investigation instituted with respect to a Simplified Rate Filing seeking additional revenues in excess of 5% of the Company's total annual revenues from noncompetitive services, the following procedure will apply, to the extent possible, beginning with the date of the filing: (i) an Alternative Dispute Resolution ("ADR") session will be held on the 45<sup>th</sup> day and (ii) if a settlement petition is not filed within thirty (30) days of the commencement of ADR, a prehearing conference before an administrative law judge will be conducted as quickly as possible thereafter, the Company's direct testimony will be due on or before the 90<sup>th</sup> day, complainant/intervenor testimony due on or before the 100<sup>th</sup> day, rebuttal testimony will be due on or before the 110<sup>th</sup> day, evidentiary hearings held on or before the 115<sup>th</sup> and 116<sup>th</sup> days, summary comments limited to twenty (20) pages of argument will be due on or before the 130<sup>th</sup> day, reply comments limited to fifteen (15) pages of argument will be due on or before the 140<sup>th</sup> day, and the recommended decision will be issued on or before the 160<sup>th</sup> day. (This procedure may be changed upon stipulation of the parties.) The Commission's final opinion and order must be entered within seven (7) months of the date of the filing.

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<sup>10a</sup> Objections to discovery requests will be due within five (5) days of receipt.

<sup>10</sup> ~~A qualifying complaint includes a complaint filed by any party with appropriate standing or any complaint satisfying Section 3006(f), 66 Pa.C.S. §3006(f).~~

- j. With respect to a revenue neutral Simplified Rate Filing or a Simplified Rate Filing proposing an annual increase in revenues from noncompetitive services of 5% or less subject to a qualifying complaint or investigation, the ADR process as previously described shall be pursued. If a settlement petition is not filed within thirty (30) days of the commencement of ADR, comments of the respective parties limited to twenty (20) pages of argument shall be filed within forty-five (45) days of the commencement of ADR and reply comments limited to fifteen (15) pages of argument within fifty-five (55) days. A Commission order must be entered within 125 days of the date of the filing.
- k. Reductions in residential and small business rates may be initiated by the Company at any time outside of the SRP with appropriate supporting calculations. Tariff filings involving a limited number of services with the intent of packaging/restructuring the services may be made. The prices of the packaging/restructuring will not exceed in total the individual service prices of the services comprising those packages. Reductions in residential and small business rates and limited services tariff filings shall become effective on one (1) day's notice to the Commission.

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l. The Company shall be permitted at any time to file proposed tariff changes with the Commission, effective 45 days after filing, setting forth miscellaneous changes, including increases and decreases, in rates for noncompetitive services, excluding basic residential and business rates, provided such rate changes do not increase the Company's annual intrastate revenues by more than 3%. The Commission tariff filing requirements and review associated with such proposed rate changes shall be limited to schedules submitted by the Company detailing the impact of the rate changes on the Company's annual intrastate revenues.

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m. A formal complaint to deny rate changes for noncompetitive services, unless signed by at least 20 customers of the rural telecommunications carrier, shall not prevent implementation of the rate changes pending the adjudication of the formal complaint by the Commission.

5. Any revenue shortfall or expense incurred, including administrative costs, less other related revenue increases/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as

EAS or extension of basic local exchange services may be recovered by the Company at the time of implementing any extended calling scope service or additional basic local exchange service. This same treatment shall also apply to new Optional Calling Plans.

6. In connection with the implementation of IntraLATA presubscription, the Company shall be permitted to make a tariff filing outside of the SRP process to recover related incremental costs as defined by the Commission at Docket No. I-00940034 and in accordance with the methodology set forth in the Global Order. Further, the Company will also abide with any Commission policy established regarding toll imputation in the design of its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers operating in the same service area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

7. The regulatory and market changes which will result from TA-96 and applicable regulations have not been incorporated into this Plan B. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under TA-96, which rights are preserved.

8. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues.

9. The Company may, on or before May 1<sup>st</sup> (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and

OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

**B.(B) Exogenous Events**

1. In addition to any SRP filing, the Company, OTS, OCA, OSBA or other parties in interest may request that the Commission make rate changes to reflect specific revenue adjustments at any time to recognize exogenous events as previously defined in Plan A herein.

2. The procedure applicable to revenue neutral SRP filings shall apply to any request to reflect an exogenous event.

**B.(C) Commission-Made Rates**

1. All rates established pursuant to the SRP shall be deemed Commission-made rates.

**B.(D) New Services**

1. The Company may introduce new services at any time.

2. If a new service is offered which falls within the definition of "protected services," as previously defined in Plan A, the procedure applicable to a revenue neutral Simplified Rate Filing shall apply.

3. Any new service which is not a "protected" service shall become effective upon one (1) day's notice to the Commission.

4. Revenues from new services shall be included in any subsequent SRP filing after the new service has been in effect for one year.

**B.(E) Consumer Protections**

1. All rate increase filings seeking rates calculated to produce an increase in annual revenues of 5% or more under the SRP procedure shall be

approved if the rates do not produce a return on total company common equity capital for average schedule companies and a return on jurisdictional common equity capital for cost based companies in excess of the Company's cost of common equity capital as determined consistent with Section B.(A), Paragraphs 4(a) and (b) herein and are otherwise in compliance with this Plan B.

2. All revenue neutral rate changes under the Simplified Ratemaking Plan formula, including exogenous events, shall be approved if the proposed changes to basic, local rates for both residential and small business customers (three (3) lines or less), by any combination of filings, are just and reasonable and will not cause an increase in the rates in existence at the end of the preceding year greater than \$3.50 per month.<sup>11</sup>

3. Pursuant to the Global Order entered September 30, 1999, the Commission instituted a transitional universal service funding mechanism, i.e. the Pennsylvania USF, with a projected termination date of December 31, 2003. During the pendency of the Pennsylvania USF, the Company retains the right to change and rebalance its intrastate rates in accordance with Plan B, and if such rates are found by the Commission to be just and reasonable, they shall be permitted to become effective. Further, should the new rates exceed the \$16.00 monthly residential rate ceiling and applicable business rate ceiling established in the Global Order for the duration of the Pennsylvania USF, the Company is permitted to recover the revenue difference arising from the application of the Global Order rate ceilings from the Pennsylvania USF. By Order entered July 15, 2003, at Docket No.

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<sup>11</sup>This cap shall not be applicable where a generic Commission order requires changes in the Company's rate design and causes a rate increase which exceeds the cap.

M-00021596, et al., the Commission approved modifications to the Global Order including a continuation of the USF and an increase of the \$16.00 residential cap to \$18.00.

4. The Commission shall retain the authority to review the reasonableness of any rate(s) for any specific services based upon Sections 1301 and 1304 criteria, 66 Pa.C.S. §§1301 and 1304.

#### **B.(F) Complaints**

1. Complaints under Section 1309 of the Public Utility Code against existing rates may be filed only if such rates fail to comply with the terms of this Plan. Section 1309 shall be the exclusive basis for filing complaints against existing rates and such a complaint may be sustained only if such existing rates do not comply with the terms of this Plan. In proceedings under this part, the burden of proof shall be upon the complainant to show, by a preponderance of the evidence, that the rates are not just and reasonable under Section 1309. Further, the Commission shall retain the authority to issue complaints or investigations to assure a Company's compliance with this Plan, with the burden of proof resting with the Company.

#### **PART 4 - ADDITIONAL COMMITMENTS AND OTHER TERMS**

##### **A. Lifeline ~~Rate~~Service; Universal Service; Enhanced Services for the Disabled**

1. The Company ~~has made tariff changes to~~ shall implement a revised lifeline program for qualifying low-income residential customers. All eligible telecommunications customers who subscribe to lifeline service shall be permitted



to subscribe to any number of other eligible telecommunications carrier telecommunications services at the tariffed rates for such services; however, the Commission's regulations at 52 Pa. Code §64.01 et seq. relating to suspension and termination of residential telephone service shall continue to be applicable. Whenever a prospective customer seeks to subscribe to local exchange telecommunications service, the Company shall explicitly advise the customer of the availability of lifeline service and shall make reasonable efforts, where appropriate, to determine whether the customer qualifies for such service and, if so, whether the customer wishes to subscribe to the service. The Company shall inform existing customers of the availability of lifeline service twice annually by bill insert or message. The notice shall be conspicuous and shall provide appropriate eligibility, benefits and contact information for customers who wish to learn of the lifeline service subscription requirements. The Company shall not be required to provide, after November 30, 2004, any new lifeline service discount that is not fully subsidized by the federal universal service fund.

2. The Company offers "Link Up America," a program designed to promote universal service by providing a discount on service connection charges for qualified low income customers.

3. The Company shall be fully qualified to participate as a recipient in any universal service program instituted by this Commission. Neither any feature in this Plan nor any rule or regulation under Chapter 30 shall disqualify it from full participation in any Pennsylvania universal service program.

~~4. This Plan is intended to assure that the provision of telecommunications products and services enhances the quality of life of persons~~

~~with disabilities, in compliance with Section 3004(d)(13) of Chapter 30 and prior Commission orders. Disabled citizens of Pennsylvania will benefit and the social and economic well-being of the Commonwealth will be enhanced as the result of the deployment of an advanced telecommunications network. Disabled persons will be more readily able to interact socially with other members of society as well as to contribute to and share in the Commonwealth's economic and business infrastructure. Educational, employment, shopping, medical, legal and many other opportunities can all be actively pursued from home through expanded and advanced telecommunications services deployed in the Plan.~~

## **B. Ongoing Regulatory Requirements**

1. All services provided by the Company within the jurisdiction of the Commission are still subject to all provisions of the Public Utility Code regarding safety, adequacy and reliability of telecommunications services, 66 Pa.C.S. §1501, and the additional powers and duties of the Commission, 66 Pa.C.S. §30019.

2. The Company will continue to monitor service quality in compliance with Commission regulations in Chapter 63 unless in conflict with this Plan or Act 183. 52 Pa. Code §63.1, et seq. ~~The Commission retains the authority to terminate the application of the Plan, adjust rates or take any other action appropriate under statutory authority for good cause shown, if quality of service becomes unacceptable.~~

3. The Company shall continue to comply with Chapter 64 of the Commission's regulations as amended from time to time unless in conflict with this Plan or Act 183. 52 Pa. Code §64.1 et seq.

4. The Extended Area Service regulations established by the Commission at 52 Pa. Code §63.71 et seq., shall continue to be applicable to the Company, with the exception of conducting the biennial traffic usage studies, unless in conflict with this Plan or Act 183. The requirement to prepare such studies shall be suspended until the Commission issues regulations or guidelines as to how to conduct more accurate traffic usage studies. The Company's current traffic usage studies from 1997 shall continue to be utilized. The Commission may, on a case-by-case basis, direct that a more current traffic usage study be conducted if, in a formal complaint proceeding, it is determined that a strong community of interest has been demonstrated. The Company will comply with any modifications to the existing EAS regulations as ordered from time to time by the Commission.

5. The Commission retains its authority to audit the accounting and reporting systems of the Company relating to its transactions with affiliates pursuant to Chapter 21 of the Public Utility Code, 66 Pa.C.S. §2101 et seq., shall continue to apply to the Company's noncompetitive services. For competitive services, the The Company shall only file Chapter 21 affiliated interest agreements for notification purposes, and such notification filings are not subject to Commission review of associated costs and benefits. However, and affiliated transaction agreements unless such agreements involve services declared to be competitive. The filings shall constitute notice to the Commission retains its authority to further review and scrutinize these competitive filings as may be required such as when it appears that an affiliated interest agreement may be associated with anticompetitive or other questionable practices only and shall not require approval by the Commission.

6. Approval of this Plan shall not operate in any way to foreclose the Company from exercising any of their options pursuant to the subsequent enactment or modification of federal or state law. Moreover, approval of this Plan shall not preclude the Company from filing a petition seeking modifications of the Plan.

7. Should the Commission authorize local exchange service competitors to operate in the Company's service territory and utilize its bundled or unbundled network elements or services under interconnection terms and conditions that do not provide fully compensatory cost recovery, including embedded cost levels, the Company may file a petition seeking Commission approval to alter provisions contained in its Network Modernization Plan. Prior to filing said petition, the Company shall notify the Commission and Chapter 30 parties at Docket No. P-00981425, et al.

8. The Company is an exempt rural telephone company for purposes of Section 251(f)(1) of TA-96. Upon the filing of this Amended Plan reflecting the Company's commitment to accelerate broadband deployment pursuant to 66 Pa.C.S. §3014(b)(1), the Commission shall grant the Company a suspension of Section 251(c)(2) [interconnection], (3) [unbundled access], (4) [discounted resale], (5) [notice of changes], and (6) [collocation] obligations under the Telecommunications Act of 1996.<sup>12</sup> This suspension of obligations shall expire

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<sup>12</sup>By Order entered July 10, 1997, at Docket No. P-00971177, the Commission granted the Petition of the Rural and Small Incumbent Local Exchange Carriers, including the Company, for an initial suspension under Section 251(f)(2) recognizing, inter alia, the use of the time to proceed with alternative regulation. This suspension was further extended by Orders entered June 25, 1999, June 23, 2000, and July 17, 2001. The acceleration of deployment to 2008 is in accord with the rationale in these orders and the legislative directive in Section 3014(b)(7). Specifically, the Commission finds, upon the filing of this Amended Plan, that suspension is necessary: (A) (i) to avoid

(continued...)

December 31, 2008, unless extended by the Commission. Should the Commission, following a hearing, determine that the rural telecommunications carrier has failed to timely meet its commitments pursuant to this paragraph, the suspension of obligations shall expire upon entry of the Commission Order making such determination. Expiration of the suspension of obligations shall not impact the rural telephone company exemption of the rural telecommunications carrier under Section 251(f)(1) of the Telecommunications Act of 1996.

9. In the event that the Company under Plan A effects a change to either its depreciation expenses or depreciation reserves, Commission approval shall not be required. However, in the event of the reinstatement of any form of rate base/rate of return regulation, any impact of such changes on depreciation expense or reserve which occur during the period of the operation of this Plan shall be captured and recognized as a debit (or credit) in the ratemaking formula.

10. The Commission has authority to condition the sale, merger, acquisition or other transaction required to be approved under Section 1102(a)(3), 66 Pa.C.S. §1102(a)(3), of the Company or any facilities used to provide telecommunications services to ensure that there is no reduction in the advanced service or broadband deployment obligations for the affected property or facilities.

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<sup>12</sup>(...continued)

a significant adverse economic impact on users of telecommunication services generally; (ii) to avoid imposing a requirement that is unduly economically burdensome; and (iii) to avoid imposing a requirement that is technically infeasible; and (B) is consistent with the public interest, convenience, and necessity. Accordingly, the record at Docket No. P-00971177 is incorporated herein by reference and the suspension is granted.

## C. Reporting Requirements

1. The ~~Company will comply with the following regulations and/or provide the following reports to the extent applicable:~~ Commission's filing and audit requirements for the Company shall be limited to the following:

- ~~a.~~
- i. The Biennial Network Modernization Plan Report filed pursuant to Parts B.1 and 2 of the Amended Network Modernization Plan. implementation reports in compliance with 66 Pa.C.S. §3003(b)(6) and the applicable reporting requirements established by the Commission pursuant to Opinion and Order entered May 17, 1999, at Docket No. M-00930441;
- ~~b. Annual PSI and SPI Reports (Plan A only);~~
- ~~c. Access line summary (Docket No. M-900239);~~
- ~~d. Pa. Telecommunications Relay Surcharge (Docket No. M-900239);~~
- ~~e. Assessment for regulatory expense upon public utilities (66 Pa.C.S. §510(b));~~
- ~~f. Measurement of service quality (52 Pa. Code §63.56);~~
- ~~g.~~
- ii. An annual financial report consisting of a balance sheet and income statement.
- ~~iii. An annual deaf, speech-impaired and hearing-impaired relay information report (66 Pa.C.S. §3006(d))~~
- ~~h. An annual financial report as well as earnings reports pursuant to 52 Pa. Code Chapter 71; and~~
- ~~i.~~
- iv. An annual service report.
- v. Universal service reports.
- vi. An annual access line report.

vii. An annual statement of gross intrastate operating revenues for purposes of calculating assessments for regulatory expenses.

viii. An annual State Tax Adjustment—Surcharge (“STAS”) computation for years in which ~~the STAS has been other than zero using the procedures at 52 Pa. Code §69.52 et seq. (66 Pa.C.S. §3006(d)).~~ (It is noted a tax change has occurred, if applicable.<sup>13</sup>

2. Notwithstanding any other provision of the Public Utility Code (Title 66), the Commission’s regulations or this Plan to the contrary, no other report, audit, statement, filing or other document or information, except as specified in Part 4.C.1. above, shall be required of the Company, unless the Commission, upon notice to the Company and an opportunity to be heard, has first made specific written findings supporting conclusions in an entered order that: (i) the report is necessary to ensure that the Company ~~retains its right to employ a STAS to reflect tax rate changes.~~)

~~2. Should the Commission request any additional report or audit, the Company retains the right to oppose such submission on the grounds that the benefit of the report or audit will not exceed~~ is charging rates that are in compliance with Chapter 30 of the Public Utility Code (66 Pa.C.S. §§3011-3019) and its effective alternative form of regulation; and (ii) the benefits of the report substantially outweigh the attendant expense ~~or~~ and administrative time requirements associated therewith. and effort required of the Company to prepare it.

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<sup>13</sup>This includes the State Tax Adjustment Surcharge (STAS) tariff filings pursuant to Commission STAS Guidelines (52 Pa. Code §69.51 et seq.), the State Tax Adjustment Surcharge Order and the Company's STAS tariff. STAS-related changes shall be excluded from the SPI calculation. The Company shall serve copies of its STAS filings on OCA, OSBA, and OTS, coincident with its submission of such filings to the Commission.

3. Nothing in this Plan shall be construed to impede the ability of the Commission to require the submission of further information to support the accuracy of or to seek an explanation of the reports specified in Part 4.C.1 above.

**D. Other Provisions**

1. When an alternative service provider is offering local exchange telecommunications services within an exchange of the Company, the Company may reduce its prices on services offered within the exchange below the rates set forth in its otherwise applicable tariff in order to meet such competition. The Company may not offset revenue reductions resulting from such competitive pricing by increasing rates charged to other customers through its Price Stability Plan or otherwise.

2. The Company shall offer school customers in its service territory that meet the eligibility standards described in 47 CFR 54.501 (relating to eligibility for services provided by telecommunications carriers) and that agree to enter into a minimum three-year contract with the Company for telecommunications services: i) a 30% discount (or greater discount at the Company's discretion) in the otherwise applicable tariffed distance sensitive per-mile rate element for available intrastate broadband services; and ii) waiver of the associated nonrecurring charges, where the telecommunications service is used for educational purposes and not for the provision of telecommunications services to the public for compensation. The discount or waiver shall not be required where application of it to a particular service would conflict with applicable law. The Company will assist school customers in applying for E-rate funding under 47 CFR 54.505 (relating to discounts).



3. The Company, at its discretion, may offer and bill to customers, on one bill, bundled packages of services, which include nontariffed, competitive, noncompetitive or protected services, including services of an affiliate, in combinations and at a single price selected by the Company.

4. The Commission may not require the Company to reduce access<sup>14</sup> rates except on a revenue-neutral basis.

5. No person or entity may refuse to pay tariffed access charges for interexchange services provided by the Company.

6. The Company shall not be required to contribute to either the Broadband Outreach and Aggregation Fund or the Education Technology Fund, as established under §§3015(c) and (d) of Act 183 of 2004, 66 Pa.C.S. §§3015(c) and (d).

**E. Term of Plan**

1. The legislation underlying this Plan sunsets on December 31, 2003, absent an act of the Pennsylvania General Assembly. In the event Chapter 30 sunsets, is modified or is repealed, the Company may seek an appropriate modification or revision of the Plan. The procedures set forth at 66 Pa.C.S. §3004 (applicable to a new Plan) shall apply.

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<sup>14</sup>As used in this Plan, the terms "access rates," "access charges" and similar terms, unless the context requires otherwise, shall refer to special access service and switched access service. As used in this Plan, the term "special access service" shall mean service provided by the Company over dedicated, nonswitched facilities to interexchange telecommunications carriers or other large volume users that provides connection between an interexchange telecommunications carrier or private network and a customer's premises. As used in this Plan, the term "switched access service" shall mean service that provides for the use of common terminating, switching and trunking facilities of the Company's public switched network. The term includes, but is not limited to, the rates for local switching, common and dedicated transport and the carrier charge.

2. In the event that any appellate court, federal court, federal agency or other lawful order causes or has the effect of causing reversal, remand, vacation, amendment or other modification of any Commission order approving this Plan or any aspect of the Plan, the Company retains the right to withdraw from the Plan.

~~3. Procedures applicable to review and approval of the initial Plan, as set forth at 66 Pa.C.S. §3004(b), shall also apply to such subsequent modifications or revisions, if any, of this Plan.~~ No change may be made to this Plan without the express agreement of both the Commission and Company. The Company may subsequently petition the Commission for approval of further modifications to its amended network modernization plan, which the Commission may grant upon good cause shown.

4. The terms of this Plan shall govern the regulation of the Company and, consistent with the provisions of this Plan and Chapter 30 of the Public Utility Code (66 Pa.C.S. §§ 3011-3019), shall supersede any conflicting provisions of Title 66 or any other laws of the Commonwealth of Pennsylvania and shall specifically supersede the following provisions of Title 66: All provisions of Chapter 13 (relating to rates and rate making), other than §1301 (relating to rates to be just and reasonable), §1302 (relating to tariffs; filing and inspection), §1303 (relating to adherence to tariffs), §1304 (relating to discrimination in rates), §1305 (relating to advance payment of rates; interest on deposits), §1309 (relating to rates fixed on complaint; investigation of costs of production) and §1312 (relating to refunds).

## **PART 5 - GLOSSARY OF TERMS**

Definitions. The following words and phrases when used in this Amended Plan shall have the meanings given to them in this section unless the context clearly indicates otherwise:

**Access Line** - A facility that provides a customer access to the telecommunications network.

~~**Advanced Intelligent Network (AIN)** - A database used in Signaling System 7. It supports advanced features by dynamically processing the call based upon trigger points throughout the call handling process and supports features defined for the originating or terminating number.~~

~~**Analog** - A signal that constantly varies such as the human voice or music.~~

~~**Automatic Number Identification or (ANI)** - A signaling parameter which refers to the number transmitted through a network identifying the billing number of the calling party on long distance calls, allowing a caller's long distance carrier to know whom to bill (what phone number) without requiring the caller to enter any extra digits to be identified.~~

**Aggregator Telephone** - A telephone which is made available to the transient public, customers or patrons, including, but not limited to, coin telephones, credit card telephones and telephones located in hotels, motels, hospitals and universities.

**Alternative Form of Regulation** - A form of regulation of telecommunications services other than the traditional rate base/rate of return regulation, including a streamlined form of regulation, as approved by the Commission.

**Alternative Service Provider** - An entity that provides Telecommunications Services in competition with a local exchange telecommunications company.

**Bandwidth** - The speed at which information is transmitted from point A to point B.

**Bit Rate** - The speed at which digital signals are transmitted, usually expressed as bits (b) per second (ps).

~~Broadband Switching - The ability to transmit a broadband signal (greater than or equal to 1.544 mbps) through a switch matrix.~~

~~Calling Party Number or (CPN) - A Common Channel Signaling parameter which refers to the number transmitted through a network identifying the calling party.~~

~~Carrier Common Line - Carrier Common Line is a switched access rate element designed to recover some of the costs of telephone company common lines used by customers for access to end users.~~

**Bona Fide Retail Request Program** - A program established by a local exchange telecommunications company pursuant to Section 3014(c) (relating to network modernization plans).

**Broadband** - A communication channel using any technology and having a bandwidth equal to or greater than 1.544 megabits per second in the downstream direction and equal to or greater than 128 kilobits per second (kbps) in the upstream direction.

**Broadband Availability** - Access to broadband service by a retail telephone customer.

**Broadband Outreach and Aggregation Program** - A program established by the Department of Community and Economic Development pursuant to Section 3014(l) (relating to network modernization plans).

**Business Attraction or Retention Program** - A program established by a local exchange telecommunications company pursuant to Section 3014(d) (relating to network modernization plans).

**Central Office (CO)** - ~~A switch or switchline center that contains the required equipment, such as switches, to provide dial tone and other telecommunications services to customers in a specific geographic area.~~ A local exchange telecommunications company switch used to provide local exchange telecommunications service.

Circuit - ~~A transmission path required to provide communications between two points.~~

GLASS Features or Services - ~~Certain Common Channel Signaling-based features available to customers including, but not limited to: Automatic Call Back; Call Trace; and Caller Identification offerings.~~

**Commission** - The Pennsylvania Public Utility Commission.

Common Channel Signaling - ~~An intelligent network signaling system used for communication between central office switches.~~

**Community** - Those customers of a local exchange telecommunications company served by an existing or planned remote terminal or, where no remote terminal exists or is planned, a central office switch.

**Competitive Service** - A ~~telecommunications~~ service or business activity determined to be competitive ~~under Chapter 30 by its designation in this Plan or any telecommunications service later determined by the Commission to be competitive under Chapter 30.~~ by the Commission on or prior to December 31, 2003, and a

service or business activity determined or declared to be competitive pursuant to Section 3016 (relating to competitive services).

**Customer** - A residential or business subscriber to a company's telecommunications services.

**Customer Premises Equipment (CPE)** - Terminal equipment that is connected to the telephone network, such as telephones and facsimile machines.

~~Data Communications - The transmission of data to and from computers and components of computer systems.~~

~~Dial Tone Line (DTL) - The physical facilities that provide customers with access to the public switched. The term "Dial Tone Line" applies to individual and party lines.~~

~~Digital - A signal where the information is represented in numeric format.~~

~~FCC.~~

**Eligible Telecommunications Carrier** - A carrier designated by the Pennsylvania Public Utility Commission pursuant to 47 CFR 54.201 (relating to definition of eligible telecommunications carriers, generally) or successor regulation, as eligible to receive support from the Federal Universal Service Fund.

**Eligible Telecommunications Customer** - A customer of an eligible telecommunications carrier who qualifies for Lifeline service discounts pursuant to the requirements of 47 CFR 54.409 (relating to consumer qualification for Lifeline) or successor regulation.

**FCC** - The Federal Communications Commission.

~~Fiber Optics - A transmission medium that is made of one or more glass fibers that are woven together to form the cable's core. The cable requires a light source to transmit signals. It is capable of high bandwidths.~~

Fiber Optic Trunk Line - A Fiber Optic Circuit Link.

**Gross Domestic Product Price Index (GDP-PI)** - The GDP-PI is the measure of the change in the Chain Weighted market prices of output in the economy as prepared by the United States Department of Commerce and published in the Survey of Current Business, or its successor.

Integrated Services Digital Network (ISDN) A switched network service providing end-to-end digital connectivity that permits simultaneous transmission of voice and data communications over the same Dial Tone Line and switching facilities. Basic Rate Interface-ISDN ("BRI-ISDN") provides for digital transmission of two 64 kbps bearer channels and one 16 kbps data and signaling channel (2B+D). Primary Rate Interface-ISDN ("PRI-ISDN") provides for digital transmission of twenty three (23) 64 kbps bearer channels and one 16 kbps data and signaling channel (23-B+D).

**Health Care Facility** - The term shall have the same meaning given to it in the act of July 19, 1979 (P.L.130, No.48), known as the Health Care Facilities Act.

**Inflation Offset** - The part of the price change formula in the price stability mechanism that reflects an offset to the gross domestic product price index or successor price index.

**Interexchange Services** - The transmission of interLATA or intraLATA toll messages or data outside the local calling area.

Intelligent Network - A network that uses centralized information to provide new software based services.

Interactive - The ability to communicate in both directions.

Interexchange Carrier (IXC)**Interexchange Telecommunications Carrier** - A carrier other than a local exchange telecommunications company authorized by the

Commission to provide, ~~directly or indirectly, interLATA or intraLATA Telephone Toll Services.~~ interexchange services.

~~InterLATA - Telecommunications between a point located in a local access and transport area and a point located outside such area.~~

~~Interoffice Facilities - Interoffice facilities connect central office switches to each other.~~

~~IntraLATA Toll Traffic - Those intraLATA calls that are not defined as Local Traffic in this plan.~~

**Kilobits per second (Kbps)** - A transmission speed of 1,000 bits of information per second.

~~Lifeline rates - Lifeline rates are part of the Lifeline assistance program, which provides financial assistance to low-income subscribers, as defined using a "means" test, with respect to monthly telephone payments. It includes a waiver of the federal subscriber line charge, plus a reduction of at least a comparable amount in local charges of some type.~~

~~Link - A company interoffice facility (commonly referred to as a trunk) that exists between any two central office switches.~~

Lifeline Service - A discounted rate local service offering, as defined in 47 CFR 54.401 (relating to Lifeline defined) or successor regulation, but excluding any offering funded in part by Federal Universal Service Fund Tier Three funding under 47 CFR 54.403 (relating to Lifeline support amount) or successor regulation.

**Link-Up America** - The Link-Up America program offers a reduction in the cost of the connection charge of one telephone line to qualified low-income individuals.



**Local Access Transport Area (LATA)** - A geographic area in which the Company may provide telecommunications service.

~~**Local Exchange Carrier (LEC)** - A company that is engaged in the provision of Telephone Exchange Service or Exchange Access.~~ **Telecommunications**

**Company (LEC)** - An incumbent carrier authorized by the Commission to provide local exchange telecommunications services. The term includes a rural telecommunications carrier and a nonrural telecommunications carrier.

**Local Exchange Telecommunications Service** - The transmission of messages or communications that originate and terminate within a prescribed local calling area.

**Local Loop** - The physical component of the network that connects the customer to the Company's central office switch, i.e., a Dial Tone Line.

~~**Local Number Portability or (LNP)** - The use of existing and available call routing, forwarding, and addressing capabilities (e.g. remote call forwarding) to enable a Customer to receive Telephone Exchange Service provided by any Local Exchange Carrier operating within the exchange area with which the Customer's telephone number(s) is associated, without having to change the telephone number presently assigned to the Customer and regardless of whether the Customer's chosen local Exchange Carrier is the carrier that originally assigned the number to the Customer.~~

~~**Local Usage** - Consists of those calls made within a specified local calling area. Local usage is provided to customers under options which differ in the way rates applicable to outgoing usage are charged. With any of the options, the customer can receive at no additional charge an unlimited number of incoming calls.~~

**Long Run Incremental Cost (LRIC)** - The cost the company would incur (save) if it increases (decreases) the level of production of an existing or new service or group of services. LRIC consists of costs associated with adjusting future-production capacities that are causally related to the rate elements being studied.

~~Medical Imaging - The ability to transmit medical records, such as X-rays or MRIs, over a network.~~

**Megabits per second (mbps)** - A transmission speed of 1,000,000 bits of information per second.

~~Multimedia - Information that is represented in various (multi) methods (media). Traditionally, multimedia consists of text, video and sound.~~

**Network Modernization Plan** - A plan for the deployment of broadband service by a local exchange telecommunications company under Chapter 30 or any prior law of this Commonwealth.

**Noncompetitive Services** - All regulated telecommunications ~~services~~service or business activity that has~~es~~es not been determined or declared to be competitive ~~in this Plan.~~

**Nonprotected Service** - Any telecommunications service provided by a local exchange telecommunications company that is not a protected service.

**Political Subdivision** - Any county, city, borough, incorporated town, township, municipality, municipal authority or county institution district.

**Price Stability Index (PSI)** - PSI is an index used to limit or otherwise place a ceiling on price changes, in the aggregate, for noncompetitive services.

**Price Stability Mechanism (PSM)** - A formula which may be included in a Commission-approved alternative form of regulation ~~of telecommunications services~~

~~other than the traditional rate base/rate of return regulation, that could be tied to changes in the GDP-PI, as provided for in Chapter 30. The PSM governs changes in rates which would otherwise be governed by Chapter 13 of the Pennsylvania Public Utility Code.~~ plan that permits rates for noncompetitive services to be adjusted upward or downward.

~~Private Branch Exchange (PBX) - Private automatic telephone exchange that provides for the switching of calls internally and to and from the public telephone network:~~

**Protected Service** - ~~Telecommunications~~ The following telecommunications services provided by a local exchange telecommunications company ~~including the following: 1) Basic flat rate single line business and basic flat rate single line residential service; 2) Touch-tone service; 3) Switched access service; 4) Special access service; and, 5)~~ , unless the Commission has determined the service to be competitive:

(1) Service provided to residential consumers or business consumers that is necessary to complete a local exchange call.

(2) Touch-tone service.

(3) Switched access service.

(4) Special access service.

(5) Ordering, installation, restoration and discontinuation disconnection of these services. ~~Protected Services are considered noncompetitive unless the Commission determines that a service is competitive:~~

Remote Terminal - A structure located outside of a central office which houses electronic equipment and which provides transport for telecommunications services to and from a central office.

**Revenue Neutral** - A combination of rate changes that are not designed to produce any increase or decrease in revenues to the local exchange telecommunications company.

~~Routing~~ - A process used to determine how to move information from its source to its destination.

~~Service Control Point (SCP)~~ - The node in the common channel signaling network to which informational requests for service handling, such as routing, are directed and processed. The SCP is a real time database system that, based on a query from a service switching point and via a Signaling Transfer Point, performs subscriber or application specific service logic, and then sends instructions back to the SSP on how to continue call processing.

Rural Telecommunications Carrier - A local exchange telecommunications company that is a rural telephone company as defined in section 3 of the Telecommunications Act of 1996 (Public Law 104-104, 110 Stat. 56).

**Service Price Index (SPI)** - An index to be developed for noncompetitive services and will not be applicable to Competitive Services. The SPI is the cumulative price change from current and prior years associated with the PSI and tracks these price changes of noncompetitive services related to the PSI.

~~Signaling~~ - A process whereby information is sent through the network in order to set up and control a call.

~~Signaling Transfer Point or STP - A specialized switch that provides SS-7 network access and performs SS-7 message routing and screening.~~

**Simplified Ratemaking Plan (SRP)** - A form of regulation of telecommunications services other than the traditional rate base/rate of return regulation which sets forth the principles and procedures applicable to changes in rates for those PTA Small Company Group members with less than 50,000 access lines not electing to employ the Price Stability Mechanism under Plan A. The SRP governs changes in rates which would otherwise be governed by Chapter 13 of the Pennsylvania Public Utility Code.

**Special Access Service** - Service provided over dedicated, nonswitched facilities by local exchange ~~telephone~~telecommunications companies to interexchange carriers or other large volume users which provides connection between an interexchange carrier or private network and a customer's premises.

**Switched Access Service** - A service which provides for the use of common terminating, switching and trunking facilities of a local exchange telecommunications company's public switched network.- The term includes, but is not limited to, the rates for local switching, common and dedicated transport and the carrier ~~common line~~ charge.

~~Telecommuting - Working from home using the telecommunications network rather than commuting to an office.~~

**Telecommunications Act of 1996** - The Telecommunications Act of 1996 (Public Law 104-104, 110 Stat. 56).

**Telecommunications Carrier** - An entity that provides telecommunications services subject to the jurisdiction of the Commission.

Teleconferencing - Holding a meeting using the telecommunications network rather than in person.

**Telecommunications Service** - ~~The transmission, between or among points specified by the user, of information of the user's choosing, without change in the form or content of the information as sent and received.~~The offering of the transmission of messages or communications for a fee to the public.

Toll Service - Telephone service between stations in different exchange areas for which there is made a separate charge not included in contracts with subscribers for exchange service.

**Touch Tone** - A central office-based service which permits the origination of calls through tone-signaling "CPE."

Trunk Lines - See "Circuit Link."

**Universal Broadband Availability** - Access to broadband service by each telephone customer of a local exchange telecommunications company.