

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Citizens Telephone Company :
of Kecksburg for a Streamlined Form of : Docket No. P-00971229
Regulation and Network Modernization :
Plan and Suspension Under Section 251(f)(2) :
of the Telecommunications Act of 1996 :

AMENDED FINAL
STREAMLINED REGULATION PLAN
OF
CITIZENS TELEPHONE COMPANY OF KECKSBURG
(Revised January 27, 2005)

Dated: January 27, 2005 (Originally dated June 1, 1999 as filed in compliance with Commission Orders entered May 1, 1998 and April 28, 1999; Amended Pursuant to Act 183 of 2004 and filed on January 27, 2005)

EXECUTIVE OVERVIEW

This Plan for a Streamlined Form of Regulation ("Plan") sets forth the regulatory framework for is filed by Citizens Telephone Company of Kecksburg ("Company") pursuant to Chapter 30, Section 3006 of the Public Utility Code. 66 Pa. C.S. §3006.¹

~~Chapter 30 of the Public Utility Code was signed into law on July 8, 1993. See Act 67, P.L. 456, codified at 66 Pa. C.S. §§3001-3009. An important goal of Chapter 30 is to accelerate the deployment of a universally available "broadband" telecommunications network throughout Pennsylvania. In order to achieve the accelerated deployment of the broadband network, Chapter 30 provides for an alternative and streamlined form of regulation to replace traditional embedded cost/rate of return ratemaking.~~

~~Section 3003 of the Public Utility Code specifically authorizes local exchange carriers to petition for approval of an alternative form of regulation. Smaller local exchange carriers serving less than 50,000 access lines may petition for a streamlined form of regulation. See 66 Pa. C.S. §3006.~~

~~Section 3006 (a) sets forth the parameters of streamlined regulations 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~~

¹ The Company is a "Rural Telecommunications Carrier" as defined in Section 3 of the Telecommunications Act of 1996 (Public Law 104-104, 110 Stat. 56) and for the purposes of Act 183, 66 Pa.C.S. §3011 et seq.

~~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.²~~

~~In addition, Chapter 30 requires that a network modernization plan be included as part of an alternative regulation or streamlined regulation petition. Also, Chapter 30 permits local exchange carriers to request a determination and classification that certain services or other business activities offered, are competitive. 66 Pa. C.S. §3005. Services determined to be competitive are no longer subject to Commission regulation unless expressly provided for in Chapter 30. 66 Pa. C.S. §3009(f).~~

~~Consistent therewith,~~ Citizens Telephone Company of Kecksburg's Plan for a Streamlined Form of Regulation ("Plan") contains the following four parts: (1) Price Stability Plan for non-competitive services; (2) Competitive Services Deregulation Plan together with an initial identification of those services classified as competitive; (3) Network Modernization Plan; and (4) additional commitments concerning ongoing regulatory and reporting requirements. These parts of the Plan are interrelated with and dependent upon one another.

Part 1 - The Price Stability Plan ("PSP") governs revenue changes for non-competitive services for the duration of the Plan. It also constrains non-competitive service price changes based on an independent

²~~66 Pa. C.S. §3006(a) (footnote omitted)~~

inflation index and Commission review, and provides for interim tariff rate adjustments.

Part 2 - The Competitive Services Deregulation Plan (“CSDP”) provides for the deregulation of the rates and earnings of competitive services, but preserves the Commission’s authority over the quality of these services. In addition, the CSP contains safeguards to protect competitors from potential abuses and to insulate basic ratepayers from the economic risk of competitive services.

Part 3 - The Network Modernization Plan (“NMP”) sets forth the Company's commitment to provide universally broadband availability by December 31, ~~2015~~2008.

Part 4 - Additional Company Commitments and Other Terms describes the Company's ongoing obligations and commitments regarding service and regulatory reporting requirements.

This Plan has been amended to be and has been approved by the Commission as consistent with Act 183 of 2004, 66 Pa. C.S. §3011 *et seq.*

PART 1 - PRICE STABILITY PLAN FOR NONCOMPETITIVE SERVICES

The Price Stability Plan (“PSP”) sets forth the principles and procedures applicable to changes in the Company's revenues and rates which would otherwise be governed by Chapter 13 of the Pennsylvania Public Utility Code. The Price Stability Index (“PSI”) calculates the allowable change (increase or decrease) in revenues from 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, ~~less a productivity offset. The Company's productivity offset is quantified at 2%.~~ Changes based upon this formula are then cumulatively tracked using the Service Price Index (“SPI”). The PSP also addresses rate rebalancing, restructuring and the introduction of new services.

The PSP set forth in the Plan is a complete substitution of rate base / rate of return regulation and is the exclusive basis upon which the Company's revenues, prices, rates and earnings are regulated on and after the date of Commission approval. ~~All tariff filings for noncompetitive services are subject to review under the terms of this Plan. Chapter 13, Sections 1301 through 1305, inclusive, 1309, 1312, 1324 and 1325 of the Public Utility Code (the “Code”) remain applicable under the provisions of the Plan. In accordance with Section 3006(e) of the Code, all other provisions of Title 66, other laws of the Commonwealth, or regulations in conflict with this Plan are hereby superceded with respect to the Company, consistent with the provisions of Chapter 30.~~

Nothing in this Plan 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.

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).

A. Price Stability Mechanism

1. The Price Stability Mechanism ("PSM") is based upon the Company's revenues and rates in effect on August 15, 1997, which rates are just, reasonable, nondiscriminatory and otherwise fully in compliance with all Pennsylvania laws.

2. Annually, the Company will calculate the PSI as follows:

$$\text{New PSI} = \text{Current PSI} (1 + \% \Delta \text{GDP-PI} - X \pm Z)$$

Where:

New PSI	The new allowed maximum change in price for the noncompetitive service category based on the cumulative price cap through the current twelve month period.
Current PSI	The current allowed maximum change in price for the noncompetitive service category based on the cumulative price cap through the previous twelve month period. ³
% Δ GDP-PI	The percentage change in Gross Domestic Product Price Index based on the quarter ending six months prior to the effective date of the new annual tariff and the corresponding quarter of the previous year (September 30 th).
X	<u>Zero2%</u>
Z	The effect of any exogenous changes. Exogenous changes are positive or negative changes in the Company's revenues or expenses as defined in the Plan.

In no event shall the New PSI be less than the PSI calculated for the calendar year 1996.

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.

3. The SPI is the cumulative price changes from current and prior years and tracks the actual total price changes for noncompetitive services. No Company proposed SPI may exceed, on a total intrastate basis, the PSI accumulated after December 31,

³ The PSI applies to the sum of effective rates (and units of demand) which were realized during the previous twelve month period. Growth in revenues which occur due to growth in demand, customers, new services or any other source (unrelated to the PSM formula rate changes) are already reflected in the price cap formula ~~productivity offset~~. Therefore, such growth in revenues are solely the productivity gains of the Company under the PSI formula and may not be used for any other purpose.

1997, except as otherwise expressly provided in this Plan (e.g., exogenous events). As of December 31, 1997, the PSI and SPI equal 100.

4. Increases/decreases resulting from the PSI Calculation may be banked for a period not to exceed four (4) consecutive years. Deferred decreases shall carry interest at a rate set forth in 66 Pa. C.S. §1308. Deferred increases shall carry no interest.

5. On February 1st of each year (or the closest Commission working day to such date) beginning in 1998, 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.

6. 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 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 Part 1.E 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.

7. The Company shall provide fifteen (15) days advance notice of filing to the Commission, which shall generally describe the anticipated filing.⁴ Any and all interventions or complaints shall be due within twenty (20) days of such notice. The initial filing by the Company shall include a full explanation of all reasons for such filing and provide any and all support for such filing, including all work papers. Responses to interrogatories shall be due within five (5) days of service. Fifteen (15) days after the filing date, any and 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 five (5) days thereafter. A Commission Order must be entered within thirty (30) days of the filing or the nearest Commission Public Meeting, whichever is longer, (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "45 day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, OTS, OSBA or a customer, made at the time of complaint or intervention, and a Commission Order must then be entered within forty-five (45) days of the filing or the nearest Commission Public Meeting whichever is longer. In addition, if the proposed impact of the filing on local service rates for residential one party service is an increase which exceeds 20% of the current rates for such services,⁵ then the additional allowance of time for hearings shall be 45 calendar

⁴ This notice may be provided to the public by the Company through billing insert 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.

⁵ 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

days, rather than 15 calendar days, and a Commission Order must be entered within seventy-five (75) days of the filing or the nearest Commission Public Meeting whichever is longer.

8. Notwithstanding any other limitations specified herein, the Company, the Commission's Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate, or other parties in interest may request the Commission to make special revenue adjustments (i.e., the Z factor in the PSI formula) to recognize exogenous events as follows:

- a. Jurisdictional shifts in cost recovery where interstate revenues actually change;
- b. Subsequent regulatory and legislative changes (state & federal) which affect revenue and/or expenses, to the extent not captured in GDP-P1; and
- c. Unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor shall be a qualifying exogenous event. Conversion of the Company from average schedule settlements to a cost based or other method of interstate compensation shall be a qualifying exogenous event. Other examples of exogenous events include the implementation of number portability as well as modifications to current intercompany compensation agreements. Exogenous revenue changes shall be flowed through on a dollar for dollar basis, utilizing the most recent per

rates for such local services against which 20% is measured include all associated charges, such as basic local 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

book revenue levels, without any investigation or review of earnings. Exogenous expense changes shall be flowed through dollar for dollar on the basis of review of that single expense item for which an exogenous change is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of gross receipts taxes. The "45 day procedure," as recited above at Part 1.A.7, shall apply to such exogenous changes.

9. Any revenue shortfall or expense incurred (e.g., expenses associated with capital outlays, operating & maintenance expense, etc.) associated with the extension of local service (less other related revenue increases/expense decreases, if any) may be recovered by the Company at the time of implementing any extended area service. This same treatment shall also apply to Optional Calling Plans.

~~10. Upon implementation of IntraLATA presubscription, the Company shall be permitted to recover related incremental costs as defined in and in the manner finally established by the Commission at Docket No. I-00940034. Any revenues received therefrom shall not be included in the calculation of PSI or SPI. However, if the Commission rules that such costs shall be recovered in a different manner than set forth in its December 14, 1995 Opinion and Order at such docket, any requirement that the Company be allocated or otherwise incur a portion of the related incremental costs shall be treated as a qualifying exogenous event and recovered pursuant to the terms specified above in Part 1.A.8.~~

service rates) shall not be included in the calculation of the percentage increases for purposes of this sub-

~~1110. The Telecommunications Act of 1996 ("TCA96") has been recently promulgated and will be implemented over time. The regulatory and market changes which will result from TCA96 and applicable regulations have not been incorporated into the Plan. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under the Telecommunications Act of 1996 ("TCA-96") Act, which rights are preserved.~~

~~11. The Company is granted a suspension by the Commission of Section 251(c)(2), (3), (4), (5) and (6) obligations under the TCA-96.⁶ This suspension of obligations shall expire December 31, 2008, unless extended by the Commission. Should the Commission, following a hearing, determine that the Company 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 held by the Company under Section 251(f)(1) of the TCA-96.~~

B. Rate Restructuring and Rebalancing

part.

~~⁶ Specifically the Commission finds that suspension is necessary: (A) (i) to avoid 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.~~

1. In addition to any annual PSM filing, the Company may file tariffs proposing to rebalance and/or restructure rates for noncompetitive services (increase or decrease). The Company may initiate only one rate restructuring/rebalancing filing in the same calendar year which affects residential and single line business rates, exclusive of changes made pursuant to the SPI/PSI formula and exogenous events.

2. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues, current examples of which are intraLATA presubscription and universal service.

3. The Commission shall review the tariff proposals to determine that they are within the limits as set forth in Part 1.E. 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.

4. The "45 day procedure" shall apply to all PSI/SPI, exogenous events, and restructuring and rebalancing filings, with the allowance of an additional 15 calendar days to allow time for hearings, if specifically requested by the OCA, OTS, OSBA or a customer, 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 which exceeds 20% of the

current rate for such services,⁷ then the additional allowance of time shall be 45 calendar days, rather than 15 calendar days. ~~The initial filing shall include a copy of the most recent proxy cost study adopted by the Commission in the Universal Service Investigation and related dockets,⁸ including a narrative description to correlate with and support the cost study.~~

C. Lifeline Rate; Universal Service

1. ~~The Company shall offer a lifeline program⁹ 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~~

⁷ 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 against which 20% is measured include all associated charges, such as basic local 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 percentage increases for purposes of this subpart.

~~⁸ Presentation by Citizens Keeksburg of the most recent cost study adopted in the Universal Service Investigation and related dockets shall be deemed to satisfy the requirements of the Public Utility Code, unless the Commission expressly determines in the Universal Service Investigation or related dockets that the cost study adopted is not appropriate for rate setting purposes, in which case, the Company shall provide a cost study which it believes is appropriate.~~

~~⁹ As used in this Plan, the term "Lifeline Service" shall mean a discounted rate local service offering, as defined in 47 CFR 54.401 (relating to lifeline defined) or successor regulation, but excluding any offering~~

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.~~The Company has proposed tariff changes to implement a lifeline program for qualifying residential customers. The rules applicable to rate rebalancing and restructuring shall apply.~~

2. The Company will offer "Link Up America", which is 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. Nothing in this Plan nor shall the Company's regulation under Chapter 30 disqualify it from full participation in any Pennsylvania universal service program.

funded in part by federal universal service fund tier three funding under 47 CRF 54.403 (relating to lifeline support amount) or successor regulation.

~~4. This Plan is subject to the outcome of the Commission's Universal Service Investigation, Generic Access Charge Investigation and related dockets.~~

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",¹⁰ then the "45 day procedure" shall apply. ~~Protected services are as follows:~~

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

~~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 does not fall within the definition of "protected service" shall become effective upon one day's notice to the Commission.

¹⁰ ~~As used in this Plan, the term "Protected Service" shall refer to the following telecommunications services provided by the Company, 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. 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.

E. Consumer Protections

1. For all rate changes proposed under Part 1 of this Plan, if a proposed tariff does not cause one of the following to occur and is otherwise in compliance with this Plan, then such tariff shall be approved:

- a. The SPI is not greater than the PSI;
- 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 excess of 25% of the rates in existence at the end of the preceding year, or a \$2.50 per month increase, whichever is higher;¹¹ and
- c. The rates for those services which are established by the Commission as universal services do not exceed either the level determined by the Commission to be affordable pursuant to the Universal Service Investigation and related dockets or the costs of providing such service, unless the Commission rules, in a generic proceeding, that rates for universal service may exceed the cost thereof. In the event that an affordable rate is not established by the Commission, basic local service rates may not exceed costs of providing such service. Cost is defined as the method established by the Commission in the Universal Service Investigation and related dockets.¹² This limitation shall also apply to the basic local service rate applicable to one party business service for small business customers (three (3) lines or less), except that the rate for such small business customers may be increased to its cost, if that cost exceeds

(4) Special access service.

(5) Ordering, installation, restoration and disconnection of these services.

¹¹ 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.

¹² If the Commission expressly determines in the Universal Service Investigation or related dockets that the cost study adopted is not appropriate for rate setting purposes, then costs will be as defined by the Commission.

the affordable rate determined in the Universal Service investigation and related dockets.

~~The application of this section shall be consistent with and governed by the Commission's Opinion and Orders entered in the Frontier Chapter 30 proceeding, Docket No. P-00951005 (Orders entered December 6, 1996 and February 7, 1997), and in the Commonwealth Chapter 30 proceeding, Docket No. P-00961081 (Orders entered January 17, 1997 and June 16, 1997).~~

F. Rates for Certain Services

1. The Company shall offer school customers¹³ 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; and ii) a waiver of the associated nonrecurring charges for available intrastate broadband services, 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).

¹³ As used in this Part 3.E.2., the term "school entity" shall mean an intermediate unit, school district, joint school district, area vocational-technical school, independent school,

2. 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. The Company may file an informational tariff for a bundled package effective on one day's notice.

3. When an alternative service provider is offering local exchange telecommunications services within an exchange served by 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 mechanism or otherwise.

licensed private academic school, accredited school and any other public or nonpublic school serving students in any grade from kindergarten through 12th grade.

4. The Commission may not require the Company to reduce access rates¹⁴ 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.

FG. Complaints

1. Complaints under Section 1309 of the Public Utility Code against existing rates may only be filed 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.

¹⁴ 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 a 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.

PART 2 - COMPETITIVE SERVICES DEREGULATION PLAN

The Company's Competitive Services Deregulation Plan (“CSP”) provides for the price and earnings deregulation of services ~~found-determined~~ by the Commission to be competitive ~~or declared by the Company be competitive~~ in accordance ~~this Plan and Act 183with Chapter 30~~. Certain services are declared under this plan to be competitive. The Company may submit additional requests to classify services as competitive.

A. Competitive Services

1. The following services are currently deregulated, and shall continue to be classified as competitive: interstate billing & collection, customer premise equipment, inside wire and voice mail.

2. The following services are immediately classified as competitive: intrastate billing & collection and directory advertising. ~~Each of these services has met all of the criteria necessary for a determination that it is competitive. In addition, these services have already been deemed competitive for a similarly situated market in the Frontier Chapter 30 proceeding.~~¹⁵

¹⁵ ~~Docket No. P-00951005 (Order entered December 6, 1996).~~

3. Competitive services shall not be regulated on any basis whatsoever other than 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.

4. Tariffs and/or price lists ~~shall not~~^{may} be required by the Commission for services declared or determined to be competitive~~in the future~~. At its option, the Company may tariff the rates, 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 competitive services. Price changes that are filed in the Company's tariffs for competitive services will go into effect on one-day's notice~~Tariffs and/or price lists shall not be required for customer premise equipment, inside wire, voice mail, directory assistance or intrastate billing and collection.~~

5. 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 provider(s). 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, the Office of Small Business Advocate 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 proceeding or subsequent filing, such declaration shall than 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.

6. 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 Office of Consumer Advocate, Office of Small Business Advocate 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 Office of Consumer Advocate, Office of Small Business Advocate 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).

~~The Company may request that additional services be classified as competitive. 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 than 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.~~

~~6. Where the Company requests that new or existing services be classified as competitive, the following procedures shall apply. The public shall be notified of the proposed competitive classification by general newspaper notice, bill insert or billing notice. Such request shall be served upon the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate, any other Chapter 30 party and any other person 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 thirty (30) days of the original filing. The Company may respond within ten (10) days thereafter. The Commission shall enter an Order within sixty (60) days of the filing or the service shall be deemed competitive.~~

7. The Company shall provide the white pages database upon the same terms and conditions including at the same price, to any and all providers.

B. Statutory Protections

~~1. As of the date of approval by the Commission of this Plan, the Company has met the unbundling requirements of Chapter 30 with respect to each and every product~~

~~and service deemed competitive to the extent that such requirements apply. 66 Pa. C.S. §3005 (e) (1). Each basic service function upon which the competitive service depends is available on an unbundled nondiscriminatory basis in the Company's tariff.~~

~~2. As of the date of approval of this Plan, the Company's prices for competitive services are set above the tariffed rates for those unbundled service elements, as required by 66 Pa. C.S. §3005 (e) (2) to the extent that such requirements apply.~~

31. The Company shall not use revenues earned or expenses incurred in conjunction with noncompetitive services to subsidize competitive services. By operation of the PSM, the revenues earned and expenses incurred for any non-competitive service will not cross-subsidize or support any competitive service. Therefore, this Plan is in compliance with the requirements of Chapter 30. 66 Pa. C.S. § 3016(d) 3005 (g) (2). This provision shall not be construed to prevent the marketing and billing of packages containing both noncompetitive and competitive services to customers.

42. The price that the Company charges for competitive services shall not be less than the costs to provide the services. There is no cross-subsidy between services where the price charged for that service covers its direct incremental cost. The price for each of the services deemed competitive shall cover its direct incremental cost.

~~53~~. The Company may use cost studies presented by larger telephone companies in order to comply with competitive costing and pricing safeguards.

~~64~~. The Company will not maintain any resale or sharing 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 - NETWORK MODERNIZATION PLAN

The Network Modernization Plan ("NMP") sets forth its commitment to accelerate the modernization of the Company's networks, leading to universal broadband availability¹⁶ by December 31, ~~2015~~2008. Under Act 183 of 2004, the Company has elected to commit to accelerate 100% broadband availability by December 31, 2008. The Company shall not be required to offer either a Bona Fide Retail Request Program or a Business Attraction or Retention Program or otherwise participate in such programs.

A. Digital Switches

1. All switching facilities operated by the Company utilize digital switching. ~~Therefore, the Company has already met the objective of digitizing the switching aspect of its network.~~

B. SS-7 ~~and ISDN~~

1. All of the Company's access lines are currently served by SS-7 technology. ~~Intelligent switching (SS-7) is a key step in the progression of the network toward~~

¹⁶ As used throughout this Plan, the term "Broadband" shall mean a communication channel using any technology and having a bandwidth equal to or greater than 1.544 megabits per second (mbps) in the downstream direction and equal to or greater than 128 kilobits per second (kbps) in the upstream direction. The term "Broadband Availability," as used in this Plan shall mean access to broadband service by a retail telephone customer of the Company within ten (10) business days of request.

~~broadband availability. SS 7 utilizes an independent data link between central offices. This service capability allows telephone companies to provide a variety of call management and call processing services, generally marketed under the trade name of CLASSsm services. They include Call Trace, Call Block, Priority Call, Return Call and Select Forward.~~

~~2. The evolution of intelligent switching will result in the deployment of more sophisticated services. Advanced intelligent network signaling capability allows telephone companies to implement many new software defined call routing and database services. One potential call routing service would allow customers to reach the nearest location of a business with many locations by dialing a single number. Other call routing services—referred to as "follow me" services—could allow customers to forward calls to different locations at different times or on different days.~~

~~3. The intelligent switching network is essential to the deployment of the services, as identified above, and to the ultimate deployment of broadband capability. The Company is committed to rapid, significant strides in deploying intelligent switching technology in its network. All of the Company's access lines are currently served by SS-7 technology.~~

~~4. Integrated Services Digital Network (ISDN) is a switched digital communications standard that has been under development for a number of years. It essentially allows customers to have access to two 64 kilobits per second digital~~

~~voice/data channels and a 16 kilobits per second signaling channel. These signals are capable of being carried on copper distribution facilities that are less than 18,000 feet in length, and require connection to a digital switching system with appropriate hardware and software.~~

~~5. The Company currently offers ISDN on a trial basis in 100% of its service territory. The Company commits to the following timing of ISDN deployment,¹⁷ as a percentage of total access lines:~~

	Current	1999	2003	2008	2013	2015
ISDN	10%	20%	35%	50%	70%	100%

~~6. The Company currently offers interLATA equal access.~~

C. Broadband Services

1. The Company commits to deploy technologies necessary to provide universal broadband availability by December 31, ~~2015~~2008, ~~under § 3014(b)(1) of Act 183 as set forth in Chapter 30.~~

¹⁰~~Due to the work which may be needed to condition an individual customer's distribution facility for ISDN service and to deploy any necessary electronics, the Company may need up to 60 days to process some customers' orders for ISDN service. As broadband facilities are more widely deployed in the Company's distribution network, there will be fewer situations requiring 60 days to fill an ISDN order.~~

2. The Company cannot anticipate what technologies may be developed in the future; therefore, the NMP does not commit the Company to use any specific technology. As new technologies are developed, the Company will modify its implementation plan, but not its commitment to universal broadband availability.

3. The schedule set forth below identifies the Company’s commitment to broadband network availability measured as a percentage of capacity available to all access lines:

	Current <u>(12/31/04)</u>	1998	<u>As of</u> <u>Decem</u> <u>ber 31,</u> 2006 <u>03</u>	<u>As of</u> <u>Decemb</u> <u>er 31,</u> <u>2008</u>	2013	2015
Broadband Availability -within 60 days	30%	60%	80%	90%	100%	100%
Broadband Availability within 5 days	56%	16%	228%	47100%	74%	100%

4. The Company has deployed broadband facilities in or adjacent to public rights-of-way abutting 100% of public schools, including the administrative offices supporting

~~public schools; industrial parks; government institutions; and health care facilities¹⁸ located in its service territory, currently provides 5 day broadband availability to 100% of the customers expressly targeted for initial deployment under Chapter 30 (e.g., government, education, medical and industrial facilities). The Company's first priority is to satisfy customer demand as it arises.~~

5. The availability of broadband capability in the distribution network generally will be the last step in deploying broadband facilities. In most cases, broadband distribution facilities will immediately precede or be coincident with broadband service availability.

~~6. The Company will provide biennial NMP Reports to the Commission for the periods ending December 31, 2006 and December 31, 2008. Such biennial report shall be submitted in the form and detail required by the Commission as of July 1, 2004,¹⁹ unless such reporting requirements are subsequently reduced by the Commission. The Commission may require the submission of further information to support the accuracy of or to seek an explanation of the biennial NMP reports filed by the Company.The Company will provide to the Commission biennial summary NMP updates and, every five years, will provide detailed NMP updates.~~

¹⁸ As used in this Plan, the term "Health Care Facility" 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.

¹⁹ The reporting requirements are those specified in the "Reporting Guidelines" attached to the Commission's Order entered May 17, 1999 in *Re: Implementation of Chapter 30 of the Public Utility Code, Reporting Requirements for Biennial Updates of Network Modernization Plans Filed Pursuant to 66 Pa. C. S. § 3003(b)(6)*, Docket M-0930441.

7. Under no circumstances shall the Commission compel the public release of maps or other information describing the actual location of the Company's facilities or other information describing the actual location of the Company's facilities.

D. Failure to Provide Universal Broadband Availability by December 31, 2008

1. Utilizing the biennial NMP reports filed with the Commission under Part 3.C.6. of this Plan, the Commission shall monitor and enforce the Company's compliance with the interim and final 100% commitments for broadband availability set forth in this Plan. In the event that the Company is found by the Commission, after notice and evidentiary hearings held on an expedited basis, to have failed to meet such an interim or final 100% commitment, then the Commission shall require the Company to refund to customers in its next price stability filing an amount that is just and reasonable under the circumstances. Such amount shall not exceed an amount determined by multiplying the percentage shortfall of the broadband availability commitment on an access line basis required to be met during the period from the start of the amended plan or from the date of the last prior interim commitment, as applicable, times the increased revenue that was obtained by the Company during this period as a result of eliminating the 2% productivity offset that was in effect prior to the amendment of this Plan under Act 183, plus interest calculated under 66 Pa. C.S. §1308(d) (relating to voluntary changes in rates). Any such refund shall be separate from and in addition to any civil or other penalties that the Commission may impose on a local exchange telecommunications company under Chapter 33 of the Public Utility Code (66 Pa. C.S. §3301, et. seq).

E. Assistance to Political Subdivisions

1. The Company shall make technical assistance available to political subdivisions²⁰ located in its service territory that are pursuing the deployment of additional telecommunications infrastructure or services provided by the Company.

F. Construction

1. The Company may not be required to provide specific services or to deploy a specific technology to retail customers seeking broadband or advanced services.

2. The Company shall be permitted to participate, should it choose to do so, in joint ventures with other entities in meeting its broadband deployment commitment under this Plan.

²⁰ As used in this Plan, the term "Political Subdivision" shall mean any county, city, borough, incorporated town, township, municipality, municipal authority or county institution district located in the Company's incumbent local service territory.

PART 4 - ADDITIONAL COMPANY COMMITMENTS AND OTHER TERMS

A. Ongoing Regulatory Requirements

1. All services provided by the Company within the jurisdiction of the Commission are still subject to all provisions of Title 66 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. §3009.

2. The Company will continue to monitor service quality in compliance with Commission regulations in Chapter 63. 52 Pa. Code §63.1, et seq. ~~The Commission retains the authority to terminate 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 Company will continue to comply with the extended area service regulations established by the Commission, as they may be amended from time to time, unless in conflict with this Plan or Act 183. 52 Pa. Code §63.71, et seq.

5. The Company will file affiliated interest and affiliated transaction agreements, unless such agreements involve services found to be competitive in accordance with the Plan. However, such filings shall constitute notice to the Commission only and review of the associated costs and benefits shall be deemed unnecessary. The Commission may seek information necessary to audit the Company's accounting and reporting systems with affiliates pursuant to 66 Pa.C.S. § 2101 et seq. (relating to relations with affiliated interests).

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

7. The Company is an exempt rural telephone company for purposes of Section 251(f)(1) of the Telecommunications Act of 1996.

8. In the event that the Company effects a change to either their depreciation expense or depreciation reserve, Commission approval shall not be required. However, in the event of the reinstatement of any form of rate base / rate of return regulation of the Company, any impact of such changes on depreciation reserve or expense 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.

9. In the event that the Company applies to the Commission for the sale, merger, acquisition or other transaction required to be approved under 66 Pa. C.S. § 1102(a)(3) of another local telecommunications company or any facilities used to provide telecommunications services, it shall not propose to reduce the existing advanced service or broadband deployment obligations agreed to by the local exchange carrier that previously served the sold, merged or acquired property.

B. Reporting Requirements

1. The Commission's filing and audit requirements for the Company shall be limited to the following:

- i. The Network Modernization Plan Report filed pursuant to Part 3.C.6. of this Plan.
- 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.
- 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 (“STAS”) computation for years in which a tax change has occurred, if applicable.²¹

These reports shall be submitted in the form determined by the Commission.

2. Notwithstanding any other provision of the Public Utility Code (Title 66), the Commission's regulation or this Plan to the contrary, no other report, audit, statement, filing or other document or information, except as specified in Part 4.B.1. of this Plan, 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 is charging rates that are in compliance with Chapter 30 of the Public Utility Code (66 Pa.C.S. §3012 *et seq.*) and its effective alternative form of regulation; and (ii) the benefits of the report substantially outweigh the attendant expense and administrative time and effort required of the Company to prepare it.

~~The Company will provide the following reports to the extent applicable:~~

- ~~a. Summary annual updates and five year detailed reports to the Company's Network Modernization Implementation Plans;~~
- ~~b. Annual PSI and SPI Reports;~~
- ~~c. Biennial extended area service traffic usage studies (52 Pa. Code §63.72);~~
- ~~d. Access line summary (Docket No. M-900239);~~
- ~~e. Pa. Telecommunications Relay Surcharge (Docket No. M-900239);~~
- ~~f. Assessment for regulatory expense upon public utilities (66 Pa. C.S. §510(b));~~
- ~~g. An annual service report and measurement of service quality (52 Pa. Code §63.56);~~

²¹ 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.

- ~~h. An annual financial report, including rate of return data for surveillance purposes (66 Pa. C.S. §3006(d));²²~~
- ~~i. An annual deaf, speech impaired and hearing impaired relay information report (66 Pa. C.S. §3006); and~~
- ~~j. An annual State Tax Adjustment computation for years in which a tax change has occurred (66 Pa. C.S.A. 3006(d)).~~

~~2. No other reports or audits shall be required of the Company.~~

C. Term of Plan

~~1. No change may be made to this Plan without the express agreement of both the Commission and the Company. The Company may subsequently petition the Commission for approval of further modifications to this Amended Plan, which the Commission may grant upon good cause shown. Any proposed future revision to the terms and conditions of the Company's Chapter 30 Plan will be sought so as to provide notice and the opportunity to be heard.The legislation underlying this Plan sunsets on December 31, 2003, absent an act of the 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 Pa. C.S. §3004 (applicable to a new Plan) shall apply.~~

~~2. 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~~

²² The Company shall include in its annual report a separate statement of the revenues, expenses, rate base and net income associated with intrastate billing and collection services and directory advertising. Five (5) years after the approval of the Plan, the Company may request that this reporting requirement be discontinued. The OCA, OTS, and AT&T reserve the right to oppose such request.

Pa.C.S. § 3011 et seq.), 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).

23. In the event of any appellate court, federal court, federal agency or other lawful order which 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 Pa. C.S. §3004(b), shall also apply to such subsequent modifications or revisions, if any, of this Plan.~~

- END -

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