

Suzan DeBusk Paiva  
Assistant General Counsel  
Pennsylvania



1717 Arch Street, 10W  
Philadelphia, PA 19103

Tel: (215) 466-4755  
Fax: (215) 563-2658  
Suzan.D.Paiva@Verizon.com

August 20, 2008

DOCUMENT  
FOLDER

**Via UPS Overnight Delivery**

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

**Re: Verizon Pennsylvania Inc.'s 2006 Price Change Opportunity Filing  
Docket Nos. R-00051228 and P-00930715F1000**

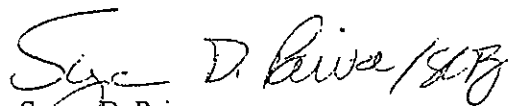
**Verizon North Inc.'s 2006 Price Change Opportunity Filing  
Docket Nos. R-00051227 and P-00001854F1000**

Dear Secretary McNulty:

In compliance with Ordering Paragraph 4 of the Commission's May 27, 2008 Order in the above-named matters, enclosed please find the original and three copies of the Alternative Regulation Plan of Verizon Pennsylvania Inc. as of August 2008, as well as the original and three copies of the Alternative Regulation Plan of Verizon North Inc. as of August 2008, in both redline and clean text form.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Suzan D. Paiva

SDP/slb  
Enc.

**RECEIVED**

AUG 19 2008

**Via UPS Delivery**  
cc: Elizabeth Barnes, Law Bureau  
Janet Tuzinski, Bureau of Fixed Utility Services  
Robert Marinko, Office of Special Assistants

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**Via E-Mail and UPS Delivery**  
cc: Attached Certificate of Service

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Verizon Pennsylvania )  
Inc.'s Petition and Plan ) Docket No. P-00930715  
for Alternative Form of Regulation ) Docket No. P-00930715F1000  
Under Chapter 30 ) Docket No. R-00051228

ALTERNATIVE REGULATION PLAN OF  
VERIZON PENNSYLVANIA INC.  
AS OF AUGUST 2008

**Executive Summary**

This Plan for an Alternative Form of Regulation (“Plan”) sets forth a new regulatory framework for Verizon Pennsylvania Inc. (“Verizon” or “the Company”). It is designed to replace the out-moded rate base/rate of return regulatory scheme that has been in place during the last century with a progressive regulatory framework that will accommodate the competitive and technological explosion occurring in the telecommunications industry.

Verizon's Alternative Regulation Plan has three principal components: (1) a price stability mechanism (“PSM”) for noncompetitive services; (2) a competitive services deregulation plan (“CSP”); and (3) a network modernization implementation plan (“NMP”). The last part of the Plan sets forth additional commitments and obligations regarding such issues as quality of service and privacy. These parts of Verizon’s Plan are interrelated and interdependent with one another.

**RECEIVED**

AUG 19 2008

Part 1 of the Plan is the PSM that governs revenue changes for noncompetitive services for the duration of the Plan. The PSM caps protected service rates (*e.g.*, residential and business local exchange and special and switched access rates until December 31, 1999) and limits price changes thereafter. It also constrains noncompetitive service price changes based on the Gross Domestic Product Price Index (“GDP-PI”), an independent inflation index, and Commission review, provides for Commission approval of revenue neutral tariff rate adjustments and maintains discounts for disabled customers.

Part 2 of the Plan is the CSP that 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 stringent safeguards to protect competitors from abuses and to insulate basic ratepayers from the economic risks of competitive services. As part of this Plan, six services are classified as competitive: Billing Services; Directory Advertising; Centrex; Paging; Repeat Call; and Speed Calling.

Part 3 of the Plan is the NMP, which describes the Company's commitment to provide universal broadband availability by December 31, 2015. The NMP also describes the Company's plans for reasonably balanced deployment of its broadband network among rural, urban and suburban areas within its service territory and for deployment of broadband facilities in or adjacent to public rights-of-way abutting public schools, industrial parks and health care facilities. Part 3 also contains the four NMP Supplements that have been filed since the 1994 inception of the plan. The first three supplements were filed in response to Commission Orders and include deployment plans,

measurement standards and DSL deployment objective. The fourth Supplement to the NMP incorporates the network modernization provisions of Act 183, the replacement legislation for Chapter 30 that became law in November of 2004. To coalesce continuing provisions of the first three supplements with the fourth supplement incorporating pertinent Act 183 requirements, the Company has made limited coordinating edits to the first three supplements specifying a consistent 1.544 megabits per second broadband bandwidth obligation and 10 business day response requirement for customer broadband service requests.

Part 4 of the Plan describes the Company's ongoing obligations and commitments regarding quality, safety, adequacy, reliability and privacy of telecommunication services and other services or business activities. It also describes the reports that Verizon will file with the Commission under the Plan and the Company's Act 183 commitments.

## **PART 1 - PRICE STABILITY MECHANISM FOR NONCOMPETITIVE SERVICES**

**Overview:** The PSM restrains revenue increases resulting from tariff rate changes for noncompetitive services. The PSM allows total annual revenues from noncompetitive services to increase from the previous year's total revenues from noncompetitive services as a result of tariff rate changes based on the annual change in the Gross Domestic Product Price Index ("GDP-PI"), as calculated by the United States Department of Commerce, less 0.5 percent. In years when the annual change in the GDP-PI is less than 0.5 percent, the Company must file tariff changes to reduce its revenues from noncompetitive services.

The PSM also contains special provisions for protected services. First, it caps protected service rates, such as residential and business local exchange and special access rates, until December 31, 1999.<sup>1</sup> When the annual change in the GDP-PI is less than 0.5 percent, protected services revenues must be reduced through tariff rate changes by a pro-rata share of the revenue reduction required for all noncompetitive services.

All tariff filings for noncompetitive services under the PSM will be subject to Commission review under 66 Pa. C.S.A. §§ 1301 and 1304.

### **A. Price Stability Mechanism (PSM) Features**

---

<sup>1</sup> In accordance with 66 Pa. C.S.A. § 3007(2), the Plan prohibits switched access rate increases until December 31, 1999, unless Verizon can show that, absent an increase, total switched access revenues would be below total switched access cost.

1. The PSM is based upon Verizon's rates in effect on October 1, 1993, as the starting point for rate caps and authorized and required rate changes.

2. The PSM caps revenue increases resulting from tariff rate changes for noncompetitive services. Each year, Verizon will calculate its cap --i.e., Price Change Opportunity -- under the following price stability formula:

$$\text{Price Change Opportunity} = \text{Revenues} \times (\text{GDP-PI} - 0.5\%)$$

---

Price Change Opportunity = Authorized annual decrease or increase to be implemented through tariff rate changes for noncompetitive services.

Revenues = Intrastate noncompetitive service revenue amount billed by Verizon for the twelve month period corresponding to the twelve month period in the annual change in the GDP-PI.

GDP-PI = The percentage annual change in the Gross Domestic Product-Price Index based upon the most recent quarterly release of the U.S. Department of Commerce.

If the Price Change Opportunity calculated for the year is positive, Verizon may file tariff rate changes for noncompetitive services to recover up to the amount of the Price Change Opportunity for that year or may elect to forego any or all recovery of the Price Change

Opportunity for that year and/or apply the provisions of Part 1, Section E. If the Price Change Opportunity for the year is negative, Verizon must file tariff rate changes to reduce its revenues by an amount equal to that year's Price Change Opportunity or apply the provisions of Part 1, Section E.

3. On or about November 1<sup>st</sup> of each year, Verizon shall file with the Commission its proposal to implement any required or authorized Price Change Opportunity. The proposal shall include:

a. The percentage annual change in the GDP-PI based upon the most recent quarterly release;<sup>2</sup>

b. The calculation GDP-PI minus 0.5%;

c. The Price Change Opportunity for that year, as calculated under the price stability formula; and

d. If the Price Change Opportunity for that year is positive, proposed tariff rate changes that would increase noncompetitive service revenues by an amount that is less than or equal to the Price Change Opportunity or a proposal to bank. If the Price Change Opportunity is negative, proposed tariff rate changes that would decrease noncompetitive service revenues by an amount equal to the Price Change Opportunity or a proposal to bank.

4. Verizon's tariff rate change proposals shall be subject to Commission review under 66 Pa. C.S.A. §1308. The proposed tariff rates will be effective within 60 days of filing, subject to refund investigation and recoupment, except if the proposed increase constitutes a "general rate increase." The Commission shall review Verizon's

---

<sup>2</sup> If the Department of Commerce should stop releasing the GDP-PI during the term of the Plan, then, subject to Commission approval, Verizon will substitute an alternative index and make any adjustments to the formula necessary to keep it as close to the current formula as possible.

tariff rate change proposals to determine whether they are designed to produce revenue changes that comply with the PSM. If the Commission determines that the Company's rate proposals do not comply with the PSM, the Commission may modify them to produce the revenues authorized by the PSM. If the Company's proposals comply with the PSM, the Commission may review the individual price levels proposed by the Company and may modify them on a revenue-neutral basis.

5. Verizon shall not be required or authorized to decrease a tariff rate which is at or below incremental cost or results in a price below incremental cost.

6. Verizon also reserves the right to forego any tariff rate increases permitted under the PSM.

7. Verizon may also propose tariff rate decreases on 30 days notice, that do not result in tariff rates below incremental costs at any time.

8. Notwithstanding any other limitation specified in the PSM, Verizon, the Commission Staff, the Office of the Consumer Advocate or the Small Business Advocate may request the Commission to make special revenue adjustments beyond the scope of the PSM that are limited to mechanical regulatory events bearing only on local exchange carriers and may include only changes resulting from: (1) jurisdictional shifts where costs are transferred to or from the interstate jurisdiction and where an equal and opposite exogenous adjustment was allowed by the Federal Communications Commission under

its price cap system; and (2) limited regulatory accounting changes not initiated by Verizon.<sup>3</sup>

9. Line Count True-Up: If historical line counts (defined as the actual line counts from a point in time before the rate changes went into effect) are used to determine the magnitude of the rate changes that implement a Price Change Opportunity, then Verizon will include in its next PSM filing for the next year an adjustment to noncompetitive revenue representing the difference between the amount of revenue projected to be collected using historical line counts and the amount of revenue projected to be collected using the actual line counts ascertained on June 30th of the mid-point of the first year of Price Change Opportunity implementation. Any changes to rates resulting from this true-up adjustment will be reflected in the next PSM filing (for example, a true-up adjustment for the 2009 Price Change Opportunity would be reflected in the 2010 Price Change Opportunity filing).

Verizon will make an adjustment to noncompetitive service revenue to reflect the revenue effect of a true-up adjustment, as described in the paragraph above: (i) to the 2007 PCO for under-collection due to the use of historical counts in implementing the 2006 PCO, and (ii) to the 2008 PCO for under-collection due to the use of historical

---

<sup>3</sup> The burden of proof in requiring such a revenue adjustment is on the party proposing the change. Any adjustment to revenues must be determined by allocating the total company impact of the underlying event between interstate and intrastate jurisdictions and between competitive and noncompetitive services. An application to the Commission for such a change must be filed with sixty (60) days notice. Verizon will file tariffs to implement any approved revenue changes.

line counts in implementing the 2007 PCO. Such adjustment shall be made as an amendment to a previous PSM filing.

10. No revenues from the attribution of access charge revenue will be included in the PSM calculation for PCO filings subsequent to 2007.

11. In its PSM, the amount of revenue from noncompetitive services attributable to the business customers generating less than \$10,000 in annual total billed revenue would be estimated as follows:

Total Business Service Revenue (Intrastate, Interstate, Nonregulated)	(A)
Business Service Revenue - \$10,000 & Above (Intrastate, Interstate, Nonregulated)	(B)
Business Service Revenue - under \$10,000 (Intrastate, Interstate, Nonregulated)	(C = A - B)
To identify Intrastate Business Service Revenue - under \$10,000 (% of Intrastate Revenue to Total Billed Revenue)	(D)
Intrastate Business Service Revenue - under \$10,000	(E = C x D)

The above result would be used to calculate the PCO as follows and would replace the “business competitive overlay.”

Service Category	Old Methodology	Revised Methodology
Exchange Services - Residence	F	F
Exchange Services - Business	M	E (from chart above)
Switched Access	G	G
Billing (Late Payment/Return Check Fee)	H	H
Premises Transport	I	I
Call Completion	J	J
ITC Settlements	K	K
Sub Total	N=F+M+G+H+I+J+K	L = E+F+G+H+I+J+K
Business Competitive Services	O	(this step is eliminated)

Total Noncompetitive Revenue	$P = N - O$	L (from above)
Inflation minus Offset	Y%	Y%
PCO Total (\$)	$P \times Y\%$	$L \times Y\%$

12. Verizon will use the April 1 – March 31 time period for its 2009 – 2011 PCO filings and will not petition the Commission to amend its Alternative Regulation Plan to use a period other than April 1 – March 31 at any time prior to January 1, 2011.

**B. Price Protections for Protected Services**

1. Under Act 183, the term “protected service” shall refer to each of the following telecommunications services, unless a service has been determined to be competitive:

- i. Service provided to residential consumers or business consumers that is necessary to complete a local exchange call.
- ii. Touch-tone service.
- iii. Switched access service.
- iv. Special access service.
- v. Ordering, installation, restoration and disconnection of these services.

2. Subject to Commission approval, Verizon retains the right to grandfather or withdraw any service except for the residential budget usage option, Link-Up America and Lifeline service.

3. Where annual rate adjustments made under Verizon's PSM are calculated using revenues from protected services, an average rate adjustment for protected residential customer local exchange telecommunications service lines shall be determined by dividing the total protected service revenues associated with such lines, as adjusted by the price stability formula, by the number of such lines, and the rate adjustment for any individual line shall not vary from this average rate adjustment by more than 20%. If the Price Change Opportunity is negative, Verizon must propose tariff rate changes that permit protected services to bear a pro-rata share of the required revenue reduction or apply the banking provisions of Part 1, Section E. However, Verizon is not required or authorized to propose any tariff rate reduction that would reduce an individual service price below its incremental cost.

4. The carrier common line revenue cap, as provided for under the Commission's Opinion & Order in Docket No. R-842779, entered on February 24, 1988, will continue in effect through the term of the PSM.

5. Subject to Commission review and approval, Verizon may propose to change the classification of any protected service to a competitive service pursuant to the requirements of 66 Pa. C.S. § 3016(a).

### **C. Revenue Neutral Changes**

1. Notwithstanding any other limitations specified in the PSM, upon notice and subject to Commission hearing and review, Verizon may propose revenue neutral adjustments to the rates of its noncompetitive services. Revenue neutral adjustments will

be proposed in tariff filings for Commission review under 66 Pa. C.S.A. § 1308. Verizon is permitted to effect revenue neutral price changes within each market basket of services, which market baskets of services shall consist of: Residential Local Exchange; Business Local Exchange; Special Access Services; and Switched Access Services; and all other non-competitive services. To the extent that Verizon can supply rational reasons as to why the foregoing restriction is not feasible or advisable from a public policy standpoint, Verizon may also propose an alternative revenue neutral price change tariff filing that provides for reductions in one market basket to be recovered from services included in other market baskets, which filing would be supplementary to and not in lieu of the revenue neutral price change tariffs for each market basket.

2. Verizon may propose revenue neutral tariff rate changes and restructures to implement the results of the Commission's evaluation of the consistency of Verizon's intrastate access tariff rates and structures with its interstate access service tariff pursuant to 66 Pa. C.S.A. § 3007(3). Rate changes and restructures for access services submitted in accordance with this paragraph are subject to Commission approval, after notice and hearing. No rate change or restructure shall be approved if it constitutes or promotes unfair competition.

3. Verizon will propose revenue neutral tariff rate changes to implement a Lifeline program for residential customers, who are eligible for Verizon's Link Up America program. Rate changes submitted in accordance with this paragraph are subject to Commission approval.

**D. Rates for Certain Services**

1. The Company provides discounts or exemptions to the disabled for a number of services. These exemptions and percentage discounts will remain in effect during the Plan.

2. The Company, at its discretion, may offer and bill to customers on one bill bundled packages of services which include non-tariffed, 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 notice.

3. No person or entity may refuse to pay tariffed access charges for interexchange services provided by Verizon.

**E. Banking**

1. After 2001, annual price decreases calculated under the PSI filed each year may be banked for application in future years, not to exceed four (4) consecutive years.<sup>4</sup> Such banking of decreases will be with interest at a rate set forth in 66 Pa. C.S. §1308.

2. The banked price changes must be implemented no more than four (4) years after the annual price change is applied.

3. If a decrease is greater than \$500,000, the Company will implement the decrease immediately.

---

<sup>4</sup> For annual price increases, the Company may apply them in future years, without limitation as to time.

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

**Overview:** Verizon's CSP provides for the price and earnings deregulation of any services or locations that have been, or may be, found by the Commission to be competitive or declared by the Company to be competitive in accordance with Act 183.

The following services were determined competitive as of December 31, 2003 and are grandfathered as competitive pursuant to 66 Pa. C.S. § 3013(d): Billing Services, Directory Advertising, Centrex, Paging, Repeat Call, Speed Calling, High Capacity Special Services, IntraLATA Toll, Toll Package Plans, and all services provided to business customers generating \$10,000 or more in annual total billed revenue. The following services were declared competitive by Verizon pursuant to 66 Pa. C.S. § 3016 (b) after Act 183 took effect: Local Package Plans, Directory Assistance and Listings, ISDN-BRI and ISDN-PRI, Channels, Pay Telephone Lines, Digital Direct Inward Dialing, Switched Redirect, Optional Central Office Services, and various Interpremises Transport Services.

Part A of the CSP describes the general impact and benefits of providing these services on a competitive basis. Part B describes how Verizon has fulfilled and will fulfill the statutory obligations contained in Act 183 for competitive services. Part C describes Verizon's compliance plan.

### **A. Impact and Benefits**

The Commission may not fix or prescribe the rates, tolls, charges, rate structures, rate base, rate of return or earnings of competitive services or otherwise regulate competitive services except as set forth in Act 183. Verizon filed informational tariffs

with the Commission for its competitive services on July 27, 1994, and will file informational tariffs for services declared competitive in the future. Verizon will also have the option to include or exclude specific prices in its informational tariffs. Verizon will be able to modify those prices, just as its competitors do, to respond to market conditions. Verizon's competitive services are governed by 66 Pa. C.S. § 3016.

Competitive markets provide firms with strong incentives to serve customers' needs efficiently, and thus provide substantial public benefits. Freed from the artificial strictures of regulation, Verizon can react more quickly to the market by initiating price changes, promotions, innovative terms and conditions, etc.-- tools currently available to each of our competitors. Consumers of competitive services will therefore benefit from the reduced regulatory cost and delay and the additional pricing flexibility granted Verizon.

While the customers of services deemed competitive will benefit, customers of other services will not be affected. All noncompetitive services may only increase prices under the PSM limits, which operate independent of Verizon's control.

Finally, the Commission will retain its existing authority over competitive services for other purposes, such as service quality standards, to the extent that authority was preserved under Act 183.

#### **B. Statutory Protections**

Verizon's CSP also incorporates the statutory protections contained in Act 183.

Verizon has insured that the revenues earned or expenses incurred for any noncompetitive service will not cross-subsidize or support any competitive service as

required by Sections 3016(d) and 3016(f)(1). There is no cross-subsidy between services where the price charged for that service covers its direct incremental cost. The price for each of Verizon's competitive services covers its incremental cost. Equally important, Verizon has designed its PSM to eliminate the incentive and ability to cross-subsidize competitive services.

The Commission may not require tariffs for competitive services offerings to be filed with the Commission.

**C. Compliance**

Compliance with the provisions of the CSP and the statute will be ensured through existing Commission investigation and complaint procedures. Any competitor or other party who believes Verizon has violated any of the provisions of this CSP or the statute may file a complaint with the Commission. Likewise, the Commission retains all of its traditional powers to investigate any allegations that Verizon has violated its statutory obligations. In addition, Verizon, like all participants in a competitive market, is subject to the remedies in the antitrust laws and other similar statutes.

### **PART 3 - NETWORK MODERNIZATION IMPLEMENTATION PLAN**

**Overview:** Verizon's NMP sets forth the Company's commitment to accelerate the modernization of its network, leading to universal broadband availability by December 31, 2015. This progression of Verizon's network modernization will enable the Commonwealth to attract businesses and jobs, and will make available information age services that enhance the quality of life for all Pennsylvanians. It will also provide diversity and competition in the supply of telecommunications services and products in telecommunications markets throughout the state.

The NMP includes definitions of the service capabilities to be implemented, examples of the services each of them will support, and descriptions of the underlying network technology which Verizon plans to deploy, culminating in universal broadband availability throughout Verizon's serving area in 2015. The NMP explains Verizon's plans to use fiber optic or comparable technology that is capable of bandwidth of at least 1.544 megabits per second in the downstream direction and at least 128 kilobits per second in the upstream direction. It also contains Verizon's deployment commitments and schedule for broadband availability, its plans to reasonably balance broadband deployment among rural, suburban and urban areas, and its fulfillment of its commitment to deploy broadband facilities within reach of public schools, industrial parks and health care facilities by December 31, 2005.

The Company will also report on its provision of broadband availability under the NMP biennially. Absent extraordinary circumstances, Verizon will continue to meet or exceed its commitments.

### **Verizon's Progression to a Broadband Network**

Verizon has already made substantial investments in its network to provide equal access to interexchange carriers from all central offices using stored program controlled switches. Verizon's NMP represents a significant acceleration of the Company's previous plans for deployment of a broadband network. Under the NMP, Verizon will provide universal broadband availability at least 15 years sooner than under traditional rate base/rate of return regulation. In order to meet this commitment, Verizon plans to replace and upgrade a variety of facilities in its network with state of the art technology.

Customers will not have to wait for broadband availability before they begin receiving benefits from Verizon's NMP. The service capabilities provided by Verizon's network have progressed and will progress over the period of the NMP, starting with intelligent network services, moving to a variety of digital services and culminating in a universal broadband network. Customers will have access to many new services and capabilities on an accelerated basis as Verizon's network progresses towards broadband capability. The NMP will therefore provide significant benefits to customers even before broadband services are made available to them.

The service capabilities, the services they will support and Verizon's current view of the most appropriate supporting technologies for each, are as follows.

#### **A. Intelligent Network Services and Digital Services**

Consistent with its commitments under the original Chapter 30, 100% of Verizon's access lines were served by Intelligent Network Signaling by 1994; all customers had Integrated Services Digital Network (ISDN) service availability in 2000<sup>5</sup>; and 100% of Verizon's access lines were served by digital switching by 2000.

One step in the progression of Verizon's network toward broadband availability is intelligent network signalling capability. This service capability allows telephone companies to provide a variety of call management and call processing services, generally marketed under the trade names CLASS<sup>sm</sup> and IQ<sup>sm</sup> Services. They include services such as:

Call Trace	Traces the number of the last call received and sends it to the Company's Annoyance Call Center.
Call Block	Gives the customer the ability to block calls from up to 6 phone numbers from which the customer does not wish to receive calls.
Priority Call	Lets the customer chose up to 6 phone numbers to ring in a special way on incoming calls.
Return Call	Lets the customer call back the last number that called the customer, whether the customer answered telephone or not.
Select Forward	Lets the customer transfer calls from up to 6 preselected phone numbers to another location.

---

<sup>5</sup> Effective November 25, 2004, Verizon grandfathered ISDN, making it available to existing customers only.

By 1994, all of Verizon's customers will have access to these services.

Intelligent network signalling capability is progressing to a more sophisticated level. Advanced intelligent network signalling capability allows telephone companies to implement many new software defined call routing and database services. These types of services will enable customers to modify centralized databases themselves to provide routing, storage and overall control capabilities for their incoming and outgoing calls.

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. Screening services will also be available to permit customers to forward or block incoming calls depending upon origin or destination.

The network elements required to support these service capabilities are special network elements called Service Control Points (SCPs), which contain much of the intelligence necessary to provide the new services and the databases to be accessed; and modern digital switching equipment called Signal Transfer Points (STPs), which contains the hardware and software necessary to route signalling information over the CCS data network.

Historically, the information required to route calls through the telephone network -- "signaling" information -- has been carried over the same facilities used to carry the calls. This traditional signaling system has limited information carrying capacity and flexibility. In recent years, an intelligent network signaling capability -- CCS -- has been

developed. CCS uses a separate digital network to carry signaling and other information.

This technology is flexible and has a high capacity for carrying information.

Verizon has already made significant strides in deploying CCS technology in its network. Approximately 97 percent of Verizon's access lines are already served by CCS technology. Verizon currently plans to serve 100 percent of its access lines with CCS technology in 1994.

	Current	1998	2003	2008	2013	2015
Intelligent Network Signalling Capability	97%	100%*	100%	100%	100%	100%

\* 100% availability in 1994.

## **B. Digital Services**

Another step in the progression of Verizon's network is digital service capability. This service capability will permit simultaneous voice and data communications over a single telephone line (copper or fiber). In addition, digital service capability can support services such as video teleconferencing, high speed facsimile and high speed computer communications.

Customers who use any combination of work stations, personal computers, facsimile machines, answering machines and telephones are candidates for digital services. In addition, digital services will dramatically increase opportunities for telecommuting by enabling employees with home work stations to interconnect them with

a main frame computer or Local Area Network (LAN) on a high speed basis while simultaneously permitting voice communications over the same telephone line.

Today, a form of digital service capability, Integrated Services Digital Network (ISDN) service,<sup>6</sup> is currently available to 25 percent of Verizon's access lines. Verizon plans to make ISDN available to all of its customers by 2000.<sup>7</sup>

	Current	1998	2003	2008	2013	2015
Integrated Services Digital Network (ISDN) Availability	25%	68%	100%*	100%	100%	100%

\* 100% availability in 2000.

In order to make this service capability available, Verizon currently plans to deploy digital switches throughout its network. Approximately 51 percent of Verizon's access lines are now served by digital switches. By the end of the year 2000, Verizon plans to serve all customers with digital switches. Verizon will continue to monitor

<sup>6</sup> ISDN is a switched digital communications standard which has been under development for a number of years. It essentially allows customers to have access to two 64 kilobits per second digital voice or 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.

<sup>7</sup> Because of the work which may be needed to condition an individual customer's distribution facility for ISDN service and to deploy any necessary electronics, Verizon may need up to 60 days to process some customers' orders for ISDN service. As broadband facilities are more widely deployed in Verizon's distribution network, there will be fewer situations requiring 60 days to fill an ISDN order.

technical developments in this area and may modify its plans in response to significant technological changes.

	Current	1998	2003	2008	2013	2015
Digital Switching	51%	84%	100%*	100%	100%	100%

\* 100% in 2000.

### C. Broadband Services

Verizon's network will progress to universal broadband service capability. This service capability will permit services which require bandwidth of at least 1.544 megabits, such as video on demand, new generation video telephone, high speed data services and certain distance learning applications (e.g., students accessing remote multimedia educational information from home or school). It will also make possible a full panoply of broadband services requiring higher bandwidth, such as medical imaging, two-way interactive distance learning, very high speed computer communications, high definition television (HDTV), and other broadband services developed in the future. The open network, equal access design will permit these types of broadband services to be available not only from Verizon, but also from competing service providers.

Verizon commits to deploy the technologies necessary to provide universal broadband availability in 2015. In order to meet this commitment, Verizon plans to deploy a broadband network using fiber optics or other comparable technology that is

capable of supporting services requiring bandwidth of at least 1.544 megabits per second or its equivalent.<sup>8</sup> Broadband switching capability will be included in Verizon's network as the technology develops and as needed to make switched broadband services available to meet customer requirements.

Although Verizon currently expects to rely extensively on fiber technology, Verizon does not know what technologies may be developed in the future. The NMP therefore does not require the Company to use any specific technology. As new technologies are developed with comparable capabilities, Verizon will modify its implementation plans, but not its broadband availability commitments. These modifications will be included in Verizon's biennial updates to the NMP.

#### **1. Commitment to Universal Broadband Availability**

In accordance with Section 3014(b)(3) of Act 183, Verizon commits to universal broadband availability by December 31, 2015. In Chapter 30, broadband availability is defined as access to broadband service by a retail customer within ten business days after receiving the customer's request for broadband service. 66 Pa. C.S. §3014(b)(5). The schedule set forth below specifies interim target dates for deployment of Verizon's broadband network. For purposes of this NMP, these targets are considered to be floors for broadband availability. If the Company has viable opportunities to exceed these floors, it will do so.

---

<sup>8</sup> The bandwidth of fiber or comparable media is controlled by the electronics at the ends of the cable, not by the physical facility. A network constructed to transmit at 1.544 megabits per second can be upgraded for wider bandwidth in the future with new electronics.

	1993	1998	2004	2006	2008	2010	2012	2015
Broadband Availability	0%	20%	50%	60%	70%	80%	90%	100%

The Company's commitment to universal broadband availability is dependent upon the deployment of broadband capability in its interoffice and distribution network. Without broadband capability in these components of its network, it is not possible to make broadband service universally available. Verizon therefore commits to convert 100 percent of its interoffice and distribution telecommunications network to broadband capability by December 31, 2015.

Verizon has already made substantial progress in deploying broadband capability in its interoffice telecommunications network. Nearly 97 percent of its interoffice network already has some broadband capability using fiber optic trunk lines. In 1994, all of its interoffice network will have some broadband capability using fiber optic trunk lines.

	Current	1998	2003	2008	2013	2015
Interoffice Broadband Capability	97%	100%*	100%	100%	100%	100%

\* 100% availability in 1994 using fiber optic trunk lines.

Currently, 58 percent of Verizon's interoffice circuit links use fiber optic trunks. In 2000, all copper facilities in Verizon's interoffice network will be replaced with fiber optic trunks or comparable technology.

	Current	1998	2003	2008	2013	2015
Interoffice Fiber Optic Trunk Lines	58%	85%	100%*	100%	100%	100%

\* 100% in 2000.

The deployment of broadband capability in its distribution network will generally be the last step in making broadband services available. In most cases, the deployment of broadband distribution facilities will immediately precede or be coincident with broadband service availability. Verizon's schedule for broadband deployment in its distribution network is essentially the same as its broadband availability schedule.

## **2. Deployment in Rural, Urban and Suburban Areas**

Section 3014(k) of Chapter 30 requires the Company to reasonably balance deployment of its broadband network among rural, urban and suburban areas within its service territory. For purposes of this NMP, the Company has classified each of its exchange areas as urban, suburban or rural.

The classification of Verizon's exchanges as rural, urban or suburban is based on their density cell designation under Verizon's tariff. Exchanges in Density Cells 1 & 2 are classified as urban, Density Cell 3 as suburban and Density Cell 4 as rural, except those

which contain an incorporated community larger than 10,000 residents, in which case they shall be classified as suburban. This exception was included in the Commission Order entered September 17, 2003 in Docket P-00930715F0002, where the Commission directed Verizon to reclassify a small number of its exchanges (for Chapter 30 purposes only). These classifications are set forth in Appendix 1.

The Company plans to reasonably balance deployment of its broadband network among rural, urban and suburban areas by meeting uniform deployment targets for broadband availability in each area. These targets are regarded as floors so that the Company can exceed them to satisfy specific customer requirements. For example, if a rural community or institution has a specific need for broadband services that the Company can economically satisfy at that time, the Company will do so even if it would cause the Company to exceed the target for broadband availability in rural areas. The targets for balanced deployment are shown below.

Broadband Availability	1993	1998	2004	2006	2008	2010	2012	2015
Rural	0%	20%	50%	60%	70%	80%	90%	100%
Urban	0%	20%	50%	60%	70%	80%	90%	100%
Suburban	<1%	20%	50%	60%	70%	80%	90%	100%

**3. Deployment for Public Schools, Industrial Parks and Health Care Facilities**

Verizon plans to deploy broadband facilities in or adjacent to public rights-of-way abutting public schools, including the administrative offices supporting public schools, industrial parks, and health care facilities.

As shown on the table below, Verizon has already made substantial progress in making broadband facilities available to these locations. Verizon plans to accelerate this deployment so that all of these locations will have access to broadband facilities in 2000.

The following table provides an estimate of Verizon's current progress in making broadband facilities available to these locations. Verizon will continue to work with government agencies and officials to insure that all such locations have access to broadband facilities in 2000.

Broadband Facilities In or Adjacent to Public Rights-of-Way	Current	1998	2003	2008	2013	2015
Public Schools	40%	80%	100%*	100%	100%	100%
Industrial Parks	80%	95%	100%*	100%	100%	100%
Health Care Facilities	30%	80%	100%*	100%	100%	100%

\* 100% in 2000.

In addition, the percentage of schools, health care facilities and industrial parks with broadband availability throughout the urban, suburban and rural areas of the state at each five year interval should be reasonably equal to the highest actual percentage of broadband availability in urban, suburban or rural areas.

#### 4. Deployment of Remote Terminals

Verizon commits that all new Remote Terminals (RTs) will be fiber-fed or fed with comparable technology. Based on the technological standard, Verizon will (a) deploy additional remote terminals throughout its territory where none are in place and where customers are more than 12,000 feet from a central office, and (b) deploy the necessary equipment so that broadband services at speeds of at least 1.544 Mbps in the downstream direction and 128 Kbps in the upstream direction are available to every customer in accordance with the foregoing schedule. If Verizon relies on technologies that make higher broadband speeds available over longer loops or using other technology, Verizon shall so inform the Commission.

#### **5. DSL Deployment “Overlay”**

Pursuant to this Commission’s Order entered September 17, 2003 in Docket P-00930715F0002, Verizon made a DSL “overlay” commitment, which will be satisfied at the end of 2007. In particular, in order to meet end users’ needs for high-speed service, Verizon agreed to accelerate deployment of DSL service, which may be provided at speeds faster or slower than 1.544 Mbps, to achieve 45% availability in rural areas by year-end 2006 – a commitment that Verizon has achieved. Verizon also committed to close the DSL residence and business availability gap in the rural category to no more than 10% by end-of-year 2007. On a semi-annual basis, the Company will file a publicly available list of the locations within its service territory where DSL service is available.

#### **6. Technology**

The broadband commitments contained in the NMP do not require a specific technology. Similarly, Act 183 provides that a local telecommunications company cannot

be required to deploy a specific technology. 66 Pa. C.S. §3014(n). Accordingly, Verizon may choose any technology to meet its broadband commitments. Access lines that have DSL capability that meets the 1.544 Mbps downstream/128 Kbps upstream requirement and can be provided within 10 days of customer request will be counted toward the broadband availability commitment.

Technology has advanced so that in some areas, fiber optic facilities are being constructed all the way from the serving central office to the customer's premises (fiber to the premises or "FTTP"). This technology permits the provision of broadband services ("FiOS") with broadband speeds of in excess of 1.544 Mbps to customers without the need for a remote terminal. Therefore, in wire centers where Verizon deploys FTTP, remote terminals are not needed to shorten copper loop lengths. Similarly, as technology continues to advance, Verizon may also choose to use other technologies like fixed wireless to provide broadband, as defined by Act 183, to some customers, also without the need for a traditional remote terminal. Verizon will continue to inform the Commission in its biennial updates about the technologies it is deploying to make broadband available to its customers.

## **7. Deployment Guidelines**

Verizon's deployment of broadband facilities under this NMP will be governed by the Deployment Guidelines set forth in Appendix 2. These guidelines provide decision rules and trigger points for the deployment of broadband facilities.

The decision rules and trigger points set forth in the guidelines are intended to enable the Company to meet all of the targets described in the NMP. The Company will

continuously monitor its progress toward meeting those targets under these guidelines. If the Company determines that the guidelines need to be modified in order to meet the targets, the Company will do so. Such modifications will be included in Verizon's biennial updates of this NMP provided to the Commission.

#### **8. Joint Ventures**

The Company plans to develop and implement economically feasible joint ventures which accelerate, improve or otherwise assist in carrying out its NMP. Although the Company has not included any such joint ventures opportunities in this filing, it will continue to pursue them aggressively. As viable joint venture opportunities are developed and implemented, the Company will include them in the biennial updates of its NMP.

#### **9. Biennial NMP Updates**

Verizon provided a biennial update to its NMP on June 30, 2005 and will file updates every two years thereafter. These biennial updates include the Company's deployment plan setting forth the location for upgrades in switches, the location for the placement of fiber access lines and other upgrades or expansions. The updates also inform the Commission of Verizon's efforts pertaining to joint ventures.

In its biennial updates, Verizon will continue to report on its ongoing program of providing telecommunications products and services that enhance the quality of life of people with disabilities.

#### **10. Bona Fide Retail Request Program**

In accordance with Act 183, Verizon implemented a Bona Fide Retail Request (“BFRR”) program. Verizon filed with the Commission and provided to the Department of Community and Economic Development (“DCED”) a written description of the program and samples of the forms used in the program. 66 Pa. C.S. §3014(c).

### **11 Business Attraction or Retention Program**

Verizon also established a Business Attraction or Retention (“BAR”) Program as required by Act 183. A single point of contact was designated to receive all written advanced or broadband service requests forwarded by DCED, provide associated contact information to DCED, and provide DCED and the Commission with a written description of its participation in the program and a sample request for advanced or broadband services form used in the program. 66 Pa. C.S. §3014(d).

### **12. Assistance to Political Subdivisions**

Verizon commits to make technical assistance available to political subdivisions located in its service territory, in pursuing the deployment of additional telecommunications infrastructure or services provide by Verizon. 66 Pa. C.S. §3014(g).

## **PART 4 - ADDITIONAL COMPANY COMMITMENTS**

### **A. Ongoing Regulatory Requirements**

1. All services provided by the Company and under the jurisdiction of the Commission are still subject to all provisions of Title 66 regarding the safety, adequacy, and reliability of telecommunication services or business activities. 66 Pa. C.S.A. Section 1501.

2. All new services or changes to existing noncompetitive services will be filed for review by the Commission prior to those services being offered to the public to ensure compliance with all applicable provisions regarding safety, adequacy, reliability and privacy of telecommunication services. 66 Pa. C.S.A. Section 1308. The Commission has the continuing authority to reject or modify any such service to the extent that it finds, after notice and opportunity for hearing, that the service is not in compliance with any such provision. 66 Pa. C.S.A. Section 1308(b). The Commission continues to have the authority to regulate with respect to the ordering, installation, suspension, termination, and restoration of any service currently under its jurisdiction. 66 Pa. C.S.A. Sections 501, *et seq.*

3. Verizon will continue to monitor service quality in compliance with the Commission's regulations in Chapter 63, Subchapter E - Telephone Quality Service Standards (52 Pa. Code §§ 63.1, *et seq.*), and Chapter 64 - Standards and Billing Practices for Residential Telephone Service (52 Pa. Code §§ 64.1, *et seq.*), as they may be amended from time to time. Verizon will also continue to monitor service quality in compliance

with the Federal Communications Commission's Regulations in 47 C.F.R. §63.100 (notification of service outage), as they may be amended from time to time.

4. Verizon will continue to comply with the Extended Area Service (EAS) regulations established by the Commission in (52 Pa. Code §§ 63.71, *et seq.*), as they may be amended from time to time.

5. Verizon will continue to comply with the Confidentiality of Customer Communications and Information regulations established by the Commission in Chapter 63 Subchapter H. (52 Pa. Code Sections 63.131 *et seq.*), as they may be amended from time to time.

6. Verizon will continue to make Aggregated Customer Proprietary Network Information (ACPNI) available to other providers using the procedures established in the FCC's orders on Verizon Operating Company non-structural safeguards.<sup>9</sup> Verizon will not disclose information relating to any individual customer's pattern of use, equipment and network information and any accumulated records about the customer to any other person except as permitted by Commission regulations. 52 Pa. Code §§ 63.131, *et seq.*

7. During the Plan, Verizon will provide electronic publishing services only through a separate subsidiary. The requirements for such separate subsidiary were negotiated with the Pennsylvania Newspaper Publishers' Association and are set forth at Appendix 4-1. These requirements do not apply to any other service currently offered by Verizon or which may be offered by Verizon in the future.

8. The Company will continue filing affiliated interest and affiliated transaction agreements, even if such agreements involve services found to be competitive in accordance with the provisions of 66 Pa. C.S.A. §3009(b)(1)&(2) and 66 Pa. C.S.A. §2101, et seq.

9. The Company will propose, for Commission approval, a crises-oriented universal telephone access program ("UTAP") funded by a voluntary check-off designation on the customer's monthly bill.

### **B. Reporting Requirements**

The Commission's filing and audit requirements for Verizon shall be limited as set forth by governing law. Such reporting requirements are currently limited by 66 Pa. C.S. § 3015(e) and (f).

### **C. Additional Act 183 Commitments**

Verizon will comply with the additional commitments required pursuant to 66 Pa. C.S. § 3014 (c) (bona fide retail request program), § 3014(d) (business attraction or retention program), § 3014(g) (assistance to political subdivisions), § 3014(l) (broadband discounts to schools), §3014(m) (inventory of available services), §3015(c) (broadband outreach and aggregation fund) and § 3015(d) (education technology fund).

## GLOSSARY OF TERMS

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

**ACPNI:** Aggregate Customer and Proprietary Network Information is an aggregation and combination of customers' service and billing record information which does not identify individual customers.

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

**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 1.5 Mbps) through a switch matrix.

**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.

**Central Office (CO):** A Verizon office that contains the required equipment, such as switches, to provide dial tone and other telecommunications services to customers in a specific geographic area.

**Circuit Link:** A physical interoffice facility (commonly referred to as a trunk) that exists between any two central office switches.

**Circuit:** A transmission path required to provide communications between two points.

**Common Channel Signaling:** An intelligent network signalling system used for communication between central office switches.

**CPE (Customer Premises Equipment):** 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 telephone network. The term Dial Tone Line applies to individual and party lines.

**Digital:** A signal where the information is represented in numeric format.

**Disabled:** Any customer that qualifies for discounted services or exemptions for the disabled under the Local General Tariff of the Verizon Pennsylvania Pa., P.U.C.-No. 1, or the Message Toll Service Governing Schedule Tariff of the Verizon Pennsylvania, Pa. P.U.C.-Toll No. 1A.

**Distribution Facility:** The physical portion of the network that runs from the feeder to a cluster of customers.

**Feeder Facility:** The portion of the network that "feeds" a large number of circuits over a single route from a central office to a geographic location within a residential or business community.

**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.

**GDP-PI:** Gross Domestic Product Fixed Weight Price Index as calculated by the United States Department of Commerce.

**HDTV:** An acronym for High Definition Television.

**Incremental Cost:** The costs incurred by the Company to provide an additional unit of a communications service/product.

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

**Interactive:** The ability to communicate in both directions.

**Interoffice Facilities:** Interoffice facilities connect central office switches to each other.

**ISDN (Integrated Services Digital Network):** A digital service which permits simultaneous voice and data communications over the same Dial Tone Line and switching facilities.

**IXC (Interexchange Carrier):** A carrier other than a local exchange telecommunications company authorized by the Commission to provide long-distance telecommunications services.

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

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

**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.

**Link-Up America:** The Link-Up America program offers a 50% reduction in the cost of the connection charge of one telephone line, up to \$30, to qualified low-income individuals.

**Local Area Network (LAN):** A communications network typically used for communications between computer equipment. The components are traditionally located within several kilometers of each other.

**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 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.

**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.

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

**POTS:** An acronym for Plain Old Telephone Service.

**Price Stability Mechanism:** A form of regulation of telecommunications services other than the traditional Rate Base/Rate of Return Regulation, as provided for in Chapter 30.

**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.

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

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

**Survivability:** The ability of the network to respond to an equipment or facility failure.

**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 rather than commuting to an office.

**Teleconferencing:** Holding a meeting using the communications network instead of in person.

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

**Trunk Lines:** See "Circuit Link."

**VCR Quality Video:** Video of a quality one would expect to see on a VCR. Normally the transmission is approximately 30 frames per second.

**Video On Demand:** The ability to order a network stored movie for viewing.

## Verizon PA Wire Center Classifications

## Rural

Albrightsville	Clymer	Herminie	Millheim	Point Marion
Alexandria	Connellsville	Hollidaysburg	Millville	Port Allegany
Alfarata	Coudersport	Homer City	Milton	Portage
Aliquippa	Cresco	Honesdale	Minersville	Pughtown
Annville	Cresson	Honey Brook	Monongahela	Punxsutawney
Ashland	Curwensville	Hookstown	Moosic	Quakertown
Austin	Danville	Houtzdale	Moscow	Renovo
Avella	Dauphin	Hummelstown	Mount Carmel	Rew
Avondale	Dawson	Huntingdon	Mount Gretna	Reynoldsville
Baden	Derry	Imperial	Mount Jewett	Riegelsville
Barnesboro	Donora	Jermyn	Mount Pleasant	Rochester
Bath	Dubois	Jersey Shore	Mount Pocono	Roulette
Beaver Falls	Dunbar	Jim Thorpe	Mount Union	Russell
Bedminster	Eagle	Kane	Mountaintop	Saxton
				Schuylkill
Belle Vernon	Ebensburg	Kemblesville	Nazareth	Haven
Bellefonte	Eldred	Kutztown	Nesquehoning	Schwenksville
Bellwood	Elizabeth	Lake Ariel	New Florence	Scottdale
Bessemer	Ellwood City	Lake Como	New Hope	Shamokin
			New	
Big Run	Elysburg	Landenberg	Philadelphia	Sharpsville
Black Lick	Endeavor	Latrobe	New Salem	Shenandoah
Blairsville	Fairchance	Leeper	New Stanton	Slatington
Boalsburg	Farmington	Lehighton	Newfoundland	Smethport
Bolivar	Fayette City	Lewistown	Northampton	Smock
Bradford	Finleyville	Ligonier	Northumberland	Snow Shoe
Brownsville	Fleetwood	Lock Haven	Numidia	Spring Mills
Buckingham	Frackville	Lords Valley	Oakdale	Springtown
Burgettstown	Freeland	Mahaffey	Orwigsburg	Standing Stone
Bushkill	Frenchville	Mahanoy City	Osceola Mills	Strasburg
California	Galeton	Marchand	Oxford	Stroudsburg
Canonsburg	Girardville	Marienville	Palmyra	Sugar Grove
Carbondale	Glen Campbell	Marion Center	Parkerford	Sykesville
Carrolltown	Glen Lyon	Marshalls Creek	Parquesburg	Tamaqua
Carversville	Glenmoore	Masontown	Parkwood	Tannersville
Catawissa	Green Lane	Mcadoo	Patton	Tarentum
Center Point	Greenville	Mcclellandtown	Pennsburg	Tidioute
Centre Hall	Grove City	Mcdonald	Perkasie	Tionesta
Charleroi	Halifax	Mcveytow	Perryopolis	Tobyhanna

**APPENDIX 1**

Cherry Tree	Hamburg	Mendenhall	Philipsburg	Tyrone
Chester Springs	Hamlin	Mercer	Pineville	Ulysses
Clarion	Hastings	Middletown	Pleasant Gap	Wallenpaupack
Claysville	Hawley	Midland	Plumsteadville	Wampum
Clearfield	Hellertown	Millersville	Plymouth	Washingtonville
Weatherly	West Newton	Woolrich		
West Alexander	White Haven	Youngsville		
West Grove	Winburne	Zelienople		
West Middlesex	Woodland			

**Suburban**

Allentown	Harrisburg	Olyphant	Willow Street
Altoona	Hatboro	Paoli	Wyoming
Ambler	Hazleton	Paxtang	Yardley
Ambridge	Hepburnville	Paxtonia	
Ardmore	Indiana	Penn Hills	
Bala Cynwyd	Irwin	Perrysville	
Bear Creek	Jeannette	Phoenixville	
Berwick	Jenkintown	Pittston	
Bethayres	Kennett Square	Pleasant Hills	
Bethel Park	King Of Prussia	Pottstown	
Bethlehem	Kingston	Pottsville	
Bloomsburg	Kirklyn	Reading	
Bridgeville	Kuhnsville	Ridley Park	
Bristol	Kulpmont	Robinson Twp	
Bryn Mawr	Lancaster	Royersford	
Camp Hill	Landisville	Scranton	
Carnegie	Langhorne	Sewickley	
Catasauqua	Lansdale	Sharon	
Chester A	Lansdowne	Shillington	
Chester B	Larchmont	Sinking Spring	
Chester Heights	Laureldale	Souderton	
Churchville	Lebanon	Springdale	
Clairton	Line Lexington	Springfield	
Coatesville	Mckeesport	St Lawrence	
Collegeville	Mcmurray	State College	
Conshohocken	Mechanicsburg	Steelton P	
Coraopolis	Media	Sunbury	
	Midfield		
Dorseyville	Terminal	Taylor	
Downingtown	Monessen	Trooper	
Doylestown	Monroeville	Tullytown	

## APPENDIX 1

East Petersburg	Montoursville	Turtle Creek
Easton	Morrisville	Uniontown
Eddington	Mountainville	Warren
Elizabeth Twp	Nanticoke	Warrington
Enola	New Castle	Washington
	New	
Exton	Cumberland	Wayne
Fishing Creek	New Kensington	West Chester
Glenolden	Newtown	West Mifflin
Glenshaw	Norristown	Wilkes Barre
Greensburg	North Wales Pa	Williamsport
		Willow Grove
Harleysville	Oakmont Pa	Pa

### Urban

Allentown	Downtown	Market	Regent
Baldwin	East Liberty	Mayfair	Saratoga
Bellevue	Eastwick	Mckees Rocks	Sharpsburg
Braddock	Evergreen	Millvale	Sherwood
Carrick	Germantown	North Side	Squirrel Hill
Chestnut Hill	Homestead	Oakland	Trinity
Crafton	Ivyridge	Orchard	Waverly
Davenport	Jefferson	Pennypacker	West View
Dewey	Knights Rd	Pilgrim	Wilkesburg
Dormont	Locust	Poplar	

October 1, 1993

**PENNSYLVANIA BROADBAND DEPLOYMENT GUIDELINES**

The following provides a brief discussion of the engineering guidelines Bell will utilize to achieve universal broadband availability.

**THE INTEROFFICE NETWORK:**

For interoffice facilities, fiber optic systems are the only replacement technology used today for copper based facilities. Copper based interoffice facilities will largely be scheduled for replacement in association with digital switch installations. If any copper based interoffice facilities reach full capacity, additional traffic will be handled by fiber optic interoffice facilities.

**THE FEEDER NETWORK:**

1. RELIEF: When facility additions are required, new feeder facilities will be planned and designed to provide relief. The threshold or benchmark that will be used to identify when a feeder facility may require relief is a "fill" rate of approximately 87%. The 87% rate provides sufficient time for engineering and installation prior to reaching full capacity. Copper feeder cables will be augmented with fiber optic systems as a first choice when they reach the benchmark "fill" rate of 87%.
2. NEW: Fiber optic systems will be the first choice for all new feeder routes.
3. REHABILITATION: Fiber optic systems will be the first choice for the replacement of copper feeder routes. Replacement of copper based feeder facilities for maintenance reasons will be economically driven.

**THE DISTRIBUTION NETWORK:**

1. NEW: Fiber optic systems will be used for new construction when the installed first cost of a fiber optic system is equal to or less than 120% of the installed first cost of copper based distribution cables.
2. REHABILITATION: When maintenance is required, copper based distribution cables will be replaced with fiber optic systems when the installed first cost of the fiber optic

## APPENDIX 2

system is equal to or less than 125% of a copper based distribution cable.

3. Install fiber optic systems to meet customer needs and market requirements for broadband services.

**Separate Entity for Electronic Publishing**

1. It is the intent of these Safeguards to ensure that Bell of Pennsylvania's Plan for an Alternative Form of Regulation and its transmission of electronic publishing shall allow the development of diverse, competitive electronic publishing services within the Commonwealth of Pennsylvania and to further ensure that cross-subsidization shall not occur. It is the further intent to create a cooperative environment in Pennsylvania that fosters the development of diverse electronic publishing services.

2. For purposes of these Safeguards:

(A) "Electronic publishing" means the dissemination, provision, publication, or sale, using Bell of Pennsylvania's telecommunications network, of information of a type published by newspapers via any media, or reasonably foreseeable to be published by newspapers via any media, including news, feature, and advertising material.

"Electronic publishing" does not include the transmission of information as a common carrier for unaffiliated persons, protocol conversion, language translation, conversion of data from one format to another, the provision of information necessary for the management, control, or operation of a telephone company telecommunications system, the provision of directory assistance that provides names, addresses, and telephone numbers, repair and provisioning databases for telephone company operations, credit card and billing validation for telephone company operations, existing time and weather services and any other existing information services now provided by Bell of Pennsylvania, and 911-E and other emergency assistance databases.

### APPENDIX 3

(B) "Bell of Pennsylvania" means The Bell Telephone Company of Pennsylvania or any successor or assign of such corporation and any affiliate of The Bell Telephone Company of Pennsylvania or any successor or assign of such corporation that provides non-competitive services in the Commonwealth of Pennsylvania. "Bell of Pennsylvania" does not include Bell Atlantic Corporation or any subsidiary of Bell Atlantic Corporation unless Bell Atlantic Corporation or its subsidiary provides non-competitive services in the Commonwealth of Pennsylvania. "BPA" means The Bell Telephone Company of Pennsylvania, any successor or assign of such corporation, all of its subsidiaries, and all other entities controlled by The Bell Telephone Company of Pennsylvania or any successor or assign of such corporation, with the exception of any separate corporate affiliate that complies with the requirements of paragraph 5. "BPA" does not include Bell Atlantic Corporation or any subsidiary of Bell Atlantic Corporation unless (i) Bell Atlantic Corporation or a Bell Atlantic Corporation subsidiary falls within the definition of "Bell of Pennsylvania"; or (ii) The Bell Telephone Company of Pennsylvania controls Bell Atlantic Corporation or a Bell Atlantic Corporation subsidiary and Bell Atlantic Corporation or the Bell Atlantic Corporation subsidiary does not comply with the requirements of paragraph 5.

(C) The term "control" has the meaning that it has in 17 CFR § 240.12b-2, the regulations promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a *et seq.*

### APPENDIX 3

3. (A) BPA shall not have any officers, employees, property, or facilities in common with any entity that engages in electronic publishing. No officer or employee of BPA shall serve as a director of any entity that engages in electronic publishing.

(B) BPA shall maintain books, records, and accounts separate from any entity that engages in electronic publishing.

(C) BPA shall not carry out any marketing, sales, accounting, hiring of personnel, purchasing, or production for any entity that engages in electronic publishing.

(D) BPA shall not provide any facilities, services, or information to any entity that engages in electronic publishing unless such facilities, services, or information are made available on the same terms and conditions to all.

(E) Any transaction between BPA and any corporate affiliate that engages in electronic publishing shall not be based on any preference or discrimination, shall be carried out at arms length and in the same manner that BPA conducts business with unaffiliated entities, shall be fully auditable in accordance with generally accepted accounting principles and reflect fair market value, and shall be on the same terms and conditions, whether by tariff or contract, that are made available to any non-affiliated entity.

(F) Bell of Pennsylvania's facilities necessary to transmit electronic publishing shall be made available to all entities, whether affiliated with Bell of Pennsylvania or not, on reasonable request and on the same terms and conditions.

4. During the Period of the Plan, BPA shall not engage in electronic publishing except through a separate corporate affiliate that complies with the requirements of paragraph 5.

5. (A) Such separate corporate affiliate shall not have directors, officers, employees, property, or facilities in common with Bell of Pennsylvania or any subsidiaries of Bell of Pennsylvania or other entities controlled by Bell of Pennsylvania.

(B) Such separate corporate affiliate shall maintain books, records, and accounts separate from Bell of Pennsylvania or any subsidiaries of Bell of Pennsylvania or other entities controlled by Bell of Pennsylvania.

(C) Such separate corporate affiliate shall not carry out any marketing, sales, accounting, hiring of personnel, purchasing, or production with Bell of Pennsylvania or any subsidiaries of Bell of Pennsylvania or other entities controlled by Bell of Pennsylvania.

(D) Such separate corporate affiliate shall not obtain any facilities, services, or information from Bell of Pennsylvania or any subsidiaries of Bell of Pennsylvania or other entities controlled by Bell of Pennsylvania unless such facilities, services, or information are made available on the same terms and conditions to all.

(E) Any transaction between such separate corporate affiliate and Bell of Pennsylvania or any subsidiaries of Bell of Pennsylvania or other entities controlled by Bell of Pennsylvania shall not be based on any preference or discrimination, shall be carried out at arms length and in the same manner that Bell of Pennsylvania or such subsidiaries or such other entities conduct business with unaffiliated entities, shall be

### APPENDIX 3

fully auditable in accordance with generally accepted accounting principles and reflect fair market value, and shall be on the same terms and conditions, whether by tariff or contract, that are made available to any non-affiliated entity.

(F) A corporate affiliate that engages in electronic publishing must obtain capital or credit independently of Bell of Pennsylvania, and without any reliance on or use of Bell of Pennsylvania assets.

6. Bell of Pennsylvania shall be permitted to advertise electronically its own regulated services.

7. The Commission or any court of competent jurisdiction shall have the authority to enter orders requiring BPA to cease and desist any violation of these Safeguards and to impose appropriate penalties against BPA for any such violations upon complaint and after opportunity for hearing.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Verizon North Inc.	)	
For Alternative Regulation and	)	Docket No. P-00981449
Plan for Network Modernization	)	Docket No. P-00001854 F1000
Under Chapter 30 and Act 183	)	Docket No. R-00051227

FINAL ALTERNATIVE REGULATION PLAN  
OF VERIZON NORTH INC.  
AS OF AUGUST 2008

Finalized in compliance with the Commission's  
Orders entered July 26, 2001 and April 11, 2002 and revised on October 10, 2002.  
Further revised in compliance with the Commission's Order entered May 20, 2005 and  
in compliance with the Commission's Orders entered April 25, 2007, April 14, 2008, and  
May 27, 2008

Leigh A. Hyer (Atty ID 204714)  
Suzan D. Paiva (Atty ID 53853)

Verizon North Inc.  
1717 Arch Street, 10<sup>th</sup> Floor  
Philadelphia, PA 19103

Attorneys for  
Verizon North Inc.

Dated: August 20, 2008

**RECEIVED**  
AUG 19 2008  
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

## TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY .....	1
PART 1 - NETWORK MODERNIZATION PLAN .....	3
A. Introduction.....	3
B. Digital Switching, Intelligent Network Signaling, Interoffice Trunking and Distribution Facilities.....	4
C. NMP Reports .....	7
D. Bona Fide Retail Request Program .....	7
E. Business Attraction or Retention Program .....	7
F. Assistance to Political Subdivisions .....	8
PART 2 - COMPETITIVE SERVICES DEREGULATION PLAN .....	9
A. Competitive Services .....	9
B. Statutory Protections.....	10
PART 3 - PRICE STABILITY MECHANISM FOR NONCOMPETITIVE SERVICES.....	11
A. Price Stability Mechanism .....	11
B. Rate Restructuring and Rebalancing.....	17
C. Lifeline Service, Link Up Service and Universal Service .....	18
D. Rates for Certain Services.....	18
E. Banking.....	19
F. Consumer Protections .....	20
PART 4 - ADDITIONAL COMPANY COMMITMENTS AND OTHER TERMS	21
A. Ongoing Regulatory Requirements.....	21
B. Reporting Requirements .....	22
C. Plan Modifications and Superseding Effect.....	22
D. Additional Act 183 Commitments.....	23
Attachment A	Rural/Urban Exchange Classification
Attachment B	Example of Price Stability Mechanism

## EXECUTIVE SUMMARY

This Alternative Regulation Plan ("Plan") introduces a state-of-the-art telecommunications network in Verizon North Inc.'s ("Verizon North" or "the Company") service territory and also provides a new regulatory framework for the Company. It is designed to entirely replace rate base/rate of return regulation and procedures, allowing Verizon North, like many other providers throughout the Commonwealth, to operate under a more efficient and flexible regulatory framework, while continuing to provide consumer and competitive safeguards. Verizon North will deploy an advanced broadband network which will enable the provision of advanced telecommunications services to benefit the disabled by facilitating interaction with the rest of society.

The commitments set forth in this Plan augment those set forth in the July 29, 1999 Memorandum of Understanding ("MOU") between Bell Atlantic - Pennsylvania, Inc., GTE North, Incorporated (now Verizon North) and the Pennsylvania Office of Attorney General, and adopted by the Pennsylvania Public Utility Commission ("Commission") in approving the Verizon parent level merger.

The Plan has four principal components: (1) a Network Modernization Plan ("NMP"); (2) a Competitive Services Deregulation Plan ("CSP"); (3) a Price Stability Mechanism ("PSM") for Noncompetitive Services; and (4) commitments regarding quality, safety, adequacy and reliability of service. The last part of the Plan sets forth additional commitments consistent with Act 183. These four parts of the Plan are interrelated and dependent upon one another.

Part 1 of the Plan is the NMP, which describes the Company's commitment to provide universal broadband availability by December 31, 2015. Part 1 also contains the Supplement to the NMP that incorporates the network modernization provisions of Act 183, the replacement legislation for Chapter 30 that became law in November of 2004.

Part 2 of the Plan is the CSP, which allows for the deregulation of the rates and earnings of competitive services, but preserves Commission authority over the quality of these services. In addition, the CSP contains safeguards to protect competitors and basic ratepayers.

Part 3 of the Plan is the PSM, which governs price changes for noncompetitive services for the duration of the Plan. The PSM constrains noncompetitive service price changes, based on the Gross Domestic Product Price Index ("GDP-PI"), an independent inflation index, and Commission review.

Part 4 of the Plan describes Verizon North's ongoing obligations and commitments regarding quality, safety, adequacy and reliability of telecommunications services and other business activities. It also describes the reports that the Company will continue to file with the Commission and the Company's Act 183 commitments. Finally, Part 4 describes the term of the Plan.

## PART 1. NETWORK MODERNIZATION PLAN

### A. Introduction

1. The Company's NMP sets forth the Company's plans to accelerate the modernization of its network, leading to universal broadband availability by December 31, 2015.<sup>1</sup>

2. The NMP explains Verizon's plans to evolve today's network to provide the levels of bandwidth necessary to support broadband service delivery.<sup>2</sup> Verizon's evolution to a broadband network will also involve continuing deployment of technologies to economically enhance the central office, signaling, inter-office trunking and distribution plant components of the network. The exchanges within Verizon's service territory are classified hereunder as either urban or rural according to Attachment A, which is attached hereto and made a part of this Plan.

3. Verizon is relying primarily on xDSL technology as the means of providing broadband services to end users, but Verizon may utilize other existing and future technologies as circumstances may warrant or permit. Verizon may modify its implementation plans in keeping with broadband availability commitments. The NMP, therefore, does not require the Company to use any specific technology. This Plan does not supercede or modify, in any way, the commitments or obligations made in the Memorandum of Understanding between Verizon North and the Pennsylvania Office of

---

<sup>1</sup> Absent exceptional circumstances, which circumstances shall be set forth in a petition to the Pennsylvania Public Utility Commission ("Commission"), with all parties to the original proceeding to approve this Plan being given notice and the opportunity to respond, and subject to Commission approval.

<sup>2</sup> Where a deployment target is stated in this Plan on the basis of a calendar year, progress to the target shall be measured at the end of that year.

Attorney General or the Commission's Order(s) regarding the merger of Bell Atlantic and GTE North, Inc.

**B. Digital Switching, Intelligent Network Signaling, Interoffice Trunking and Distribution Facilities**

**1. Digital Switching**

Verizon North already has met the spirit of Chapter 30 by aggressively converting its central office facilities to digital technology. Verizon North's network currently utilizes 100% digital switching technology. Switching elements will be enhanced as required throughout the life of the NMP to meet the evolving demands of service delivery.

**2. Intelligent Network Signaling Capability**

(a) One step in the progression of Verizon North's network is intelligent network signaling capability. This service capability allows telephone companies to provide a variety of call management and call processing services.

(b) Approximately 92% of Verizon North's access lines are already served by intelligent network signaling as of June 30, 2000.

(c) CLASS services will be provided in accordance with the MOU. Specifically, CLASS services shall be made available to 80-85% of Verizon North's access lines that do not have these services within 18-24 months of the date of the consummation of the merger. CLASS services to the remaining Verizon North access lines will be made available no later than six (6) months thereafter.

**3. Interoffice Trunking**

(a) The Company's commitment to universal broadband availability is dependent upon the deployment of broadband capable facilities in its interoffice network. Without this capability in these components of its network, it is not possible to make broadband service universally available. Verizon has already made substantial progress in deploying broadband capability in its interoffice telecommunications network. Verizon currently operates 194 interoffice routes, 153 of which are connected by fiber optic facilities and carry approximately 94% of all interoffice traffic as of June 30, 2000.

(b) Verizon North projects that all interoffice facilities will be transported on fiber optic systems by year-end 2005 in accordance to the following schedule as measured by the percentage of individual T1 circuits working on fiber in the Verizon North interoffice trunking (“IOF”) network:

	Present	2002	2004	2005
Fiber IOF Circuits	94.3%	95%	99%	100%

**4. Broadband Distribution Facilities**

(a) The deployment of broadband capability in the distribution network is essential to making broadband services available. Act 183 defines broadband as “[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.” 66 Pa. C.S. §3012.

Broadband availability is defined as access to broadband service by a retail customer within ten business days after receiving the customer’s request for a broadband service. 66 Pa. C.S. §3014(b)(5). Verizon commits to providing broadband availability, as defined above, to 100% of the total retail access lines in its distribution network by December 31, 2015.

(b) Verizon will deploy broadband capabilities in its distribution network as described in this sub-part. Verizon expects xDSL technology to be the primary initial means to provide broadband services to end-users. The broadband commitments contained in the NMP do not require a specific technology. Similarly, Act 183 provides that a local telecommunications company cannot be required to deploy a specific technology. 66 Pa. C.S. §3014(n). Accordingly, Verizon may choose any technology to meet its broadband commitments. Verizon may utilize other existing and future technologies as circumstances may warrant or permit. Verizon may modify its implementation plans in keeping with broadband availability commitments. The following schedule is the minimum deployment rate of broadband availability that Verizon will provide, measured as a percentage of access lines that are broadband capable:

	2002	2005	2010	2015
Broadband Availability	22.8%	35%	65%	100%

(c) Verizon shall reasonably balance deployment of broadband capabilities in its distribution network between urban and rural areas within its service territory. When the Commission approved the original Plan in 2002, over 90% of the Company's DSL lines were deployed in urban areas. The Company shall satisfy its obligation to reasonably balance future deployment under Chapter 30 by narrowing the difference between rural and urban broadband deployment as the Plan is implemented.

(d) Verizon North will deploy broadband facilities to public schools, industrial parks and health care facilities within ten (10) days of request.

**C. NMP Reports**

The Company submitted an NMP report regarding the status of broadband deployment on March 31, 2003, and every two years thereafter. The Company will file an Interim Status Report on or before September 30, 2002. The reports filed will comply with the Commission's directives contained in the Orders approving the original Plan, as consistent with 66 Pa. C.S. § 3014(f). Absent exceptional circumstances, as set forth in footnote 1 above, Verizon will meet or exceed its commitment schedule.

**D. Bona Fide Retail Request Program**

Verizon implemented a Bona Fide Retail Request ("BFRR") program in accordance with Act 183 on August 18, 2005. Thirty days prior to that date, in compliance with Act 183, Verizon filed with the Commission and provided to the Department of Community and Economic Development ("DCED") a written description of the program and samples of the forms to be used in the program. 66 Pa. C. S. §3014(c).

**E. Business Attraction or Retention Program**

On August 18, 2005, Verizon also established a Business Attraction or Retention ("BAR") Program as required by Act 183. Verizon designated a single point of contact to receive all written advanced or broadband service requests forwarded by DCED, provided associated contact information to DCED, and provided DCED and the Commission with a written description of its participation in the program and a sample

request for advanced or broadband services form for use in the program. 66 Pa. C. S. §3014(d).

**F. Assistance to Political Subdivisions**

Verizon commits to make technical assistance available to political subdivisions located in its service territory in pursuing the deployment of additional telecommunications infrastructure or services provided by Verizon. 66 Pa. C. S. §3014(g).

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

The Company's CSP allows for the price and earnings deregulation of any services at all or some locations, which have been, or may be, found by the Commission to be competitive or declared by the Company to be competitive. An initial group of services is addressed below. The Company may submit future declarations or requests to classify other services as competitive.

### **A. Competitive Services**

1. The following services are currently deregulated and are classified as competitive under this Chapter 30 Plan: customer premises equipment; inside wire; and voice mail. Tariffs are not required and will not be required for these services.

2. The following additional services are declared competitive for Verizon as of December 31, 2003 and are grandfathered as competitive pursuant to 66 Pa. C.S. § 3013 (c): directory advertising; intrastate billing and collection; Centranet; speed call; last number redial; toll services including package plans; Frame Relay; ATM; and Transport LAN service. The Company will file informational tariffs for these services. For toll services, Verizon North will file tariffs as required by the Commission for interexchange carriers. Existing or new route specific optional calling plans maintained for compliance with the Commission's EAS regulations are not a competitive service.

3. Services not deemed to be competitive under this Plan are classified as "noncompetitive" for purposes of the PSM .

4. Competitive services are not to be regulated on any basis, including rates, rate structures, rate base, rate of return or earnings. The Commission retains its existing

general authority over competitive services for the purpose of safety, adequacy and reliability under 66 Pa. C.S. §1501, *et seq.* Verizon will continue to monitor service quality standards as set forth in 52 Pa. Code §63.56.

**B. Statutory Protections**

1. Verizon's competitive services are governed by 66 Pa. C.S. § 3016.

2. By operation of the PSM, the revenues earned and expenses incurred for any noncompetitive service will not cross-subsidize or support any competitive service; therefore, this Plan is in compliance with the requirements of 66 Pa. C.S. §§ 3016(d) and 3016(f)(1).

3. There is no cross-subsidy between services when the price charged for each service covers its incremental cost. Incremental cost shall be defined as forward-looking costs directly attributable to the specified service. The price for each of the Company's services deemed to be competitive shall cover its incremental cost. Cost documentation will be provided only under appropriate proprietary protection.

4. *The Commission may not require tariffs for competitive services offerings to be filed with the Commission.*

5. Formal challenges to the Company's compliance with the provisions of the CSP can be made only 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. That party, however, bears the burden of proof under 66 Pa. C.S. §332(a). The Commission retains the right to institute proceedings on its own motion, and the Company shall have the burden of proof in those proceedings.

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

The Company's Price Stability Mechanism ("PSM") sets forth the principles and procedures applicable to changes in the Company's rates for noncompetitive services.

The PSM procedures specify the allowable change (increase or decrease) in rates for noncompetitive services, equal to the annual change in the *Gross Domestic Product Price Index* ("GDP-PI"), as calculated by the United States Department of Commerce, less an inflation offset and adjusted for any exogenous events. The Company's inflation offset shall be 0.5%. The PSM also addresses revenue neutral rate rebalancing/restructuring and the introduction of new services.

The PSM in this Plan is in complete replacement of rate base/rate of return regulation for the Company and is the exclusive basis upon which the Company's noncompetitive rates and services will be regulated, upon implementation of this Plan. All tariff filings for noncompetitive services are subject to review under the terms of this Plan. Noncompetitive services are those services that are not determined or declared to be competitive.

#### **A. Price Stability Mechanism ("PSM")**

1. The PSM is based upon the Company's rates in effect on the date the Company's original Plan became effective, as a starting point. Those rates are just, reasonable, nondiscriminatory and otherwise fully in compliance with all Pennsylvania laws.

2. Annually the Company will calculate the Price Stability Index ("PSI") as follows:

$$PSI_t = PSI_{t-1} \times [1 + \% \Delta \text{ GDP-PI} - 0.5\% \pm Z]$$

When:

$PSI_t$  = The new maximum change in price for the noncompetitive service category for the current twelve month period.

$PSI_{t-1}$  = The current maximum change in price for the noncompetitive service category for the previous twelve month period.

$\% \Delta \text{ GDP-PI}$  = The percent change in the Gross Domestic Product Price Index<sup>3</sup> based on the most recent quarterly data available at the time of the annual PSI filing and the corresponding quarter of the previous year.

$Z$  = 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 the calculation of the PSI, exogenous changes are expressed as a percentage of the Company's revenue received from intrastate, noncompetitive services.

0.5% = Inflation offset.

3. The Service Price Index ("SPI") tracks the actual total price changes for noncompetitive services. The SPI may not exceed, on a total intrastate basis, the PSI, except as otherwise expressly provided in this Plan.

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

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

When:

---

<sup>3</sup> If the Department of Commerce should cease reporting the GDP-PI during the term of the Plan, then, subject to Commission approval, the Company will

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

When a new service is incorporated into the index calculations, the revenue for the new service must be included in determining the weights to be used in calculating the SPI. An example of how the PSI and SPI will work is attached as Attachment B.

5. The PSI and SPI will start at 100 in the first PSI and SPI filing under this Plan. Provided, however, that the \$5 million reduction in residential basic local exchange rates required under the MOU (the sole remaining rate decrease contemplated under the MOU and the Commission's approval of the Verizon parent level merger) shall not be calculated as a reduction to the SPI.

6. On or about November 15 of each year, beginning in 2003, 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 SPI. Such tariffs will contain an effective date one hundred and five (105) days from the date of filing.

7. Proposed rate increases for existing noncompetitive services will become effective subject to the "Tariff Filing Process" set forth below. The Commission shall review the tariff rate change proposals to determine whether they are designed to produce

---

substitute an alternative index and make any adjustments to the formula necessary to replicate the current formula as closely as possible.

revenues so that the SPI is not greater than the PSI. If the Commission determines that the Company's rate proposals do not comply with this criterion, then the Commission may order the Company to modify them to produce an SPI value which is equal to the PSI. If the Company's proposals comply with this criterion, then the Commission shall approve them subject to the Consumer Protections in Part 3, Section E.

8. Rate increases for existing noncompetitive services will be approved according to the following Tariff Filing Process. The Company will provide fifteen (15) days' advance notice of filing to the Commission and will generally describe the anticipated filing.<sup>4</sup> The Company will provide cost studies, where required, for proposed rate increases. Any and all interventions or complaints shall be due within ten (10) days of such filing. Twenty (20) days shall be reserved for Commission review of recommended decisions, if any, in this process. Responses to interrogatories would be due within ten (10) days of service. A Commission Order must be entered within one hundred five (105) days of the filing; otherwise, the tariff(s) shall become effective as filed, and shall be deemed to be approved. This procedure, as specified in this paragraph, is hereinafter referred to as the "Tariff Filing Process." Provided, however, nothing in this Plan shall preclude the Company from adopting procedures promulgated by the Commission, which are more streamlined.

9. Notwithstanding any other limitations specified herein, the Company, or any other party, may request that the Commission make special revenue adjustments within

---

<sup>4</sup> Notice may be provided to the public through newspaper advertisements, bill inserts or bill messages. Notice also will be served upon the OCA, OSBA, OTS and any other Chapter 30 party, as identified by the Commission's Secretary.

the scope of the PSM to recognize significant exogenous events that are outside the Company's control as follows:

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

For example, future increases in the amount of the Company's required contribution to the Universal Service Fund in Pennsylvania shall be a qualifying exogenous event. Exogenous revenue changes shall be flowed through on a dollar-for-dollar basis, using the most recent per books 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, and using the most recent per books level of such expense. Results shall be adjusted to recognize the impact of gross receipts taxes. The Tariff Filing Process as described herein shall apply to any such exogenous changes.

10. 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 services. This same treatment shall also apply to Optional Calling Plans.

11. Where annual rate adjustments made under Verizon's PSM are calculated using revenues from protected services, an average rate adjustment for protected residential customer local exchange telecommunications service lines shall be determined by dividing the total protected service revenues associated with such lines, as adjusted by the price stability formula, by the number of such lines, and the rate adjustment for any individual line shall not vary from this average rate adjustment by more than 20%.

12. Line Count True-Up: If historical line counts (defined as the actual line counts from a point in time before the rate changes went into effect) are used to determine the magnitude of the rate changes that implement a PSM, then Verizon will include in its next PSM filing for the next year an adjustment to noncompetitive revenue representing the difference between the amount of revenue projected to be collected using historical line counts and the amount of revenue projected to be collected using the actual line counts ascertained on June 30th of the mid-point of the first year of PSM implementation. Any changes to rates resulting from this true-up adjustment will be reflected in the next PSM filing (for example, a true-up adjustment for the 2009 PSM would be reflected in the 2010 PSM filing).

Verizon will make an adjustment to noncompetitive service revenue to reflect the revenue effect of a true-up adjustment, as described in the paragraph above: (i) to the 2007 PSM for under-collection due to the use of historical line counts in implementing the 2006 PSM, and (ii) to the 2008 PSM for under-collection due to the use of historical line counts in implementing the 2007 PSM. Such adjustment shall be made as an amendment to a previous PSM filing.

13. No revenues from the attribution of access charge revenue will be included in the PSM calculation subsequent to 2007.

14. Verizon will use the April 1 – March 31 time period for its 2009 – 2011 PCO filings and will not petition the Commission to amend its Alternative Regulation Plan to use a period other than April 1 – March 31 at any time prior to January 1, 2011.

**B. Rate Restructuring And Rebalancing**

1. Notwithstanding any other limitations specified in the PSM, upon notice and subject to Commission review, Verizon may propose revenue neutral adjustments to the rates of its noncompetitive services. Revenue neutral adjustments will be proposed in tariff filings for Commission review under 66 Pa. C.S.A. § 1301.

2. The Company may file tariffs proposing to rebalance and/or restructure its rates for noncompetitive services, either an increase or a decrease, upon the implementation date of the Plan. If a proposed tariff would not cause the Company's SPI to exceed the PSI as calculated in the most recent annual filing, then such tariff shall be approved, subject to Part 3, Section E hereof provided that:

- (a) The SPI is not greater than the PSI;
- (b) No other rate restructuring/rebalancing filing has become effective in the same calendar year which affects basic local exchange service rates exclusive of changes made pursuant to the PSI/SPI formula and exogenous events;
- (c) The rates for those services which are established by the Commission as universal services do not exceed the level

determined by the Commission to be affordable pursuant to the Universal Service proceeding or any successor docket;<sup>5</sup>

- (d) The proposed changes to basic, local rates will not cause an increase in excess of \$3.50 per month to the rates in existence at the end of the preceding year; and
- (e) The rates proposed are consistent with the MOU and the Commission Order approving the Verizon parent level merger.

**C. Lifeline Service, Link Up Service and Universal Service**

The Company provides Lifeline and Link Up programs for qualifying, low-income residential customers, pursuant to the requirements and limitations of 66 Pa. C.S. § 3019 (f), applicable Commission orders and regulations and consistent with the requirements of federal law.

**D. Rates for Certain 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 Tariff Filing Process, as detailed above, shall apply. Protected services are as follows:

---

<sup>5</sup> The Global Order entered September 30, 1999 at Docket Nos. P-00991648 and P-00991649 established an affordability rate of \$16.00 for basic residential service, which is currently effective.

(a) Telecommunications services provided to business or residential customers that are necessary for completing a local exchange call, including touch tone service;

(b) Switched access service;

(c) Special access service; and

(d) Ordering, installation, restoration and disconnection of the above-listed services.

3. Any new service that does not fall within the definition of “protected services” shall become effective upon one day's notice to the Commission.

4. Revenues from new noncompetitive services shall be included in the calculation of PSI and SPI, beginning with the first annual PSI/SPI filing after the new service has been in effect for one year.

5. Verizon North may file special tariffs offering experimental treatment for new services, and such tariffs shall be effective when filed.

#### **E. Banking**

1. After 2001, annual price decreases calculated under the PSI filed each year may be banked for application in future years, not to exceed four (4) consecutive years.<sup>6</sup> Such banking of decreases will be with interest at a rate set forth in 66 Pa. C.S. §1308.

2. The banked price changes must be implemented no more than four (4) years after the annual price change is applied.

---

<sup>6</sup> For annual price increases, the Company may apply them in future years, without limitation as to time.

3. If a decrease is greater than \$500,000, the Company will implement the decrease immediately.

**F. Consumer Protections**

1. The requirement that rates remain just and reasonable and subject to Commission oversight shall apply to all rate proposals under the Company's Tariff Filing Process.

2. Cost support shall be provided for rate increase proposals for protected services, where required.

3. Complaints under §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 of the Public Utility Code 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.

## **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 shall remain subject to all provisions of 66 Pa. C.S. §1501, et seq., regarding safety, adequacy and reliability of telecommunications services.

2. The Company will continue to monitor service quality for noncompetitive services in compliance with the Commission's regulations at 52 Pa. Code §§63.56.

3. The Company will comply with the Commission's Extended Area Service ("EAS") regulations, as revised by the Universal Service task force, on an interim basis. The Company may petition for waivers from those regulations as needed and can petition for an automatic waiver if a waiver is granted to a similarly situated company. The Company will continue to provide EAS on required routes, will continue to regroup exchanges as appropriate and will be allowed to implement EAS-related rate increases, subject to restrictions in Section B., paragraph 1 above on Rate Rebalancing.

4. The Company will file affiliated interest agreements, in accordance with 66 Pa. C.S. §2101, et seq., unless such agreements involve services found to be competitive in accordance with this Plan; however, such filings shall constitute notice to the Commission only. Review of the associated costs and benefits shall be deemed to be unnecessary.

5. The Company shall continue to comply with Chapters 63 and 64 of the Commission's regulations as amended from time to time. The Company reserves the

right to petition for waivers of those regulations and to petition for an automatic waiver if it is granted to a similarly situated company.

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.

7. In the event that the Company effects a change either to its 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, then the Company will request permission from the Commission to establish booked amounts for depreciation at that time.

#### **B. Reporting Requirements**

1. The Commission's filing and audit requirements for Verizon shall be limited as set forth by governing law. Such reporting requirements are currently limited by 66 Pa. C.S. § 3015 (e) and (f).

#### **C. Plan Modifications and Superseding Effect**

1. The legislation underlying this Plan has a sunset date of December 31, 2003, absent an act of the General Assembly. In the event that Chapter 30 sunsets, is modified in any way or is repealed, the Company may seek appropriate modifications or revisions to its Plan. The procedures set forth at 66 Pa. C.S. §3004 then shall apply.

2. The terms of a local exchange telecommunications company's alternative form of regulation and network modernization plans shall govern the regulation of the

local exchange telecommunications company and, consistent with the provisions of this chapter, shall supersede any conflicting provisions of this title or other laws of this Commonwealth and shall specifically supersede 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).

**D. Additional Act 183 Commitments**

1. *Verizon will comply with the additional commitments required pursuant to 66 Pa. C.S. § 3014 (c) (bona fide retail request program), § 3014(d) (business attraction or retention program), § 3014(g) (assistance to political subdivisions), § 3014(l) (broadband discounts to schools), §3014 (m) (inventory of available services), §3015 (c) (broadband outreach and aggregation fund) and § 3015(d) (education technology fund).*

## CLASSIFICATION OF EXCHANGES

(12/15/98)

<u>CLLI NAME</u>	<u>County</u>	<u>Based on FCC County Classification</u>
AIRVILLE	York	Urban
AVONMORE	Westmoreland	Urban
BERNVILLE	Berks	Urban
BERLIN	Somerset	Urban
BROGUE	York	Urban
BOSWELL	Somerset	Urban
BEAVERDALE	Cambria	Urban
CLINTONVILLE	Venango	Rural
CAMBRIDGE SPRINGS	Crawford	Rural
CENTRAL CITY	Somerset	Urban
CONFLUENCE	Somerset	Urban
COOPERSTOWN (Venango Co.)	Venango	Rural
CORRY	Erie	Urban
DELTA	York	Urban
DILLSBURG	York	Urban
DOVER	York	Urban
DAVIDSVILLE	Somerset	Urban
EAST BERLIN	York	Rural
EDINBORO	Erie	Urban
ERIE-East	Erie	Urban
ERIE-Main	Erie	Urban
ERIE-South	Erie	Urban
ERIE-SouthEast	Erie	Urban
ERIE-West	Erie	Urban
FRANKLIN	Venango	Rural
FAIRVIEW	Erie	Urban
FAWN GROVE	York	Urban
FRYSTOWN	Berks	Urban

GRAND VALLEY	Warren	Rural
GLEN ROCK	York	Urban
GIRARD	Erie	Urban
HOOVERSVILLE	Somerset	Urban
JOHNSTOWN	Cambria	Urban
(BENSCREEK)		
JOHNSTOWN	Cambria	Urban
(GEISTOWN)		
JOHNSTOWN-Main	Cambria	Urban
JOHNSTOWN-North	Cambria	Urban
JOHNSTOWN	Cambria	Urban
(WESTMONT)		
JONESTOWN	Lebanon	Urban
LINCOLNVILLE	Crawford	Rural
MCKEAN	Erie	Urban
MYERSTOWN	Lebanon	Urban
MANCHESTER	York	Urban
MEYERSDALE	Somerset	Urban
NEW BEDFORD	Lawrence	Rural
NANTY GLO	Cambria	Urban
NORTH EAST	Erie	Urban
NEW WILMINGTON	Lawrence	Rural
OIL CITY	Venango	Rural
PLEASANTVILLE	Venango	Rural
PRINCETON	Lawrence	Rural
RED LION	York	Urban
ROCKWOOD	Somerset	Urban
ROBESONIA	Berks	Urban
SALTSBURG	Indiana	Rural
SAYRE	Bradford	Rural
SCHAEFFERSTOWN	Lebanon	Urban
SEVEN SPRINGS-	Somerset	Urban
Rockwood		
SOUTH FORK	Cambria	Urban
SHELLSVILLE	Dauphin	Urban
SALISBURY	Somerset	Urban
SOMERSET	Somerset	Urban
SPRING GROVE	York	Urban
SPARTANSBURG	Crawford	Rural
SEWARD	Cambria	Rural
STEWARTSTOWN	York	Urban
STOYSTOWN	Somerset	Urban

TITUSVILLE	Crawford	Rural
UNION CITY	Erie	Urban
VANDERGRIFT - MAIN	Westmoreland	Urban
VANDERGRIFT - SOUTH	Westmoreland	Urban
WRIGHTSVILLE	York	Urban
WOMELSDORF	Berks	Urban
WINDBER	Somerset	Urban
WESLEY	Venango	Rural
WATTSBURG	Erie	Urban
WATERFORD	Erie	Urban
YORK-East	York	Urban
YORK-Main	York	Urban
YORK-North	York	Urban
YORK-South/Loganville	York	Urban
YORK-West	York	Urban
BEAVER SPRINGS	Snyder	Rural
ELKLAND	Tioga	Rural
EMMAUS	Lehigh	Urban
HERSHEY	Dauphin	Urban
HARRISON VALLEY	Potter	Rural
KNOXVILLE	Tioga	Rural
MACUNGIE	Lehigh	Urban
MIDDLEBURG	Snyder	Rural
MANTZVILLE	Schuylkill	Rural
MOUNT PLEASANT MILLS	Snyder	Rural
MCKEANSBURG	Schuylkill	Rural
SABINSVILLE	Tioga	Rural
SHAMOKIN DAM	Snyder	Rural
SELINGROVE	Snyder	Rural
WESTFIELD	Tioga	Rural
AUBURN	Schuylkill	Rural
BEACH LAKE	Wayne	Rural
BUFFALO	Washington	Urban
BROOKSIDE	Lycoming	Urban
BARBOURS	Lycoming	Urban
CHAPMAN LAKE	Lackawanna	Urban
DINGMANS FERRY	Pike	Urban
FRIEDENSBURG	Schuylkill	Rural
GALILEE	Wayne	Rural
KEMPTON	Berks	Urban
LOG TAVERN	Pike	Urban

**ATTACHMENT A**

Page 4 of 4

LOYALSOCK-MAIN	Lycoming	Urban
LOYALSOCK-SOUTH	Lycoming	Urban
MILFORD	Pike	Urban
MATAMORAS	Pike	Urban
NEW SMITHVILLE	Lehigh	Urban
NEW TRIPOLI	Lehigh	Urban
PINE GROVE	Schuylkill	Rural
RALSTON	Lycoming	Urban
SHOHOLA	Pike	Urban
TROUT RUN	Lycoming	Urban
TAYLORSTOWN	Washington	Urban

**Verizon North Inc. Alternative Regulation Plan**  
**Price Stability Mechanism**

**Price Stability Index (PSI) Calculation**

**Formula:**  $PSI_t = PSI_{t-1} \times [1 + \% \Delta GDP-PI - 2.5\% \pm Z]$

1	GDP-PI	Recent Qtr Curr. yr.	102.75
2	GDP-PI	Same Qtr Prior yr.	100.00
3	%Δ GDP-PI	=(L1-L2)/L2	2.75%
4	Productivity Offset		2.50%
5	Z Factor		0.00
6	Allowed Change in PSI	=L3-L4±L5	0.25%
7	PSI <sub>t-1</sub>		100.00
8	PSI <sub>t</sub>	=L7*(1+L6)	100.25

**Service Price Index (SPI) Calculation**

**Formula:**  $SPI_t = SPI_{t-1} [\sum_i V_i (P_t/P_{t-1})]$

9  $[\sum_i V_i (P_t/P_{t-1})]$

<u>Service</u>	<u>P<sub>t-1</sub></u> (a)	<u>P<sub>t</sub></u> (b)	<u>Curr. Rev</u> (c)	<u>V<sub>i</sub></u> (d=c/sumc)	<u>P<sub>t</sub>/P<sub>t-1</sub></u> (e=b/a-1)	<u>[\sum<sub>i</sub> V<sub>i</sub> (P<sub>t</sub>/P<sub>t-1</sub>)]</u> (f=d*e)
A	10.00	9.50	120,000	1.88%	-5.0%	-0.094%
B	15.00	14.00	45,000	0.70%	-6.7%	-0.047%
C	18.00	17.00	21,600	0.34%	-5.6%	-0.019%
D	8.00	8.00	1,440	0.02%	0.0%	0.000%
E	0.35	0.30	9,450	0.15%	-14.3%	-0.021%
F	5.00	5.40	300,000	4.70%	8.0%	.376%
G	100.00	97.60	1,050,000	16.44%	-2.4%	-0.395%
H	2.50	4.41	37,500	0.59%	76.6%	0.450%
All Other				<u>4,800,000</u>	75.18%	<u>0.000%</u>
Sum				<u>6,384,990</u>		<u>0.25%</u>

10	SPI <sub>t-1</sub>		100.00
11	SPI <sub>t</sub>	=L10*(1+L9)	100.25
12	PSI <sub>t</sub> -SPI <sub>t</sub>	=L8-L11	00.00

**CERTIFICATE OF SERVICE**

I, Suzan D. Paiva, hereby certify that I have this day served a copy of the Alternative Regulation Plan of Verizon Pennsylvania Inc. as of August 2008, and of the Alternative Regulation Plan of Verizon North Inc. as of August 2008, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

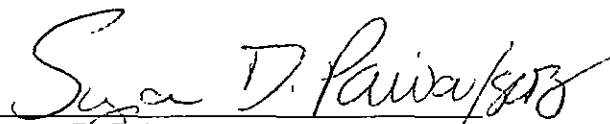
Dated at Philadelphia, Pennsylvania, this 20<sup>th</sup> day of August, 2008.

**VIA UPS DELIVERY**

Joel Cheskis, Esquire  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

Steven C. Gray, Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17102

Robert Eckenrod, Esquire  
Office of Trial Staff  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120



Suzan D. Paiva  
Assistant General Counsel  
Verizon Pennsylvania Inc.  
1717 Arch Street, 10W  
Philadelphia, PA 19103  
(215) 466-4755

**RECEIVED**

AUG 19 2008

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU