

1. REPORT DATE: 00/00/00 :
 2. BUREAU: FUS :
 3. SECTION(S) : : 4. PUBLIC MEETING DATE:
 5. APPROVED BY: : : 00/00/00
 DIRECTOR: :
 SUPERVISOR: :
 6. PERSON IN CHARGE: : 7. DATE FILED: 02/01/05
 8. DOCKET NO: P-00981429F1000 : 9. EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT:

RESPONDENT/APPLICANT: CONESTOGA TELE & TELEGRAPH CO.

COMP/APP COUNTY: UTILITY CODE: 310850

ALLEGATION OR SUBJECT

2/1/05 - CONESTOGA TELEPHONE AND TELEGRAPH COMPANY FILED NOTICE OF INTENT TO FILE AMENDED ALTERNATIVE REGULATION AND NETWORK MODERNIZATION PLAN WITHIN 60 DAYS.

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FEB 09 2005

ORIGINAL

*Thomas, Thomas, Armstrong & Niesen
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DOCUMENT
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CHARLES E. THOMAS
(1913 - 1998)

February 1, 2005

P. 00981429 F1000

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: **Petition for Alternative Regulation and Network Modernization Plan
of Conestoga Telephone and Telegraph Company, Docket No. P-00981429
Notice of Election to Amend Plan Pursuant to Section 3014(e) of Act 183**

Dear Secretary McNulty:

Conestoga Telephone and Telegraph Company hereby notifies the Pennsylvania Public Utility Commission pursuant to Section 3014(e) of Act 183 of 2004, 66 Pa.C.S. §3014(e), that the Company elects to file an amended Alternative Regulation and Network Modernization Plan. The Company intends to elect the option set forth at Section 3014(b)(1) of Act 183. The Company will file the amended Plan within sixty (60) days of the date of this letter.

Please feel free to contact the undersigned at your convenience should you have any questions or comments.

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FEB 09 2005

Respectfully submitted,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By *Patricia Armstrong*
Patricia Armstrong

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2005 FEB - 1 PM 4: 18
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Enclosures

cc: Certificate of Service
Jani Tuzinski, Manager, FUS
Bohdan R. Pankiw, Chief Counsel
Robert A. Rosenthal, Director, FUS
Leonard Beurer

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

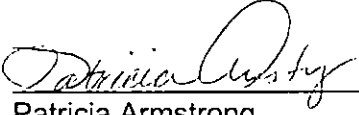
Petition for Alternative Regulation and : Docket No. P-00981429 *F1000*
Network Modernization Plan of :
Conestoga Telephone and Telegraph :
Company :

CERTIFICATE OF SERVICE

I hereby certify that I have this 1st day of February, 2005, served a true and correct copy of the foregoing letter upon the persons listed below by first class mail, postage prepaid:

Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101



Patricia Armstrong

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CHARLES E. THOMAS
(1913 - 1998)

February 25, 2005

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
North Office Building
P.O. Box 3265
Harrisburg, PA 17105-3265

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2005 FEB 25 PM 3:54
SECRETARY'S BUREAU

Re: Amended Chapter 30 Plan of
Conestoga Telephone and Telegraph Company
Docket No. P-00981429F1000

Dear Secretary McNulty:

On behalf of Conestoga Telephone and Telegraph Company ("CTTC" or "Company"), enclosed please find an original and three copies each of a redlined and clean Amended Chapter 30 Plan ("Amended Plan"). This Amended Plan is filed pursuant to Section 3015(e) of the new Chapter 30 of the Public Utility Code, 66 Pa.C.S. §§3011-3019, Act 183 of 2004 ("Act").

In addition to the redlined and clean versions of the Amended Plan, also enclosed is a matrix further identifying all changes made to the Company's original Plan and the corresponding reference to the statutory support for the change.

As identified in the notice of filing of amended plan filed by CTTC with the Commission on February 1, 2005, CTTC has elected to amend its Plan pursuant to Section 3014(b)(1) of the Act, 66 Pa.C.S. §3014(b)(1), and commits to provide universal broadband availability by December 31, 2008. As required in Section 3014(e) of the Act, 66 Pa.C.S. §3014(e), CTTC has provided notice of the filing of the Amended Plan to its customers by bill message. The bill cycles that the message has been or will be included on began on February 15th and will conclude with the March 8th bill cycle. As required in Section 3014(e), 66 Pa.C.S. §3014(e), CTTC has also served a copy of the Amended Plan on the Office of Small Business Advocate and Office of Consumer Advocate, as indicated on the attached Certificate of Service.

51

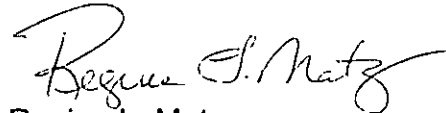
James J. McNulty, Secretary
February 25, 2005
Page 2

CTTC has amended this Plan to be in compliance with Act 183, and is prepared to respond to any inquiries the Commission may have with respect to the Commission's review of the Plan that would facilitate that finding.

Very truly yours,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By



Regina L. Matz

Enclosures

cc: Certificate of Service
Bohdan Pankiw, Chief Counsel (w/encl.)
Robert A. Rosenthal, Director, FUS (w/o encl.)
Jani Tuzinski, Manager, FUS (w/encl.)
Leonard J. Beurer (w/encl.)

Conestoga Telephone and Telegraph Company
 Matrix of References to Amendments on Redlined Version of Plan
 and Act 183 Sources

Reference to Plan Amendment	Reference to Act 183 Source
1. Introduction - pp. 1-4	Changes made to update context of plans ("contextual change")
2. Page 5, Part 1	contextual change; §3014(b)(1)
3. Page 5, Part 2 ("declared by the Company . . .")	§§3016(b)
4. Page 5, Part 2 ("already been deregulated . . .")	Contextual change
5. Page 5, Parts 2.A.1. and 2.	Contextual changes
6. Page 6, Part 2.A.3. ("as contained in 52 Pa. Code")	§3019(b)(2)
7. Page 6, Part 2.A.4.	§§3016(e) and (d)
8. Pages 6-7, Part 2.A.5. - additions	§3016(a)
9. Pages 6-7, Part 2.A.5. - deletions	Sections sunsetted
10. Page 8, Part 2.A.5. - deletion at top of page	Section sunsetted
11. Page 8, Part 2.A.6. - additions	§3016(b)
12. Page 8, Part 2.A.6. - deletion	Section sunsetted
13. Pages 8-9, Part 2.A.7. - additions	§3016(c)
14. Page 9, Part 2.A.7. - deletion	Section sunsetted
15. Page 9, Part 2.B.1 - deletion and addition	Section sunsetted; §3016
16. Page 9, Parts 2.B.2. and 3. deleted	Section sunsetted; §§3016(f)(1) and (2)
17. Page 10, Parts 2.B.2. and 3. added	§§3016(f)(1) and (2); §3016(d)(1)
18. Page 10, Part 2.B.5. - deleted section	Section sunsetted
19. Page 11, Part 3 Introduction	§3015(g)
20. Page 12, Part 3.A.3.	§3019(h)
21. Page 12, Part 3.A.4. - change in table	§3015(a)

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22. Page 13, Part 3.A.5. - insertion of the word "the"	correction of typographical error
23. Page 20, Part 3.C.2.	§3012
24. Page 21, Part 3.D.2. - addition	Contextual change to reflect current monthly residential ceiling
25. Pages 22-23, Part 4.A.1. - lifeline changes	§3019(f)
26. Pages 23-24, Part 4.A.4. - deletion	Section sunsetted
27. Page 24, Part 4.B.1 - statutory reference change	Section sunsetted; new section is §3019
28. Page 24, Parts 4.B.2., 3. and 4. - additions and deletion	§§3015(e), 3019(b)(2); 3019(h); Deleted section sunsetted
29. Page 25, Part 4.B.5. - additions/deletions	§3019(b)(1)/Section sunsetted
30. Page 26, Part 4.B.10.	§3019(b)(4)
31. Pages 26-28, Part 4.C.1.	§3015(e)
32. Pages 28-29, Part 4.C.2. - additions/deletions	§3015(f)(1)/Section sunsetted
33. Page 29, Part 4.C.3.	§3015(f)(2)
34. Page 29, Part 4.D.1.	§3016(e)(3)
35. Pages 29-30, Part 4.D.2.	§3014(l)
36. Page 30, Part 4.D.3.	§3016(e)(2)
37. Page 30, Part 4.D.4.	§3017(a); §3012 (definitions)
38. Page 30, Part 4.D.5.	§3017(b)
39. Page 30, Part 4.D.6.	§§3015(c)(2) and (5)
40. Pages 30-31, Part E.1.	Section sunsetted
41. Page 31, Part E.3.	§§3013(a) and (b), §3014(b)(6)
42. Page 31, Part E.4.	§3019(h)
43. Pages 32-43, Part 5, Glossary - additions	§3012

44. Pages 32-43, Part 5, Glossary - deletions	Sections sunsetted
Appendix A - NMP	
1. Pages 1-5 - deletions	§3014(n)
2. Pages 1-2 - additions	Contextual changes; §3014(n); §3014(b)(1)(ii); §3014(b)(6); §3012
3. Page 6, Part A. - additions	§§3014(b)(1) and (b)(5); §3014(n); §3012
4. Page 6, Part A. - deletions	§3014(n)
5. Page 7, Part A. - additions	§§3014(b)(1) and (b)(4); §3014(n)
6. Pages 7-8, Part A. - deletions	§3014(b)(4) and (b)(5); §3014(n); sections sunsetted
7. Page 9, Part B.1. - additions/deletions	§3014(f)
8. Page 9, Part B.2.	§3014(f)
9. Page 9, Part B.3.	§3014(f)(3)
10. Pages 9-10, Part C.1.	§3015(a)(2)
11. Page 10, Part D.1.	§3014(g)
12. Page 10, Parts E.1. and 2.	§§3014(n)(1) and (2)

ORIGINAL

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF CONESTOGA :
TELEPHONE AND TELEGRAPH :
COMPANY FOR APPROVAL OF AN :
ALTERNATIVE FORM OF : Docket No. P-00981429 F1000
REGULATION AND NETWORK :
MODERNIZATION PLAN :

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SECRETARY'S BUREAU

AMENDED ALTERNATIVE FORM OF REGULATION
AND
NETWORK MODERNIZATION PLAN
OF
CONESTOGA TELEPHONE AND TELEGRAPH COMPANY

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

Dated: June 30, 2000, as modified January 22, 2001, as amended February 25, 2005

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INTRODUCTION

This Plan was filed by Conestoga Telephone and Telegraph Company ("Company") pursuant to Act 67 of 1993, Section 3003 of the Public Utility Code, 66 Pa.C.S. §30036 and Pennsylvania Public Utility Commission ("Commission") Opinions and Orders entered January 20, 2000, and March 30, 2000, at Docket Nos. P-00981425, et al., and is amended pursuant to Act 183 of 2004.¹

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

Section 3003 of Act 67, 66 Pa.C.S. §3003, specifically authorized local exchange carriers to petition for approval of an alternative form of regulation:

(a) **Petition.**--When a local exchange telecommunications company seeks to be regulated under an alternative form of

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

regulation, it shall submit to the commission a petition requesting the alternative form of regulation. In the petition, the company shall submit its proposal and supporting data for an alternative form of regulation. The petition shall also identify all competitive services which the local exchange telecommunications company proposes at that time.

Act 67 required that a network modernization plan be included as part of an alternative regulation petition under which each local exchange carrier ("LEC") was required to commit to universal broadband availability including "converting 100% of its interoffice and distribution telecommunications network to broadband capability by December 31, 2015." 66 Pa.C.S. §3003(b)(1). Also, Act 67 permitted LECs to request a determination and classification that certain services or other business activities offered were competitive. 66 Pa.C.S. §3005. Services determined to be competitive were no longer subject to Commission regulation unless expressly provided for in Act 67. 66 Pa.C.S. §3009(f).

Consistent therewith, this Plan for Alternative Regulation satisfied the requirements of Section 3003 and the Commission Opinions and Orders entered January 20, 2000, and March 30, 2000, at Docket No. P-00981429. This Plan, as originally approved (and as amended herein), contains the following five parts, which are interrelated and dependent upon one another:

Part 1 The "Network Modernization Plan" as amended sets forth the Company's commitments to provide universal broadband availability by December 31, 2008.

Part 2 The "Competitive Services Deregulation Plan" provides for the deregulation of the prices and earnings of competitive services, but preserves the Commission's authority over the

quality of those services. In addition, the Competitive Services Deregulation Plan contains safeguards to protect competitors from potential abuses and to insulate basic ratepayers from the economic risk of competitive services.

Part 3 The Price Stability Plan governs rate changes for noncompetitive services for the duration of the respective Plan. It also constrains noncompetitive service price changes and provides for interim tariff rate adjustments.

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

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

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

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

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

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

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

PART 1 - NETWORK MODERNIZATION PLAN

The amended Network Modernization Plan ("NMP"), which is set forth in Appendix A hereto, sets forth the Company's commitment to accelerate the modernization of its network, leading to full development of universal broadband availability by December 31, 2008.

PART 2 - COMPETITIVE SERVICES DEREGULATION PLAN

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

A. Competitive Services

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

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

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

as contained in 52 Pa. Code that address the safety, adequacy, reliability and privacy of telecommunications services and the ordering, installation, suspension, termination and restoration of any telecommunications service. Any review or revision shall take into consideration the emergence of new industry participants, technological advancements, service standards, and consumer demand.

4. The Company may price competitive services at its discretion. Tariffs shall not be required by the Commission for competitive services. At its option, the Company may tariff the rates, subject to rules and regulations applicable to the provision of competitive services. The Commission may require the Company to maintain price lists with the Commission applicable to its competitive services. Price changes that are filed in the Company's tariff for competitive services will go into effect on a one-day notice.

5. The Company may petition the Commission for a determination of whether a protected or retail noncompetitive service or other business activity in its service territory or a particular geographic area or exchange or group of exchanges within its service territory is competitive based on the demonstrated availability of like or substitute services or other business activities provided or offered by alternative service providers. The Commission, after notice and hearing, shall enter an order granting or denying the petition within 60 days of the filing date, or within 150 days of filing date where a protest is timely filed, or the petition shall be deemed granted. The Company shall serve a copy of its petition on the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA") and each of the parties to the Commission's proceeding in which the Company's original Chapter 30 Plan was approved by the Commission. In making its determination, the

Commission shall consider all relevant information submitted to it, including the availability of like or substitute services or other business activities, and shall limit its determination to the service territory or the particular geographic area or exchange or group of exchanges in which the service or other business activity has been proved to be competitive. The burden of proving that a protected or retail noncompetitive service or other business activity is competitive rests on the Company. In the event that the Commission declares a service to be competitive in another company's Chapter 30 proceeding or subsequent filing, such declaration shall then also be applied as a rebuttable presumption in any proceeding filed by the Company requesting that the same or similar service be declared competitive under Chapter 30, so long as the markets are substantially similar.

6. Notwithstanding the provisions of Part 2.A.5. of this Plan, the Company may declare any retail nonprotected service as competitive by filing a declaration with the Commission and serving it on the OCA, OSBA and each of the parties to the Commission's proceeding in which the Company's original Network Modernization Plan was approved by the Commission, provided that the Company may not use this declaration process for any service that the Commission previously has reclassified as noncompetitive under either Part 2.A.7. of this Plan or prior law. A declaration of a retail nonprotected service as competitive shall be effective upon filing by the Company with the Commission.

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

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

B. Statutory Protections

1. *The Company shall meet the requirements of Chapter 30 with respect to services deemed competitive, i.e. 66 Pa.C.S. §3016.*

2. *The Company shall not use revenues earned or expenses incurred in conjunction with noncompetitive services to subsidize competitive services. This provision shall not be construed to prevent its marketing and billing of packages containing both noncompetitive and competitive services to customers. 66 Pa.C.S. §3016(f)(1) and (2). Therefore, this Plan is in compliance with the requirements of Chapter 30.*

3. The price that the Company charges for competitive services shall not be less than the costs to provide the services. 66 Pa.C.S. §3016(d)(1). The Company may use comparable cost studies presented by larger or other telephone companies in order to comply with any applicable competitive costing and pricing safeguards to the extent that such requirements apply.

C. Compliance

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

PART 3 - PRICE STABILITY PLAN FOR NONCOMPETITIVE SERVICES

The Price Stability Plan ("PSP") sets forth the principles and procedures applicable to changes in the Company's rates which would otherwise be governed by Chapter 13 of the Pennsylvania Public Utility Code.

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

A. Price Stability Mechanism (PSI and SPI)

1. The Price Stability Mechanism ("PSM") is based upon the Company's rates in effect on the approval date of the Plan or as otherwise adjusted pursuant

to the Global Order, which rates are deemed just, reasonable, nondiscriminatory and otherwise fully in compliance with all Pennsylvania laws.²

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

3. The PSM is a substitution of traditional rate base/rate of return regulation and is the exclusive basis upon which the Company's noncompetitive rates will be regulated on and after the date of Commission approval. All tariff filings for noncompetitive services are subject to review under the terms of this Plan. Chapter 13, Sections 1301 through 1305, inclusive, 1309 and 1312 of the Public Utility Code (the "Code") remain applicable under the provisions of the Plan.

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

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

which comprises the "PSM formula," where:

PSI _t	The new index that determines the maximum prices for the noncompetitive service category based on the cumulative changes in the price cap index for the current twelve month period.
------------------	--

²The Company reserves the right prior to the initial PSI and SPI filing to file tariffs to change rates for noncompetitive services. The rates approved by the Commission pursuant to any such rate filings shall constitute the rates upon which the PSM is based and shall be recognized as just, reasonable, non-discriminatory, and otherwise fully in compliance with all Pennsylvania laws.

PSI _{t-1}	The current index that determines the current maximum prices for the noncompetitive service category based on the cumulative changes in the price cap index for the previous twelve month period. ³
%Δ GDP- PI	The percentage change in the Chain Weighted Gross Domestic Product - Price Index based on a quarter ending not more than eight months prior to the advance notice date of the new annual tariff and the corresponding quarter of the previous year.
X	0% inflation offset
Z	The effect of any exogenous events. Exogenous events are positive or negative changes in the Company's revenues or expenses as defined in the Plan.

In no event shall the PSI_t, excluding the impact of exogenous events, be less than the PSI calculated as of the effective date of the Plan.

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

5. The SPI is an index that represents the current level of prices including price changes from the current and prior years associated with the PSI and tracks the price changes for noncompetitive services related to the PSI. No proposed SPI may exceed, on a total intrastate basis, the PSI accumulated after the effective date of the Plan, except as otherwise expressly provided in this Plan (e.g., exogenous events). As of the effective date of the Plan, the PSI and SPI equal 100.

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

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

Where:

SPI_t = The proposed new SPI value.

³The PSI applies to the sum of effective rates (and units of demand) which were realized during the previous twelve month period.

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

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

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

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

9. The proposed tariff(s) accompanying the PSI and SPI Reports, if any, shall become effective within 30 days of filing (unless otherwise provided herein) and shall be deemed Commission-made rates. Upon a successful complaint, rates may change prospectively only. The Commission shall review the tariff rate change

proposals to determine whether they comply with the criteria set forth in Section D below. If the Commission determines that the Company's rate proposals do not comply with this criteria, then the Commission may order the Company to modify them to be in compliance. If the Company's proposals comply with this criteria, then the Commission shall approve them.

10. The Company shall provide fifteen (15) days advance notice of filing to the Commission, which shall generally describe the anticipated filing.³⁴ Any and all interventions or complaints shall be due within fifteen (15) days after the initial filing. The initial filing by the Company shall include a full explanation of all reasons for such filing, including work papers. Responses to interrogatories shall be due within fifteen (15) days of service. Twenty (20) days after the filing date, any and all comments by intervenors in support of or in opposition to the filing are due to be filed at the Commission. Responses to such comments may be filed by the Company within fifteen (15) days thereafter. A Commission Order must be entered within sixty (60) days of the filing (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed. The Company may extend the 60-day period to permit for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding,

⁴This notice may be provided to the public by the Company through billing insert, bill message or separately mailed notice. Notice will also be served upon the OCA, OSBA, OTS and any other Chapter 30 party, as identified by the Commission Secretary. The notice will be similar in nature to that described in 52 Pa.Code §53.45 for a general rate case.

made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than \$3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.⁵

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

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

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from

⁵The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the \$3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the \$3.50 increase for purposes of this sub-part.

average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.⁶ Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

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

⁶See paragraph 13, infra.

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

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

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

B. Rate Restructuring and Rebalancing

1. In addition to the annual PSM filing, the Company may file tariffs proposing to rebalance and/or restructure rates for noncompetitive services. The

Company may implement only one rate restructuring/rebalancing filing in the same calendar year which affects residential and small business rates (3 lines or less), exclusive of changes made pursuant to the PSM formula and exogenous events not reflected therein.⁷

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

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

4. The "75-day procedure" shall apply to all PSM, exogenous events and restructuring and rebalancing filings, with the allowance of time to permit ADR mediation and an additional 15 calendar days to allow time for hearings, if specifically requested by the OTS, OCA, OSBA, a customer, or Chapter 30 party at Docket No. P-00981425, et al., made at the time of complaint or intervention.

Further provided, in the event that the proposed impact of such rate restructuring and rebalancing filing on local services rates for residential one-party service is an increase greater than \$3.50 per month, then the additional allowance of time shall be 45 calendar days, rather than 15 calendar days.⁸ Reductions in

⁷The Company retains the right to make changes in intraLATA toll rates and services pursuant to the Commission Order entered December 14, 1995, at Docket No. I-00940034.

⁸The term "local service" as used in this part is as set forth in footnote 4, supra.

residential and small business rates may be initiated more often by the Company. Tariff filings involving a limited number of services with the intent of packaging/restructuring the services may be made. The prices of the packaging/restructuring will not exceed in total the individual service prices of the services comprising those packages. Reductions in residential and small business rates and limited services tariff filings shall become effective on one (1) day's notice to the Commission.

C. New Services

1. The Company may introduce new services at any time.
2. If a new service is offered which falls within the definition of "protected services," then the "75-day procedure" shall apply. Protected services are as follows, unless the Commission has determined the service to be competitive:
 - a. Service provided to residential consumers or business consumers that is necessary to complete a local exchange call;
 - b. Touch-tone service;
 - c. Switched access service;
 - d. Special access service; and
 - e. Ordering, installation restoration and disconnection of these services.
3. Any new service which is not a "protected" service shall become effective upon one (1) day's notice to the Commission.
4. Revenues from new services shall be included in the calculation of the PSI and SPI, beginning with the first annual PSM filing after the new service has been in effect for one year.

D. Consumer Protections

1. All rate changes proposed either under the PSM formula, including exogenous events, or under the rate restructuring and rebalancing provisions of this Plan shall be approved if just and reasonable and if a proposed tariff does not cause one of the following to occur and is otherwise in compliance with this Plan:

- a. The SPI is not greater than the PSI; and
- b. The proposed changes to basic, local rates for both residential and small business customers (three (3) lines or less), by any combination of filings, will not cause an increase in the rates in existence at the end of the preceding year greater than \$3.50 per month.⁹

2. Pursuant to the Global Order entered September 30, 1999, the Commission instituted a transitional universal service funding mechanism, i.e. the Pennsylvania USF, with a projected termination date of December 31, 2003. During the pendency of the Pennsylvania USF, the Company retains the right to change and rebalance its intrastate rates in accordance with the PSP, and if such rates are found to be just and reasonable, they shall be permitted to become effective. Further, should the new rates exceed the \$16.00 monthly residential rate ceiling and applicable business rate ceiling established in the Global Order for the duration of the Pennsylvania USF, the Company is permitted to recover the revenue difference arising from application of the Global Order rate ceilings from the Pennsylvania USF. By Order entered July 15, 2003, at Docket No. M-00021596, et al., the Commission approved modifications to the Global Order including a continuation of the USF and an increase of the \$16.00 residential cap to \$18.00.

⁹This cap shall not be applicable where a generic Commission Order requires changes in a Company's rate design and causes a rate increase which exceeds the cap.

3. The Company shall submit cost data for existing noncompetitive rate changes. Where the Company proposes to decrease the price of any individual rate element for any service offered by the Company, the proposed price for that service shall equal or exceed its Long Run Incremental Cost (LRIC) unless: (1) specifically exempted by the Commission based upon public interest considerations or (2) the Company in good faith prices the service to meet the equally low price of a competitor for an equivalent service. Cost information will only be provided to the OTS, OCA, OSBA and any other applicable governmental party on a proprietary basis. If a formal complaint or investigation is initiated, such cost documentation shall be provided to all interested parties at the direction of the Commission on a proprietary basis.

E. Complaints

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

PART 4 - ADDITIONAL COMMITMENTS AND OTHER TERMS

A. Lifeline Service; Universal Service; Enhanced Services for the Disabled

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

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

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

B. Ongoing Regulatory Requirements

1. All services provided by the Company within the jurisdiction of the Commission are still subject to all provisions of the Public Utility Code regarding safety, adequacy and reliability of telecommunications services, 66 Pa.C.S. §1501, and the additional powers and duties of the Commission, 66 Pa.C.S. §3019.

2. The Company will continue to monitor service quality in compliance with Commission regulations in Chapter 63 unless in conflict with this Plan or Act 183. 52 Pa. Code §63.1 et seq.

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

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

has been demonstrated. The Company will comply with any modifications to the existing EAS regulations as ordered from time to time by the Commission.

5. The Commission retains its authority to audit the accounting and reporting systems of the Company relating to its transactions with affiliates pursuant to Chapter 21 of the Public Utility Code, 66 Pa.C.S. §2101 et seq. The Company shall file affiliated interest and affiliated transaction agreements unless such agreements involve services declared to be competitive. The filings shall constitute *notice to the Commission only and shall not require approval by the Commission.*

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

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

8. The Company is an exempt rural telephone company for purposes of Section 251(f)(1) of TA-96.

9. In the event that the Company effects a change to either its depreciation expenses or depreciation reserves, Commission approval shall not be

required. However, in the event of the reinstatement of any form of rate base/rate of return regulation, any impact of such changes on depreciation expense or reserve which occur during the period of the operation of this Plan shall be captured and recognized as a debit (or credit) in the ratemaking formula.

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

C. Reporting Requirements

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

- i. The Biennial Network Modernization Plan Report filed pursuant to Parts B.1 and 2 of the Amended Network Modernization Plan.
- ii. An annual financial report consisting of a balance sheet and income statement.
- iii. An annual deaf, speech-impaired and hearing -impaired relay information report.
- iv. An annual service report.
- v. Universal service reports.
- vi. An annual access line report.
- vii. An annual statement of gross intrastate operating revenues for purposes of calculating assessments for regulatory expenses.

viii. An annual State Tax Adjustment ("STAS") computation for years in which a tax change has occurred, if applicable.¹⁰

2. Notwithstanding any other provision of the Public Utility Code (Title 66), the Commission's regulations or this Plan to the contrary, no other report, audit, statement, filing or other document or information, except as specified in Part 4.C.1. above shall be required of the Company, unless the Commission, upon notice to the Company and an opportunity to be heard, has first made specific written findings supporting conclusions in an entered order that: (i) the report is necessary to ensure that the Company is charging rates that are in compliance with Chapter 30 of the Public Utility Code (66 Pa.C.S. §§3011-3019) and its effective alternative form of regulation; and (ii) the benefits of the report substantially outweigh the attendant expense and administrative time and effort required of the Company to prepare it.

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

D. Other Provisions

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

¹⁰This includes the State Tax Adjustment Surcharge (STAS) tariff filings pursuant to Commission STAS Guidelines (52 Pa. Code §69.51 et seq.), the State Tax Adjustment Surcharge Order and the Company's STAS tariff. STAS-related changes shall be excluded from the SPI calculation. The Company shall serve copies of its STAS filings on OCA, OSBA, and OTS, coincident with its submission of such filings to the Commission.

by increasing rates charged to other customers through its Price Stability Plan or otherwise.

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

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

4. The Commission may not require the Company to reduce access¹¹ rates except on a revenue-neutral basis.

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

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

E. Term of Plan

1. In the event Chapter 30 is modified or is repealed, the Company may seek an appropriate modification or revision of the Plan.

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

3. No change may be made to this Plan without the express agreement of both the Commission and Company. The Company may subsequently petition the Commission for approval of further modifications to its amended network modernization plan, which the Commission may grant upon good cause shown.

¹¹As used in this Plan, the terms "access rates," "access charges" and similar terms, unless the context requires otherwise, shall refer to special access service and switched access service. As used in this Plan, the term "special access service" shall mean service provided by the Company over dedicated, nonswitched facilities to interexchange telecommunications carriers or other large volume users that provides connection between an interexchange telecommunications carrier or private network and a customer's premises. As used in this Plan, the term "switched access service" shall mean service that provides for the use of common terminating, switching and trunking facilities of The Company's public switched network. The term includes, but is not limited to, the rates for local switching, common and dedicated transport and the carrier charge.

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

PART 5 - GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

Central Office (CO) - A local exchange telecommunications company switch used to provide local exchange telecommunications service.

Commission - The Pennsylvania Public Utility Commission.

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

Competitive Service - A service or business activity determined to be competitive by the Commission on or prior to December 31, 2003, and a service or business activity determined or declared to be competitive pursuant to Section 3016 (relating to competitive services).

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

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

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

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

FCC - The Federal Communications Commission.

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

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

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

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

Interexchange Telecommunications Carrier - A carrier other than a local exchange telecommunications company authorized by the Commission to provide interexchange services.

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

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

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

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

Local Exchange Telecommunications Company ("LEC") - An incumbent carrier authorized by the Commission to provide local exchange telecommunications

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

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

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

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

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

Noncompetitive Service - A regulated telecommunications service or business activity that has not been determined or declared to be competitive.

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

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

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

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

Price Stability Mechanism (PSM) - A formula which may be included in a Commission-approved alternative form of regulation plan that permits rates for noncompetitive services to be adjusted upward or downward.

Protected Service - The following telecommunications services provided by a local exchange telecommunications company, unless the Commission has determined the service to be competitive:

- (1) Service provided to residential consumers or business consumers that is necessary to complete a local exchange call.
- (2) Touch-tone service.
- (3) Switched access service.
- (4) Special access service.
- (5) Ordering, installation, restoration and disconnection of these services.

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

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

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

change from current and prior years associated with the PSI and tracks these price changes of noncompetitive services related to the PSI.

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

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

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

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

Telecommunications Service - The offering of the transmission of messages or communications for a fee to the public.

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

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

**NETWORK MODERNIZATION PLAN
of
CONESTOGA TELEPHONE AND TELEGRAPH COMPANY**

This Network Modernization Plan ("NMP") as originally filed set forth **Conestoga Telephone and Telegraph Company's** ("Conestoga" or "Company") commitment to accelerate the modernization of its network to achieve universal broadband availability within its service territory by December 31, 2015. The original NMP was filed pursuant to Act 67 of 1993, Section 3003 of the Public Utility Code, 66 Pa.C.S. §3003, and Pennsylvania Public Utility Commission ("Commission") Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al. Act 67 was subject to sunset by operation of law on December 31, 2003. Act 183 of 2004 was signed into law on November 30, 2004, replacing Act 67. Act 183, Section 3013(b)(1)(ii) grants the Company the option to amend its original NMP as follows:

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

Further, Act 183, Section 3014(n)(1) provides:

(n) Construction.--Nothing in this section shall be construed:

(1) As giving the Commission the authority to require a local exchange telecommunications company to provide specific services or to deploy a specific technology to retail customers seeking broadband or advanced services.

Consistent with these statutory provisions, the Company hereby elects to commit to accelerate 100% broadband availability by December 31, 2008,¹ and

¹As used throughout this Plan, the term "broadband" shall mean a communication channel using any technology and having a bandwidth equal to or greater than 1.544 megabits per second (mbps) in the downstream direction and equal to or greater than 128 kilobits per second (kbps) in the upstream direction. The term "broadband availability," as used in this amended Plan shall mean
(continued...)

amends its NMP accordingly herein. Conestoga, consistent with Section 3014(b)(1)(ii), shall not be required to offer either a Bona Fide Retail Request Program or a Business Attraction or Retention Program or otherwise participate in such programs. The Company may subsequently petition the Commission for approval of further modification of this amended network modernization plan, which the Commission may grant upon good cause shown.

A. Broadband Availability

Conestoga commits to the deployment of those technologies necessary to achieve universal broadband availability (i.e. provision of broadband capability to any retail telephone customer in the Company's service territory requesting such capability on ten business days notice to the LEC) by December 31, 2008, as set forth in Act 183, Chapter 30.

The Company cannot anticipate what specific technologies might be developed and become available to it in the future; therefore, consistent with Section 3104(n)(1) this amended NMP cannot be viewed as a commitment by the Company to use any specific technology in order to achieve universal broadband availability. The Company's first priority is to satisfy customer demand as it arises and demand may dictate Company deployment of a customer-preferred broadband technology over others available for use by the Company. The choice of technology will not impact the Company's general commitment to universal broadband availability.

¹(...continued)
access to broadband service by a retail telephone customer of the Company within ten (10) business days of request.

The schedule set forth below identifies the Company's commitment to broadband availability measured as a percentage of all access lines:

	1998	2003	2008
Broadband Availability within 10 business days	10%	30%	100%

Pursuant to Act 183, 66 Pa.C.S. §3014(6)(4), Conestoga is capable of deploying on 10 business days notice universal broadband in or adjacent to public rights-of-way abutting all subscribers within Conestoga's service territory who have been expressly targeted by Chapter 30 for initial broadband deployment. Those subscribers are: public schools, including administration offices, health care facilities and industrial parks.

B. Biennial NMP Reports to the Commission

1. The Company will provide biennial NMP reports, as described below *and in the time frames required*, to the Commission for the periods ending December 31, 2006 and December 31, 2008.

2. Such biennial report shall be submitted in the form and detail required by the Commission as of July 1, 2004, unless such reporting requirements are subsequently reduced by the Commission. The Commission may require the *submission of further information to support the accuracy of or to seek an explanation of the biennial NMP reports filed by the Company.*

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

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

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

D. Assistance to Political Subdivisions

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

E. Construction

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

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

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ORIGINAL

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition for Alternative Regulation and : Docket No. P-00981429F1000
Network Modernization Plan of :
Conestoga Telephone and Telegraph :
Company, Alternative Regulation and :
Network Modernization Plan :

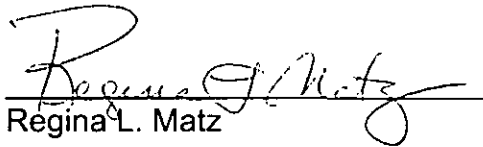
DOCUMENT
FOLDER

CERTIFICATE OF SERVICE

I hereby certify that I have this 25th day of February, 2005, served a true and correct copy of the foregoing Amended Alternative Regulation and Network Modernization Plan of Conestoga Telephone and Telegraph Company, upon the persons listed below by first class mail, postage prepaid:

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923


Regina L. Matz

RECEIVED
2005 FEB 25 PM 3:54
SECRETARY'S BUREAU

Thomas, Thomas, Armstrong & Niesen
Attorneys and Counsellors at Law

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212 LOCUST STREET
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REGINA L. MATZ

Direct Dial: (717) 255-7622
E-Mail: rmatz@ttanlaw.com

www.ttanlaw.com

FIRM (717) 255-7600
FAX (717) 236-8278

CHARLES E. THOMAS
(1913 - 1998)

March 7, 2005

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCUMENT
FOLDER

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2005 MAR -7 PM 3:58
SECRETARY'S BUREAU

Re: Amended Chapter 30 Plan of
Conestoga Telephone and Telegraph Company
Docket No. P-00981429F1000

Dear Secretary McNulty:

Pursuant to Commission Secretarial Letter dated March 1, 2005, regarding the Amended Chapter 30 Plan filed by Conestoga Telephone and Telegraph Company ("Company") on February 25, 2005, enclosed please find a copy of the Company's notice to customers.

As stated in the cover letter that accompanied the filing, this customer notice ran by bill message in billing cycles starting February 15, 2005, and concluding March 8, 2005. The Company has also posted a copy of its Amended Plan on its website as directed.

Please feel free to contact me at your convenience if you have any questions or comments.

Very truly yours,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By


Regina L. Matz

Enclosure

cc: Certificate of Service
Leonard J. Beurer (w/encl.)

F:\CLIENTS\Utility\Rural Company Coalition\Chapt 30 - 2005\Letters\050307 McNulty.CTTC.wpd

RJP

108

To Our Customers

On November 30, 2004, Act 183 was signed into law to replace Chapter 30 of the Pennsylvania Public Utility Code, which had expired. Act 183 sets forth options to encourage Pennsylvania's local exchange telephone carriers to accelerate broadband availability throughout their respective service territories.

One option allows the Company to amend its previously approved Chapter 30 Plan for Alternative Regulation and Network Modernization to commit to accelerate 100% broadband availability by December 31, 2008, rather than by the end of 2015, as the Company is currently obligated to do.

The Company intends to file an amended plan electing that option on or about February 24, 2005, and the Commission will have 100 days to review the amended plan. Once filed, a copy of the amended plan will be available for review on our website at www.decommunications.com.

As always, thank you for your business.

DOCKETED
MAY 14 2005

**DOCUMENT
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SECRETARY'S BUREAU

2005 MAR -7 PM 3:58

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Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

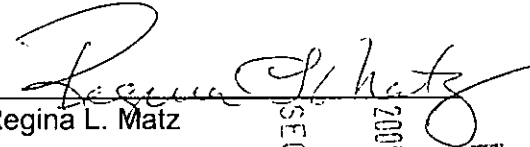
Petition for Alternative Regulation and : Docket No. P-00981429F1000
Network Modernization Plan of Conestoga :
Telephone and Telegraph Company :

CERTIFICATE OF SERVICE

I hereby certify that I have this 7th day of March, 2005, served a true and correct copy of the foregoing letter upon the persons listed below by first class mail, postage prepaid:

Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101


Regina L. Matz

SECRETARY'S BUREAU

2005 MAR - 7 PH 3: 58

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COMMONWEALTH OF PENNSYLVANIA



OFFICE OF SMALL BUSINESS ADVOCATE
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101

William R. Lloyd, Jr.
Small Business Advocate

(717) 783-2525
(717) 783-2831 (FAX)

March 21, 2005

HAND-DELIVERED

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P. O. Box 3265
Harrisburg, PA 17105-3265

DOCUMENT
FOLDER

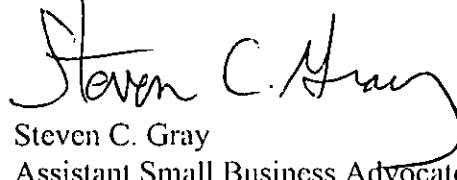
**Re: Amended Chapter 30 Plan of Conestoga Telephone and Telegraph Company
Docket No. P-00981429F1000**

Dear Secretary McNulty:

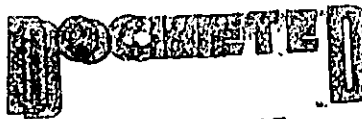
The Office of Small Business Advocate ("OSBA") has reviewed Conestoga Telephone and Telegraph Company's ("Conestoga") Amended Streamlined Regulation and Network Modernization Plan ("Petition") filed on February 25, 2005, under Act 183 of 2004. In its review, the OSBA has not discovered any violation of Act 183 by Conestoga in its Petition.

A copy of this letter has been served on all known parties to this proceeding. A Certificate of Service to that effect is enclosed.

Sincerely,


Steven C. Gray
Assistant Small Business Advocate

Enclosure
cc: Allen Buckalew



MAR 28 2005

SECRETARY'S BUREAU

2005 MAR 21 PM 3:09

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165

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Amended Streamlined Regulation and Network :
Modernization Plan of Conestoga Telephone and :
Telegraph Company : Docket No. P-00981429F1000

CERTIFICATE OF SERVICE

I certify that I am serving a copy of the foregoing document on behalf of the Office of Small Business Advocate by e-mail and first class mail upon the persons addressed below:

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Rmatz@ttanlaw.com

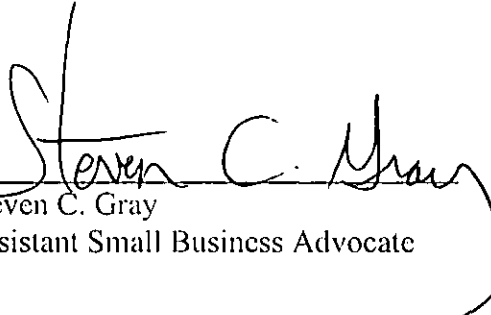
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(717) 772-2677 (fax)
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Steven C. Gray
Assistant Small Business Advocate

Date: March 21, 2005

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Attorneys and Counsellors at Law

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May 19, 2005

BTL

CHARLES E. THOMAS
(1913-1998)

SECRETARY'S BUREAU

MAY 19 PM 3:30

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VIA HAND DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCUMENT
FOLDER

Re: Conestoga Telephone and Telegraph Company Amended Chapter 30 Plan
Docket No. P-00981429F1000

Dear Secretary McNulty:

Pursuant to discussions with Commission Staff, specifically the Bureau of Fixed Utility Services and Law Bureau, enclosed is a new clean copy of the Amended Chapter 30 Plan filed by Conestoga Telephone and Telegraph Company on February 25, 2005, at the above docket, containing revised pages 5, 6, 7, 10, 24 and 29. These revised pages reflect changes to the Amended Plan requested by Staff and agreed to by the Company.

A complete clean copy of the Amended Plan, including a revised Table of Contents, is provided as a courtesy and because some of the requested changes altered page breaks within the Plan. With the exception of four housekeeping items noted below and previously identified in an email sent to FUS dated March 30, 2005, no changes were made on pages other than those identified above, and only those changes requested by Staff were made. These changes are made contingent on approval of the Amended Plan.

The four housekeeping changes are as follows: (1) The reference in footnote 8 on page 17 to "footnote 4" was corrected to reference "footnote 5"; (2) The spacing in Section 4.C.1 was corrected to be single spaced within i.-viii. and double spaced between; (3) The word "nonprotective service" in the Glossary was corrected to read "nonprotected service"; and (4) Reference on page 1 of Appendix A, the NMP, to Section 3013(b)(1)(ii) was corrected to reference Section 3014(b)(1)(ii).

Please feel free to contact the undersigned at your convenience should you have any questions or comments.

Respectfully submitted,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By

Regina L. Matz
Regina L. Matz

Enclosures

cc: Certificate of Service
Anthony Rametta, FUS (w/encl.)

42

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

BTL

PETITION OF CONESTOGA :
TELEPHONE AND TELEGRAPH :
COMPANY FOR APPROVAL OF AN :
ALTERNATIVE FORM OF : Docket No. P-00981429 F1000
REGULATION AND NETWORK :
MODERNIZATION PLAN :

DOCUMENT
FOLDER

DOCKETED

MAY 25 2005

SECRETARY'S BUREAU

2005 MAY 19 PM 3:30

RECEIVED

AMENDED ALTERNATIVE FORM OF REGULATION
AND
NETWORK MODERNIZATION PLAN
OF
CONESTOGA TELEPHONE AND TELEGRAPH COMPANY

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

Dated: June 30, 2000, as modified January 22, 2001, as amended February 25, 2005

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INTRODUCTION

This Plan was filed by Conestoga Telephone and Telegraph Company ("Company") pursuant to Act 67 of 1993, Section 3003 of the Public Utility Code, 66 Pa.C.S. §30036 and Pennsylvania Public Utility Commission ("Commission") Opinions and Orders entered January 20, 2000, and March 30, 2000, at Docket Nos. P-00981425, et al., and is amended pursuant to Act 183 of 2004.¹

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

Section 3003 of Act 67, 66 Pa.C.S. §3003, specifically authorized local exchange carriers to petition for approval of an alternative form of regulation:

(a) **Petition.**--When a local exchange telecommunications company seeks to be regulated under an alternative form of

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

regulation, it shall submit to the commission a petition requesting the alternative form of regulation. In the petition, the company shall submit its proposal and supporting data for an alternative form of regulation. The petition shall also identify all competitive services which the local exchange telecommunications company proposes at that time.

Act 67 required that a network modernization plan be included as part of an alternative regulation petition under which each local exchange carrier ("LEC") was required to commit to universal broadband availability including "converting 100% of its interoffice and distribution telecommunications network to broadband capability by December 31, 2015." 66 Pa.C.S. §3003(b)(1). Also, Act 67 permitted LECs to request a determination and classification that certain services or other business activities offered were competitive. 66 Pa.C.S. §3005. Services determined to be competitive were no longer subject to Commission regulation unless expressly provided for in Act 67. 66 Pa.C.S. §3009(f).

Consistent therewith, this Plan for Alternative Regulation satisfied the requirements of Section 3003 and the Commission Opinions and Orders entered January 20, 2000, and March 30, 2000, at Docket No. P-00981429. This Plan, as originally approved (and as amended herein), contains the following five parts, which are interrelated and dependent upon one another:

Part 1 The "Network Modernization Plan" as amended sets forth the Company's commitments to provide universal broadband availability by December 31, 2008.

Part 2 The "Competitive Services Deregulation Plan" provides for the deregulation of the prices and earnings of competitive services, but preserves the Commission's authority over the

quality of those services. In addition, the Competitive Services Deregulation Plan contains safeguards to protect competitors from potential abuses and to insulate basic ratepayers from the economic risk of competitive services.

Part 3 The Price Stability Plan governs rate changes for noncompetitive services for the duration of the respective Plan. It also constrains noncompetitive service price changes and provides for interim tariff rate adjustments.

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

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

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

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

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

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

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

PART 1 - NETWORK MODERNIZATION PLAN

The amended Network Modernization Plan ("NMP"), which is set forth in Appendix A hereto, sets forth the Company's commitment to accelerate the modernization of its network, leading to full development of universal broadband availability by December 31, 2008.

PART 2 - COMPETITIVE SERVICES DEREGULATION PLAN

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

A. Competitive Services

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

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

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

as contained in 52 Pa. Code that address the safety, adequacy, reliability and privacy of telecommunications services and the ordering, installation, suspension, *termination and restoration of any telecommunications service. Any review or revision shall take into consideration the emergence of new industry participants, technological advancements, service standards, and consumer demand.*

4. The Company may price competitive services at its discretion. Tariffs shall not be required by the Commission for competitive services. At its option, the Company may tariff the rates, subject to rules and regulations applicable to the provision of competitive services. The Commission may require the Company to maintain price lists with the Commission applicable to its competitive services. Price changes that are filed in the Company's tariff for competitive services will go into effect on a one-day notice.

5. The Company may petition the Commission for a determination of whether a protected or retail noncompetitive service or other business activity in its service territory or a particular geographic area or exchange or group of exchanges within its service territory is competitive based on the demonstrated availability of like or substitute services or other business activities provided or offered by alternative service providers. The Commission, after notice and hearing, shall enter an order granting or denying the petition within 60 days of the filing date, or within 150 days of filing date where a protest is timely filed, or the petition shall be deemed granted. The Company shall serve a copy of its petition on the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA") and each of the parties to the Commission's proceeding in which the Company's Network Modernization Plan that was in effect on December 31, 2003 was approved by the

Commission. In making its determination, the Commission shall consider all relevant information submitted to it, including the availability of like or substitute services or other business activities, and shall limit its determination to the service territory or the particular geographic area or exchange or group of exchanges in which the service or other business activity has been proved to be competitive. The burden of proving that a *protected or retail noncompetitive service or other business activity* is competitive rests on the Company. In the event that the Commission declares a service to be competitive in another company's Chapter 30 proceeding or subsequent filing, such declaration shall then also be applied as a rebuttable presumption in any proceeding filed by the Company requesting that the same or similar service be declared competitive under Chapter 30, so long as the markets are substantially similar.

6. Notwithstanding the provisions of Part 2.A.5. of this Plan, the Company may declare any retail nonprotected service as competitive by filing a declaration with the Commission and serving it on the OCA, OSBA and each of the parties to the Commission's proceeding in which the Company's Network Modernization Plan that was in effect on December 31, 2003 was approved by the Commission, provided that the Company may not use this declaration process for any service that the Commission previously has reclassified as noncompetitive under either Part 2.A.7. of this Plan or prior law. A declaration of a retail nonprotected service as competitive shall be effective upon filing by the Company with the Commission.

7. A party may petition the Commission for a determination of whether a service or other business activity previously determined or declared to be

competitive is noncompetitive. The Commission, after notice and hearing, shall enter an order deciding the petition within 60 days of the filing date or 90 days of the filing date where a protest is timely filed, or the petition shall be approved. The petitioner shall serve a copy of the petition on the Company, serving it on the OCA, OSBA and each of the parties to the Commission's proceeding in which the Company's Network Modernization Plan that was in effect on December 31, 2003 was approved by the Commission. In making its determination, the Commission shall consider all relevant information submitted to it, including the availability of like or substitute services or other business activities, and shall limit its determination to the particular geographic area, exchange or density cell in which the service or other business activity has been proved to be noncompetitive. The burden of proving that a competitive service or other business activity should be reclassified as noncompetitive rests on the party seeking the reclassification. If the Commission reclassifies a service or other business activity as noncompetitive, the Commission shall determine a just and reasonable rate for the reclassified service or business activity in accordance with 66 Pa.C.S. §1301 (relating to rates to be just and reasonable).

B. Statutory Protections

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

2. The Company shall not use revenues earned or expenses incurred in conjunction with noncompetitive services to subsidize competitive services. This provision shall not be construed to prevent its marketing and billing of packages containing both noncompetitive and competitive services to customers. 66 Pa.C.S.

§3016(f)(1) and (2). Therefore, this Plan is in compliance with the requirements of Chapter 30.

3. The price that the Company charges for competitive services shall not be less than the costs to provide the services. 66 Pa.C.S. §3016(d)(1). The Company may use comparable cost studies presented by larger or other telephone companies in order to comply with any applicable competitive costing and pricing safeguards to the extent that such requirements apply.

C. Compliance

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

PART 3 - PRICE STABILITY PLAN FOR NONCOMPETITIVE SERVICES

The Price Stability Plan ("PSP") sets forth the principles and procedures applicable to changes in the Company's rates which would otherwise be governed by Chapter 13 of the Pennsylvania Public Utility Code.

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

A. Price Stability Mechanism (PSI and SPI)

1. The Price Stability Mechanism ("PSM") is based upon the Company's rates in effect on the approval date of the Plan or as otherwise adjusted pursuant to the Global Order, which rates are deemed just, reasonable, nondiscriminatory and otherwise fully in compliance with all Pennsylvania laws.²

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

3. The PSM is a substitution of traditional rate base/rate of return regulation and is the exclusive basis upon which the Company's noncompetitive rates will be regulated on and after the date of Commission approval. All tariff filings for noncompetitive services are subject to review under the terms of this Plan. Chapter 13, Sections 1301 through 1305, inclusive, 1309 and 1312 of the Public Utility Code (the "Code") remain applicable under the provisions of the Plan.

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

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

²The Company reserves the right prior to the initial PSI and SPI filing to file tariffs to change rates for noncompetitive services. The rates approved by the Commission pursuant to any such rate filings shall constitute the rates upon which the PSM is based and shall be recognized as just, reasonable, non-discriminatory, and otherwise fully in compliance with all Pennsylvania laws.

which comprises the "PSM formula," where:

PSI _t	The new index that determines the maximum prices for the noncompetitive service category based on the cumulative changes in the price cap index for the current twelve month period.
PSI _{t-1}	The current index that determines the current maximum prices for the noncompetitive service category based on the cumulative changes in the price cap index for the previous twelve month period. ³
%Δ GDP- PI	The percentage change in the Gross Domestic Product - Price Index based on a quarter ending not more than eight months prior to the advance notice date of the new annual tariff and the corresponding quarter of the previous year.
X	0% inflation offset
Z	The effect of any exogenous events. Exogenous events are positive or negative changes in the Company's revenues or expenses as defined in the Plan.

In no event shall the PSI_t, excluding the impact of exogenous events, be less than the PSI calculated as of the effective date of the Plan.

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

5. The SPI is an index that represents the current level of prices including price changes from the current and prior years associated with the PSI and tracks the price changes for noncompetitive services related to the PSI. No proposed SPI may exceed, on a total intrastate basis, the PSI accumulated after the effective date of the Plan, except as otherwise expressly provided in this Plan (e.g., exogenous events). As of the effective date of the Plan, the PSI and SPI equal 100.

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

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

³The PSI applies to the sum of effective rates (and units of demand) which were realized during the previous twelve month period.

Where:

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

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

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

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

9. The proposed tariff(s) accompanying the PSI and SPI Reports, if any, shall become effective within 30 days of filing (unless otherwise provided herein)

and shall be deemed Commission-made rates. Upon a successful complaint, rates may change prospectively only. The Commission shall review the tariff rate change proposals to determine whether they comply with the criteria set forth in Section D below. If the Commission determines that the Company's rate proposals do not comply with this criteria, then the Commission may order the Company to modify them to be in compliance. If the Company's proposals comply with this criteria, then the Commission shall approve them.

10. The Company shall provide fifteen (15) days advance notice of filing to the Commission, which shall generally describe the anticipated filing.^{3d} Any and all interventions or complaints shall be due within fifteen (15) days after the initial filing. The initial filing by the Company shall include a full explanation of all reasons for such filing, including work papers. Responses to interrogatories shall be due within fifteen (15) days of service. Twenty (20) days after the filing date, any and all comments by intervenors in support of or in opposition to the filing are due to be filed at the Commission. Responses to such comments may be filed by the Company within fifteen (15) days thereafter. A Commission Order must be entered within sixty (60) days of the filing (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed. The Company may extend the 60-day period to permit for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days

⁴This notice may be provided to the public by the Company through billing insert, bill message or separately mailed notice. Notice will also be served upon the OCA, OSBA, OTS and any other Chapter 30 party, as identified by the Commission Secretary. The notice will be similar in nature to that described in 52 Pa.Code §53.45 for a general rate case.

shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding, made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than \$3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.⁵

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

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

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall

⁵The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the \$3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the \$3.50 increase for purposes of this sub-part.

be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.⁶ Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

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

⁶See paragraph 13, infra.

local exchange service. This same treatment shall also apply to new Optional Calling Plans.

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

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

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

B. Rate Restructuring and Rebalancing

1. In addition to the annual PSM filing, the Company may file tariffs proposing to rebalance and/or restructure rates for noncompetitive services. The Company may implement only one rate restructuring/rebalancing filing in the same calendar year which affects residential and small business rates (3 lines or less), exclusive of changes made pursuant to the PSM formula and exogenous events not reflected therein.⁷

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

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

4. The "75-day procedure" shall apply to all PSM, exogenous events and restructuring and rebalancing filings, with the allowance of time to permit ADR mediation and an additional 15 calendar days to allow time for hearings, if specifically requested by the OTS, OCA, OSBA, a customer, or Chapter 30 party at Docket No. P-00981425, et al., made at the time of complaint or intervention.

Further provided, in the event that the proposed impact of such rate restructuring and rebalancing filing on local services rates for residential one-party

⁷The Company retains the right to make changes in intraLATA toll rates and services pursuant to the Commission Order entered December 14, 1995, at Docket No. I-00940034.

service is an increase greater than \$3.50 per month, then the additional allowance of time shall be 45 calendar days, rather than 15 calendar days.⁸ Reductions in residential and small business rates may be initiated more often by the Company. Tariff filings involving a limited number of services with the intent of packaging/restructuring the services may be made. The prices of the packaging/restructuring will not exceed in total the individual service prices of the services comprising those packages. Reductions in residential and small business rates and limited services tariff filings shall become effective on one (1) day's notice to the Commission.

C. New Services

1. The Company may introduce new services at any time.
2. If a new service is offered which falls within the definition of "protected services," then the "75-day procedure" shall apply. Protected services are as follows, unless the Commission has determined the service to be competitive:
 - a. Service provided to residential consumers or business consumers that is necessary to complete a local exchange call;
 - b. Touch-tone service;
 - c. Switched access service;
 - d. Special access service; and
 - e. Ordering, installation restoration and disconnection of these services.
3. Any new service which is not a "protected" service shall become effective upon one (1) day's notice to the Commission.

⁸The term "local service" as used in this part is as set forth in footnote 5, supra.

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

D. Consumer Protections

1. All rate changes proposed either under the PSM formula, including exogenous events, or under the rate restructuring and rebalancing provisions of this Plan shall be approved if just and reasonable and if a proposed tariff does not cause one of the following to occur and is otherwise in compliance with this Plan:

- a. The SPI is not greater than the PSI; and
- b. The proposed changes to basic, local rates for both residential and small business customers (three (3) lines or less), by any combination of filings, will not cause an increase in the rates in existence at the end of the preceding year greater than \$3.50 per month.⁹

2. Pursuant to the Global Order entered September 30, 1999, the Commission instituted a transitional universal service funding mechanism, i.e. the Pennsylvania USF, with a projected termination date of December 31, 2003. During the pendency of the Pennsylvania USF, the Company retains the right to change and rebalance its intrastate rates in accordance with the PSP, and if such rates are found to be just and reasonable, they shall be permitted to become effective. Further, should the new rates exceed the \$16.00 monthly residential rate ceiling and applicable business rate ceiling established in the Global Order for the duration of the Pennsylvania USF, the Company is permitted to recover the revenue difference arising from application of the Global Order rate ceilings from the Pennsylvania

⁹This cap shall not be applicable where a generic Commission Order requires changes in a Company's rate design and causes a rate increase which exceeds the cap.

USF. By Order entered July 15, 2003, at Docket No. M-00021596, et al., the Commission approved modifications to the Global Order including a continuation of the USF and an increase of the \$16.00 residential cap to \$18.00.

3. *The Company shall submit cost data for existing noncompetitive rate changes.* Where the Company proposes to decrease the price of any individual rate element for any service offered by the Company, the proposed price for that service shall equal or exceed its Long Run Incremental Cost (LRIC) unless: (1) specifically exempted by the Commission based upon public interest considerations or (2) the Company in good faith prices the service to meet the equally low price of a competitor for an equivalent service. Cost information will only be provided to the OTS, OCA, OSBA and any other applicable governmental party on a proprietary basis. If a formal complaint or investigation is initiated, such cost documentation shall be provided to all interested parties at the direction of the Commission on a proprietary basis.

E. Complaints

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

a Company's compliance with this Plan, with the burden of proof resting with the Company.

PART 4 - ADDITIONAL COMMITMENTS AND OTHER TERMS

A. Lifeline Service; Universal Service; Enhanced Services for the Disabled

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

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

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

B. Ongoing Regulatory Requirements

1. All services provided by the Company within the jurisdiction of the Commission are still subject to all provisions of the Public Utility Code regarding safety, adequacy and reliability of telecommunications services, 66 Pa.C.S. §1501, and the additional powers and duties of the Commission, 66 Pa.C.S. §3019.

2. The Company will continue to monitor service quality in compliance with Commission regulations in Chapter 63 unless in conflict with this Plan or Act 183. 52 Pa. Code §63.1 et seq.

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

4. The Extended Area Service regulations established by the Commission at 52 Pa. Code §63.71 et seq., shall continue to be applicable to the Company, with the exception of conducting the biennial traffic usage studies, unless in conflict with this Plan or Act 183. The requirement to prepare such studies shall be suspended until the Commission issues regulations or guidelines as to how to conduct more accurate traffic usage studies. The Company's current traffic usage

studies from 1997 shall continue to be utilized. The Commission may, on a case-by-case basis, direct that a more current traffic usage study be conducted if, in a formal complaint proceeding, it is determined that a strong community of interest has been demonstrated. The Company will comply with any modifications to the existing EAS regulations as ordered from time to time by the Commission.

5. The Commission retains its authority to audit the accounting and reporting systems of the Company relating to its transactions with affiliates pursuant to Chapter 21 of the Public Utility Code, 66 Pa.C.S. §2101 et seq. The Company shall file affiliated interest and affiliated transaction agreements unless such agreements involve services declared to be competitive. The filings shall constitute notice to the Commission only and shall not require approval by the Commission.

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

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

8. The Company is an exempt rural telephone company for purposes of Section 251(f)(1) of TA-96.

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

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

C. Reporting Requirements

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

- i. The Biennial Network Modernization Plan Report filed pursuant to Parts B.1 and 2 of the Amended Network Modernization Plan.
- ii. An annual financial report consisting of a balance sheet and income statement.
- iii. An annual deaf, speech-impaired and hearing -impaired relay information report.
- iv. An annual service report.
- v. Universal service reports.
- vi. An annual access line report.

- vii. An annual statement of gross intrastate operating revenues for purposes of calculating assessments for regulatory expenses.
- viii. An annual State Tax Adjustment ("STAS") computation for years in which a tax change has occurred, if applicable.¹⁰

2. Notwithstanding any other provision of the Public Utility Code (Title 66) to the contrary, no report, statement, filing or other document or information, except as specified in Part 4.C.1. above shall be required of the Company, unless the Commission, upon notice to the Company and an opportunity to be heard, has first made specific written findings supporting conclusions in an entered order that: (i) the report is necessary to ensure that the Company is charging rates that are in compliance with Chapter 30 of the Public Utility Code (66 Pa.C.S. §§3011-3019) and its effective alternative form of regulation; and (ii) the benefits of the report substantially outweigh the attendant expense and administrative time and effort required of the Company to prepare it.

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

D. Other Provisions

1. When an *alternative service provider is offering local exchange telecommunications services within an exchange of the Company*, the Company may reduce its prices on services offered within the exchange below the rates set forth in its otherwise applicable tariff in order to meet such competition. The

¹⁰This includes the State Tax Adjustment Surcharge (STAS) tariff filings pursuant to Commission STAS Guidelines (52 Pa. Code §69.51 *et seq.*), the State Tax Adjustment Surcharge Order and the Company's STAS tariff. STAS-related changes shall be excluded from the SPI calculation. The Company shall serve copies of its STAS filings on OCA, OSBA, and OTS, coincident with its submission of such filings to the Commission.

Company may not offset revenue reductions resulting from such competitive pricing by increasing rates charged to other customers through its Price Stability Plan or otherwise.

2. The Company shall offer school customers in its service territory that meet the eligibility standards described in 47 CFR 54.501 (relating to eligibility for services provided by telecommunications carriers) and that agree to enter into a minimum three-year contract with the Company for telecommunications services:

- i) a 30% discount (or greater discount at the Company's discretion) in the otherwise applicable *tariffed distance sensitive per-mile rate element for available intrastate broadband services*; and
- ii) waiver of the associated nonrecurring charges for available intrastate broadband services, where the telecommunications service is used for educational purposes and not for the provision of telecommunications services to the public for compensation. The discount or waiver shall not be required where application of it to a particular service would conflict with applicable law. The Company will assist school customers in applying for E-rate funding under 47 CFR 54.505 (relating to discounts).

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

4. The Commission may not require the Company to reduce access¹¹ rates except on a revenue-neutral basis.

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

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

E. Term of Plan

1. In the event Chapter 30 is modified or is repealed, the Company may seek an appropriate modification or revision of the Plan.

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

3. No change may be made to this Plan without the express agreement of both the Commission and Company. The Company may subsequently petition the Commission for approval of further modifications to its amended network modernization plan, which the Commission may grant upon good cause shown.

¹¹As used in this Plan, the terms "access rates," "access charges" and similar terms, unless the context requires otherwise, shall refer to special access service and switched access service. As used in this Plan, the term "special access service" shall mean service provided by the Company over dedicated, nonswitched facilities to interexchange telecommunications carriers or other large volume users that provides connection between an interexchange telecommunications carrier or private network and a customer's premises. As used in this Plan, the term "switched access service" shall mean service that provides for the use of common terminating, switching and trunking facilities of The Company's public switched network. The term includes, but is not limited to, the rates for local switching, common and dedicated transport and the carrier charge.

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

PART 5 - GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

Central Office (CO) - A local exchange telecommunications company switch used to provide local exchange telecommunications service.

Commission - The Pennsylvania Public Utility Commission.

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

Competitive Service - A service or business activity determined to be competitive by the Commission on or prior to December 31, 2003, and a service or business activity determined or declared to be competitive pursuant to Section 3016 (relating to competitive services).

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

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

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

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

FCC - The Federal Communications Commission.

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

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

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

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

Interexchange Telecommunications Carrier - A carrier other than a local exchange telecommunications company authorized by the Commission to provide interexchange services.

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

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

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

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

Local Exchange Telecommunications Company ("LEC") - An incumbent carrier authorized by the Commission to provide local exchange telecommunications

services. The term includes a rural telecommunications carrier and a nonrural telecommunications carrier.

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

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

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

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

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

Noncompetitive Service - A regulated telecommunications service or business activity that has not been determined or declared to be competitive.

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

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

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

Price Stability Mechanism (PSM) - A formula which may be included in a Commission-approved alternative form of regulation plan that permits rates for noncompetitive services to be adjusted upward or downward.

Protected Service - The following telecommunications services provided by a local exchange telecommunications company, unless the Commission has determined the service to be competitive:

- (1) Service provided to residential consumers or business consumers that is necessary to complete a local exchange call.
- (2) Touch-tone service.
- (3) Switched access service.
- (4) Special access service.
- (5) Ordering, installation, restoration and disconnection of these services.

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

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

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

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

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

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

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

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

Telecommunications Service - The offering of the transmission of messages or communications for a fee to the public.

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

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

NETWORK MODERNIZATION PLAN
of
CONESTOGA TELEPHONE AND TELEGRAPH COMPANY

This Network Modernization Plan ("NMP") as originally filed set forth **Conestoga Telephone and Telegraph Company's** ("Conestoga" or "Company") commitment to accelerate the modernization of its network to achieve universal broadband availability within its service territory by December 31, 2015. The original NMP was filed pursuant to Act 67 of 1993, Section 3003 of the Public Utility Code, 66 Pa.C.S. §3003, and Pennsylvania Public Utility Commission ("Commission") Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al. Act 67 was subject to sunset by operation of law on December 31, 2003. Act 183 of 2004 was signed into law on November 30, 2004, replacing Act 67. Act 183, Section 3014(b)(1)(ii) grants the Company the option to amend its original NMP as follows:

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

Further, Act 183, Section 3014(n)(1) provides:

(n) Construction.--Nothing in this section shall be construed:

(1) As giving the Commission the authority to require a local exchange telecommunications company to provide specific services or to deploy a specific technology to retail customers seeking broadband or advanced services.

Consistent with these statutory provisions, the Company hereby elects to commit to accelerate 100% broadband availability by December 31, 2008,¹ and

¹As used throughout this Plan, the term "broadband" shall mean a communication channel using any technology and having a bandwidth equal to or greater than 1.544 megabits per second (mbps) in the downstream direction and equal to or greater than 128 kilobits per second (kbps) in the upstream direction. The term "broadband availability," as used in this amended Plan shall mean
(continued...)

amends its NMP accordingly herein. Conestoga, consistent with Section 3014(b)(1)(ii), shall not be required to offer either a Bona Fide Retail Request Program or a Business Attraction or Retention Program or otherwise participate in such programs. The Company may subsequently petition the Commission for approval of further modification of this amended network modernization plan, which the Commission may grant upon good cause shown.

A. Broadband Availability

Conestoga commits to the deployment of those technologies necessary to achieve universal broadband availability (i.e. provision of broadband capability to any retail telephone customer in the Company's service territory requesting such capability on ten business days notice to the LEC) by December 31, 2008, as set forth in Act 183, Chapter 30.

The Company cannot anticipate what specific technologies might be developed and become available to it in the future; therefore, consistent with Section 3104(n)(1) this amended NMP cannot be viewed as a commitment by the Company to use any specific technology in order to achieve universal broadband availability. The Company's first priority is to satisfy customer demand as it arises and demand may dictate Company deployment of a customer-preferred broadband technology over others available for use by the Company. The choice of technology will not impact the Company's general commitment to universal broadband availability.

¹(...continued)
access to broadband service by a retail telephone customer of the Company within ten (10) business days of request.

The schedule set forth below identifies the Company's commitment to broadband availability measured as a percentage of all access lines:

	1998	2003	2008
Broadband Availability within 10 business days	10%	30%	100%

Pursuant to Act 183, 66 Pa.C.S. §3014(6)(4), Conestoga is capable of deploying on 10 business days notice universal broadband in or adjacent to public rights-of-way abutting all subscribers within Conestoga's service territory who have been expressly targeted by Chapter 30 for initial broadband deployment. Those subscribers are: public schools, including administration offices, health care facilities and industrial parks.

B. Biennial NMP Reports to the Commission

1. The Company will provide biennial NMP reports, as described below and in the time frames required, to the Commission for the periods ending December 31, 2006 and December 31, 2008.

2. Such biennial report shall be submitted in the form and detail required by the Commission as of July 1, 2004, unless such reporting requirements are subsequently reduced by the Commission. The Commission may require the submission of further information to support the accuracy of or to seek an explanation of the biennial NMP reports filed by the Company.

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

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

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

D. Assistance to Political Subdivisions

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

E. Construction

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

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

F:\CLIENTS\Utility\Rural Company Coalition\Chapt 30 - 2005\Act 183 Amended Ch. 30 Filings\Amended NMPs\CTTC\CTTC Amended NMP.wpd

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

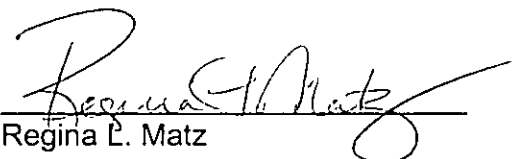
Petition for Alternative Regulation and : Docket No. P-00981429F1000
Network Modernization Plan of :
Conestoga Telephone and Telegraph :
Company :

CERTIFICATE OF SERVICE

I hereby certify that I have this 19th day of May, 2005, served a true and correct copy of the foregoing document upon the persons listed below by first class mail, postage prepaid:

Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101


Regina L. Matz



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2005 JUL -1 AM 9:26

PA P.U.C.
SECRETARY'S BUREAU

124 East Main Street
P.O. Box 458
Ephrata, PA 17522-0458
Toll Free: 800-321-6112
www.decommunications.com

June 30, 2005

ORIGINAL

James McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCUMENT
FOLDER

In Re: Conestoga Telephone and Telegraph Company
Tariff - Telephone - PA PUC No. 10
Docket No. P-00981429F1000
Broadband School Discount
Supplement No. 200

Dear Secretary McNulty:

Pursuant to the Order that has been adopted by the Commission in the Public Meeting held June 2, 2005 enclosed for filing with the Commission are an original and seven (7) copies of Supplement No. 200 to Tariff - Telephone - PA PUC No. 10, issued by the Conestoga Telephone and Telegraph Company.

In compliance with ordering paragraph two (2) of the Commission's Order, we are hereby filing the tariff supplement implementing its Broadband School Discount scheduled to be effective on a one-day's notice. The supplement carries an issue date of July 1, 2005 and effective date of July 2, 2005.

Kindly acknowledge receipt of this filing by stamping the enclosed copy of this letter and returning it in the postage paid envelope we have provided.

Sincerely,

Cindy Bryan

Cindy Bryan
Coordinator Regulatory Relations
Voice: 717-738-8785
Fax: 717-733-2364

Copies with stamp receipt requested:

Office of Consumer Advocate
Office of Small Business Advocate
Office of Trial Staff

39

RECEIVED

Supplement No. 200

2005 JUL -1 AM 9:26

Tariff Telephone Pa. P.U.C. No. 10

PA P.U.C.
SECRETARY'S BUREAU

ORIGINAL

THE CONESTOGA TELEPHONE AND TELEGRAPH COMPANY

RATES AND RULES

Governing the Furnishing of Telephone Service

IN

Berks, Chester, Lancaster, Lehigh and Montgomery
Counties, Pennsylvania

as shown on Sheets 5 and 6

DOCUMENT
FOLDER

Issued: July 1, 2005

DOCKETED
JUL 19 2005

Effective: July 2, 2005

Issued By:
Leonard Beurer, Vice President Regulatory and External Affairs
Conestoga Telephone & Telegraph Company
124 East Main Street
Ephrata, PA 17522

NOTICE

This Tariff Supplement Added Broadband School Discount Language

See Sheet 2

THE CONESTOGA TELEPHONE &
TELEGRAPH COMPANY

SUPPLEMENT NO. 200
TO
TARIFF TELEPHONE - PA. P.U.C. NO. 10

SHEET 2

SHEETS AFFECTED BY THIS SUPPLEMENT	CHANGES MADE BY THIS SUPPLEMENT
Section 1, <u>GENERAL REGULATIONS</u> , Original Sheet 18	Added Broadband School Discount language

Issued: July 1, 2005

Effective: July 2, 2005

ONE HUNDRED & EIGHTY-SECOND REVISED SHEET 4
CANCELING ONE HUNDRED & EIGHTY-FIRST REVISED SHEET 4

CHECK SHEET

Title Page	Supp. No. 200	(C)	Sheet 4	182nd Revised	(C)
Sheet 2	Supp. No. 200	(C)	Sheet 4A	9th Revised	
Sheet 3	51st Revised		Sheet 5	2nd Revised	
Sheet 3A	69th Revised		Sheet 6	2nd Revised	
Section 1 - Sheet 1	4th Rev.		Section 3 - Sheet 3	3rd Rev.	
Section 1 - Sheet 2	2nd Rev.		Section 3 - Sheet 4	4th Rev.	
Section 1 - Sheet 3	2nd Rev.		Section 3 - Sheet 5	1 st Rev.	
Section 1 - Sheet 4	5th Rev.		Section 3 - Sheet 6	3rd Rev.	
Section 1 - Sheet 5	2nd Rev.		Section 3 - Sheet 7	2nd Rev.	
Section 1 - Sheet 6	5th Rev.		Section 3 - Sheet 8	1st Rev.	
Section 1 - Sheet 7	2nd Rev.		Section 3 - Sheet 9	2nd Rev.	
Section 1 - Sheet 8	53 rd Rev.		Section 4 - Sheet 1	4th Rev.	
Section 1 - Sheet 9	Original		Section 4 - Sheet 2	8th Rev.	
Section 1 - Sheet 10	2nd Rev.		Section 4 - Sheet 3	3rd Rev.	
Section 1 - Sheet 11	Original		Section 4 - Sheet 4	5th Rev.	
Section 1 - Sheet 12	12th Rev.		Section 4 - Sheet 5	Original	
Section 1 - Sheet 13	3rd Rev.		Section 4 - Sheet 6	Original	
Section 1 - Sheet 14	Original		Section 4 - Sheet 7	Original	
Section 1 - Sheet 15	Original		Section 4 - Sheet 8	Original	
Section 1 - Sheet 16	Original		Section 4 - Sheet 9	Original	
Section 1 - Sheet 17	Original		Section 4 - Sheet 10	Original	
Section 1 - Sheet 18	Original	(C)	Section 4 - Sheet 11	Original	
Section 2 - Sheet 1	31st Rev		Section 4 - Sheet 12	Original	
Section 2 - Sheet 1a	15th Rev		Section 4 - Sheet 13	Original	
Section 2 - Sheet 1A	12th Rev.		Section 4 - Sheet 14	Original	
Section 2 - Sheet 1B	17th Rev.		Section 4 - Sheet 15	Original	
Section 2 - Sheet 1C	6th Rev.		Section 4 - Sheet 16	Original	
Section 2 - Sheet 2	17th Rev.		Section 4 - Sheet 17	Original	
Section 2 - Sheet 3	5th Rev.		Section 4 - Sheet 18	Original	
Section 2A Sheet 1	Original		Section 4 - Sheet 19	Original	
Section 2A Sheet 2	Original		Section 4 - Sheet 20	Original	
Section 2A Sheet 3	Original		Section 4 - Sheet 21	Original	
Section 2A Sheet 4	Original		Section 4 - Sheet 22	Original	
Section 2A Sheet 5	Original		Section 4A -Sheet 1	Original	
Section 2A Sheet 6	Original		Section 4A- Sheet 2	Original	
Section 2A Sheet 7	Original		Section 4A- Sheet 3	Original	
Section 2A Sheet 8	Original		Section 4A- Sheet 4	Original	
Section 2A Sheet 9	Original		Section 4A- Sheet 5	Original	
Section 2A Sheet 10	Original		Section 4A- Sheet 6	Original	
Section 2A Sheet 11	Original		Section 4A- Sheet 7	Original	
Section 2A Sheet 12	Original		Section 5 - Sheet 1	4th Rev.	
Section 2A Sheet 13	Original		Section 5 - Sheet 2	4th Rev.	
Section 2A Sheet 14	Original		Section 5 - Sheet 3	1 st Rev.	
Section 2A Sheet 15	Original		Section 5 - Sheet 3A	Original	
Section 2A Sheet 16	Original		Section 5 - Sheet 3B	Original	
Section 2A Sheet 17	Original		Section 5 - Sheet 4	1st Rev.	
Section 2A Sheet 18	Original		Section 5 - Sheet 5	3rd Rev.	
Section 2A Sheet 19	Original		Section 5 - Sheet 6	Original	
Section 2A Sheet 20	Original		Section 6 - Sheet 1	7th Rev.	
Section 2A Sheet 21	Original		Section 6 - Sheet 2	12th Rev.	
Section 3 - Sheet 1	9th Rev.		Section 6 - Sheet 3	10th Rev.	
Section 3 - Sheet 2	5th Rev.		Section 6 - Sheet 4	15th Rev.	
Section 3 - Sheet 2A	Original		Section 6 - Sheet 5	9th Rev.	
Section 3 - Sheet 2B	Original		Section 6 - Sheet 6	10th Rev.	
Section 3 - Sheet 2C	Original		Section 6 - Sheet 7	9th Rev.	
Section 3 - Sheet 2D	Original		Section 6 - Sheet 8	6th Rev	
Section 3 - Sheet 2E	Original				

(C) Indicates Change

GENERAL REGULATIONS (Cont'd)

BROADBAND SCHOOL DISCOUNT

The company shall offer school customers in its service territory, that meet the eligibility standards described in 47 CFR §54.501 (relating to eligibility for services provided by telecommunications carriers) and that agree to enter into a minimum three-year contract, a thirty (30%) percent discount in the otherwise applicable tariffed distance sensitive per-mile rate element, and also will waive the associated nonrecurring charges, for available intrastate broadband services (as defined in Act 183 of 2004) where used for educational purposes and not for the provision of telecommunication services to the public for compensation. The discount or waiver shall not be required where application of it to a particular service would conflict with applicable law.



Communications

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PA P.U.C.
SECRETARY'S BUREAU

124 East Main Street
P.O. Box 458
Ephrata, PA 17522-0458
Toll Free: 800-321-6112
www.decommunications.com

June 30, 2005

ORIGINAL

James McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCUMENT
FOLDER

In Re: Conestoga Telephone and Telegraph Company
Tariff - Telephone - PA PUC No. 11
Docket No. P-00981429F1000
Broadband School Discount
Supplement No. 6

Dear Secretary McNulty:

Pursuant to the Order that has been adopted by the Commission in the Public Meeting held June 2, 2005 enclosed for filing with the Commission are an original and seven (7) copies of Supplement No. 6 to Tariff – Telephone - PA PUC No. 11, issued by the Conestoga Telephone and Telegraph Company.

In compliance with ordering paragraph two (2) of the Commission's Order, we are hereby filing the tariff supplement implementing its Broadband School Discount scheduled to be effective on a one-day's notice. The supplement carries an issue date of July 1, 2005 and effective date of July 2, 2005.

Kindly acknowledge receipt of this filing by stamping the enclosed copy of this letter and returning it in the postage paid envelope we have provided.

Sincerely,

Cindy Bryan

Cindy Bryan
Coordinator Regulatory Relations
Voice: 717-738-8785
Fax: 717-733-2364

Copies with stamp receipt requested:

Office of Consumer Advocate
Office of Small Business Advocate
Office of Trial Staff

3

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P-00981429 F1000

CONESTOGA TELEPHONE & TELEGRAPH COMPANY

Supplement No. 6

2005 JUL -1 AM 9:25

to
Telephone - PA P.U.C. No. 11

PA P.U.C.
ACCESS SERVICE BUREAU
SECRETARY'S BUREAU

ORIGINAL

CONESTOGA TELEPHONE & TELEGRAPH COMPANY

REGULATIONS AND SCHEDULE OF INTRASTATE CHARGES
APPLYING TO INTRASTATE ACCESS SERVICE
WITHIN THE STATE OF PENNSYLVANIA

Issued: July 1, 2005

Effective: July 2, 2005

DOCUMENT
FOLDER

DOCKETED
JUL 19 2005

Issued By:
Leonard Beurer, Vice President Regulatory and External Affairs
Conestoga Telephone and Telegraph Company
124 East Main Street
Ephrata, PA 17522

NOTICE

This Tariff Supplement Added Broadband School Discount Language

SHEETS AFFECTED BY THIS SUPPLEMENT

Section 2, General Regulations

- Original Page 2-95

CHANGES MADE BY THIS SUPPLEMENT

Section 2, General Regulations

- Page 2-95, Added Broadband School Discount language

CHECK SHEET

Sheet 1	Original*
Sheet 2	Original*
Sheet A	Third Revised*
Sheet B	Original
Sheet C	First Revised
Sheet D	Original

Page	Rev.	Page	Rev.	Page	Rev.	Page	Rev.
1	Orig.	2-21	Orig.	2-67	Orig.	5-13	Orig.
2	Orig.	2-22	Orig.	2-68	Orig.	5-14	Orig.
3	Orig.	2-23	Orig.	2-69	Orig.	5-14.1	Orig.
4	Orig.	2-24	Orig.	2-70	Orig.	5-14.2	Orig.
5	Orig.	2-25	Orig.	2-71	Orig.	5-14.3	Orig.
6	Orig.	2-26	Orig.	2-72	Orig.	5-14.4	Orig.
7	Orig.	2-27	Orig.	2-73	Orig.	5-14.5	Orig.
8	Orig.	2-28	Orig.	2-74	Orig.	5-15	Orig.
9	Orig.	2-29	Orig.	2-75	Orig.	5-16	Orig.
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2-19	Orig.	2-65	Orig.	5-11	Orig.		
2-20	Orig.	2-66	Orig.	5-12	Orig.		

ACCESS SERVICE

2. General Regulations (Cont'd)

2.7 Broadband School Discount

The company shall offer school customers in its service territory, that meet the eligibility standards described in 47 CFR §54.501 (relating to eligibility for services provided by telecommunications carriers) and that agree to enter into a minimum three-year contract, a thirty (30%) percent discount in the otherwise applicable tariffed distance sensitive per-mile rate element, and also will waive the associated nonrecurring charges, for available intrastate broadband services (as defined in Act 183 of 2004) where used for educational purposes and not for the provision of telecommunication services to the public for compensation. The discount or waiver shall not be required where application of it to a particular service would conflict with applicable law.

Thomas, Thomas, Armstrong & Niesen
Attorneys and Counsellors at Law

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212 LOCUST STREET
P. O. BOX 9500
HARRISBURG, PA 17108-9500

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FIRM (717) 255-7600

FAX (717) 236-8278

PA PUC
SECRETARY'S OFFICE
2006 JUL 10 PM 4:03
CHARLES E. THOMAS
(1913-1998)

MICHAEL L. SWINDLER

Direct Dial: (717) 255-7609

E-Mail: mswindler@ttanlaw.com

July 10, 2006

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
2 North, Commonwealth Keystone Bldg.
P.O. Box 3265
Harrisburg, PA 17105-3265

ORIGINAL

Re: Docket No. R-00061376
Conestoga Telephone & Telegraph Company Supplement No. 206 to Tariff PA PUC
No. 10 and Supplement No. 7 to Tariff PA PUC No. 11

Docket No. P-00981429F1000
2006 Annual Price Stability Index/Service Price Index Filing of Conestoga
Telephone and Telegraph Company

Dear Secretary McNulty:

Enclosed herewith for filing on behalf of Conestoga Telephone and Telegraph Company are an original and three (3) copies of its Petition for Reconsideration at the above-referenced dockets. A Certificate of Service is attached thereto.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By



Michael L. Swindler

DOCUMENT
FOLDER

Enclosures

cc: Certificate of Service (w/enclosure)
Leonard J. Beurer (w/enclosure)
Jeanne S. Price (w/enclosure)
John Rutkowski (w/enclosure)

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Conestoga Telephone & Telegraph Company : R-00061376
Supplement No. 206 to Tariff PA PUC No. 10 :
and Supplement No. 7 to Tariff PA PUC No. 11 :
:
2006 Annual Price Stability Index/ Service Price : P-00981429F1000
Index Filing of Conestoga Telephone & :
Telegraph Company :

RECEIVED
2006 JUL 10 PM 4:05
PA PUC BUREAU
SECRETARY'S BUREAU

DOCKETED

JUL 11 2006

PETITION FOR RECONSIDERATION

DOCUMENT
FOLDER

NOW COMES, Conestoga Telephone & Telegraph Company ("Conestoga"), by its attorneys, and petitions for reconsideration of the Pennsylvania Public Utility Commission ("Commission") Order entered June 23, 2006 ("June 23 Order"), at the above-referenced dockets. In support thereof, Conestoga represents and petitions as follows:

I. INTRODUCTION

1. Conestoga is a rural telephone company providing local exchange service in portions of Berks, Chester, Lancaster, and Montgomery Counties.
2. On June 20, 2000, Conestoga implemented its Chapter 30 Plan pursuant to Commission Orders entered January 20, 2000 and March 30, 2000, at Docket No. P-00981429. The Plan included Conestoga's commitment to deploy universal broadband availability by December 31, 2015. The regulatory quid pro quo for this commitment was the inclusion in the Plan of a Price Stability Mechanism ("PSM"). The PSM incorporated an Annual Price Stability Index/Service Price Index ("PSI/SPI") permitting Conestoga to change rates on an annual basis. The PSM

was intended to provide Conestoga with an opportunity to annually increase its revenues on an inflationary basis with a 2% inflation offset.

3. On February 25, 2005, Conestoga filed an Amended Chapter 30 Plan pursuant to Act 183.¹ This Amended Chapter 30 Plan accelerated Conestoga's 100% broadband availability commitment from December 31, 2015 to December 31, 2008. To provide Conestoga with additional revenues to execute this accelerated commitment, the Amended Chapter 30 Plan retained the PSM but eliminated the 2% inflation offset therein consistent with the provisions of Act 183.

4. At the present time, Conestoga is rapidly deploying the network facilities to achieve universal broadband availability for its service territory by December 31, 2008. Such capital expenditure will greatly enhance, provided funds are available, the robustness of Conestoga's services. Conestoga is incurring these expenditures while facing rising competition from wireless carriers and non-facilities based VoIP providers who continue to operate on a far less regulated basis than Conestoga.

5. On May 3, 2006, Conestoga filed its annual PSI/SPI Chapter 30 filing ("2006 Filing") under its PSM consistent with its right under its Chapter 30 Plan to annually increase/decrease revenues on the basis of changes in the Gross Domestic Product Price Index. The filing was prepared using the identical procedure previously employed in all of Conestoga's prior annual PSI/SPI Chapter 30 filings (with the exception of the 2% offset).

¹See 66 Pa.C.S. §3011 et seq.

6. The rate changes in the 2006 Filing included increases in (i) switched access service charges through a \$0.33 decrease in the Carrier Common Line ("CCL") charge and increases of \$.000962 per Minute of Use ("MOU") for Tandem Switching ("TS") and \$0.007644 MOU for Local Switching ("LS") to bring these rates into parity with interstate rates and (ii) non-basic local service rates for Return Check Charge, Foreign Exchange Mileage charges, and charges for Business Private Line Services for non-mileage related services.

7. The June 23 Order subject to this Petition is critical of the increases placed on Conestoga's switched access charges. Nevertheless, the Order permitted the proposed rate changes to be implemented if adjusted for a change in Conestoga's long-established PSI/SPI procedure. Specifically, the Commission directed that Conestoga change the manner in which it calculated its base revenues for determining its annual revenue entitlement. Pursuant thereto, Conestoga on June 27, 2006, filed the revised rates consistent with the June 23 Order.²

8. Conestoga herein respectfully seeks reconsideration of the June 23 Order from the standpoint of the mandated change in its PSI/SPI procedure. Conestoga also seeks reconsideration of the criticisms raised in the June 23 Order regarding increases in its switched access service charges.

²The revised filing actually reduced Conestoga's annual Chapter 30 revenue entitlement by \$40,738.

II. RECONSIDERATION REQUEST

A. Standard of Review

9. The standard of review in connection with a petition seeking reconsideration of a final Commission order is set forth in Phillip Duick et al. v. Pennsylvania Gas and Water Co., 56 Pa. P.U.C. 553, 559 (1982), as follows:

A petition for reconsideration under the provisions of 66 Pa.C.S. §703(g), may properly raise any matters designed to convince the Commission that it should exercise its discretion under this code section to rescind or amend a prior order in whole or in part.

Conestoga respectfully submits that the circumstances surrounding this Petition satisfy the Duick standard and warrant reconsideration of the June 23 Order.

B. PSI/SPI Calculation Should Be Reconsidered

10. At pages 4-5 of the June 23 Order, the Commission required Conestoga to change the procedure it applied in its 2006 Filing to calculate the additional annual Chapter 30 revenue entitlement stating:

As an initial matter, we disagree with the 2005 annual revenues that Conestoga used in its PSI/SPI calculation. Rather than using actual 2005 year-end revenues, Conestoga calculated its eligible revenue increase amount using the revenue for the month of December 2005. Conestoga then annualized the eligible increase by 12 to arrive at the annual rate increase for which it is seeking approval. As such, Conestoga's calculated annualized 2005 annual revenues are 5% higher than its actual 2005 annual revenues, allowing the Company to increase rates more than it is actually entitled. (Footnote omitted.)

Accordingly, we find the Company's PSI/SPI calculations to be only partially consistent with the terms of the Company's Price Stability Plan formula approved in its Chapter 30 Plan at Docket No. P-00981429F1000. As such, we will require Conestoga to amend its calculations in Attachments 2 to 4 to its filing based on the actual intrastate revenue for the 12 month period ending December 2005, and adjust the eligible rate increases in Company's Exhibit 1.

11. Contrary to the implication raised in the June 23 Order, there is not anywhere in the Chapter 30 Plan setting forth a specific requirement mandating the base revenue in the PSI/SPI formula to be actual revenue exclusive of known changes in rates and units of demand. Conestoga's Amended Chapter 30 Plan (page 11) and its initial Chapter 30 Plan both provide only that the base revenue for calculation of its annual PSI/SPI revenue entitlement is "the sum of effective rates (and units of demand) which were realized during the previous twelve month period." On the basis of this provision, Conestoga, since 2002, with the approval of the Commission's Bureau of Fixed Utility Services, has calculated the base period revenues using December revenues each year and multiplying such revenues by 12. Under this methodology, the calculation results in a base revenue figure reflecting currently effective rates and existing units of demand consistent with Conestoga's effective Chapter 30 Plan.

12. This methodology utilized by Conestoga is consistent with all prior PSI/SPI filings. Each of its prior Chapter 30 filings were approved without any change in the methodology. Further, the methodology is consistent with the methodology employed by other Pennsylvania ILECs in their annual PSI/SPI filings.

13. At the time Conestoga elected to amend its Chapter 30 Plan following the enactment of Act 183 and elected to accelerate its broadband commitment to provide universal broadband availability within its service territory by December 31, 2008, it did so with the belief that additional annual revenues under its PSM would, as in its prior PSI/SPI annual filings, be calculated using actual revenues for the month of December multiplied by 12. To now deny Conestoga a portion of its annual Chapter 30 revenue entitlement based upon an unsubstantiated revision to

its PSM methodology and after Conestoga committed substantial capital dollars to accelerate its network broadband commitment by seven years is not reasonable.

14. The Chapter 30 PSM for the most part has been the only means for Conestoga to grow the necessary revenues in today's competitive marketplace to accomplish the statute's stated goal of universal broadband availability by 2008. It must be recognized that Conestoga, a regulated utility, is capitalized in part through debt capital. Also, in recent years as CLEC and intermodal competition has entered its service territory, it has faced access line losses and its revenues have been relatively flat. Despite these mounting competitive pressures, Conestoga still must enhance and maintain its network to meet its Chapter 30 commitment and carrier-of-last-resort responsibilities. In addition, Conestoga must achieve the earnings necessary to satisfy existing debt covenants. Under these circumstances, Conestoga respectfully believes it is prejudicial to suddenly change its PSI/SPI procedure to produce lower revenues after it has committed to accelerate its broadband commitment.

15. Conestoga also respectfully submits that there is no justification for changing the established procedure and calculating its annual revenue entitlement using a 12-month revenue figure that does not fully reflect on a 12-month basis currently effective rates and existing units of demand. The end result of the employment of actual revenues over a prior 12-month period disregarding known changes in rates and units of demand does not fully reflect the impact in changes in the Gross Domestic Product Price Index for a full 12-month period. Being more specific, Conestoga changed its local residential and business one-party rates on August 1, 2005 of the base period. Thus, only 5 months of this rate change were

reflected in the actual revenues for the 12-month period ended December 31, 2005. Only through the methodology employed by Conestoga will the full 12-month impact of the Gross Domestic Product Price Index on this change be reflected in the annual Chapter 30 revenue entitlement. Likewise, if Conestoga in any year decreases its rates during the base period, a full 12-months of the lower rates would not be reflected in the calculation of the annual Chapter 30 revenue entitlement under the methodology mandated in the June 23 Order. Conestoga also submits that its Chapter 30 procedure should be no different than the procedure approved in its prior filings and approved for other rural ILECs in Pennsylvania. To Conestoga's knowledge, the Commission has not required other ILECs to adopt this new procedural interpretation.

16. Accordingly, Conestoga believes, for the reasons discussed above, that there are sufficient grounds for reconsideration of the June 23 Order and grounds for changing the PSI/SPI calculation back to the methodology previously employed, approved, and reflected in the 2006 Filing.

C. Criticisms of Switched Access Charge Increases Should Be Reconsidered

17. The June 23 Order challenges Conestoga's decision to increase access charges in lieu of increasing local exchange rates or banking the increases.³

The Order opines that the switched access charge increases "contradict the policy of implementing switched access service reform" and "undermine the promotion of competitive markets by increasing the gap between access service rates and

³See June 23 Order at 5-13.

costs."⁴ Conestoga believes that the criticisms raised in the June 23 Order to its proposed switched access charges are not justified and should also be reconsidered for the reasons discussed below.

1. Conestoga Has Significantly Reduced Its Switched Access Charges Pursuant to Commission Policy

18. In the June 23 Order, the Commission stated "that the proposed increase in access service rates as a vehicle to recover PSI revenues may contradict the policy of implementing switched access services reform."⁵ This statement is shortsighted and overlooks the substantial progress made by Conestoga in reforming its switched access charges. The charges proposed in the 2006 Filing, even after the minor increase therein, compare very favorably to Conestoga's industry peers. Moreover, no IXC or other carrier opposed the rates contained in the 2006 Filing. In fact, Conestoga has been a pioneer, commencing with the Global Order,⁶ in implementing its switched access service charge reform, as evidenced by reduction in its CCL rate as shown below:

CCL Rate

Global	\$7.00
Pre-2006 PSI	\$4.83
2006 PSI	\$4.50

Further, Conestoga's TS and LS rates implemented pursuant to the June 23 Order, which are the identical rates proposed in the 2006 Filing, mirror its interstate rates

⁴Id. at 11.

⁵Id.

⁶Joint Petition of Nextlink Pennsylvania, Inc., et al., 196 PUR 4th 172 (1999).

consistent with the policy of this Commission as expressed on page 8 of the June 23 Order.

The subtle access rate charge revisions proposed in Conestoga's 2006 Filing do not contradict Commission policy. Despite the Commission's narrow focus on these revisions, the actual trend of Conestoga's access rates over the longer term is consistent with the Commission's reform policy.

19. As shown, Conestoga has actually made substantial progress in recent years in achieving switched access service charge reform. In fact, Conestoga's CCL rate is substantially below that of most other rural ILECs in Pennsylvania. In carrying-out this access charge reform, Conestoga has transferred the revenue burden to its local exchange rates. As shown below, its R-1 and B-1 local exchange rates have significantly increased:

R-1 Rate

Pre-Global	\$5.83 to 8.41
Global	\$6.08 to 8.80
Current	\$12.46 to 15.18

B-1 Rate

Pre-Global	\$11.67 to 16.83
Global	\$11.67 to 16.83
Current	\$15.55 to 20.71

In light of the increases already being borne by local customers in Conestoga's efforts to implement switched access service rate reform, Conestoga does not believe the June 23 Order⁷ is justified in concluding Conestoga should have placed the 2006 PSI revenue entitlement on its local exchange customers in lieu of simply

⁷June 23 Order at 5.

mirroring its interstate rates. The mirroring of the intrastate and interstate access charges is necessary for the purpose of avoiding regulatory arbitrage.

2. The June 23 Order Overlooks the Impact of Intermodal Competition

20. In concluding that the increases in switched access charges adversely impact the promotion of competitive markets,⁸ the June 23 Order appears to erroneously evaluate competition solely from the standpoint of CLEC competition. Conestoga believes that the Commission has overlooked the existence of intermodal competition and the impact it is having and will have in the days ahead.

21. As broadband is reaching the home of every resident of Pennsylvania, *intermodal competition for telephone service is rapidly becoming a major competitive factor*. In other words, the availability of a broadband connection creates opportunities for cable companies to provide telecommunications services through a cable modem and also for non-facilities based (or applications based) VoIP providers to offer telecommunications services over the broadband connection provided by the incumbent local exchange carrier. Sometimes overlooked, this intermodal competition is different from competition between wireline local exchange providers, such as exists when a CLEC enters an ILEC's territory. Because of regulatory parity between CLECs and ILECs, the impact of a wireline competitor is more predictable and creates competition based on services offered and service quality.

22. Intermodal competition, on the other hand, offers consumers slightly different products at sometimes dramatically different prices. Cable providers, using

⁸Id.

their video infrastructure that they constructed over the past several decades, are expanding to offer telephone and internet services. Telecommunications and other companies offer internet-based phone services that enable customers to call worldwide at significantly reduced prices. IP-based telephone services cost less than traditional wireline service and are feature rich with innovations. In addition, wireless networks evolved beyond expectations to where consumers are replacing their traditional wireline service with cell phones and other wireless communication devices. Surprisingly, consumers appear to be less concerned with reliability than price, especially for non-primary lines.

23. Cell phones and high-speed internet services offered by multiple providers enable mobility and include additional services such as e-mail, instant messaging, and VoIP services that increase consumers' telecommunications options. Businesses are combining voice and data communications onto a single (IP-based) platform and providers are beginning to offer residential customers these economies of scale. Each month, customers switch from their incumbent local exchange service providers to intermodal competitors to realize savings. In short, intermodal competition has proliferated into today's telecommunications marketplace, dramatically changing the landscape for traditional wireline providers by offering differentiated telecommunications and enhanced products with a pricing scheme that is unrelated to network costs.

24. Intermodal competitors are for the most part unregulated and can underprice ILEC competitors because they do not face the costs associated with some or all of the following: carrier-of-last-resort obligations, taxes, universal service, access charges and other fees imposed on incumbent carriers such as the

LNP and 911 surcharges, obligations to provide TRS and other services to the disabled, obligations to assist law enforcement, and obligations to meet the Commission's quality of service and customer service regulations.

25. This intermodal competition has resulted in Conestoga losing over 5,070 access lines over the last three years and the revenues associated with such lines.⁹ In recognition of intermodal competition, forecasters are now projecting that ILECs stand the possibility of losing over 70% of their access lines by 2013. The June 23 Order fails to recognize that the majority of this intermodal competition is not impacted by switch access charge reform or further reductions in access charges and that the Commission should not be pursuing ongoing switched access charge reform to promote CLEC competition in the rural service territories.

26. Making matters even more challenging, being unregulated, these intermodal competitors can make rate changes as they please and without any regulatory review, serve whatever segment of the market they so elect, bear no Chapter 30 network commitments or no carrier-of-last-resort obligations. Further, the VoIP competitors relying on ILEC networks are not even compelled to pay access charges for the use of such networks. In reality, these circumstances adversely impact Conestoga by creating a very uneven regulatory playing field. In light of these circumstances, Conestoga respectfully disagrees with the opinion expressed in the June 23 Order that the minor increases to switched access

⁹Conestoga is also facing the consequences of major losses in interstate revenues arising from the FCC's approval of NECA's changes in average schedule formulas. Conestoga estimates that the impact of the new formulas and the transition plan on network access revenues will be an approximate \$86,000 reduction for the six-month period beginning July 1, 2006, a reduction of \$484,000 during fiscal year 2007, a reduction of \$857,000 during fiscal year 2008, and an annual reduction of \$1,427,000 thereafter. Faced with these revenue reductions, Conestoga must have the opportunity to grow revenues consistent with the parameters of its Amended Chapter 30 Plan.

charges in its 2006 Filing are impeding competition and switch access service reform. This opinion overlooks the reality that Conestoga has taken great strides to maintain an overall downward trend in access rates despite the challenges borne by its unregulated competitors.

27. Line loss due to intense price competition from intermodal competitors inversely increases ILEC reliance on universal service, which directly contradicts Chapter 30's intent for the incumbents to fund ubiquitous advanced services. Chapter 30 requires that Conestoga expedite broadband deployment and incur related expenses. At the same time, intermodal competition is curbing the prices that Conestoga may charge for local telephone service and resulting in Conestoga losing access lines. The Chapter 30 legislation provides a means for Conestoga to recover some of the costs associated with upgrading its network to provide ubiquitous broadband, however, the Commission has criticized Conestoga's lawful attempt to inure to the incentives included in Chapter 30 and denounces Conestoga for responding effectively to the marketplace in making lawful rate adjustments to its switched access and not local rates. If Conestoga were to raise its local rates, it would incur greater access line loss and hence revenue losses that would feed a greater dependence on universal service support. Heavier reliance on universal service support undermines Chapter 30's goal of creating incentives for the carriers themselves to fund network upgrades necessary to ensure that all Americans have access to advanced services and impacts funding availability for all carriers serving high-cost areas.

The Commission correctly recognized this in the June 23 Order:

Increases in local rates that produce the kind of access services line losses the Company wants to avoid could contravene the

Commission's legal obligation to preserve universal service in Pennsylvania and unnecessarily increase funding demands on PaUSF in advance of any national intercarrier compensation reform.

June 23 Order at 12 (emphasis added).

28. Consistent with a primary goal of Act 183, Conestoga has committed to providing 100% broadband availability to its service territory by December 31, 2008. Conestoga made this commitment with the understanding that its Chapter 30 Plan with the elimination of the 2% inflation offset would provide it with the opportunity to obtain the revenues necessary to carry-out this broadband commitment. However, as stated, intermodal competition is drastically impeding Conestoga's ability to obtain revenues necessary to carry-out its public obligations and its accelerated broadband commitment.

29. Conestoga's average monthly R-1 rate is \$14.28 and its highest R-1 rate band rate is \$15.18. After careful consideration, Conestoga concluded that increases in local rates would only accelerate further access line losses and result in further revenue erosion.

30. The switched access charge increases proposed in the Conestoga 2006 Filing are the only realistic option for Conestoga to collect the additional revenues due to it under its Chapter 30 PSM formula. The switched access increases will in no way impede competition, particularly the competition Conestoga is facing and will continue to face from wireless, cable, and VoIP competitors.

31. With the ongoing losses in access lines due to the competitive forces in the marketplace and the aforesaid revenue losses resulting from changes in the average schedule formulas as described *supra* n. 8, Conestoga respectfully submits that at this time, minor increases in its switched access charges are the only way for

it to achieve the revenues necessary to offset the ongoing costs of providing public service including the rising costs associated with its accelerated Chapter 30 network modernization program. Increasing local rates and/or banking are not viable options in today's competitive business environment.

3. The Switched Access Charge Increases Do Not Violate Any Commission Order

32. The June 23 Order¹⁰ questions whether any increase in switched access charges at this time may contravene prior Commission orders including its stay of Docket No. I-00040105. Conestoga respectfully submits that no prior order of this Commission precludes Conestoga from making upward changes in its switched access charges particularly following the decreases made by Conestoga therein following the Global proceeding. In fact, Act 183 recently reaffirmed the application of Conestoga's Chapter 30 Plan and its right thereunder to change its switched access charges.

33. Moreover, Conestoga's Chapter 30 plan is not inconsistent with this Commission's stay of its Phase II access charge investigation.¹¹ The FCC noted that the changing competitive environment has raised a number of regulatory issues for the FCC to resolve.¹² The FCC recognized that even if there were economic or technical differences among the different types of services that warranted different termination rates, the increased use of alternative services makes it difficult to

¹⁰ June 23 Order at 6-11.

¹¹ Joint Procedural Stipulation regarding Access Charge Investigation per Global Order of September 30, 1999, Order entered July 15, 2003, Docket Nos. M-00021596 et al.

¹² Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92, Further Notice of Proposed Rulemaking at ¶ 20 (FCC 05-33, rel. March 3, 2005).

sustain current regulatory distinctions.¹³ "As the demand for these new services and offerings continues to grow, so will the challenges associated with determining the appropriate intercarrier compensation."¹⁴ Conestoga certainly should not be punished for making lawful changes to its access rates in recognition of the same dynamic changes in the industry that the FCC is striving to reconcile itself by considering many possible solutions.

34. Furthermore, the FCC is taking significant steps to rationalize the universal service program to account for new providers that rely on the public switched network to deliver voice communications. Most recently, the FCC concluded that VoIP providers that rely on the public switched network are "providers of interstate telecommunications" for purposes of contributing to universal service.¹⁵ The FCC is carefully considering the impact of intermodal competition in both the ongoing universal service and intercarrier compensation proceedings to make necessary adjustments to ensure that networks are maintained. Conestoga's lawful adjustments to its switched access rates at this time do not contravene this Commission's or the FCC's efforts to ensure rational compensation to maintain networks that will be broadband capable by 2008.

¹³ Id. at ¶ 22.

¹⁴ Id.

¹⁵ Universal Service Contribution Methodology, WC Docket Nos. 06-122, 04-36, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, Report and Order and Notice of Proposed Rulemaking (FCC 06-94, rel. June 27, 2006)

III. CONCLUSION

35. Based upon the reasons described herein, Conestoga respectfully requests reconsideration of the June 23 Order and that its 2006 Filing be approved as filed inclusive of the methodology employed in calculating the base revenues and the changes proposed in its intrastate switched access charges. This approval will result in Conestoga's intrastate switched access charges being in parity with its interstate access charges and its CCL charge remaining below the level authorized in the Global Order.

WHEREFORE, Conestoga Telephone & Telegraph Company respectfully prays that reconsideration of the June 23, 2006 Order be granted consistent with this Petition.

Respectfully submitted.

THOMAS, THOMAS, ARMSTRONG & NIESEN



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Dated: July 10, 2006

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

2006 JUL 10 PM 4:05
PA PUC
SECRETARY'S BUREAU

Conestoga Telephone & Telegraph Company : R-00061376
Supplement No. 206 to Tariff PA PUC No. 10 :
and Supplement No. 7 to Tariff PA PUC No. 11 :
:
:
2006 Annual Price Stability Index/ Service Price : P-00981429F1000
Index Filing of Conestoga Telephone and :
Telegraph Company :

CERTIFICATE OF SERVICE

I hereby certify that I have this 10th day of July, 2006, served a true and correct copy of the foregoing Petition for Reconsideration, upon the persons listed below by first class mail, postage prepaid:

Office of Trial Staff
2 West, Commonwealth Keystone Bldg.
P.O. Box 3265
Harrisburg, PA 17105-3265

Office of Consumer Advocate
555 Walnut Street
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Harrisburg, PA 17101-1923

Office of Small Business Advocate
Suite 1102, Commerce Building
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Harrisburg, PA 17101

Robert C. Barber, Esquire
AT&T Communications of PA, Inc.
Room 3-D
3033 Chain Bridge Road
Oakton, VA 22185



Michael L. Swindler

COMMONWEALTH OF PENNSYLVANIA

DATE: July 11, 2006

SUBJECT: R-00061376
P-00981429F1000

TO: Office of Special Assistants

FROM: James J. McNulty, Secretary *KB*

Conestoga Telephone & Telegraph Company

Attached is a copy of a Petition for Reconsideration, filed by Conestoga Telephone and Telephone Company in connection with the above docketed proceeding.

This matter is assigned to your Office for appropriate action.

Attachment

cc: FUS
OTS

ksb

DOCKETED
JUL 11 2006

DOCUMENT
FOLDER



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
Office of Administrative Law Judge
P.O. BOX 3265, HARRISBURG, PA 17105-3265
November 14, 2006

IN REPLY PLEASE
REFER TO OUR FILE

In Re: P-00981429F1000

(SEE ATTACHED LIST)

Conestoga Telephone & Telegraph Company
2006 Annual Price Stability Index/Service Price Index

NOTICE

This is to inform you that a Pre-Hearing Conference on the above-captioned case will be held as follows:

**DOCUMENT
FOLDER**

Type: Pre-Hearing Conference
Date: Tuesday, November 28, 2006
Time: 10:00 a.m.
Location: Hearing Room 5
Plaza Level
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
Presiding: Administrative Law Judge Susan D. Colwell
PO Box 3265
Harrisburg, PA 17105-3265
Phone: 717-783-5452
Fax: 717-787-0481

DOCKETED
DEC 04 2006

If you are a person with a disability, and you wish to attend the prehearing, we may be able to make arrangements for your special needs. Please call the scheduling office at the Public Utility Commission at least (2) two business days prior to your hearing:

- Scheduling Office: 717-787-1399
- AT&T Relay Service number for persons who are deaf or hearing-impaired: 1-800-654-5988

pc: Judge Colwell
Stacy Nolan, Scheduling Officer
Beth Plantz
Docket Section
Calendar File

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Conestoga Telephone & Telegraph Company :
: Docket No.
: P-00981429F1000
2006 Annual Price Stability Index / Service Price Index :

NOTICE OF APPEARANCE

ORIGINAL

TO THE SECRETARY:

Please enter the appearance of the Office of Trial Staff of the Pennsylvania Public Utility Commission in the above-captioned proceedings.

All service on and communications to the Office of Trial Staff in this proceeding should be addressed:

JOHNNIE E. SIMMS, ESQUIRE
Pa. Public Utility Commission
Office of Trial Staff
P.O. Box 3265
Harrisburg, PA 17105-3265
josimms@state.pa.us
(717) 787-1976

SECRETARY'S BUREAU

NOV 21 PM 1:43

DOCUMENT
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DOCKETED
NOV 22 2006



Johnnie E. Simms
Chief Prosecutor

Dated: November 21, 2006

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Conestoga Telephone & Telegraph Company :
: Docket No. P-00981429F1000
2006 Annual Price Stability Index / Service :
Price Index :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Notice of Appearance**, dated November 21, 2006, either personally, by first class mail, electronic mail, express mail and/or by fax upon the persons listed below:

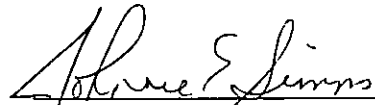
Honorable Susan D. Colwell
Administrative Law Judge
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Johnnie E. Simms
Chief Prosecutor
Office of Trial Staff
PA Attorney I.D. #33911

Dated: November 21, 2006
Docket No. P-00981429F1000

OALJ Hearing Report

Please Check Those Blocks Which Apply

Docket No.:	P-00981429F1000	Prehearing Held:	YES	NO
Case Name:	Conestoga Telephone & Telegraph Company	Hearing Held:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Location:	HBG	Testimony Taken:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Date:	November 28, 2006	Transcript Due:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ALJ:	Susan D. Colwell	Hearing Concluded:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting Firm:	Commonwealth Reporting	Further Hearing Needed:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Estimated Add'l Days:	2	
		RECORD CLOSED:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		Briefs to be Filed:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Bench Decision:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		REMARKS:	HEARING SCHEDULE TO BE ISSUED	

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

PLEASE PRINT CLEARLY - Incomplete Information may result in delay of processing.

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Check this box if additional parties or attendees appear on back of form.


 Reporter's Signature

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

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