

1. REPORT DATE: 00/00/00	:	
2. BUREAU: FUS	:	
3. SECTION(S):	:	
5. APPROVED BY:	:	4. PUBLIC MEETING DATE:
DIRECTOR:	:	00/00/00
SUPERVISOR:	:	
6. PERSON IN CHARGE:	:	7. DATE FILED: 02/01/05
8. DOCKET NO: P-00981435F1000	:	9. EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT:

RESPONDENT/APPLICANT: NORTH-EASTERN PA. TEL. CO., THE

COMP/APP COUNTY:

UTILITY CODE: 312450

ALLEGATION OR SUBJECT

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

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FEB 09 2005

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2. BUREAU: FUS	:	
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3/4/05 - THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY FILED REDLINED AND CLEAN VERSION OF ITS AMENDED CHAPTER 30 PLAN.....

5/1/06 - THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY FILED ITS ANNUAL PRICE STABILITY INDEX/SERVICE PRICE INDEX REPORTS FOR 2006.....

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MAY 03.2006

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CHARLES E. THOMAS
(1913 - 1998)

February 1, 2005

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FOLDER

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

P-00981435F1000

Re: Petition for Alternative Regulation and Network Modernization Plan
of The North-Eastern Pennsylvania Telephone Company, Docket No. P-00981435
Notice of Election to Amend Plan Pursuant to Section 3014(e) of Act 183

Dear Secretary McNulty:

The North-Eastern Pennsylvania Telephone 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

Enclosures

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

SECRETARY'S BUREAU

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Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION


Petition for Alternative Regulation and : Docket No. P-00981435 F1000
Network Modernization Plan of The :
North-Eastern Pennsylvania Telephone :
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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SECRETARY'S BUREAU

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CHARLES E. THOMAS
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March 4, 2005

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

DOCUMENT
FOLDER

Re: Amended Chapter 30 Plan of
The North-Eastern Pennsylvania Telephone Company
Docket No. P-00981435F1000

Dear Secretary McNulty:

On behalf of The North-Eastern Pennsylvania Telephone Company ("NEP" 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 with the Pennsylvania Public Utility Commission ("Commission") pursuant to Section 3014(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 each change.

As identified in the notice of filing of amended plan filed by NEP with the Commission on February 1, 2005, NEP 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), the Company has provided notice of the filing of the Amended Plan to its customers by bill message. The customer notice was included in the Company's March 2 and 3, 2005 bills. As required in Section 3014(e), 66 Pa.C.S. §3014(e), NEP 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.

The North-Eastern Pennsylvania Telephone Company
 Matrix of References to Amendments to 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	§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. - addition	§3019(b)(2)
7. Page 6, Part 2.A.3. - deletion	Section is sunsetted
8. Page 6, Part 2.A.4. - additions/deletion	§§3016(e) and (d)
9. Pages 6-7, Part 2.A.5. - additions/deletions	§3016(a)
10. Pages 7-8, Part 2.A.6. - deletion	Section is sunsetted
11. Page 8, Part 2.A.6. - addition	§3016(b)
12. Pages 8-9, Part 2.A.7.	§3016(c)
13. Page 9, Part 2.B.1. - addition/deletion	Section sunsetted/§3016
14. Page 9, Part 2.B.2 - deletions	Section sunsetted
15. Pages 9-10, Part 2.B.2 - additions	§§3016(f)(1) and (2)
16. Page 10, Part 2.B.3. - addition/deletion	§3016(d)(1)/section sunsetted
17. Page 10, Parts 2.B.4. and 5. - deletions/addition	Section sunsetted/§3016; §3019(b)(2)
18. Page 11, Part 3. Introduction	§§3015(c) and (g)
19. Page 12, Part 3.A.(A).3. - deletion	§3019(h)

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20. Page 12, Part 3.A.(A).4. - change in table	§3015(a)
21. Page 19, Part 3.A.(C).2. - addition/deletion	§3012
22. Page 21, Part 3.A.(D).2. - addition	Contextual change to reflect current monthly residential ceiling
23. Page 21, Part 3.A.(E).2.	§3015(b)(4)
24. Page 22, Part 3.B.(A).2. - deletion	§3019(h)
25. Page 24, Part 3.B.(A).4.h. - deletion	Section is sunsetted
26. Page 24, Part 3.B.(A).4.i. - deletion/addition	"qualifying" reference sunsetted; reference to "formal" §3015(b)(4)
27. Page 25, Part 3.B.(A).4.l.	§§3015(b)(1) and (2)
28. Page 25, Part 3.B.(A).4.m.	§3015(b)(4)
29. Pages 28-29, Part 3.B.(E).3. - addition	Contextual change to reflect current monthly residential ceiling
30. Pages 29-30, Part 4.A.1. - addition	§3019(f)
31. Pages 30-31, Part 4.A.4. - deletion	Section is sunsetted
32. Page 31, Part 4.B.1 - statutory reference change	Section sunsetted; new section is §3019
33. Pages 31-32, Parts 4.B.2., 3., and 4. - additions/deletions	§§3015(e), 3019(b)(2); 3019(h); deleted section sunsetted
34. Page 32, Part 4.B.5. - additions/deletions	§3019(b)(1)/Section sunsetted
35. Pages 33-34, Part 4.B.8. - additions	§3014(b)(7)
36. Page 35, Part 4.B.10.	§3019(b)(4)
37. Pages 35-36, Part 4.C.1.	§3015(e)
38. Page 36, Part 4.C.2. - additions/deletions	§3015(f)(1)/Section sunsetted
39. Page 37, Part 4.C.3.	§3015(f)(2)
40. Page 37, Part 4.D.1.	§3016(e)(3)
41. Page 37, Part 4.D.2.	§3014(l)

42. Page 38, Part 4.D.3.	§3016(e)(2)
43. Page 38, Part 4.D.4.	§3017(a); §3012 (definitions)
44. Page 38, Part 4.D.5.	§3017(b)
45. Page 38, Part 4.D.6.	§§3015(c)(2) and (5)
46. Page 38, Part 4.E.1. - deletions	Section sunsetted.
47. Page 39, Part 4.E. 3. additions/deletion	§§3013(a) and (b), §3014(b)(6)/Section sunsetted
48. Page 39, Part 4.E.4.	§3019(h)
49. Pages 40-51, Part 5, Glossary additions/deletions	§3012/deletions sunsetted or no longer relevant
Appendix A - NMP	
1. Pages 1-5 - deletions	§3014(n)
2. Pages 1-4 - additions	Contextual changes; §3014(n); §§3014(b)(1)(ii) and (b)(6); §3012
3. Page 5, Part A. - additions	§§3014(b)(1) and (b)(5); §3012
4. Pages 5-8, Part A. - deletions	§§3014(b)(1) and 3014(n)
5. Page 6, Part A. - additions	§3014(n); §3014(b)(1)
6. Page 7, Part A. - additions	§§3014(b)(4) and (5)
7. Page 8, Part B.1. -additions/deletions	§3014(f)/reference section sunsetted
8. Page 8, Part B.2.	§3014(f)
9. Page 8, Part B.3.	§3014(f)(3)
10. Page 9, 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 THE NORTH- :
EASTERN PENNSYLVANIA :
TELEPHONE COMPANY FOR : Docket No. P-00981435F1000
APPROVAL OF A STREAMLINED :
FORM OF REGULATION AND :
NETWORK MODERNIZATION PLAN :

DOCKETED

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AMENDED STREAMLINED FORM OF REGULATION
AND
NETWORK MODERNIZATION PLAN
OF
THE NORTH-EASTERN PENNSYLVANIA TELEPHONE 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 March 4, 2005

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Appendix A - *Network Modernization Plan*

Schedule A

Schedule B

INTRODUCTION

This Plan was filed by The North-Eastern Pennsylvania Telephone Company ("Company") pursuant to Act 67 of 1993, Section 3006 of the Public Utility Code, 66 Pa.C.S. §3006, and Pennsylvania Public Utility Commission ("Commission") Opinions and Orders entered January 20, 2000, and March 30, 2000, at Docket Nos. P-00981425, et al., and is amended herein pursuant to Act 183 of 2004.¹

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 Streamlined Regulation and Network Modernization Plans herein to comport with Act 183. Section 3015(h) of Act 183, however, deems the Company's Streamlined Regulation Plan amended upon approval of the amended NMP. In the event of any oversight, the terms of Act 183 control.

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

Smaller local exchange carriers, including the Company, serving less than 50,000 access lines were permitted to petition for a streamlined form of regulation.

See Act 67, 66 Pa.C.S. §3006. Section 3006(a) set forth the parameters of streamlined regulation as follows:

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

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

Act 67 required that a network modernization plan be included as part of an alternative or streamlined 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 Streamlined Regulation satisfied the requirements of Section 3006 and the Commission Opinions and Orders entered

January 20, 2000, and March 30, 2000, at Docket No. P-00981435. 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 commitment 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 Plans, Plan A and Plan B, govern rate changes for noncompetitive services for the duration of the respective Plan. They also constrain noncompetitive service price changes and 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 options for the amendment of this Plan.
Section 3014(b)(1)(ii) provides the Company the following amendment option:

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

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

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

PART 1 - NETWORK MODERNIZATION PLAN

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

PART 2 - COMPETITIVE SERVICES DEREGULATION PLAN

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

A. Competitive Services

1. The following services were deregulated and 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 has 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 PLANS FOR NONCOMPETITIVE SERVICES

The Price Stability Plans ("PSPs") set forth the principles and procedures applicable to changes in the Company's rates which would otherwise be governed by the ratemaking methodology set forth in Chapter 13 of the Pennsylvania Public Utility Code. Plan A is a Price Stability Mechanism ("PSM") and Plan B is a Simplified Ratemaking Plan ("SRP"). Plan B will apply to the Company until such time as the Company elects to switch to Plan A pursuant to Part B.(A)9 ("Plan A Election").

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

PLAN A - PRICE STABILITY MECHANISM PLAN

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

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

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

3. Plan A will be the exclusive basis upon which the Company's noncompetitive rates will be regulated once the Company makes a Plan A Election. All tariff filings for noncompetitive services are subject to review under the terms of this Plan. Chapter 13, Sections 1301 through 1305, inclusive, 1309 and 1312 of the Public Utility Code (the "Code") remain applicable under the provisions of the Plan. All other provisions of the Code, other laws of the Commonwealth, or regulations in conflict with this Plan are hereby superseded.

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

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

which comprises the "PSM formula," where:

PSI _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. ²
%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 PSM.

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

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

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

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

²The 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_i = The proposed price for rate element "i."
- P_{i-1} = The current price for rate element "i."
- V_i = The current estimated revenue weight for rate element "i," calculated as the ratio of the base period demand for the rate element "i" priced at the existing rate, to the base period demand for all noncompetitive services priced at existing rates.

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

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

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

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

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

10. The Company shall provide fifteen (15) days advance notice of filing to the Commission, which shall generally describe the anticipated filing.³ 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 time for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional

³This 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.

fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than \$3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.⁴

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

⁴The 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.⁵ 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.

⁵See 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 its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers operating in the same serving area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

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

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

A.(B) Rate Restructuring and Rebalancing

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

services. The Company may implement only one rate restructuring/rebalancing filing in the same calendar year which affects residential and small business rates (3 lines or less), exclusive of changes made pursuant to the PSM formula and exogenous events not reflected therein.⁶

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

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

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.⁷ Reductions in residential and

⁶The 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.

⁷The term "local service" as used in this part is as set forth in footnote 4, supra.

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

A.(C) New Services

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

A.(D) Consumer Protections

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

- a. The SPI is not greater than the PSI; and
- b. The proposed changes to basic, local rates for both residential and small business customers (three (3) lines or less), by any combination of filings, will not cause an increase in the rates in existence at the end of the preceding year greater than \$3.50 per month.⁸

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

⁸This cap shall not be applicable where a generic Commission Order requires changes in the Company's rate design and causes a rate increase which exceeds the cap.

A.(E) Complaints

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

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

PLAN B - SIMPLIFIED RATEMAKING PLAN

B.(A) Simplified Ratemaking Methodology

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

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

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

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

- a. If the Company is an average schedule company, a Simplified Rate Filing seeking increased revenues may only be filed if its total company return on common equity capital does not exceed its cost of common equity capital based upon applicable marketplace standards not limited to a Discounted Cash Flow ("DCF") analysis, as calculated employing the procedure set forth in Schedule A hereto.
- b. If the Company is a cost-based company, a Simplified Rate Filing seeking increased revenues may only be filed if its *jurisdictional return on common equity capital* does not exceed its cost of common equity capital based upon applicable marketplace standards not limited to a DCF analysis, as calculated employing the procedure set forth in Schedule B hereto.

- c. Noncompetitive rates are only subject to an excess earnings complaint or other challenge if the Company's jurisdictional earnings as calculated using the applicable procedure set forth in Schedule A or B result in a return on jurisdictional common equity capital in excess of its cost of common equity capital as calculated above. Upon a successful complaint or other challenge, rates may change prospectively only.
- d. The Company may, in lieu of seeking increased revenues under the Simplified Rate Filing procedure, file revenue neutral rate changes to its noncompetitive rates for restructuring/rebalancing purposes.
- e. The Company shall provide twenty (20) days advance notice of a Simplified Rate Filing to the Commission, which generally describes the proposed rate changes.⁹
- f. The rates proposed in any Simplified Rate Filing shall be filed to be effective on forty-five (45) days notice. Any and all interventions or complaints shall be due within ten (10) days of such filing with no formal answer in response thereto required. A Simplified Rate Filing seeking increased revenues shall include either Schedule A or B adjusted to reflect the annualized impact of the rate changes together with all applicable workpapers and an Executive Overview setting forth a full explanation of the rate changes. A revenue neutral Simplified Rate Filing shall include schedules detailing the annualized revenue impact of the rate changes together with all applicable workpapers and an Executive Overview setting forth a full explanation of the rate changes.
- g. Data requests/interrogatories (including subparts) addressing the Simplified Rate Filing, which will be limited to fifty (50) per party, must be served on the Company within twenty-five (25) days of the filing with responses due within twelve (12) business days of receipt.¹⁰
- h. The proposed rate changes shall become effective on the 45th day if no investigation is instituted by the Commission.
- i. Should a formal complaint be filed or investigation instituted with respect to a Simplified Rate Filing seeking additional revenues in excess of 5% of the Company's total annual

⁹As to the requirements of this notice, see footnote 3 herein.

¹⁰Objections to discovery requests will be due within five (5) days of receipt.

revenues from noncompetitive services, the following procedure will apply, to the extent possible, beginning with the date of the filing: (i) an Alternative Dispute Resolution ("ADR") session will be held on the 45th day and (ii) if a settlement petition is not filed within thirty (30) days of the commencement of ADR, a prehearing conference before an administrative law judge will be conducted as quickly as possible thereafter, the Company's direct testimony will be due on or before the 90th day, complainant/intervenor testimony due on or before the 100th day, rebuttal testimony will be due on or before the 110th day, evidentiary hearings held on or before the 115th and 116th days, summary comments limited to twenty (20) pages of argument will be due on or before the 130th day, reply comments limited to fifteen (15) pages of argument will be due on or before the 140th day, and the recommended decision will be issued on or before the 160th day. (This procedure may be changed upon stipulation of the parties.) The Commission's final opinion and order must be entered within seven (7) months of the date of the filing.

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

and decreases, in rates for noncompetitive services, excluding basic residential and business rates, provided such rate changes do not increase the Company's annual intrastate revenues by more than 3%. The Commission tariff filing requirements and review associated with such proposed rate changes shall be limited to schedules submitted by the Company detailing the impact of the rate changes on the Company's annual intrastate revenues.

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

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

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

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

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

9. The Company may, on or before May 1st (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

B.(B) Exogenous Events

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

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

B.(C) Commission-Made Rates

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

B.(D) New Services

1. The Company may introduce new services at any time.
2. If a new service is offered which falls within the definition of "protected services," as previously defined in Plan A, the procedure applicable to a revenue neutral Simplified Rate Filing shall apply.
3. Any new service which is not a "protected" service shall become effective upon one (1) day's notice to the Commission.
4. Revenues from new services shall be included in any subsequent SRP filing after the new service has been in effect for one year.

B.(E) Consumer Protections

1. All rate increase filings seeking rates calculated to produce an increase in annual revenues of 5% or more under the SRP procedure shall be approved if the rates do not produce a return on total company common equity capital for average schedule companies and a return on jurisdictional common equity capital for cost based companies in excess of the Company's cost of common equity capital as determined consistent with Section B.(A), Paragraphs 4(a) and (b) herein and are otherwise in compliance with this Plan B.
2. All revenue neutral rate changes under the Simplified Ratemaking Plan formula, including exogenous events, shall be approved if the proposed changes to basic, local rates for both residential and small business customers (three (3) lines or less), by any combination of filings, are just and reasonable and

will not cause an increase in the rates in existence at the end of the preceding year greater than \$3.50 per month.¹¹

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

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

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

B.(F) Complaints

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

PART 4 - ADDITIONAL COMMITMENTS AND OTHER TERMS

A. Lifeline 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 their options pursuant to the subsequent enactment or modification of federal or state law. Moreover, approval of this Plan

shall not preclude the Company from filing a petition seeking modifications of the Plan.

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

8. The Company is an exempt rural telephone company for purposes of Section 251(f)(1) of TA-96. Upon the filing of this Amended Plan reflecting the Company's commitment to accelerate broadband deployment pursuant to 66 Pa.C.S. §3014(b)(1), the Commission shall grant the Company a suspension of Section 251(c)(2) [interconnection], (3) [unbundled access], (4) [discounted resale], (5) [notice of changes], and (6) [collocation] obligations under the Telecommunications Act of 1996.¹² This suspension of obligations shall expire December 31, 2008, unless extended by the Commission. Should the Commission,

¹²By Order entered July 10, 1997, at Docket No. P-00971177, the Commission granted the Petition of the Rural and Small Incumbent Local Exchange Carriers, including the Company, for an initial suspension under Section 251(f)(2) recognizing, inter alia, the use of the time to proceed with alternative regulation. This suspension was further extended by Orders entered June 25, 1999, June 23, 2000, and July 17, 2001. The acceleration of deployment to 2008 is in accord with the rationale in these orders and the legislative directive in Section 3014(b)(7). Specifically, the Commission finds, upon the filing of this Amended Plan, that suspension is necessary: (A) (i) to avoid a significant adverse economic impact on users of telecommunication services generally; (ii) to avoid imposing a requirement that is unduly economically burdensome; and (iii) to avoid imposing a requirement that is technically infeasible; and (B) is consistent with the public interest, convenience, and necessity. Accordingly, the record at Docket No. P-00971177 is incorporated herein by reference and the suspension is granted.

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

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

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

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.¹³

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.

¹³This 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.

D. Other Provisions

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

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

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

4. The Commission may not require the Company to reduce access¹⁴ 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.

¹⁴As 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.

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

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

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

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

Local Exchange 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.

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

Special Access Service - Service provided over dedicated, nonswitched facilities by local exchange 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.

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**NETWORK MODERNIZATION PLAN
of
THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY**

This Network Modernization Plan ("NMP") as originally filed set forth **The North-Eastern Pennsylvania Telephone Company's** ("NEP" 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 amended 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

amends its NMP accordingly herein. Consistent with Section 3014(b)(1)(ii), the Company shall not be required to offer either a Bona Fide Retail Request Program or a Business Attraction or Retention Program or otherwise participate in such programs. 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

NEP 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 reasonably anticipate what technologies might be developed or become commercially and economically available to it in the future; therefore, consistent with Section 3004(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, however, impact upon the Company's general commitment to universal broadband availability.

¹(...continued)
shall mean 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 make broadband available to subscribers, measured as in terms of 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(b)(4), the Company is capable of deploying, on ten (10) business days notice, universal broadband in or adjacent to public rights-of-way abutting all public schools, including administration offices, health care facilities and industrial parks in its service territory.

B. Biennial NMP Reports to the Commission

1. The Company will provide the Commission with biennial NMP reports, as described below and in the time frames required, 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, should it have elected to shift to Plan A - Price Stability Mechanism Plan, 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 in Plan A 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.

THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY

Line No.	Item (a)	Actual Per Books (b)	Pro Forma Adjustments ¹ (c)	Total Company Annualized Operations (d)	Intrastate Percent ² (e)	Intrastate Pro Forma Results (f)
1	Original Cost of Plant in Service					
2	Less: Depreciation Reserve					
3	Net Plant					
	<u>Additions:</u>					
4	Land/Plant Held for Future Use					
5	Materials and Supplies					
6	Cash Working Capital					
7	Other					
	<u>Deductions:</u>					
8	Accumulated Deferred Income Taxes					
9	Liberalized Depreciation					
10	Investment Tax Credit					
11	Other					
12	Customer Deposits					
13	Customer Advances					
14	Contribution in Aid of Construction					
15	Other					
16	Original Cost Measure of Capital					

Line No.	Item (a)	Actual Per Books (b)	Pro Forma Adjustments ¹ (c)	Total Company Annualized Operations (d)	Intrastate Percent ² (e)	Intrastate Pro Forma Results (f)
17	<u>Operating Revenues</u> ³					
	<u>Operating Expenses:</u>					
18	Operating & Maintenance Expense					
19	Annual Depreciation					
20	Taxes Other than Income					
21	State Income-Current					
22	Federal Income-Current					
23	Deferred Income Taxes					
24	Investment Tax Credit (Net)					
25	Total Operating Expenses					
26	Net Operating Income					
	Less:					
27	Interest (Line 16 x Debt Ratio x Debt Cost)					
28	Preferred Dividend (Line 16 x Preferred Ratio x Preferred Cost)					
29	Return Available for Common					
30	Return on Common Equity Capital - Total Company					
31	Return on Common Equity Capital - Intrastate					

-
1. Pro forma adjustments would include all plant additions to be completed within 12 months plus all projected annualized revenue and expense changes during the same period.
 2. Company-specific or estimated allocation factors may be employed.
 3. Operating revenues reflect revenues from noncompetitive services exclusive of competitive and deregulated service revenues.

THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY

Line No.	Item (a)	Actual Per Books (b)	Pro Forma Adjustments ¹ (c)	Total Company Annualized Operations (d)	Intrastate Percent ² (e)	Intrastate Pro Forma Results (f)
1	Original Cost of Plant in Service					
2	Less: Depreciation Reserve					
3	Net Plant					
	<u>Additions:</u>					
4	Land/Plant Held for Future Use					
5	Materials and Supplies					
6	Cash Working Capital					
7	Other					
	<u>Deductions:</u>					
8	Accumulated Deferred Income Taxes					
9	Liberalized Depreciation					
10	Investment Tax Credit					
11	Other					
12	Customer Deposits					
13	Customer Advances					
14	Contribution in Aid of Construction					
15	Other					
16	Original Cost Measure of Capital					

Line No.	Item (a)	Actual Per Books (b)	Pro Forma Adjustments ¹ (c)	Total Company Annualized Operations (d)	Intrastate Percent ² (e)	Intrastate Pro Forma Results (f)
17	<u>Operating Revenues³</u>					
	<u>Operating Expenses:</u>					
18	Operating & Maintenance Expense					
19	Annual Depreciation					
20	Taxes Other than Income					
21	State Income-Current					
22	Federal Income-Current					
23	Deferred Income Taxes					
24	Investment Tax Credit (Net)					
25	Total Operating Expenses					
26	Net Operating Income					
	Less:					
27	Interest (Line 16 x Debt Ratio x Debt Cost)					
28	Preferred Dividend (Line 16 x Preferred Ratio x Preferred Cost)					
29	Return Available for Common					
30	Return on Common Equity Capital - Intrastate					

-
- Pro forma adjustments would include all plant additions to be completed within 12 months plus all projected annualized revenue and expense changes during the same period.
 - Company-specific or estimated allocation factors may be employed.
 - Operating revenues reflect revenues from noncompetitive services exclusive of competitive and deregulated service revenues.

James J. McNulty, Secretary
March 4, 2005
Page 2

NEP has amended its Plan to be in compliance with Act 183 and is prepared to respond to any inquiries the Commission may have with respect to its review of the Amended Plan that would facilitate that finding.

Sincerely,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By 

Michael L. Swindler

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.)
Edward E. Tourje (w/encl.)

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SECRETARY'S BUREAU

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of The North-Eastern :
Pennsylvania Telephone Company for : Docket No. P-00981435F1000
Approval of a Streamlined Form of :
Regulation and Network Modernization :
Plan

CERTIFICATE OF SERVICE

I hereby certify that I have this 4th day of March, 2005, served a true and correct copy of the foregoing Amended Streamlined Form of Regulation and Network Modernization Plan of The North-Eastern Pennsylvania Telephone Company, upon the persons and in the manner listed below:

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

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Michael L. Swindler

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

SUITE 500
212 LOCUST STREET
P. O. BOX 9500
HARRISBURG, PA 17108-9500

www.ttanlaw.com

FIRM (717) 255-7600

FAX (717) 236-8278

MICHAEL L. SWINDLER

Direct Dial: (717) 255-7609

E-Mail: mswindler@ttanlaw.com

RECEIVED
2005 MAR 23 AM 11:13
SECRETARY'S BUREAU

CHARLES E. THOMAS
(1913 - 1998)

March 23, 2005

DOCUMENT
FOLDER

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

In re: Amended Chapter 30 Plan of The North-Eastern Pennsylvania Telephone Company
Docket No. P-00981435 F1000

Dear Secretary McNulty:

Pursuant to Commission Secretarial Letter dated March 11, 2005, regarding the Amended Chapter 30 Plan filed by The North-Eastern Pennsylvania Telephone Company ("Company") on March 4, 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 the Company's March 2, 2005 and March 3, 2005 bills. The Company has also posted a copy of its Amended Plan on its website as directed at www.nep.net/chpt30.php.

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

Sincerely,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By



Michael L. Swindler

Enclosure

cc: Certificate of Service
Anthony J. Rametta (w/encl.)
Edward E. Tourje (w/encl.)
Donald Todd (w/encl.)
Steven Tourje (w/encl.)

63

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Amended Chapter 30 Plan of : Docket No. P-00981435F1000
The North-Eastern Pennsylvania :
Telephone Company :

CERTIFICATE OF SERVICE

I hereby certify that I have this 23rd 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



Michael L. Swindler

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2005 MAR 23 AM 11:13
SECRETARY'S BUREAU

The North-Eastern Pennsylvania Telephone Company

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, including The North-Eastern Pennsylvania Telephone Company, 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 February 18, 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 the Company's website at www.nep.net or at the Company's main office.

As always, The North-Eastern Pennsylvania Telephone Company thanks you for your business.

DOCKETED
MAR 24 2005

DOCUMENT
FOLDER

SECRETARY'S BUREAU

2005 MAR 23 AM 11:13

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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 29, 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 North-Eastern
Pennsylvania Telephone Company
Docket No. P-00981435F1000**

DOCKETED

MAR 30 2005

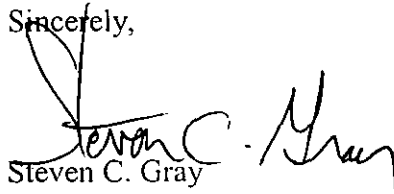
Dear Secretary McNulty:

Enclosed for filing are the original and three copies of the letter/comments on behalf of the Office of Small Business Advocate ("OSBA").

The OSBA has reviewed North-Eastern Pennsylvania Telephone Company's ("NEP") Amended Streamlined Regulation and Network Modernization Plan ("Petition") filed on March 4, 2005, under Act 183 of 2004. In its review, the OSBA has not discovered any violation of Act 183 by NEP 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

SECRETARY'S BUREAU
2005 MAR 29 PM 3:58
RECEIVED

53

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Amended Streamlined Regulation and Network :
Modernization Plan of North-Eastern Pennsylvania : Docket No. P-00981435F1000
Telephone Company :

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:

Michael L. Swindler, Esquire
Thomas, Thomas, Armstrong & Niesen
212 Locust Street, Suite 500
P.O. Box 9500
Harrisburg, PA 17109-9500
(717) 255-7600
(717) 236-8278 (fax)
mwindler@ttanlaw.com

Irwin A. Popowsky
Consumer Advocate
Office of Consumer Advocate
555 Walnut Street 5th FL Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048
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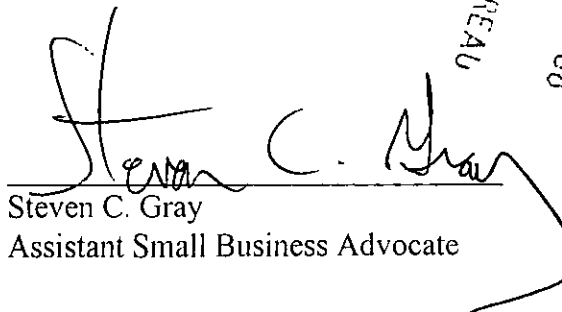
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May 19, 2005

VIA HAND DELIVERY

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

Re: The North-Eastern Pennsylvania Telephone Company Amended Chapter 30 Plan Docket No. P-00981435F1000

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 The North-Eastern Pennsylvania Telephone Company on March 4, 2005, at the above docket, containing revised pages 6, 7, 8, 11, 31, 33 and 38. 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. 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.

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

Enclosures

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

ORIGINAL

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

BTL

PETITION OF THE NORTH- :
EASTERN PENNSYLVANIA :
TELEPHONE COMPANY FOR : Docket No. P-00981435F1000
APPROVAL OF A STREAMLINED :
FORM OF REGULATION AND :
NETWORK MODERNIZATION PLAN :

DOCKETED

MAY 25 2005

SECRETARY'S BUREAU

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AMENDED STREAMLINED FORM OF REGULATION
AND
NETWORK MODERNIZATION PLAN
OF
THE NORTH-EASTERN PENNSYLVANIA TELEPHONE 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 March 4, 2005

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INTRODUCTION

This Plan was filed by The North-Eastern Pennsylvania Telephone Company ("Company") pursuant to Act 67 of 1993, Section 3006 of the Public Utility Code, 66 Pa.C.S. §3006, and Pennsylvania Public Utility Commission ("Commission") Opinions and Orders entered January 20, 2000, and March 30, 2000, at Docket Nos. P-00981425, et al., and is amended herein pursuant to Act 183 of 2004.¹

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 Streamlined Regulation and Network Modernization Plans herein to comport with Act 183. Section 3015(h) of Act 183, however, deems the Company's Streamlined Regulation Plan amended upon approval of the amended NMP. In the event of any oversight, the terms of Act 183 control.

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

Smaller local exchange carriers, including the Company, serving less than 50,000 access lines were permitted to petition for a streamlined form of regulation.

See Act 67, 66 Pa.C.S. §3006. Section 3006(a) set forth the parameters of streamlined regulation as follows:

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

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

Act 67 required that a network modernization plan be included as part of an alternative or streamlined 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 Streamlined Regulation satisfied the requirements of Section 3006 and the Commission Opinions and Orders entered

January 20, 2000, and March 30, 2000, at Docket No. P-00981435. 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 commitment 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 Plans, Plan A and Plan B, govern rate changes for noncompetitive services for the duration of the respective Plan. They also constrain noncompetitive service price changes and 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 options for the amendment of this Plan.

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

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

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

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

PART 1 - NETWORK MODERNIZATION PLAN

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

PART 2 - COMPETITIVE SERVICES DEREGULATION PLAN

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

A. Competitive Services

1. The following services were deregulated and 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 has 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 PLANS FOR NONCOMPETITIVE SERVICES

The Price Stability Plans ("PSPs") set forth the principles and procedures applicable to changes in the Company's rates which would otherwise be governed by the ratemaking methodology set forth in Chapter 13 of the Pennsylvania Public Utility Code. Plan A is a Price Stability Mechanism ("PSM") and Plan B is a Simplified Ratemaking Plan ("SRP"). Plan B will apply to the Company until such time as the Company elects to switch to Plan A pursuant to Part B.(A)9 ("Plan A Election").

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

annual rate change limitation shall remain applicable and shall be deemed just and reasonable under §1301.

PLAN A - PRICE STABILITY MECHANISM PLAN

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

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

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

3. Plan A will be the exclusive basis upon which the Company's noncompetitive rates will be regulated once the Company makes a Plan A Election. All tariff filings for noncompetitive services are subject to review under the terms of this Plan. Chapter 13, Sections 1301 through 1305, inclusive, 1309 and 1312 of the Public Utility Code (the "Code") remain applicable under the provisions of the Plan. All other provisions of the Code, other laws of the Commonwealth, or regulations in conflict with this Plan are hereby superseded.

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

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

which comprises the "PSM formula," where:

PSI _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. ²
%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 PSM.

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

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

²The PSI applies to the sum of effective rates (and units of demand) which were realized during the previous twelve month period.

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

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

Where:

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

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

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

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

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

10. The Company shall provide fifteen (15) days advance notice of filing to the Commission, which shall generally describe the anticipated filing.³ 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 time for the ADR mediation process. Such rates

³This 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 deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, *et al.*, made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than \$3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.⁴

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.

⁴The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the \$3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (*e.g.*, roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the \$3.50 increase for purposes of this sub-part.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.⁵ 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

⁵See paragraph 13, infra.

at the time of implementing any extended calling scope service or additional basic local exchange service. This same treatment shall also apply to new Optional Calling Plans.

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

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

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

A.(B) Rate Restructuring and Rebalancing

1. In addition to the annual PSM filing, the Company under Plan A may file tariffs proposing to rebalance and/or restructure rates for noncompetitive services. The Company may implement only one rate restructuring/rebalancing filing in the same calendar year which affects residential and small business rates (3 lines or less), exclusive of changes made pursuant to the PSM formula and exogenous events not reflected therein.⁶

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

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

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

⁶The 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.

increase greater than \$3.50 per month, then the additional allowance of time shall be 45 calendar days, rather than 15 calendar days.⁷ Reductions in residential and small business rates may be initiated more often by the Company. Tariff filings involving a limited number of services with the intent of packaging/restructuring the services may be made. The prices of the packaging/restructuring will not exceed in total the individual service prices of the services comprising those packages. Reductions in residential and small business rates and limited services tariff filings shall become effective on one (1) day's notice to the Commission.

A.(C) New Services

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

⁷The term "local service" as used in this part is as set forth in footnote 4, 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.

A.(D) Consumer Protections

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

- a. The SPI is not greater than the PSI; and
- b. The proposed changes to basic, local rates for both residential and small business customers (three (3) lines or less), by any combination of filings, will not cause an increase in the rates in existence at the end of the preceding year greater than \$3.50 per month.⁸

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 Plan A, and if such rates are found by the Commission to be just and reasonable, they shall be permitted to become effective. Further, should the new rates exceed the \$16.00 monthly residential ceiling established in the Global Order for the duration of the Pennsylvania USF, the Company is permitted to recover the revenue difference arising from application of the Global Order rate ceilings from the Pennsylvania

⁸This cap shall not be applicable where a generic Commission Order requires changes in the Company's rate design and causes a rate increase which exceeds the cap.

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

A.(E) Complaints

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

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

PLAN B - SIMPLIFIED RATEMAKING PLAN

B.(A) Simplified Ratemaking Methodology

1. The Simplified Ratemaking Plan ("SRP"), designated herein as Plan B, sets forth the principles and procedures applicable to changes in rates for the Company until such time as it elects to employ Plan A. Like Plan A, the SRP governs changes in rates which would otherwise be governed by the ratemaking

methodology set forth in Chapter 13 of the Pennsylvania Public Utility Code. The SRP also addresses rate rebalancing, rate restructuring and the introduction of new services.

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

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

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

- a. If the Company is an average schedule company, a Simplified Rate Filing seeking increased revenues may only be filed if its total company return on common equity capital does not exceed its cost of common equity capital based upon applicable marketplace standards not limited to a Discounted Cash Flow ("DCF") analysis, as calculated employing the procedure set forth in Schedule A hereto.

- b. If the Company is a cost-based company, a Simplified Rate Filing seeking increased revenues may only be filed if its jurisdictional return on common equity capital does not exceed its cost of common equity capital based upon applicable marketplace standards not limited to a DCF analysis, as calculated employing the procedure set forth in Schedule B hereto.
- c. Noncompetitive rates are only subject to an excess earnings complaint or other challenge if the Company's jurisdictional earnings as calculated using the applicable procedure set forth in Schedule A or B result in a return on jurisdictional common equity capital in excess of its cost of common equity capital as calculated above. Upon a successful complaint or other challenge, rates may change prospectively only.
- d. The Company may, in lieu of seeking increased revenues under the Simplified Rate Filing procedure, file revenue neutral rate changes to its noncompetitive rates for restructuring/rebalancing purposes.
- e. The Company shall provide twenty (20) days advance notice of a Simplified Rate Filing to the Commission, which generally describes the proposed rate changes.⁹
- f. The rates proposed in any Simplified Rate Filing shall be filed to be effective on forty-five (45) days notice. Any and all interventions or complaints shall be due within ten (10) days of such filing with no formal answer in response thereto required. A Simplified Rate Filing seeking increased revenues shall include either Schedule A or B adjusted to reflect the annualized impact of the rate changes together with all applicable workpapers and an Executive Overview setting forth a full explanation of the rate changes. A revenue neutral Simplified Rate Filing shall include schedules detailing the annualized revenue impact of the rate changes together with all applicable workpapers and an Executive Overview setting forth a full explanation of the rate changes.
- g. Data requests/interrogatories (including subparts) addressing the Simplified Rate Filing, which will be limited to fifty (50) per party, must be served on the Company within twenty-five (25)

⁹As to the requirements of this notice, see footnote 3 herein.

days of the filing with responses due within twelve (12) business days of receipt.¹⁰

- h. The proposed rate changes shall become effective on the 45th day if no investigation is instituted by the Commission.
- i. Should a formal complaint be filed or investigation instituted with respect to a Simplified Rate Filing seeking additional revenues in excess of 5% of the Company's total annual revenues from noncompetitive services, the following procedure will apply, to the extent possible, beginning with the date of the filing: (i) an Alternative Dispute Resolution ("ADR") session will be held on the 45th day and (ii) if a settlement petition is not filed within thirty (30) days of the commencement of ADR, a prehearing conference before an administrative law judge will be conducted as quickly as possible thereafter, the Company's direct testimony will be due on or before the 90th day, complainant/intervenor testimony due on or before the 100th day, rebuttal testimony will be due on or before the 110th day, evidentiary hearings held on or before the 115th and 116th days, summary comments limited to twenty (20) pages of argument will be due on or before the 130th day, reply comments limited to fifteen (15) pages of argument will be due on or before the 140th day, and the recommended decision will be issued on or before the 160th day. (This procedure may be changed upon stipulation of the parties.) The Commission's final opinion and order must be entered within seven (7) months of the date of the filing.
- j. With respect to a revenue neutral Simplified Rate Filing or a Simplified Rate Filing proposing an annual increase in revenues from noncompetitive services of 5% or less subject to a qualifying complaint or investigation, the ADR process as previously described shall be pursued. If a settlement petition is not filed within thirty (30) days of the commencement of ADR, comments of the respective parties limited to twenty (20) pages of argument shall be filed within forty-five (45) days of the commencement of ADR and reply comments limited to fifteen (15) pages of argument within fifty-five (55) days. A Commission order must be entered within 125 days of the date of the filing.
- k. Reductions in residential and small business rates may be initiated by the Company at any time outside of the SRP with appropriate supporting calculations. Tariff filings involving a

¹⁰Objections to discovery requests will be due within five (5) days of receipt.

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.

- I. The Company shall be permitted at any time to file proposed tariff changes with the Commission, effective 45 days after filing, setting forth miscellaneous changes, including increases and decreases, in rates for noncompetitive services, excluding basic residential and business rates, provided such rate changes do not increase the Company's annual intrastate revenues by more than 3%. The Commission tariff filing requirements and review associated with such proposed rate changes shall be limited to schedules submitted by the Company detailing the impact of the rate changes on the *Company's annual intrastate revenues*.
- m. A formal complaint to deny rate changes for noncompetitive services, unless signed by at least 20 customers of the rural telecommunications carrier, shall not prevent implementation of the rate changes pending the adjudication of the formal complaint by the Commission.

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

6. In connection with the implementation of IntraLATA presubscription, the Company shall be permitted to make a tariff filing outside of the SRP process to recover related incremental costs as defined by the Commission at Docket No. I-00940034 and in accordance with the methodology set forth in the Global Order.

Further, the Company will also abide with any Commission policy established regarding toll imputation in the design of its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers *operating in the same service area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.*

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

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

9. The Company may, on or before May 1st (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

B.(B) Exogenous Events

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

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

B.(C) Commission-Made Rates

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

B.(D) New Services

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

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

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

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

B.(E) Consumer Protections

1. All rate increase filings seeking rates calculated to produce an increase in annual revenues of 5% or more under the SRP procedure shall be approved if the rates do not produce a return on total company common equity capital for average schedule companies and a return on jurisdictional common equity capital for cost based companies in excess of the Company's cost of common equity capital as determined consistent with Section B.(A), Paragraphs 4(a) and (b) herein and are otherwise in compliance with this Plan B.

2. All revenue neutral rate changes under the Simplified Ratemaking Plan formula, including exogenous events, shall be approved if the proposed changes to basic, local rates for both residential and small business customers (three (3) lines or less), by any combination of filings, are just and reasonable and

will not cause an increase in the rates in existence at the end of the preceding year greater than \$3.50 per month.¹¹

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

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

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

B.(F) Complaints

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

PART 4 - ADDITIONAL COMMITMENTS AND OTHER TERMS

A. Lifeline 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 their options pursuant to the subsequent enactment or modification of federal or state law. Moreover, approval of this Plan

shall not preclude the Company from filing a petition seeking modifications of the Plan.

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

8. The Company is an exempt rural telephone company for purposes of Section 251(f)(1) of TA-96. Upon the filing of this Amended Plan reflecting the *Company's commitment to accelerate broadband deployment pursuant to 66 Pa.C.S. §3014(b)(1)*, based upon the material change arising from the Company's acceleration of deployment from 2015 to 2008 and pursuant to Act 183, the Company is granted a suspension of Section 251(c)(2) [interconnection], (3) [unbundled access], (4) [discounted resale], (5) [notice of changes], and (6) [collocation] obligations under the Telecommunications Act of 1996 consistent with TA-96. This suspension of obligations shall expire December 31, 2008, unless extended by the Commission. Should the Commission, following a hearing, determine that the rural telecommunications carrier has failed to timely meet its commitments pursuant to this paragraph, the suspension of obligations shall expire upon entry of the Commission Order making such determination. Expiration of the suspension of obligations shall not impact the rural telephone company exemption

of the rural telecommunications carrier under Section 251(f)(1) of the Telecommunications Act of 1996.

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

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

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.¹²

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

¹²This 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, 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 access¹³ 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.

¹³As 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.

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

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

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

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

Local Exchange 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.

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

Special Access Service - Service provided over dedicated, nonswitched facilities by local exchange 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.

F:\CLIENTS\Utility\Rural Company Coalition\Chapt 30 - 2005\Act 183 Amended Ch. 30 Filings\Amended Plans\NEPTC\NEPTC Amended Plan REVISED.wpd

NETWORK MODERNIZATION PLAN
of
THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY

This Network Modernization Plan ("NMP") as originally filed set forth **The North-Eastern Pennsylvania Telephone Company's** ("NEP" 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 amended 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
(continued...)

amends its NMP accordingly herein. Consistent with Section 3014(b)(1)(ii), the Company shall not be required to offer either a Bona Fide Retail Request Program or a Business Attraction or Retention Program or otherwise participate in such programs. 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

NEP 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 reasonably anticipate what technologies might be developed or become commercially and economically available to it in the future; therefore, consistent with Section 3004(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, however, impact upon the Company's general commitment to universal broadband availability.

¹(...continued)
shall mean 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 make broadband available to subscribers, measured as in terms of 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(b)(4), the Company is capable of deploying, on ten (10) business days notice, universal broadband in or adjacent to public rights-of-way abutting all public schools, including administration offices, health care facilities and industrial parks in its service territory.

B. Biennial NMP Reports to the Commission

1. The Company will provide the Commission with biennial NMP reports, as described below and in the time frames required, 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, should it have elected to shift to Plan A - Price Stability Mechanism Plan, 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 in Plan A 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.

THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY

Line No.	Item (a)	Actual Per Books (b)	Pro Forma Adjustments ¹ (c)	Total Company Annualized Operations (d)	Intrastate Percent ² (e)	Intrastate Pro Forma Results (f)
1	Original Cost of Plant in Service					
2	Less: Depreciation Reserve					
3	Net Plant					
	<u>Additions:</u>					
4	Land/Plant Held for Future Use					
5	Materials and Supplies					
6	Cash Working Capital					
7	Other					
	<u>Deductions:</u>					
8	Accumulated Deferred Income Taxes					
9	Liberalized Depreciation					
10	Investment Tax Credit					
11	Other					
12	Customer Deposits					
13	Customer Advances					
14	Contribution in Aid of Construction					
15	Other					
16	Original Cost Measure of Capital					

Line No.	Item (a)	Actual Per Books (b)	Pro Forma Adjustments ¹ (c)	Total Company Annualized Operations (d)	Intrastate Percent ² (e)	Intrastate Pro Forma Results (f)
17	<u>Operating Revenues</u> ³					
	<u>Operating Expenses:</u>					
18	Operating & Maintenance Expense					
19	Annual Depreciation					
20	Taxes Other than Income					
21	State Income-Current					
22	Federal Income-Current					
23	Deferred Income Taxes					
24	Investment Tax Credit (Net)					
25	Total Operating Expenses					
26	Net Operating Income					
	Less:					
27	Interest (Line 16 x Debt Ratio x Debt Cost)					
28	Preferred Dividend (Line 16 x Preferred Ratio x Preferred Cost)					
29	Return Available for Common					
30	Return on Common Equity Capital - Total Company					
31	Return on Common Equity Capital - Intrastate					

-
- Pro forma adjustments would include all plant additions to be completed within 12 months plus all projected annualized revenue and expense changes during the same period.
 - Company-specific or estimated allocation factors may be employed.
 - Operating revenues reflect revenues from noncompetitive services exclusive of competitive and deregulated service revenues.

THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY

<u>Line No.</u>	<u>Item (a)</u>	<u>Actual Per Books (b)</u>	<u>Pro Forma Adjustments¹ (c)</u>	<u>Total Company Annualized Operations (d)</u>	<u>Intrastate Percent² (e)</u>	<u>Intrastate Pro Forma Results (f)</u>
1	Original Cost of Plant in Service					
2	Less: Depreciation Reserve					
3	Net Plant					
	<u>Additions:</u>					
4	Land/Plant Held for Future Use					
5	Materials and Supplies					
6	Cash Working Capital					
7	Other					
	<u>Deductions:</u>					
8	Accumulated Deferred Income Taxes					
9	Liberalized Depreciation					
10	Investment Tax Credit					
11	Other					
12	Customer Deposits					
13	Customer Advances					
14	Contribution in Aid of Construction					
15	Other					
16	Original Cost Measure of Capital					

Line No.	Item (a)	Actual Per Books (b)	Pro Forma Adjustments ¹ (c)	Total Company Annualized Operations (d)	Intrastate Percent ² (e)	Intrastate Pro Forma Results (f)
17	<u>Operating Revenues</u> ³					
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26	Net Operating Income					
	Less:					
27	Interest (Line 16 x Debt Ratio x Debt Cost)					
28	Preferred Dividend (Line 16 x Preferred Ratio x Preferred Cost)					
29	Return Available for Common					
30	Return on Common Equity Capital - Intrastate					

-
- Pro forma adjustments would include all plant additions to be completed within 12 months plus all projected annualized revenue and expense changes during the same period.
 - Company-specific or estimated allocation factors may be employed.
 - Operating revenues reflect revenues from noncompetitive services exclusive of competitive and deregulated service revenues.

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

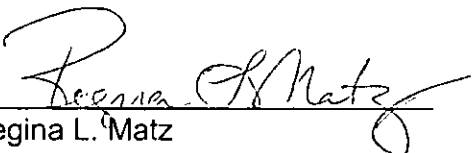
Petition for Alternative Regulation and : Docket No. P-00981435F1000
Network Modernization Plan of The :
North-Eastern Pennsylvania Telephone :
Company :

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

RECEIVED
2005 MAY 19 PH 3:32
SECRETARY'S BUREAU
P.U.C.

ORIGINAL

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

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

www.ttanlaw.com

FIRM (717) 255-7600

FAX (717) 236-8278

DOCUMENT
FOLDER

CHARLES E. THOMAS
(1913 - 1998)

MICHAEL L. SWINDLER

Direct Dial: (717) 255-7609

E-Mail: mswindler@ttanlaw.com

April 14, 2006

VIA HAND DELIVERY

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

SECRETARY'S BUREAU
VIA PUC

2006 APR 14 PM 3:13

RECEIVED

In re: The North-Eastern Pennsylvania Telephone Company
Advance Notice of 2006 PSI/SPI Filing
Docket No. P-00981435F1000

Dear Secretary McNulty:

Pursuant to the Alternative Form of Regulation and Network Modernization Plan of The North-Eastern Pennsylvania Telephone Company ("Company") at Docket No. P-00981435, the Company respectfully provides the Commission fifteen (15) days' advance notice of its intent to file its Price Stability Index/Service Price Index ("PSI/SPI Filing") for the year 2006. The Company intends to bank any increase, rather than raise rates as a result of this filing.

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

DOCKETED

APR 17 2006

Sincerely,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By

Michael L. Swindler

cc: Office of Consumer Advocate
Office of Small Business Advocate
Office of Trial Staff
Edward Tourje/Don Todd
Robert C. Barber

Thomas, Thomas, Armstrong & ~~Niesen~~ **ORIGINAL**
Attorneys and Counsellors at Law

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MICHAEL L. SWINDLER
Direct Dial: (717) 255-7609
E-Mail: mswindler@ttanlaw.com

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

CHARLES E. THOMAS
(1913 - 1998)

May 1, 2006

VIA HAND DELIVERY

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

DOCUMENT
FOLDER

REC'D
2006 MAY -1 11:41:19
SECRETARY'S BUREAU

In re: The North-Eastern Pennsylvania Telephone Company
PSI/SPI Filing for Year 2006
Docket No. P-00981435F1000

Dear Secretary McNulty:

Pursuant to the Alternative Form of Regulation and Network Modernization Plan ("Chapter 30 Plan") of The North-Eastern Pennsylvania Telephone Company at Docket No. P-00981435, enclosed for filing at the above-referenced docket are an original and seven (7) copies of each of the following:

- Executive Overview explaining the filing; and
- **Proprietary** and Public versions of its 2006 PSI/SPI Report and accompanying supporting Attachments 1 and 2 (Proprietary only).

Also enclosed are an original and three (3) copies of a Petition for Protective Order, and proposed Protective Order. All parties have been served pursuant to the attached Certificate of Service.

DOCKETED
MAY 03 2006

Sincerely,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By

Michael L. Swindler

Enclosures

cc: Certificate of Service
Edward Tourje
Don Todd

The North-Eastern Pennsylvania Telephone Company
PSI Filing for the Year 2006

Docket No. P-00981435F1000

EXECUTIVE OVERVIEW

The North-Eastern Pennsylvania Telephone Company (NEPTC or "Company") files its initial annual Price Stability Index/Service Price Index Report (PSI/SPI) pursuant to the Company's Alternative Form of Regulation and Network Modernization Plan ("Chapter 30 Plan") and in compliance with Act 183-2004, 66 Pa.C.S. §§ 3011-3019 ("Act 183"). As a company that has amended its Network Modernization Plan pursuant to Section 3014(b)(1) of Act 183 on March 4, 2005, providing for 100% broadband availability by December 31, 2008, the inflation offset in the Company's PSI calculation is zero. The resulting GDP-PI percent change for 2006 is 2.92%, as shown in **Attachment 1**. The Company's intrastate revenues and the allowable revenue increase are set forth in **Proprietary Attachment 2**.

This filing is made pursuant to the Price Stability Mechanism (PSM) in the Company's approved Chapter 30 Plan, which sets forth the procedure for an annual PSI/SPI Filing that reflects the change in the Gross Domestic Product – Price Index on a year-to-year basis. Since this is the Company's first PSI/SPI Filing following its election last year of Plan A (PSM) regulation under its Chapter 30 Plan, the PSI and SPI indices are initially set at 100 in this filing. Rather than implement any rate increases at this time, NEPTC proposes to bank the total allowable increase as authorized under and in compliance with the Company's Chapter 30 Plan.

NEPTC avers that its PSI/SPI Filing for year 2006 is in compliance with its Chapter 30 Plan and respectfully requests that it be approved by the Commission.

2006 MAY - 1 PM 4: 19
F.A.P.U.C.
SECRETARY'S BUREAU

CHAPTER 30 FILING
THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY
2006 PRICE STABILITY INDEX (PSI) REPORT

Date: May 1, 2006

	<u>2006</u>
1. Gross Domestic Product Price Index (GDP-PI) for the 3Q05*	112.567
2. GDP-PI for 3Q04	<u>109.371</u>
3a. GDP-PI [(line 1 - line 2) divided by line 2]	0.0292%
3b. GDP-PI Percent Change	2.92%
4. Less Productivity Offset ⁽¹⁾	<u>0</u>
5. Change to PSI [line 3b - line 4]	2.920
6. Prior Year PSI ⁽²⁾	<u>100</u>
7. New PSI	<u><u>102.920</u></u>

Service Price Index (SPI)

1. Prior Year SPI ⁽²⁾	100
2. Change to SPI	<u>102.920</u>
3. New SPI	<u><u>102.920</u></u>

* Source: U.S. Department of Commerce, Bureau of Economic Analysis for the quarter ending not more than eight months prior to the advance notice date of the annual PSM filing and the corresponding quarter of the previous year. (<http://www.bea.gov/bea/dn/nipaweb/index/asp> (Table 1.4.4))

⁽¹⁾ Under Act 183 of 2004, § 3014(b)(1)(ii), the Company filed an Amended Network Modernization Plan to commit to accelerate 100% broadband availability by December 31, 2008. In making this election, the productivity (inflation) offset shall be zero per § 3015(a)(1)(i) of the Act.

⁽²⁾ Per the Company's Chapter 30 Plan, the initial PSI and SPI are each set at 100.

THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY
INTRASTATE OPERATING REVENUES
PSI FILING WORKSHEET
FOR THE YEAR 2006

REDACTED

PUBLIC VERSION

AFFIDAVIT

COMMONWEALTH OF PENNSYLVANIA :
: SS
COUNTY OF SUSQUEHANNA :

EDWARD E. TOURJE, being duly sworn according to law, deposes and says that he is President of The North-Eastern Pennsylvania Telephone Company and that in this capacity he is authorized to and does make this Affidavit for The North-Eastern Pennsylvania Telephone Company, and that the facts set forth in the Price Stability Index/Service Price Index for Year 2006 are true and correct to the best of his knowledge, information and belief.

Edward E. Tourje

Edward E. Tourje

Sworn to and subscribed before me this 28 day of April, 2006.

John Walter Dombroski

Notary Public
(SEAL)

My Commission Expires:



COMMONWEALTH OF PENNSYLVANIA

Notarial Seal
John Walter Dombroski, Notary Public
Forest City Boro, Susquehanna County
My Commission Expires May 27, 2007

Member, Pennsylvania Association of Notaries

ORIGINAL

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

The North-Eastern Pennsylvania : Docket No. P-00981435F1000
Telephone Company Price Stability :
Index/ Service Index Filing for Year :
2006 :

DOCUMENT
FOLDER

PETITION FOR PROTECTIVE ORDER

2006 MAY -1 P.U. 19
SECRETARY'S BUREAU

TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

The North-Eastern Pennsylvania Telephone Company ("NEPTC" or "Company"), by its attorneys, hereby files this Petition for Protective Order pursuant to 52 Pa. Code § 5.423 and requests that the Pennsylvania Public Utility Commission ("Commission") provide protective or confidential treatment of certain proprietary and highly confidential information involved in the above-captioned matter. In support thereof, NEPTC submits the following:

On May 1, 2006, simultaneous with the filing hereof, NEPTC filed its Price Stability Index/Service Price Index Filing for Year 2006 pursuant to its Alternative Form of Regulation and Network Modernization Plan adopted by Order of the Commission at Docket No. P-00981435. This is the first Price Stability Index/Service Price Index Filing made by the Company since electing Plan A Company status. The Company's Price Stability Index/Service Price Index Filing for Year 2006 implements the change in the GDP-PI pursuant to NEPTC's calculation of its PSI for the year 2006 in accordance with the Price Stability Mechanism of its Chapter 30 Plan.

The information subject to the requested Protective Order is information contained therein and/or certain attachments disclosing information regarding

NEPTC's market share of non-competitive intrastate revenue detailed by major business category of service to NEPTC's total intrastate revenue as well as number of access lines, operating revenues and other financial information. NEPTC considers this information to be proprietary. Disclosure of this information to the public and/or NEPTC's competitors could interfere with the development of a competitive market for telecommunications services. Specifically, competitors could use this information to develop marketing plans and price structures to unfairly compete with the Company. As NEPTC does not have similar information regarding all of its potential competitors, it is unfair and inequitable to require disclosure by NEPTC of this information. Additionally, any other materials which the Company furnishes in this proceeding which are claimed to be proprietary or highly confidential and which are so designated should be subject to the requested Protective Order (hereinafter collectively referred to as "Proprietary Information"). As such, the potential harm to NEPTC is substantial, and the need for protection of this Proprietary Information outweighs any need for public disclosure at this time. 52 Pa. Code § 5.423(a). Moreover, in recognition of the need for proprietary treatment of some information, this Honorable Commission entered similar Protective Orders in prior filings made by companies under their Alternative Form of Regulation and Network Modernization Plans.

NEPTC seeks a Commission Order granting protective status with respect to the Proprietary Information. NEPTC requests that the Proprietary Information be sealed and not be made available for public inspection. NEPTC also requests that any documents referencing this confidential record produced by the Commission or

other parties be placed in a confidential folder and treated consistent with the treatment of highly confidential information. NEPTC also requests other reasonable assurances regarding the handling, review, disclosure and use of this information by interested parties, consistent with Section 5.423(b) of the Commission's regulations.

NEPTC is providing additional public versions of the filing without the information that the Company considers to be proprietary. The remaining information in the public version of the filing is more than sufficient to inform interested parties of the substance of and reasons in support of the filing in the above-docketed matter. To the extent a party desires to view the proprietary information, NEPTC will endeavor to make reasonable accommodations, consistent with its confidentiality concerns and subject to the Protective Order. As such, NEPTC submits that the competitive concerns of the Company outweigh the public's interest in unfettered access to NEPTC's market share information.

As established above, good cause exists for the entry of a Protective Order in the form attached hereto as Appendix "A." The attached Protective Order is substantially identical to protective orders entered in other, similar telecommunications proceedings. Therefore, entry of a Protective Order is necessary to protect the Company's business interests.

WHEREFORE, The North-Eastern Pennsylvania Telephone Company respectfully requests that the Commission enter the attached Protective Order.

Respectfully submitted,

By: 

Michael L. Swindler

Attorney for
The North-Eastern Pennsylvania
Telephone Company

THOMAS, THOMAS, ARMSTRONG & NIESEN
212 Locust Street, Suite 500
P.O. Box 9500
Harrisburg, PA 17108-9500
(717) 255-7600

Dated: May 1, 2006

F:\CLIENTS\UTILITY\Rural Company Coalition\Chapt 30 - 2006\PSI Filings\NEPTC\documents\Petition for Protective Order-NEPTC.doc

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

The North-Eastern Pennsylvania
Telephone Company Price Stability
Index/Service Price Index
Filing for Year 2006

:
: Docket No. P-00981435F1000
:
:

2006 MAY -1 P. 11: 19
SECRETARY'S BUREAU

PROTECTIVE ORDER DOCUMENT
FOLDER

IT IS ORDERED THAT:

1. This Protective Order is hereby granted with respect to all materials and information identified at Ordering Paragraphs 2 and 3 which are filed with the Commission, produced in discovery, or otherwise presented during these proceedings. All persons now and hereafter granted access to the materials and information identified in Ordering Paragraphs 2 and 3 shall use and disclose such information only in accordance with this Order.

2. The materials subject to this Order are all correspondence, documents, data, information, studies, methodologies and other materials which a party or an affiliate of a party furnishes in this proceedings pursuant to Commission rules and regulations, discovery procedures or cross-examination or provides as a courtesy to the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate or any other party, which are claimed to be of a proprietary or confidential nature and which are designated "PROPRIETARY" (hereinafter collectively referred to as "Proprietary Information").

3. In addition, parties may designate extremely sensitive Proprietary Information as "HIGHLY CONFIDENTIAL" (hereinafter referred to as "Highly Confidential Information") and thus secure the additional protections set forth in this Order pertaining to such material. Highly Confidential Information shall be only such Proprietary Information that constitutes or describes the producing party's

marketing plans including, inter alia, costing and pricing aspects thereof, competitive strategies, market share projections, marketing materials that have not yet been used, customer-identifying information, or customer prospects for services that are subject to competition.

4. Proprietary Information and Highly Confidential Information shall be made available to the Commission and its Staff for use in this and any related proceeding and for all internal Commission analyses, studies, or investigations. For purposes of filing, to the extent that Proprietary Information or Highly Confidential Information is placed in the Commission's report folders, such information shall be handled in accordance with routine Commission procedures inasmuch as the report folders are not subject to public disclosure. To the extent that Proprietary Information or Highly Confidential Information is placed in the Commission's testimony or document folders, such information shall be separately bound, conspicuously marked, and accompanied by a copy of this Order. Public inspection of Proprietary Information or Highly Confidential Information shall be permitted only in accordance with this Order.

5. Proprietary Information and Highly Confidential Information shall be made available to counsel of record in this proceeding pursuant to the following procedures:

a. Proprietary Information. To the extent required for participation in this proceeding, a party's counsel may afford access to Proprietary Information made available by another party (the "Producing Party") to the party's expert(s), subject to the following restrictions:

i. Such expert(s) may not hold any of the following positions with any competitor of the Producing Party: (a) an officer, board member, stockholder, partner, owner other than stock or employee who is primarily involved in the pricing, development, and/or marketing of products or services that are

offered in competition with those of the Producing Party; or (b) an officer, board member, stockholder, partner, owner other than stock of any affiliate of a competitor of the Producing Party; provided, however, that any expert shall not be disqualified on account of being a stockholder, partner or owner unless his/her interest in the business constitutes a significant potential for violations of the limitations of permissible use of the Proprietary Information. For purposes of this Order, stocks, partnership, or other ownership interest valued at less than \$100,000 and/or constituting less than a 2% interest in a business does not, in itself, establish a significant potential for violation.

ii. If a party's independent expert, another member of the independent expert's firm or the independent expert's firm generally also serves as an expert for, or as a consultant or advisor to a competitor or any affiliate of a competitor of the Producing Party, said independent expert must: (1) advise the Producing Party of the competitor's or affiliate's name(s); (2) make reasonable attempts to segregate those personnel assisting in the expert's participation in this proceeding from those personnel working on behalf of a competitor of the Producing Party; and (3) if segregation of such personnel is impractical, the independent expert shall give to the Producing Party written assurances that the lack of segregation will in no way jeopardize the interests of the Producing Party. The Producing Party retains the right to challenge the adequacy of the written assurances that its interests will not be jeopardized.

b. Highly Confidential Information. Information designated as Highly Confidential shall be produced for inspection by counsel of record only. If the inspecting lawyer desires copies of such material, or desires to disclose its contents to persons other than counsel of record, she or he shall submit a written request to the Producing Party's counsel. If the requesting and producing parties are unable to reach agreement with respect to such a request, they may submit the issue orally to the presiding Administrative Law Judge for resolution.

c. No other persons may have access to Proprietary Information or Highly Confidential Information except as authorized by order of the Commission or of the presiding Administrative Law Judge. No person who may be entitled to receive, or who is afforded access to any Proprietary Information or Highly Confidential Information shall use or disclose such information for the purposes of business or competition, or any purpose other than the preparation for and conduct of this proceeding or any administrative or judicial review thereof.

6. Prior to making Proprietary Information or Highly Confidential Information available to any person as provided in ordering paragraph 5, counsel for a party of record shall deliver a copy of this Order to such person and shall receive a written acknowledgment from that person in the form attached to this Order and designated as "Appendix A". Counsel shall promptly deliver to the Producing Party a copy of this executed acknowledgment form.

7. A Producing Party shall designate data or documents as constituting or containing Proprietary Information or Highly Confidential Information by affixing an appropriate proprietary stamp or typewritten designation on such data or documents. Where only part of data compilations or multi-page documents constitutes or contains Proprietary Information or Highly Confidential Information, the Producing Party, insofar as reasonably practicable within discovery and other time constraints imposed in this proceeding, shall designate only the specific data or pages of documents which constitute or contain Proprietary Information or Highly Confidential Information.

8. Any federal agency which has access to and/or receives copies of the Proprietary Information or Highly Confidential Information will consider and treat the Proprietary Information or Highly Confidential Information as within the exemption from disclosure provided in the Freedom of Information Act as set forth at 5 U.S.C.A. § 552(b)(4) until such time as the information is found to be non-proprietary.

9. Any state agency which has access to and/or receives copies of the Proprietary Information or Highly Confidential Information will consider and treat the Proprietary Information or Highly Confidential Information as within the exemptions from disclosure provided in the Pennsylvania Right-to-Know Act as set forth at 65 P.S. § 66.1(2) until such time as the information is found to be non-proprietary.

10. Any public reference to Proprietary Information or Highly Confidential Information by the Commission or by counsel or persons afforded access thereto shall be to the title or exhibit reference in sufficient detail to permit persons with access to the Proprietary Information or Highly Confidential Information to fully understand the reference and not more. The Proprietary Information or Highly Confidential Information shall remain a part of the record, to the extent admitted, for all purposes of administrative or judicial review.

11. Part of any record of this proceeding containing Proprietary Information or Highly Confidential Information, including but not limited to all exhibits, writings, testimony, cross examination, argument, and responses to discovery, and including reference thereto as mentioned in ordering paragraph 10 above, shall be sealed for all purposes, including administrative and judicial review, unless such Proprietary Information or Highly Confidential Information is released from the restrictions of this Order, either through the agreement of the parties or pursuant to an Order of an Administrative Law Judge or the Commission. Unresolved challenges arising under Paragraph 12 shall be decided on motion or petition by the presiding officer and/or the Commission as provided in 52 Pa. Code § 5.423(a). All such challenges will be resolved in conformity with existing rules, regulations, orders, statutes, precedent, etc., to the extent such guidance is available.

12. The parties affected by the terms of this Order shall retain the right to question or challenge the confidential or proprietary nature of Proprietary Information or Highly Confidential Information; to question or challenge the admissibility of Proprietary Information or Highly Confidential Information on any proper ground, including but not limited to irrelevance, immateriality or undue burden; to seek an order permitting disclosure of Proprietary Information or Highly Confidential Information beyond that allowed in this Order; and to seek additional measures of protection of Proprietary Information or Highly Confidential Information beyond those provided in this Order. If a challenge is made to the designation of a document or information as Proprietary or Highly Confidential, the party claiming that the information is Proprietary or Highly Confidential retains the burden of demonstrating that the designation is necessary and appropriate.

13. Upon completion of this proceeding, including any administrative or judicial review, all copies of all documents and other materials, including notes, which contain any Proprietary Information or Highly Confidential Information shall be immediately returned upon request to the party furnishing such Proprietary Information or Highly Confidential Information. In the alternative, parties may provide an affidavit of counsel affirming that the materials containing or reflecting Proprietary Information or Highly Confidential Information have been destroyed. This provision shall not apply to the Commission, its Staff, the Office of Trial Staff, the Office of Consumer Advocate, or the Office of Small Business Advocate.

BY

APPENDIX A
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

The North-Eastern Pennsylvania : Docket No. P-00981435F1000
Telephone Company Price Stability :
Index/Service Price Index Filing for Year :
2006 :

TO WHOM IT MAY CONCERN:

The undersigned is the _____ of _____
_____ (the retaining party) and is not, nor
has any knowledge or basis for believing that he/she is: (1) an officer, board member,
stockholder, partner or owner other than stock of any competitor of The North-Eastern
Pennsylvania Telephone Company (the "Producing Party") or an employee of any competitor of
the Producing Party who is primarily involved in the pricing, development, and/or marketing of
products or services that are offered in competition with those of the Producing Party; or (2) an
officer, board member, stockholder, partner, or owner other than stock of any affiliate of a
competitor of the Producing Party.

The undersigned has read and understands the Protective Order entered in the above-
referenced proceeding, which Order deals with the treatment of Proprietary and Highly
Confidential Information. The undersigned agrees to be bound by, and comply with, the terms
and conditions of said Order. In the case of an independent expert, the undersigned represents
that he/she has complied with the provisions of paragraph 5(a)(ii) of the Order prior to
submitting this Affidavit.

Signature

Print Name

Address

Date: _____

Employer

ORIGINAL

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

The North-Eastern Pennsylvania : Docket No. P-00981435F1000
Telephone Company PSI/SPI Filing for :
Year 2006 :

CERTIFICATE OF SERVICE

I hereby certify that I have this 1st day of May, 2006, served a true and correct copy of the foregoing PSI/SPI Report on behalf of The North-Eastern Pennsylvania Telephone Company, upon the persons and in the manner listed below:

HAND DELIVERY

Robert Eckenrod, Prosecutor
Office of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P. O. Box 3265
Harrisburg, PA 17105-3265

Philip F. McClelland, Esquire
Sr. Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

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

FIRST CLASS MAIL, POSTAGE PREPAID

Robert Barber, Esquire
AT&T
3033 Chain Bridge Road
Oakton, VA 22185



Michael L. Swindler

REC'D
2006 MAY -1 PM 4:00
PA PUC
SECRETARY'S BUREAU

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

SUITE 500
212 LOCUST STREET
P. O. BOX 9500
HARRISBURG, PA 17108-9500

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FIRM (717) 255-7600

FAX (717) 236-8278

ORIGINAL

CHARLES E. THOMAS
(1913 - 1998)

MICHAEL L. SWINDLER

Direct Dial: (717) 255-7609
E-Mail: mswindler@ttanlaw.com

May 19, 2006

VIA HAND DELIVERY

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

DOCUMENT
FOLDER

SECRETARY'S BUREAU
2006 MAY 19 PM 2:57

In re: The North-Eastern Pennsylvania Telephone Company
PSI/SPI Filing for Year 2006
Docket No. P-00981435F1000

Dear Secretary McNulty:

Enclosed for filing at the above-referenced docket are an original and three (3) copies of **Revised Attachment 1** to replace that filed on May 1, 2006. The revision corrects the Company's SPI calculation.

All parties have been served pursuant to the attached Certificate of Service.

Sincerely,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By



Michael L. Swindler

Enclosure

cc: Certificate of Service
Jani Tuzinski
Ed Brezonsky
Edward Tourje
Don Todd

BTL

63

ORIGINAL

Docket No. P-00981435F1000
Attachment 1
(Revised May 19, 2006)

CHAPTER 30 FILING
THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY
PSI/SPI REPORT FOR YEAR 2006

Date: May 1, 2006

Price Stability Index (PSI)		<u>2006</u>
1.	Gross Domestic Product Price Index (GDP-PI) for the 3Q05*	112.567
2.	GDP-PI for 3Q04	<u>109.371</u>
		3.196
3a.	GDP-PI [(line 1 - line 2) divided by line 2]	0.0292
3b.	GDP-PI Percent Change	2.92%
4.	Less Productivity Offset ⁽¹⁾	<u>0.</u>
5.	Change to PSI [line 3b - line 4]	2.920
6.	Prior Year PSI ⁽²⁾	<u>100.00</u>
7.	New PSI	102.92

Service Price Index (SPI)

1.	Prior Year SPI ⁽²⁾	100.00
2.	Change to SPI ⁽³⁾	<u>0.</u>
3.	New SPI	100.00

* Source: U.S. Department of Commerce, Bureau of Economic Analysis for the quarter ending not more than eight months prior to the advance notice date of the annual PSM filing and the corresponding quarter of the previous year. (<http://www.bea.gov/bea/dn/nipaweb/index/asp> (Table 1.4.4))

(1) Under Act 183 of 2004, § 3014(b)(1)(ii), the Company filed an Amended Network Modernization Plan to commit to accelerate 100% broadband availability by December 31, 2008. In making this election, the productivity (inflation) offset shall be zero per § 3015(a)(1)(i) of the Act.

(2) Per the Company's Chapter 30 Plan, the initial PSI and SPI are each set at 100.

(3) Proposed revenue adjustment divided by total intrastate revenues x 100.

SECRETARY'S BUREAU
2006 MAY 19 PM 2:58

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL

The North-Eastern Pennsylvania : Docket No. P-00981435F1000
Telephone Company PSI/SPI Filing for Year :
2006 :

CERTIFICATE OF SERVICE

I hereby certify that I have this 19th day of May, 2006, served a true and correct copy of Revised Attachment 1 on behalf of The North-Eastern Pennsylvania Telephone Company, upon the persons and in the manner listed below:

HAND DELIVERY

Robert Eckenrod, Prosecutor
Office of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P. O. Box 3265
Harrisburg, PA 17105-3265

Philip F. McClelland, Esquire
Sr. Assistant Consumer Advocate
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555 Walnut Street
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Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

FIRST CLASS MAIL, POSTAGE PREPAID

Robert Barber, Esquire
AT&T
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Oakton, VA 22185

2006 MAY 19 PM 2:58
SECRETARY'S BUREAU

Unsub

Michael L. Swindler
PA Attorney ID No. 43319