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June 20, 2005

BTL

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

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Re: Amended Chapter 30 Plans for Verizon PA and Verizon North

Dear Mr. McNulty:

Verizon Pennsylvania Inc. and Verizon North Inc. hereby submit their Amended Chapter 30 Plans in compliance with Act 183 of 2004 and the Commission's orders entered in Dockets P-00930715 F1000 and P-00001854 F1000 on May 20, 2005.

Sincerely,



Ronald F. Weigel  
Executive Director - Regulatory

Attachments

cc: Office of Consumer Advocate  
Office of Small Business Advocate

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## PART 1 - PRICE STABILITY MECHANISM FOR NONCOMPETITIVE SERVICES

**Overview:** The price stability mechanism restrains revenue increases resulting from tariff rate changes for noncompetitive services. The PSM allows total annual revenues from noncompetitive services to increase from the previous year's total revenues from noncompetitive services as a result of tariff rate changes based on the annual change in the Gross Domestic Product Price Index ("GDP-PI"), as calculated by the United States Department of Commerce, less 2.93 percent. In years when the annual change in the GDP-PI is less than 2.93 percent, the Company must file tariff changes to reduce its revenues from noncompetitive services.

The PSM also contains special provisions for protected services. First, it caps protected service rates, such as residential and business local exchange and special access rates, until December 31, 1999.<sup>1</sup> Second, after December 31, 1999, the PSM limits the annual revenue increase from protected services' tariff rate changes to the change in the GDP-PI less 2.93 percent. Finally, when the annual change in the GDP-PI is less than 2.93 percent, protected services revenues must be reduced through tariff rate changes by a pro-rata share of the revenue reduction required for all noncompetitive services.

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

All tariff filings for noncompetitive services under the PSM will be subject to Commission review under 66 Pa. C.S.A. § 1308.

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

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

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

$$\text{Price Change Opportunity} = \text{Revenues X (GDP-PI - 2.93\%)}$$

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

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

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

If the Price Change Opportunity calculated for the year is positive, Bell may file tariff rate changes for noncompetitive services to recover up to the amount of the Price Change Opportunity for that year or may elect to forego any or all recovery of the Price Change Opportunity for that year. If the Price Change Opportunity for the year is negative, Bell must file tariff rate changes to reduce its revenues by an amount equal to that year's Price Change Opportunity.

3. Within a reasonable time frame after Bell's Plan becomes effective, and within 60 days of the anniversary date thereafter, Bell shall file with the Commission its proposal to implement any required or authorized Price Change Opportunity. The proposal shall include:

- a. The percentage annual change in the GDP-PI based upon the most recent quarterly release;<sup>2</sup>
- b. The calculation GDP-PI minus 2.93%;

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

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

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

4. Bell's tariff rate change proposals shall be subject to Commission review under 66 Pa. C.S.A. §1308. The proposed tariff rates will be effective within 60 days of filing, subject to refund investigation and recoupment, except if the proposed increase constitutes a "general rate increase." The Commission shall review Bell's tariff rate change proposals to determine whether they are designed to produce revenue changes that comply with the PSM. If the Commission determines that the Company's rate proposals do not comply with the PSM, the Commission may modify them to produce the revenues authorized by the PSM. If the Company's proposals comply with the PSM, the Commission may review the individual price levels proposed by the Company and may modify them on a revenue-neutral basis.

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

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

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

8. Notwithstanding any other limitation specified in the PSM, Bell, the Commission Staff, the Office of the Consumer Advocate or the Small Business Advocate may request the Commission to make special revenue adjustments beyond the scope of the PSM that are limited to mechanical regulatory events bearing only on local exchange carriers and may include only changes resulting from: (1) jurisdictional shifts where costs are transferred to or from the interstate jurisdiction and where an equal and opposite exogenous adjustment was allowed by the Federal Communications Commission under its price cap system; and (2) limited regulatory accounting changes not initiated by Bell.<sup>3</sup>

#### **B. Price Protections for Protected Services**

1. For purposes of this PSM, protected services are grouped into the following four categories:

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

a. **Residential Local Exchange Services:** residential dial tone line, local usage, touch tone, and the associated ordering, installation, restoration and disconnection charges, as specified in Appendix 1-1.

b. **Business Local Exchange Services:** business dial tone line, local usage, touch tone, and the associated ordering, installation, restoration and disconnection charges, as specified in Appendix 1-1.

c. **Switched Access Services:** switched access services and the associated ordering, installation, restoration and disconnection charges as specified in Appendix 1-1.

d. **Special Access Services:** special access services and the associated ordering, installation, restoration and disconnection charges as specified in Appendix 1-1.

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

2. Rates for services within the protected service categories of Residence Local Exchange Services and Business Local Exchange Services shall not be subject to PSM increases through December 31, 1999.<sup>4</sup> Rates for services within the Special Access Services protected service category shall not be subject to PSM increases through December 31, 1999, unless, absent an increase, total Special Access Services revenues would be below total Special Access Services costs. Rates for services within the Switched Access Services protected service category shall not be subject to PSM increases through December 31, 1999,

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<sup>4</sup> This provision does not apply to DTL cell and/or rate group reclassification filings made pursuant to Bell's Tariff, Pa. P.U.C. No. 180A, Section A.2-3.

unless, absent an increase, total Switched Access Services revenues would be below total Switched Access Services costs.

3. After the period of prohibited price increases described in Section B.2., Bell will apply the price stability formula described in Section A.2. to all protected services revenues to determine the Price Change Opportunity for protected services. If the Price Change Opportunity is positive, Bell may propose tariff rate changes to increase revenues for protected services by no more than the Price Change Opportunity for all protected services. In addition, for Residential Local Exchange Services and Business Local Exchange Services provided to small businesses with three (3) or fewer lines, revenue increases from tariff rate changes are limited to the lesser of (a) GDP-PI less 2.93 percent; or (b) the overall average percentage increase in total noncompetitive service revenues proposed by Bell pursuant to the PSM. If the Price Change Opportunity is negative, Bell must propose tariff rate changes that permit protected services to bear a pro-rata share of the required revenue reduction. However, Bell is not required or authorized to propose any tariff rate reduction that would reduce an individual service price below its incremental cost.

4. The carrier common line revenue cap, as provided for under the Commission's Opinion & Order in Docket No. R-842779,

entered on February 24, 1988, will continue in effect through the term of the PSM.

5. Subject to Commission review and approval, Bell may propose to change the classification of any protected service to a competitive or noncompetitive service.

**C. Revenue Neutral Changes**

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

not in lieu of the revenue neutral price change tariffs for each market basket.

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

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

ORIGINAL

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Verizon Pennsylvania Inc.'s )  
Petition and Plan ) Docket No. P-00930715  
For Alternative Form of Regulation ) Docket No. P-00930715 F1000  
Under Chapter 30 and Act 183 )

VERIZON PENNSYLVANIA INC.'s  
ALTERNATIVE REGULATION PLAN  
(modified in compliance with the Commission's  
Opinion and Order entered June 28, 1994 and in  
compliance with the Commission's Order entered May 20, 2005)

DOCKETED

JUN 21 2005

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Dated: June 20, 2005

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Bell Atlantic - Pennsylvania, )  
Inc.'s Petition and Plan ) Docket No. P-00930715  
for Alternative Form of Regulation )  
Under Chapter 30 )

BELL ATLANTIC - PENNSYLVANIA INC.'S  
ALTERNATIVE REGULATION PLAN

Executive Summary

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

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

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

Part 2 of the Plan is the competitive services deregulation plan that provides for the deregulation of the rates and earnings of competitive services, but preserves the Commission's authority over the quality of these services. In addition, the CSP contains stringent safeguards to protect competitors from abuses and to insulate basic ratepayers from the economic risks of competitive services. As part of this Plan, six services are classified as competitive: Billing Services; Directory Advertising; Centrex; Paging; Repeat Call; and Speed Calling.

Part 3 of the Plan is the network modernization implementation plan which describes the Company's commitment to provide universal broadband availability by December 31, 2015. The NMP also describes the Company's plans for reasonably balanced deployment of its broadband network among rural, urban and suburban areas within its service territory and for deployment of broadband facilities in or adjacent to public

rights-of-way abutting public schools, industrial parks and health care facilities.

Part 3 also contains the four Network Modernization Plan Supplements that have been filed since the 1994 inception of the plan. The first three supplements were filed in response to Commission Orders and include deployment plans, measurement standards and DSL deployment objectives. The fourth Supplement to the Network Modernization Plan incorporates the network modernization provisions of Act 183, the replacement legislation for Chapter 30 that became law in November of 2004. To coalesce continuing provisions of the first three supplements with the fourth supplement incorporating pertinent Act 183 requirements, the Company has made limited coordinating edits to the first three supplements specifying a consistent 1.544 megabits per second broadband bandwidth obligation and 10 business day response requirement for customer broadband service requests.

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

Part 5 of the Plan incorporates the non-NMP provisions of Act 183. Per Act 183, the 1994 alternative regulation plan was deemed amended consistent with Act 183 upon the Commission's approval of Verizon PA's NMP amendment on May 20, 2005.

D. Discounts to the Disabled

1. The company provides discounts or exemptions to the disabled for a number of services.<sup>5</sup> These exemptions and percentage discounts will remain in effect during the Plan.

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<sup>5</sup> These discounts and exemptions are listed in the following tariffs: Local General Tariff in Pa. P.U.C.-No. 1 and the Message Toll Service Governing Schedule Tariff in Pa. P.U.C.-No. 1 and the Message Toll Service Governing Schedule Tariff in Pa. P.U.C.-No. 1A.

## PART 2 - COMPETITIVE SERVICES DEREGULATION PLAN

**Overview:** Bell's Competitive Services Deregulation Plan (CSP) provides for the price and earnings deregulation of services found by the Commission to be competitive in accordance with statutory criteria in Section 3005 of the Public Utility Code 66 Pa. C.S.A. §3005. Bell's Petition identifies six initial services which the Commission deemed to be competitive: Billing Services, Directory Advertising, Centrex, Paging, Repeat Call and Speed Calling. Each of these services meets all statutory criteria necessary for a determination that it is competitive. Appendices 2-1 through 2-6 of the Plan contain a description of each service and a summary of the evidence, set forth in greater detail in the testimonies of Dr. Willig and Mr. Newman, which supports the determination that the service is competitive.

Part A of the CSP describes the general impact and benefits of providing these services on a competitive basis. Part B describes how Bell has and will fulfill the statutory obligations contained in Chapter 30 for services found to be competitive. Part C describes Bell's monitoring and compliance plan. Appendix 4-1 describes certain safeguards that apply only to electronic publishing services. Bell plans to file additional requests to classify services as competitive and will fully comply the CSP with respect to those services.

## A. Impact and Benefits

Chapter 30 provides for price and earnings deregulation of competitive services "including the deregulation of rates, tolls, charges, rate structures, rate base, rate of return or earnings." 66 Pa. C.S.A. §3004(d)(3). The Commission has declared each service proposed by Bell to be competitive and fully deregulated them in accordance with the statute. Bell filed informational tariffs with the Commission for its competitive services on July 27, 1994, and will file informational tariffs for services declared competitive in the future. Bell will also have the option to include or exclude specific prices in its informational tariffs. Bell will be able to modify those prices, just as its competitors do, to respond to market conditions.

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

While the customers of services deemed competitive will benefit, customers of other services will not be affected. The

PSM prohibits any price increases for protected services until December 31, 1999. Moreover, all noncompetitive services may only increase prices under the PSM limits, which operate independent of Bell's control.

Finally, the Commission will retain its existing authority over competitive services for other purposes, such as service quality standards.

#### B. Statutory Protections

Bell's CSP also incorporates the statutory protections contained in Chapter 30.

First, Bell has met the unbundling requirements in Section 3005(E)(1) with respect to each and every product and service that it seeks to have deemed competitive. Each basic service function upon which the competitive service depends is available on an unbundled, nondiscriminatory basis in Bell's tariff.<sup>6</sup>

Second, Bell's prices for competitive services are set above the tariffed rates for these unbundled service elements, as required by Section 3005(E)(2).

Third, Bell has insured that the revenues earned or expenses incurred for any noncompetitive service will not cross-subsidize

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<sup>6</sup> In its June 28, 1994 Opinion and Order, the Commission designated the directory listings database as a Basic Service Function ("BSF") and required the Company to include this BSF as a regulated tariffed item. Pursuant to this requirement, Bell filed tariffs for its directory listings database service on July 27, 1994.

or support any competitive service as required by Section 3005(G)(2). There is no cross-subsidy between services where the price charged for that service covers its direct incremental cost. The price for each of Bell's competitive services covers its incremental cost. Bell has included cost information with Mr. Newman's testimony for the six services classified as competitive.

Equally important, Bell has designed its PSM to eliminate the incentive and ability to cross-subsidize competitive services.

Fourth, Bell will not maintain any resale or sharing restrictions on any competitive services.

Finally, Bell will comply with the Commission's regulations, standards and safeguards for competitive services developed in the investigation proceeding instituted by the Commission's June 28 Opinion and Order.

### **C. Monitoring and Compliance**

Bell will file biennial monitoring reports with the Commission to provide the current market conditions for each competitive service. The initial report will be filed two years after initial approval of the Plan and will include information concerning all products and services determined to be competitive. Subsequent reports will be filed every two years thereafter. A sample format for this report is included as

Appendix 2-7. No additional accounting or competitive reports are necessary or proposed.

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

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

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

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

The Company will also update the NMP biennially. Absent extraordinary circumstances, Bell will continue to meet or exceed its commitments.

## Bell's Progression to a Broadband Network

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

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

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

**A. Intelligent Network Services**

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

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

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

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

One potential call routing service would allow customers to reach the nearest location of a business with many locations by dialing a single number. Other call routing services -- referred to as "follow me" services -- could allow customers to forward calls to different locations at different times or on different days. Screening services will also be available to permit customers to forward or block incoming calls depending upon origin or destination.

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

Historically, the information required to route calls through the telephone network -- "signaling" information -- has been carried over the same facilities used to carry the calls.

This traditional signaling system has limited information carrying capacity and flexibility. In recent years, an intelligent network signaling capability -- CCS -- has been developed. CCS uses a separate digital network to carry signaling and other information. This technology is flexible and has a high capacity for carrying information.

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

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

\* 100% availability in 1994.

### B. Digital Services

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

Customers who use any combination of work stations, personal computers, facsimile machines, answering machines and telephones are candidates for digital services. In addition, digital services will dramatically increase opportunities for telecommuting by enabling employees with home work stations to interconnect them with a main frame computer or Local Area Network (LAN) on a high speed basis while simultaneously permitting voice communications over the same telephone line.

Today, a form of digital service capability, Integrated Services Digital Network (ISDN) service,<sup>7</sup> is currently available to 25 percent of Bell's access lines. Bell plans to make ISDN available to all of its customers by 2000.<sup>8</sup>

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

\* 100% availability in 2000.

<sup>7</sup> ISDN is a switched digital communications standard which has been under development for a number of years. It essentially allows customers to have access to two 64 kilobits per second digital voice or data channels and a 16 kilobits per second signaling channel. These signals are capable of being carried on copper distribution facilities that are less than 18,000 feet in length, and require connection to a digital switching system with appropriate hardware and software.

<sup>8</sup> Because of the work which may be needed to condition an individual customer's distribution facility for ISDN service and to deploy any necessary electronics, Bell may need up to 60 days to process some customers' orders for ISDN service. As broadband facilities are more widely deployed in Bell's distribution network, there will be fewer situations requiring 60 days to fill an ISDN order.

In order to make this service capability available, Bell currently plans to deploy digital switches throughout its network. Approximately 51 percent of Bell's access lines are now served by digital switches. By the end of the year 2000, Bell plans to serve all customers with digital switches. Bell will continue to monitor technical developments in this area and may modify its plans in response to significant technological changes.

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

\* 100% in 2000.

### C. Broadband Services

Bell's network will progress to universal broadband service capability. This service capability will permit services which require bandwidth of at least 1.544 megabits, such as video on demand, new generation video telephone, high speed data services and certain distance learning applications (e.g., students accessing remote multimedia educational information from home or school). It will also make possible a full panoply of broadband services requiring higher bandwidth, such as medical imaging, two-way interactive distance learning, very high speed computer

communications, high definition television (HDTV), and other broadband services developed in the future. The open network, equal access design will permit these types of broadband services to be available not only from Bell, but also from competing service providers.

*Bell commits to deploy the technologies necessary to provide universal broadband availability in 2015. In order to meet this commitment, Bell plans to deploy a broadband network using fiber optics or other comparable technology that is capable of supporting services requiring bandwidth of at least 1.544 megabits per second or its equivalent.<sup>9</sup> Broadband switching capability will be included in Bell's network as the technology develops as needed to make switched broadband services available to meet customer requirements.*

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

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<sup>9</sup> The bandwidth of fiber is controlled by the electronics at the ends of the cable, not by the physical facility. A fiber network constructed to transmit at 1.544 megabits per second can be upgraded for wider bandwidth in the future with new electronics.

1. Commitment to Universal Broadband Availability

In accordance with Section 3003(B)(1) of Chapter 30, Bell commits to universal broadband availability by December 31, 2015. The schedule set forth below specifies interim target dates for deployment of Bell's broadband network. For purposes of this NMP, these targets are considered to be floors for broadband availability. If the Company has viable opportunities to exceed these floors, it will do so.

	Current	1998	2004	2008	2013	2015
Broadband Availability	0%	20%	50%	63%	95%	100%

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

Bell has already made substantial progress in deploying broadband capability in its interoffice telecommunications network. Nearly 97 percent of its interoffice network already has some broadband capability using fiber optic trunk lines. In

1994, all of its interoffice network will have some broadband capability using fiber optic trunk lines.

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

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

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

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

\* 100% in 2000.

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

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

Section 3003(b)(2) of Chapter 30 requires the Company to reasonably balance deployment of its broadband network among rural, urban and suburban areas within its service territory. Chapter 30 does not define these urban, suburban or rural areas. For purposes of this NMP, the Company has classified each of its exchange areas as either urban, suburban or rural. These classifications are set forth in Appendix 3-1.

The classification of Bell's exchanges as rural, urban or suburban is based on their density cell designation under Bell's tariff.<sup>10</sup> Exchanges in Density Cells 1 & 2 are classified as urban, Density Cell 3 as suburban and Density Cell 4 as rural.

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

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<sup>10</sup> See Appendix 3-1.

Broadband Availability	Current	1998	2004	2008	2013	2015
Rural	0%	20%	50%	63%	95%	100%
Urban	0%	20%	50%	63%	95%	100%
Suburban	≤1%	20%	50%	63%	95%	100%

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

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

As shown on the table below, Bell has already made substantial progress in making broadband facilities available to these locations. Bell plans to accelerate this deployment so that all of these locations will have access to broadband facilities in 2000. The following table provides an estimate of Bell's current progress in making broadband facilities available to these locations. Bell will continue to work with government agencies and officials to insure that all such locations have access to broadband facilities in 2000.

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

\* 100% in 2000.

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

#### 4. Deployment Guidelines

Bell's deployment of broadband facilities under this NMP will be governed by the Deployment Guidelines set forth in Appendix 3-2. These guidelines provide decision rules and trigger points for the deployment of broadband facilities.

For example, the guidelines specify that feeder routes will be augmented with broadband facilities as a first choice when they reach 87 percent of capacity. The guidelines also specify

that broadband facilities should be deployed wherever necessary to meet specific customer requirements.

The decision rules and trigger points set forth in the guidelines are intended to enable the Company to meet all of the targets described in the NMP. The Company will continuously monitor its progress toward meeting those targets under these guidelines. If the Company determines that the guidelines need to be modified in order to meet the targets, the Company will do so. Such modifications will be included in Bell's biennial updates of this NMP provided to the Commission.

#### 5. Joint Ventures

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

## 6. Biennial NMP Updates

Bell will provide biennial updates to its NMP on June 30, 1996, and every two years thereafter. These biennial updates will include the Company's three year deployment plan setting forth the location for upgrades in switches, the location for the placement of fiber access lines and other upgrades or expansions. The updates will also inform the Commission of Bell's efforts pertaining to joint ventures.

Along with its first biennial update, Bell will report on its ongoing program of providing telecommunications products and services that enhance the quality of life of people with disabilities.

**ATTACHMENT A**

**14 PAGES IN TOTAL**

CLASSIFICATION OF BA-PA EXCHANGES BY TARIFF  
DENSITY CELL DESIGNATION AS OF JULY 27, 1994

EXCHANGE	DENSITY CELL	CLASSIFICATION
BALDWIN	1	URBAN
DAVENPORT	1	URBAN
DOWNTOWN-1	1	URBAN
EVERGREEN	1	URBAN
LOCUST	1	URBAN
MARKET	1	URBAN
OAKLAND	1	URBAN
PENNYPACKER	1	URBAN
POPLAR	1	URBAN
SHERWOOD	1	URBAN
ALLENTOWN-PITT	2	URBAN
BELLEVUE	2	URBAN
BRADDOCK	2	URBAN
CARRICK	2	URBAN
CHESTNUT HILL	2	URBAN
CRAFTON	2	URBAN
DEWEY	2	URBAN
DORMONT	2	URBAN
EAST LIBERTY	2	URBAN
EASTWICK	2	URBAN
GERMANTOWN	2	URBAN
HOMESTEAD	2	URBAN
IVYRIDGE	2	URBAN
JEFFERSON	2	URBAN
KNIGHTS ROAD	2	URBAN
MAYFAIR	2	URBAN

MCKEES ROCKS	2	URBAN
MILLVALE	2	URBAN
NORTHSIDE	2	URBAN
ORCHARD	2	URBAN
PILGRIM	2	URBAN
REGENT	2	URBAN
SARATOGA	2	URBAN
SHARPSBURG	2	URBAN
SQUIRREL HILL	2	URBAN
TRINITY	2	URBAN
WAVERLY	2	URBAN
WEST VIEW	2	URBAN
WILKINSBURG	2	URBAN
ALLENTOWN	3	SUBURBAN
AMBLER	3	SUBURBAN
AMBRIDGE	3	SUBURBAN
ARDMORE	3	SUBURBAN
BALA CYNWYD	3	SUBURBAN
BEAR CREEK	3	SUBURBAN
BETHAYRES	3	SUBURBAN
BETHEL PARK	3	SUBURBAN
BETHLEHEM	3	SUBURBAN
BRIDGEVILLE	3	SUBURBAN
BRISTOL	3	SUBURBAN
BRYN MAWR	3	SUBURBAN
CAMP HILL	3	SUBURBAN
CARNEGIE	3	SUBURBAN
CATASAUQUA	3	SUBURBAN
CHESTER A	3	SUBURBAN
CHESTER B	3	SUBURBAN

CHESTER HEIGHTS	3	SUBURBAN
CHURCHVILLE	3	SUBURBAN
CLAIRTON	3	SUBURBAN
CONSHOHOCKEN	3	SUBURBAN
CORAOPOLIS	3	SUBURBAN
DORSEYVILLE	3	SUBURBAN
DOYLESTOWN	3	SUBURBAN
EAST PETERSBURG	3	SUBURBAN
EASTON	3	SUBURBAN
EDDINGTON	3	SUBURBAN
ELIZABETH TOWNSHIP	3	SUBURBAN
ENOLA	3	SUBURBAN
EXTON	3	SUBURBAN
FISHING CREEK	3	SUBURBAN
GLENOLDEN	3	SUBURBAN
GLENSHAW	3	SUBURBAN
GREENSBURG	3	SUBURBAN
HARRISBURG	3	SUBURBAN
HATBORO	3	SUBURBAN
HAZLETON	3	SUBURBAN
HEPBURNVILLE	3	SUBURBAN
IRWIN	3	SUBURBAN
JEANNETTE	3	SUBURBAN
JENKINTOWN	3	SUBURBAN
KING OF PRUSSIA	3	SUBURBAN
KINGSTON	3	SUBURBAN
KIRKLYN	3	SUBURBAN
KUHNSVILLE	3	SUBURBAN
KULPMONT	3	SUBURBAN

LANCASTER	3	SUBURBAN
LANGHORNE	3	SUBURBAN
LANSDALE	3	SUBURBAN
LANSDOWNE	3	SUBURBAN
LARCHMONT	3	SUBURBAN
LAURELDALE	3	SUBURBAN
MCKEESPORT	3	SUBURBAN
MEDIA	3	SUBURBAN
MONESSEN	3	SUBURBAN
MONROEVILLE	3	SUBURBAN
MONTOURSVILLE	3	SUBURBAN
MORRISVILLE	3	SUBURBAN
MOUNTAINVILLE	3	SUBURBAN
NEW CUMBERLAND	3	SUBURBAN
NEW KENSINGTON	3	SUBURBAN
NEWTOWN	3	SUBURBAN
NORRISTOWN	3	SUBURBAN
NORTH WALES	3	SUBURBAN
OAKMONT	3	SUBURBAN
PAOLI	3	SUBURBAN
PAXTANG	3	SUBURBAN
PAXTONIA	3	SUBURBAN
PENN HILLS	3	SUBURBAN
PERRYSVILLE	3	SUBURBAN
PITTSTON	3	SUBURBAN
PLEASANT HILLS	3	SUBURBAN
PLYMOUTH	3	SUBURBAN
POTTSTOWN	3	SUBURBAN
READING	3	SUBURBAN
RIDLEY PARK	3	SUBURBAN

ROBINSON TP	3	SUBURBAN
SAINT LAWRENCE	3	SUBURBAN
SCRANTON	3	SUBURBAN
SEWICKLEY	3	SUBURBAN
SHARON	3	SUBURBAN
SHILLINGTON	3	SUBURBAN
SINKING SPRING	3	SUBURBAN
SPRINGDALE	3	SUBURBAN
SPRINGFIELD	3	SUBURBAN
STATE COLLEGE	3	SUBURBAN
STEELTON	3	SUBURBAN
TAYLOR	3	SUBURBAN
TROOPER	3	SUBURBAN
TULLYTOWN	3	SUBURBAN
TURTLE CREEK	3	SUBURBAN
WARRINGTON	3	SUBURBAN
WAYNE	3	SUBURBAN
WEST CHESTER	3	SUBURBAN
WEST MIFFLIN	3	SUBURBAN
WILKES-BARRE	3	SUBURBAN
WILLIAMSPORT	3	SUBURBAN
WILLOW GROVE	3	SUBURBAN
WILLOW STREET	3	SUBURBAN
WYOMING	3	SUBURBAN
YARDLEY	3	SUBURBAN
ALBRIGHTSVILLE	4	RURAL
ALEXANDRIA	4	RURAL
ALFARATA	4	RURAL
ALIQUPPA	4	RURAL
ALTOONA	4	RURAL

ANNVILLE	4	RURAL
ASHLAND	4	RURAL
AUSTIN	4	RURAL
AVELLA	4	RURAL
AVONDALE	4	RURAL
BADEN	4	RURAL
BARNESBORO	4	RURAL
BATH	4	RURAL
BEAVER FALLS	4	RURAL
BEDMINSTER	4	RURAL
BELLE VERNON	4	RURAL
BELLEFONTE	4	RURAL
BELLWOOD	4	RURAL
BERWICK	4	RURAL
BESSEMER	4	RURAL
BLACK LICK	4	RURAL
BLAIRSVILLE	4	RURAL
BLOOMSBURG	4	RURAL
BOALSBURG	4	RURAL
BOLIVAR	4	RURAL
BRADFORD	4	RURAL
BROWNSVILLE	4	RURAL
BUCKINGHAM	4	RURAL
BURGETTSTOWN	4	RURAL
BUSHKILL	4	RURAL
CALIFORNIA	4	RURAL
CANONSBURG	4	RURAL
CARBONDALE	4	RURAL
CARROLLTOWN	4	RURAL
CARVERSVILLE	4	RURAL

CATAWISSA	4	RURAL
CENTER POINT	4	RURAL
CENTRE HALL	4	RURAL
CHARLEROI	4	RURAL
CHERRY TREE	4	RURAL
CHESTER SPRINGS	4	RURAL
CLARION	4	RURAL
CLAYSVILLE	4	RURAL
CLEARFIELD	4	RURAL

CLYMER	4	RURAL
COATESVILLE	4	RURAL
COLLEGEVILLE	4	RURAL
CONNELLSVILLE	4	RURAL
COUDERSPORT	4	RURAL
CRESKO	4	RURAL
CRESSON	4	RURAL
CURWENSVILLE	4	RURAL
DANVILLE	4	RURAL
DAUPHIN	4	RURAL
DAWSON	4	RURAL
DERRY	4	RURAL
DONORA	4	RURAL
DOWNINGTOWN	4	RURAL
DUBOIS	4	RURAL
DUNBAR	4	RURAL
EAGLE	4	RURAL
EBENSBURG	4	RURAL
ELDRED	4	RURAL
ELIZABETH	4	RURAL
ELLWOOD CITY	4	RURAL
ELYSBURG	4	RURAL
ENDEAVOR	4	RURAL
FAIRCHANCE	4	RURAL
FARMINGTON	4	RURAL
FAYETTE CITY	4	RURAL
FINLEYVILLE	4	RURAL
FLEETWOOD	4	RURAL
FRACKVILLE	4	RURAL
FREELAND	4	RURAL

FRENCHVILLE	4	RURAL
GALETON	4	RURAL
GIRARDVILLE	4	RURAL
GLEN CAMPBELL	4	RURAL
GLEN LYON	4	RURAL
GLENMOORE	4	RURAL
GREEN LANE	4	RURAL
GREENVILLE	4	RURAL
GROVE CITY	4	RURAL
HALIFAX	4	RURAL
HAMBURG	4	RURAL
HAMLIN	4	RURAL
HARLEYSVILLE	4	RURAL
HASTINGS	4	RURAL
HAWLEY	4	RURAL
HELLERTOWN	4	RURAL
HERMINIE	4	RURAL
HOLLIDAYSBURG	4	RURAL
HOMER CITY	4	RURAL
HONESDALE	4	RURAL
HONEY BROOK	4	RURAL
HOOKSTOWN	4	RURAL
HOUTZDALE	4	RURAL
HUMMELSTOWN	4	RURAL
HUNTINGDON	4	RURAL
IMPERIAL	4	RURAL
INDIANA	4	RURAL
JERMYN	4	RURAL
JERSEY SHORE	4	RURAL
JIM THORPE	4	RURAL

KANE	4	RURAL
KEMBLESVILLE	4	RURAL
KENNETT SQUARE	4	RURAL
KUTZTOWN	4	RURAL
LAKE ARIEL	4	RURAL
LAKE COMO	4	RURAL
LANDENBERG	4	RURAL
LANDISVILLE	4	RURAL
LATROBE	4	RURAL
LEBANON	4	RURAL
LEEPER	4	RURAL
LEHIGHTON	4	RURAL
LEWISTOWN	4	RURAL
LIGONIER	4	RURAL
LINE LEXINGTON	4	RURAL
LOCK HAVEN	4	RURAL
LORDS VALLEY	4	RURAL
MAHAFFEY	4	RURAL
MAHANOEY CITY	4	RURAL
MARCHAND	4	RURAL
MARIENVILLE	4	RURAL
MARION CENTER	4	RURAL
MARSHALLS CREEK	4	RURAL
MASONTOWN	4	RURAL
MCADOO	4	RURAL
MCCLELLANDTOWN	4	RURAL
MCDONALD	4	RURAL
MCMURRAY	4	RURAL
MCVEYTOWN	4	RURAL
MECHANICSBURG	4	RURAL

MENDENHALL	4	RURAL
MERCER	4	RURAL
MIDDLETOWN	4	RURAL
MIDLAND	4	RURAL
MILLERSVILLE	4	RURAL
MILLHEIM	4	RURAL
MILLVILLE	4	RURAL
MILTON	4	RURAL
MINERSVILLE	4	RURAL
MONONGAHELA	4	RURAL
MOOSIC	4	RURAL
MOSCOW	4	RURAL
MOUNT CARMEL	4	RURAL
MOUNT GRETNA	4	RURAL
MOUNT JEWETT	4	RURAL
MOUNT PLEASANT	4	RURAL
MOUNT POCONO	4	RURAL
MOUNT UNION	4	RURAL
MOUNTAINTOP	4	RURAL
NANTICOKE	4	RURAL
NAZARETH	4	RURAL
NESQUEHONING	4	RURAL
NEW CASTLE	4	RURAL
NEW FLORENCE	4	RURAL
NEW HOPE	4	RURAL
NEW PHILADELPHIA	4	RURAL
NEW SALEM	4	RURAL
NEW STANTON	4	RURAL
NEWFOUNDLAND	4	RURAL
NORTHAMPTON	4	RURAL

NUMIDIA	4	RURAL
OAKDALE	4	RURAL
OLYPHANT	4	RURAL
ORWIGSBURG	4	RURAL
OSCEOLA MILLS	4	RURAL
OXFORD	4	RURAL
PALMYRA	4	RURAL
PARKERFORD	4	RURAL
PARKESBURG	4	RURAL
PARKWOOD	4	RURAL
PATTON	4	RURAL
PENNSBURG	4	RURAL
PERKASIE	4	RURAL
PERRYOPOLIS	4	RURAL
PHILIPSBURG	4	RURAL
PHOENIXVILLE	4	RURAL
PINEVILLE	4	RURAL
PLEASANT GAP	4	RURAL
PLUMSTEADVILLE	4	RURAL
POINT MARION	4	RURAL
PORT ALLEGHENY	4	RURAL
PORTAGE	4	RURAL
POTTSVILLE	4	RURAL
PUGHTOWN	4	RURAL
PUNXSUTAWNEY	4	RURAL
QUAKERTOWN	4	RURAL
RENOVO	4	RURAL
REW	4	RURAL
REYNOLDSVILLE	4	RURAL
RIEGELSVILLE	4	RURAL

ROCHESTER	4	RURAL
ROULETTE	4	RURAL
ROYERSFORD	4	RURAL
RUSSELL	4	RURAL
SAXTON	4	RURAL
SCHUYLKILL HAVEN	4	RURAL
SCHWENKSVILLE	4	RURAL
SCOTTDALE	4	RURAL
SHAMOKIN	4	RURAL
SHARPSVILLE	4	RURAL
SHENANDOAH	4	RURAL
SLATINGTON	4	RURAL
SMETHPORT	4	RURAL
SMOCK	4	RURAL
SNOW SHOE	4	RURAL
SOUDERTON	4	RURAL
SPRING MILLS	4	RURAL
SPRINGTOWN	4	RURAL
STANDING STONE	4	RURAL
STRASBURG	4	RURAL
STROUDSBURG	4	RURAL
SUGAR GROVE	4	RURAL
SUNBURY	4	RURAL
SYKESVILLE	4	RURAL
TAMAQUA	4	RURAL
TANNERSVILLE	4	RURAL
TARENTUM	4	RURAL
TIDIOUTE	4	RURAL
TIONESTA	4	RURAL
TOBYHANNA	4	RURAL

TYRONE	4	RURAL
ULYSSES	4	RURAL
UNIONTOWN	4	RURAL
UPPER BLACK EDDY	4	RURAL
WALLENPAUPACK	4	RURAL
WAMPUM	4	RURAL
WARREN	4	RURAL
WASHINGTON	4	RURAL
WASHINGTONVILLE	4	RURAL
WEATHERLY	4	RURAL
WEST ALEXANDER	4	RURAL
WEST GROVE	4	RURAL
WEST MIDDLESEX	4	RURAL
WEST NEWTON	4	RURAL
WHITEHAVEN	4	RURAL
WINBURNE	4	RURAL
WOODLAND	4	RURAL
WOOLRICH	4	RURAL
YOUNGSVILLE	4	RURAL
ZELIENOPE	4	RURAL

**ATTACHMENT B**

**8 PAGES IN TOTAL**

## DESCRIPTION OF THE HYBRID FIBER-COAX ACCESS SYSTEM

The Hybrid Fiber-Coax Broadband Access System provides signal transport of both broadband (including video and other broadband services) and narrowband telephony services from a Video Distribution Central Office to a subscriber residence or business. The modular construction of this system allows for low-cost provisioning of a full range of services, as customer requirements dictate.

The Hybrid Fiber-Coax System architecture uses Radio Frequency (RF) technology for transport, and accepts traditional analog video, narrowband voice, and digitally-encoded broadband signals which are multiplexed onto the system in a combined signal. This allows the integrated delivery of a mix of analog broadcast, digital broadcast, archival, Interactive Multimedia services, new broadband services, along with traditional narrowband telephony services.

### HYBRID FIBER-COAX ARCHITECTURE

Figure 1 provides an overview of the Hybrid Fiber-Coax System. Analog and digitally encoded video signals are provided by Video Dialtone Programmer - Customers. All broadband services will be routed through a Video Distribution Office within the LATA to concentrate signals onto efficient high speed facilities. Signals are then routed to various Video Serving Offices, either directly, or through an Asynchronous Transfer Mode (ATM) digital switch.

A Broadband Network Interface is located in the Video Serving Office, and accepts a variety of signals, including analog video signals from video head-ends and antenna feeds, digital broadband signals for encoded video transport, broadband data for future "super highway" services as well as telephony signals from a narrowband Host Digital Terminal connected to the central office switch. The Broadband Network Interface provides signal formatting, modem, and combining functions, and performs the electrical/optical signal conversion function. These signals are then placed on the outgoing fibers, and distributed to Remote Optical Nodes.

The Remote Optical Node takes the combined signals from the fiber, reconverts them to electrical signals, and places them on a copper coaxial distribution network. Signals are further distributed between the backbone coax distribution system and end user premises through 8 way taps, and coax drops to the customer's Network Interface Unit (NIU). The Network Interface Unit can be externally mounted at the subscriber's home or business, and separates voice signals from broadband signals, placing narrowband signals on traditional twisted wire pairs, and broadband signals on premises coaxial wiring.

Telephony, broadband analog and broadband digital service distribution is efficiently provided in the combined spectrum that is transmitted on fiber facilities by the Analog Lightwave Transmitter. Upstream telephony and control signals for Video-On-Demand and other interactive services are provided on separate fibers from the Remote Optical Node to the Broadband Network Interface.

## VIDEO DISTRIBUTION ARCHITECTURE

For video dialtone applications, the equipment used for the distribution of video signals varies, depending on the type of signal being provided. Analog video signals are inserted using Radio Frequency combiners to add or delete 6 MHz signals. Analog video signals that are retransmitted off the air must be demodulated through a Signal Processor. Digital video broadcast and digital video pointcast services interface with a set of 64 Quadrature Amplitude Modulation (QAM) modulators, which also transmit a radio frequency signal. The combined output of the RF modems is transmitted on an optical fiber via an Analog Lightwave Transmitter.

Video digital signals, such as Video On Demand, Interactive Multimedia Television, and archival programs are delivered from video servers through an ATM switch to a Video Serving Office. Using an ATM Access Switch, Digital RF Modems, and RF combiner, these signals are combined with analog video and digital broadband/video on the Analog Lightwave system destined for the targeted neighborhood.

At the premises, a subscriber's set-top box will receive a broadband digital QAM signal from the coaxial drop. The set-top box tunes the selected RF channel and either directly accesses an analog video signal or a digital bitstream which must be demodulated, decoded and output as NTSC video signals, for use with standard television sets. Other broadband applications may require new premises equipment to convert analog or digital broadband signals for the appropriate application.

The Hybrid Fiber-Coax Broadband Access system is a modular system that supports a wide range of services, including analog and digital video broadcast, Pay-Per-View, Video On Demand, and interactive multimedia television, other broadband applications, and a full range of telephony services that will gracefully integrate into Bell Atlantic's digital switching network.

# HYBRID FIBER/COAX NETWORK ARCHITECTURE

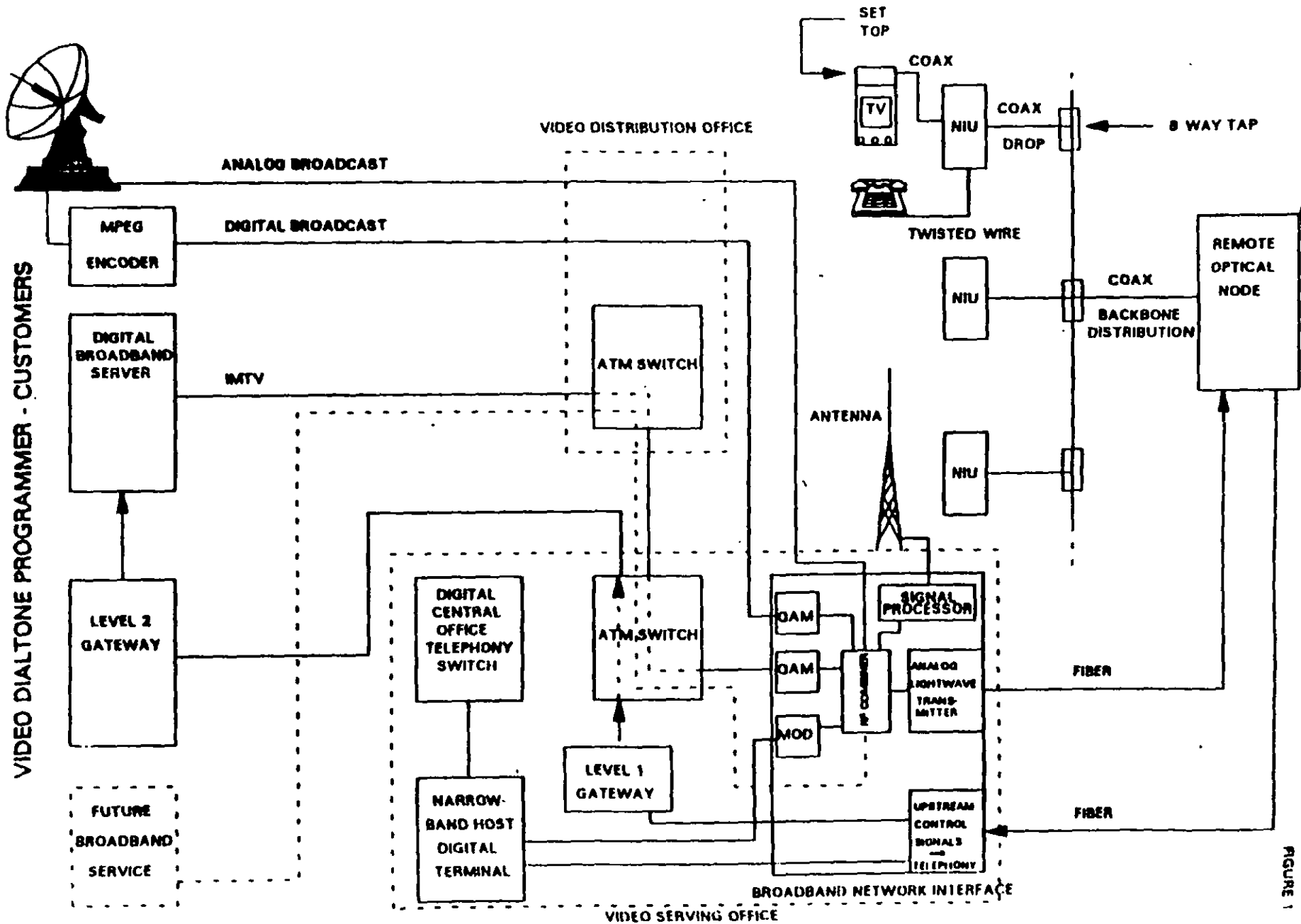


FIGURE 1

EXHIBIT 3  
INVESTMENT BY PLANT ACCOUNT

## NETWORK COMPONENTS - PART 32 ACCOUNTS (\$,000)

SERVICE AREA: PHILADELPHIA/DELAWARE VALLEY

POTENTIAL END USER SUBSCRIBERS: 708,378

COMPONENTS	PART 32 ACCOUNT	QUANTITY	MATERIAL	LABOR	TOTAL
VIDEO SERVING OFFICE EQUIPMENT					
SIGNALING & CONTROL	2232	35	\$17,305	\$3,544	\$20,849
FSN INTERFACE	2232	35	\$8,181	\$1,676	\$9,857
DIGITAL MODULATION	2232	35	\$19,896	\$4,075	\$23,971
FIBER (MILES)					
PROG-CUST. TO VDO	2410	1180	\$176	\$624	\$800
VDO TO VSO	2410	2255	\$337	\$1,193	\$1,530
VSO TO NODES	2410	46469	\$6,324	\$22,421	\$28,745
ELECTRONICS	2232	118	\$37,121	\$7,603	\$44,724
ANALOG DISTRIBUTION SYSTEM	2231	1	\$847	\$173	\$1,020
REMOTE OPTICAL NODE	2232	1297	\$26,764	\$6,691	\$33,454
DISTRIBUTION PLANT (MILES)	2410	10990	\$25,301	\$84,704	\$110,005
DROP/NETWORK INTERFACE (MILES)	2410	4428	\$8,797	\$26,391	\$35,187
SIGNALLING/LEVEL 1 GTWY	2232	1	\$127	\$26	\$153
ATM SWITCH NETWORK	2232	3	\$18,561	\$3,802	\$22,362
CAPITAL TOOLS	2116	1	\$339	\$0	\$339
OPERATIONS SUPPORT SYSTEM	2124	1	\$6,394	\$1,310	\$7,704
-----					
TOTALS			\$176,468	\$164,233	\$340,701

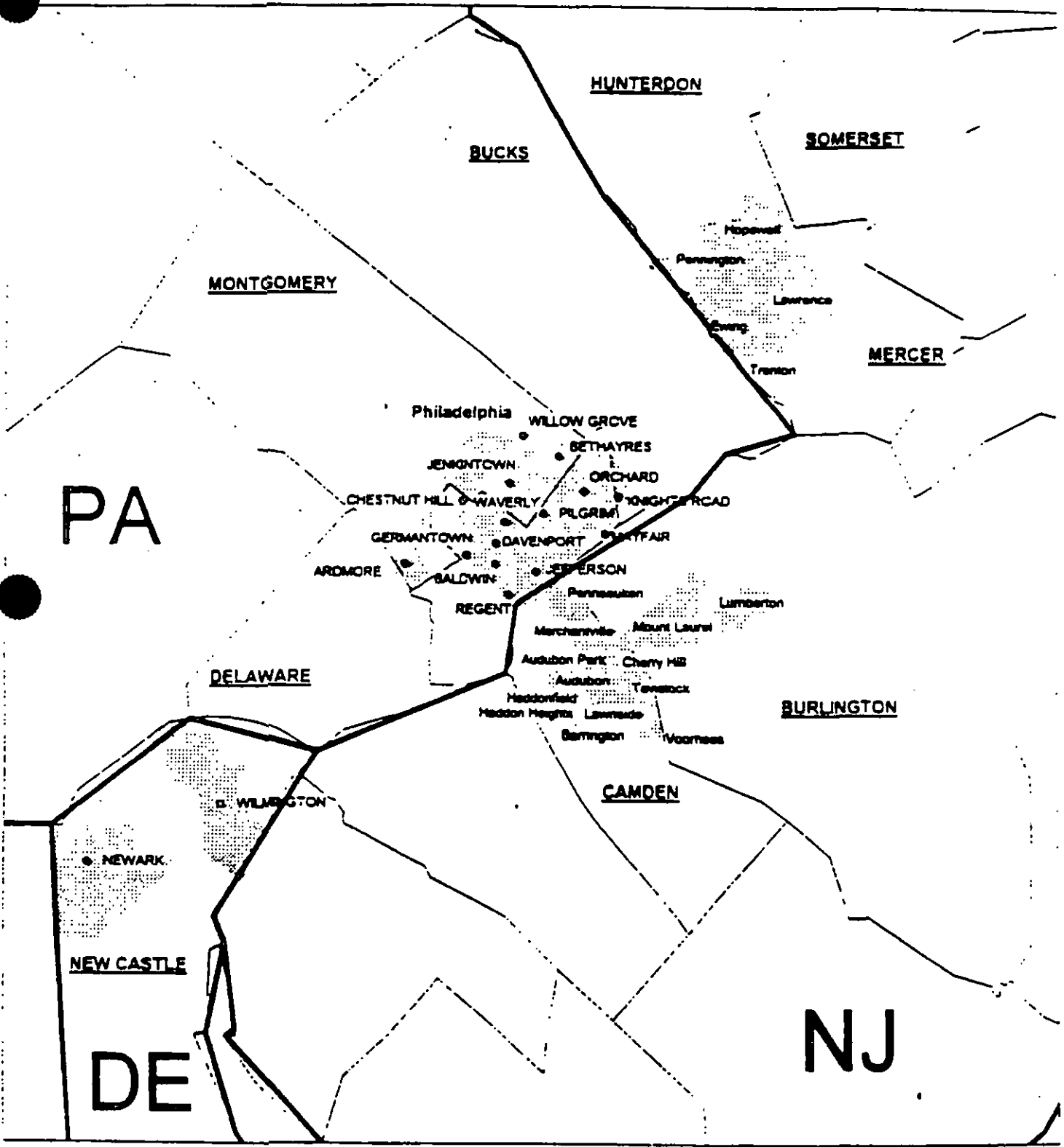
## NETWORK COMPONENTS - PART 32 ACCOUNTS (S,000)

SERVICE AREA: PITTSBURGH

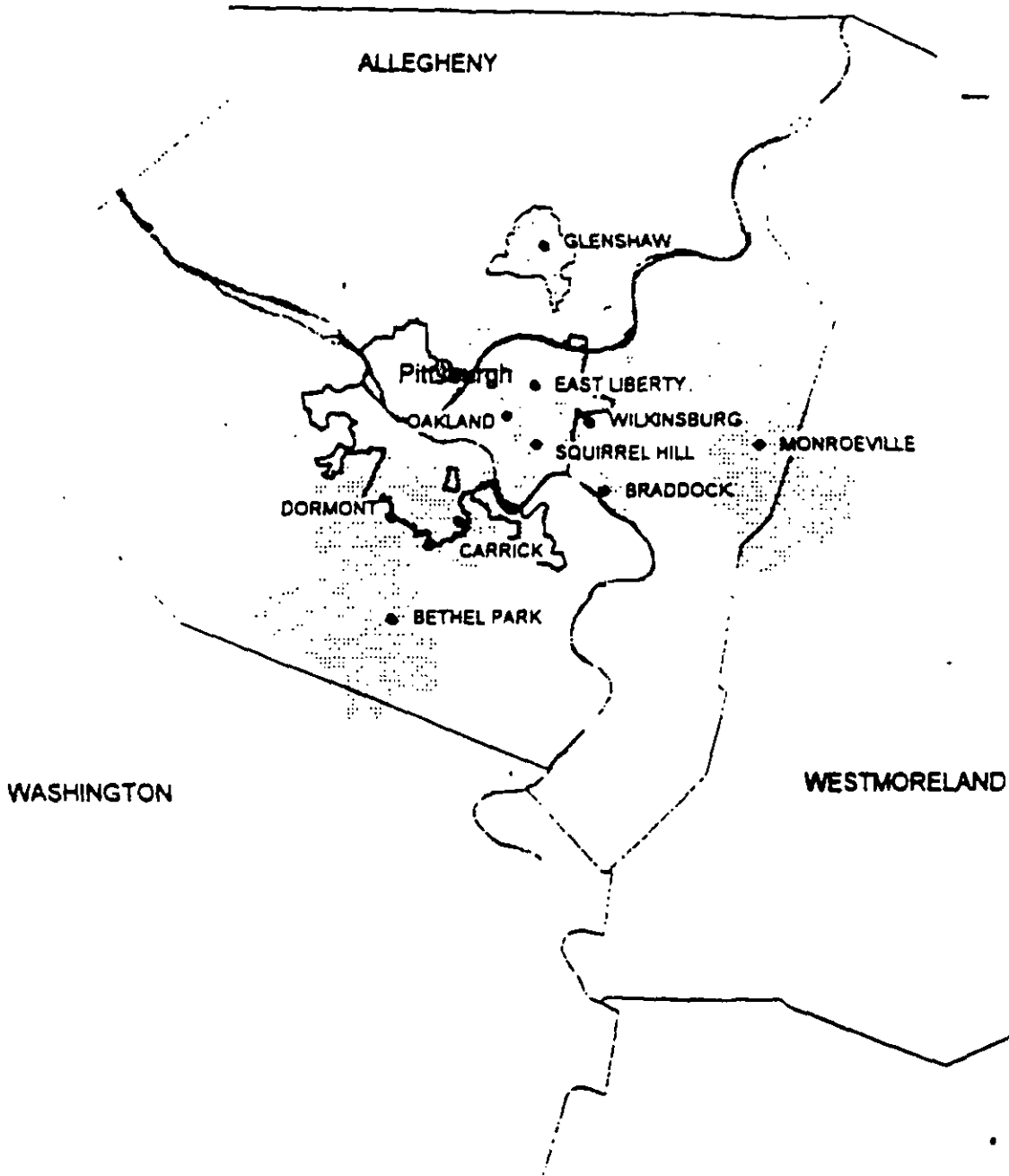
POTENTIAL END USER SUBSCRIBERS: 271,942

COMPONENTS	PART 32 ACCOUNT	QUANTITY	MATERIAL	LABOR	TOTAL
VIDEO SERVING OFFICE EQUIPMENT					
SIGNALING & CONTROL	2232	10	\$6,821	\$1,397	\$8,218
FSN INTERFACE	2232	10	\$3,172	\$650	\$3,822
DIGITAL MODULATION	2232	10	\$7,670	\$1,571	\$9,241
FIBER (MILES)					
PROG - CUST. TO VDO	2410	305	\$81	\$288	\$370
VDO TO VSO	2410	727	\$155	\$551	\$707
VSO TO NODES	2410	7989	\$2,669	\$9,462	\$12,131
ELECTRONICS	2232	33	\$17,257	\$3,535	\$20,791
ANALOG DISTRIBUTION SYSTEM	2231	1	\$847	\$173	\$1,020
REMOTE OPTICAL NODE	2232	493	\$10,242	\$2,561	\$12,803
DISTRIBUTION PLANT (MILES)	2410	4172	\$7,390	\$24,741	\$32,132
OROP/NETWORK INTERFACE (MILES)	2410	1552	\$2,549	\$7,648	\$10,197
SIGNALLING/LEVEL 1 GTWY	2232	1	\$174	\$36	\$210
ATM SWITCH NETWORK	2232	1	\$7,592	\$1,555	\$9,147
CAPITAL TOOLS	2116	1	\$466	\$0	\$466
OPERATIONS SUPPORT SYSTEM	2124	1	\$2,455	\$503	\$2,957
TOTALS			\$69,540	\$54,671	\$124,211

HYBRID FIBER-COAX ARCHITECTURE  
VIDEO DIALTONE CENTRAL OFFICE AREAS AND MUNICIPALITIES  
PHILADELPHIA/DELAWARE VALLEY SERVICE AREA



HYBRID FIBER - COAX ARCHITECTURE  
VIDEO DIALTONE CENTRAL OFFICE AREAS  
PITTSBURGH METROPOLITAN AREA



BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Bell Atlantic - Pennsylvania Inc.'s )  
Petition and Plan for Alternative Form of Regulation ) Docket No. P-00930715  
Under Chapter 30 )

SECOND SUPPLEMENT TO BELL ATLANTIC - PENNSYLVANIA, INC.'S  
MODIFIED  
NETWORK MODERNIZATION PLAN

Dated: February 22, 1995

THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION AT THE FOLLOWING  
PAGES: PAGE 13 OF THE MODIFIED NETWORK MODERNIZATION PLAN;  
ATTACHMENTS "B" AND "C" IN THEIR ENTIRETY; AND THE ONE PAGE ATTACHMENT  
TO ATTACHMENT "D".

The Attachments to this Supplement are voluminous and will be provided upon request.

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## EXECUTIVE SUMMARY

Bell Atlantic - Pennsylvania, Inc. ("BA-PA" or the "Company") is submitting this second Supplement ("supplement") to its Network Modernization Plan ("NMP") in accordance with the Commission's Order ("order") entered January 23, 1995. This order directs the Company to "submit additional documentation to correct the deficiencies identified in this opinion and order within thirty (30) days of the entry of this Opinion and Order" (PUC order at page 40).

The additional information can be catalogued as follows:

- MEASUREMENT STANDARDS
- NETWORK ARCHITECTURE COMPLIANCE
- PUBLIC INFORMATION
  - JOINT VENTURES
  - GENERAL PUBLIC NOTIFICATION
- DEPLOYMENT TO HEALTH CARE FACILITIES, INDUSTRIAL PARKS AND PUBLIC SCHOOLS

For continuity purposes, this supplement will begin with a review of all network commitments made by BA-PA. Following the commitment review is the additional information required by the order.

**PART 1 - COMMITMENT REVIEW**

The following are all network commitments made by BA-PA in the NMP filed October 1, 1993, modified per the June 28, 1994 PUC order, and reinforced in the NMP Supplement filed September 26, 1994. BA-PA re-confirms its commitment to the deployment of a public, state-of-the-art, interactive, broadband network by meeting the following deployment targets:

<b>NETWORK SEGMENT</b>	<b>BY END OF YEAR</b>	<b>COMMITMENT</b>
INTELLIGENT NETWORK SIGNALING	1994	100% OF ALL ACCESS LINES
INTEGRATED SERVICES DIGITAL NETWORK	2000	100% OF ALL ACCESS LINES
DIGITAL SWITCHING	2000	100% OF ALL ACCESS LINES
INTEROFFICE FACILITIES ON FIBER OPTIC, OR COMPARABLE TECHNOLOGY	2000	100% OF ALL INTEROFFICE TRUNK LINES
BROADBAND AVAILABILITY	1998	20% OF ALL URBAN, SUBURBAN AND RURAL ACCESS LINES
	2004	50% OF ALL URBAN, SUBURBAN AND RURAL ACCESS LINES
	2015	100% OF ALL URBAN, SUBURBAN AND RURAL ACCESS LINES
BROADBAND FACILITIES IN OR ADJACENT TO NEAREST RIGHT OF WAY FOR PUBLIC SCHOOLS, HEALTH CARE FACILITIES AND INDUSTRIAL PARKS	2000	100%

## PART 2 - MEASUREMENT STANDARDS

Page 35 of the Commission's order states "Bell should clarify its proposed measurement standard". While BA-PA recognizes that any measurement standard must be flexible over time, we intend to initially use the following standards:

Intelligent Network Signaling: Percentage of access lines that are served by switches that connect to the Signaling System 7 network, divided by total access lines.

Integrated Services Digital Network: Percentage of access lines whose serving switch is equipped to provide ISDN service, divided by total access lines.

Digital Switching: Percentage of access lines connected to a digital switch, divided by total access lines.

Interoffice Facilities on fiber optic or comparable technology:

InterOffice Facilities (IOF) connect central offices to each other. Due to such connections traversing urban, suburban and rural boundaries, the appropriate analysis and measurement is at the state level, not at the central office level. Demonstrating this point, Attachment A provides a high level map of BA-PA's IOF fiber optic network (as of 7/1/94). Several measurements will be provided for this network segment:

1. Percentage of access lines where the corresponding interoffice connections have a fiber optic (or comparable technology) presence, divided by total access lines.
2. On a state wide basis, the number of fiber optic sheath kilometers (this measurement was not included in the first NMP Supplement. In the 1994 ARMIS report filed with the FCC, BA-PA had 14,101 sheath kilometers of fiber).

3. On a state wide basis, the percentage of circuits links on fiber optic or comparable facilities, divided by total circuit links. A circuit link is a physical facility that exists between any two points (A – Z) where signal conversion (for example, the signal is not converted from analog to digital, or the signal is not multiplied to a higher speed) does not occur.

Broadband Availability: Percentage of access lines that are providing broadband services or have broadband available (ability to access a broadband service within ten business days), divided by total access lines.

Broadband facilities in or adjacent to the nearest right of way for health care facilities, public schools and industrial parks: When fiber optic facilities or comparable technology are located in or adjacent to the nearest right of way, the entity will be counted as having broadband availability.

Attachment B provides a report matrix of all switches (sorted alphabetically by switch name) showing the current status (end of year 1994 figures) of intelligent network signaling. ISDN (in this report, if a host switch is equipped for ISDN then all subtending remotes are considered ISDN capable) and digital switching deployment. The last page of attachment B provides a summary of each measurement. Attachment C provides the same information but sorted and summarized (see last page of attachment) by urban, suburban and rural categories.

A summary of each of the indicators on the above matrix provides the following results:

<u>Network Segment</u>	<u>Intelligent Network</u> <u>Signaling</u>	<u>Digital Sw.</u>	<u>ISDN</u>
Rural	100%	96%	88%
Suburban	100%	70%	60%
Urban	100%	37%	35%
State Wide	100%	68%	60%

Per the previous commitment chart, BA-PA commits to 100% deployment of Intelligent Network Signaling, ISDN and digital switching by end of year 2000 for all network segments. Current deployment schedules, as detailed in the first NMP Supplement, shows 76% deployment of digital switching by end of year 1996 with a 63% ISDN result expected by end of year 1996. 100% intelligent network signaling was achieved in 1994.

BA-PA will provide these matrix reports with each biennial update.

### PART 3 - NETWORK ARCHITECTURE COMPLIANCE

The Commission has requested BA-PA to "provide adequate documentation to confirm its commitment to a state-of-the-art deployment of [a] two way interactive broadband telecommunications network."<sup>1</sup> The attached Declaration of Raymond F. Albers, Bell

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<sup>1</sup> Order at 34.

Atlantic's Vice President for Technology Planning, affirms that commitment.<sup>2</sup> In addition, Mr. Albers provides additional information to clear up certain misconceptions about the proposed network, its capabilities and BA-PA's network deployment plans.

As Mr. Albers explains, Bell Atlantic is designing its broadband networks to meet both the current and anticipated future demand for transport of voice, video and data throughout its service area.<sup>3</sup> These 750 MHz state-of-the-art<sup>4</sup> hybrid fiber-coaxial cable ("HFC") systems can permit delivery of a wide variety of narrowband and broadband services, including "video programming and other information services, traditional and advanced telephony services, high-speed data transmission, local area networks, personal communications services, digital audio radio and other services."<sup>5</sup>

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<sup>2</sup> Declaration of Raymond F. Albers, Vice President -Technology Planning, Bell Atlantic Network Services, Inc., dated February 20, 1995 ("Albers Decl."), attached as Exhibit D.

<sup>3</sup> Albers Decl. at ¶ 3.

<sup>4</sup> As Chairman Rolka recently observed: "In light of the rapidly evolving pace of technological change in the industry, 'state of the art' is a moving target." Testimony of David W. Rolka, Chairman, Pennsylvania Public Utility Commission (April 7, 1993) at 6. Bell Atlantic believes that the HFC architecture is currently the best option for low-cost provisioning of a full range of broadband services, including two-way interactive services, as customer requirements dictate.

Bell Atlantic is, however, continuing to evaluate use of other technologies and architectures for delivery of video programming and other broadband services, including Asymmetric Digital Subscriber Line technology, switched digital (or fiber-to-the-curb) systems and wireless technologies. If technological and market developments favor migration to alternative technologies or architectures, Bell Atlantic's broadband networks may incorporate such technologies or architectures. Because ADSL works over copper loops facilities, however, any deployment of ADSL-based facilities will not count toward BA-PA's regulatory commitment to deploy fiber-based (or comparable technology) broadband networks.

<sup>5</sup> Albers Decl. at ¶ 5.

While BA-PA's networks will have the technical capability to support a myriad of new broadband services, including those requiring two-way interactive capabilities, the services that will be offered to Pennsylvania's consumers over these broadband networks at any given time will be determined by those video programmers, information providers and other content providers purchasing transport service from BA-PA. Their service offerings will likely change over time as the market for innovative, interactive services develops and consumer demand grows. BA-PA's network can support those applications as and when market demand for such services materializes.

The Commission expressed concern that BA-PA proposes to "reserve" spectrum frequency for broadband capability "...without unequivocally committing to a state-of-the-art deployment concerning the two-way interactive nature of the system it proposes."<sup>6</sup> BA-PA has "reserved" spectrum for particular services and uses in order to provide consistent spectrum allocation across its broadband networks, and to ensure satisfactory delivery of services without signal degradation due to interference. BA-PA, however, will "assign" such spectrum – i.e., make it available for actual use – as and when programmers and other customers who wish to offer such particular services so require.<sup>7</sup>

Moreover, OCA was mistaken in asserting that BA-PA's network provides "only a narrowband signalling channel upstream, [that] is not capable of carrying broadband services."<sup>8</sup> BA-PA has reserved 35 MHz for spectrum for upstream transmission of two-way services. The modulation technology to be utilized by BA-PA will permit each 1 MHz of spectrum to transport approximately 2.0 Mbps of digitally encoded signals. The coaxial bus architecture

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<sup>6</sup> Order at 34.

<sup>7</sup> Albers Decl. at ¶¶ 14-16.

<sup>8</sup> Order at 33.

utilized by BA-PA for its networks will permit groups of approximately 125 subscribers each to share use of that entire upstream transmission capability. Bell Atlantic is confident that it has provided significant upstream bandwidth to meet the anticipated needs of its customers, even after taking into account environmental effects, such as RF interference and noise.<sup>9</sup>

Moreover, if market demand requires, BA-PA could utilize a different modulation technology, which would triple the amount of digital material that could be carried by each MHz of spectrum.<sup>10</sup> In addition, use of the HFC architecture would allow BA-PA to reconfigure its network, if market conditions so require, in order to permit even smaller groups of subscribers to share such upstream capacity.<sup>11</sup>

This 35 MHz of reserved spectrum therefore provides more than adequate bandwidth to support two-way interactive services, as and when BA-PA's customers require. Many of the two-way interactive services that may be offered by customers over BA-PA's network require little upstream signaling capability. For example, video on demand, and interactive multimedia applications such as video games, home shopping services, and remote access to text, images and data stored on CD-ROM disks generally require 1.5 Mbps or 3.0 Mbps of downstream bandwidth, but a maximum of a 16 Kbps bidirectional signalling channel to transport messages between programmers and their subscribers.<sup>12</sup> In fact, upstream transport for such applications consists largely of "button presses," for which the HFC network's 64 Kbps upstream signaling channel is more than adequate.<sup>13</sup>

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<sup>9</sup> Albers Decl. at ¶ 26.

<sup>10</sup> Id.

<sup>11</sup> Id. at ¶ 27.

<sup>12</sup> Id. at ¶¶ 22-23.

<sup>13</sup> Id.

Because the network is designed to "dynamically allocate[] [bandwidth] as needed for delivery of particular services, such bandwidth would only be required for the brief period of time it takes to transmit the information upstream."<sup>14</sup> That bandwidth then would automatically be freed up for reuse to transmit upstream data from another subscriber to a programmer. BA-PA's network would also be technically capable of supporting possible service offerings requiring much higher upstream bandwidth allocations if market demand for such services justifies addition of the network electronics required. Such services include high-speed bidirectional local area network access services, and other high-speed, high-capacity services such as primary rate ISDN and ATM-based data services. These primarily commercial applications, which require up to several Mbps of upstream capacity, would support telecommuting and high-speed transmission of data among multiple sites.

The HFC network is also technically capable of supporting high-quality two-way video services, such as distance learning and medical diagnostic applications, which require at least 384 Kbps of bandwidth in both directions. The HFC network, as currently designed, would be technically capable of permitting up to 10% of the 125 subscribers initially sharing such spectrum to engage in video conferencing at a rate of 384 Kbps at any given time.<sup>15</sup>

In short, BA-PA's proposed HFC networks will be technically capable of supporting robust two-way interactive services as required by Chapter 30 and our customers.

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<sup>14</sup> Id. at ¶ 23.

<sup>15</sup> Id. at ¶ 19.

## PART 4 - PUBLIC INFORMATION

BA-PA supports the commissions statement on page 36 of the order which states "the balancing of the public's right to know and the need to preserve competitive, sensitive information will be an ongoing obligation of this commission and the participants of the instant proceeding". The requirement for public information, per the commission order, falls into two categories, the need to make information public to stimulate joint ventures and the need for the public at large to be aware of when broadband access is available. Below is a discussion of each circumstance with a recommended "balance" as suggested by the Commission:

### A. JOINT VENTURES

Chapter 30 encourages joint ventures<sup>16</sup>, but does not require their existence. BA-PA has been and remains interested in pursuing joint venture discussions that may result in economically attractive and or strategic business relationships. Examples of such existing business arrangements include:

Joint Use Facilities: BA-PA has joint use facility agreements with each of the other 37 telephone companies in the Commonwealth. Normally such agreements entail each company building facilities to a connection point at their respective borders. Each company then utilizes the entire facility for delivery of customer traffic. Such

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<sup>16</sup> House Bill 84 at page 3 lines 19 - 23 states "encourage joint ventures between local exchange telecommunications companies and other entities where such joint ventures accelerate, improve or otherwise assist a local exchange telecommunications company in carrying out its network modernization plan".

arrangements make sound business sense and BA-PA has every intent to pursue such arrangements in the future.

The Pennsylvania Research and Economic Partnership Network (PREPnet):

The development and on-going operation of PREPnet is a prime example of BA-PAs willingness to work with other entities. PREPnet began operations in May of 1988, serving the founding universities of Carnegie Mellon, Drexel, Lehigh, Penn State, Temple, The University of Pennsylvania, and the Pittsburgh Supercomputing center. This network is a high capacity data highway linking Pennsylvania's researchers and educators from the government, business, and higher education sectors with each other and with their counterparts throughout the nation. The Pittsburgh Supercomputing Center provides a gateway computer through which PREPnet members may access nationwide networks. PREPnet currently has one hundred thirty seven (137) members.

Three sectors partner in the success of PREPnet; the Commonwealth provides data circuits, guidance and financial support; BA-PA provides network operations, sales and marketing and financial support; the universities provide management, user and technical support, and computing and information resources.

Even beyond the above examples, BA utilizes the products and services of various outside companies on a "business as normal" basis. BA's purchasing organization maintains a "Product and Service" listing that catalogues approximately 60 pages of products and services we may purchase from outside sources. The listing includes central office

engineering and installation services, computer consulting services, professional services consulting, varied custom engineering design services, Mini-Computer systems, training and warehousing. The products range from cable and central office switches to traffic cones and personal computers. In 1994, BA awarded 1386 contracts to outside companies worth over \$4.4 Billion. Over 500 of these contracts were awarded to minority or women owned companies. Over 94% of the contracts awarded were accomplished through a competitive bidding process. The competitive bidding process involves a Request For Quotation (RFQ) and or a Request For Price (RFP). Naturally, the execution of a non-disclosure agreement may be required to receive an RFQ should the nature of the RFQ dictate.

BA welcomes companies to participate in this process.

It needs to be noted that BA-PAs ability to joint venture is constrained by rules of the Federal Communications Commission (FCC) and by BA-PAs partnership agreement with the Communications Workers of America (CWA).

In the FCC's Opinion and Order released November 7, 1994 in Docket No. 87-266<sup>17</sup> the FCC states their position that facilities based competition between LECs and Cable Companies is a requirement<sup>18</sup>. Not only does the FCC outlaw cross ownership, but LECs

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<sup>17</sup> Docket 87-266: In the Matter of Telephone Company - Cable Television Crossownership rules sections 63.54 - 63.58.

<sup>18</sup> Docket 87-266 Order released November 7, 1994 page 23 - 24 states "we believe that retaining the ban in areas where facilities based competition is viable will spur the development of competitive wire based video delivery systems, thereby offering significant benefits to consumers". Page 24 also states "competition between cable operators and LECs would give both incentives to invest in infrastructure and develop new and innovative services to increase the attractiveness of their product to consumers. Third,

are not permitted to even lease excess capacity from cable companies<sup>19</sup>, and may only lease drop wires on an interim basis<sup>20</sup>. Such federal restrictions severely limit the abilities of BA-PA to joint venture with cable companies.

**\*\* PROPRIETARY BEGINS \*\***

Additionally, a Memorandum of Understanding between the Communications Workers of America (CWA) (District 13 and its Local 13000 and Local 13500) and BA-PA, executed August 8, 1991, states "Beginning on the date Regulatory Modifications become effective and are implemented by the Commission, and provided such Regulatory Modifications remain in effect and remain implemented by the Commission, the Company agrees that the placement, replacement, transfer, splicing, and repair of the Outside Plant Components of the Information Age Communications Network will be assigned exclusively to employees of the Company represented by Local 13000...". This partnership commitment with the CWA also constrains our ability to joint venture.

**\*\* PROPRIETARY ENDS \*\***

Disclosure of BA-PAs highly proprietary network deployment plans would only serve to competitively disadvantage BA-PA with existing and future competitors and would not achieve the Commission's goal of encouraging joint venture discussions. Typically, parties discussing joint venture arrangements share proprietary information pursuant to

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the ability of additional distribution systems would offer increased channel capacity, thereby fostering greater diversity of programming options for consumers. Retaining the ban could also facilitate the development of competitive local telephone networks by cable operators".

<sup>19</sup> Docket 87-266 Order released November 7, 1994 page 26 states "as a matter of policy, we seek to encourage cable operators to use any "excess capacity" as outlets for additional programming. Allowing LECs to purchase that capacity might have an unintended effect of creating an artificial shortfall of capacity on a cable system"

<sup>20</sup> We do not believe that permitting LECs to lease drop wires from a cable operator for a limited term of three years ... will impede the realization of this goal."

non-disclosure agreement, ensuring both parties are protected in the event discussions do not prove fruitful. Consistent with these practices, BA-PA will continue to entertain joint venture discussions and will share network information, under non-disclosure agreement, with entities as discussions progress.

## B. THE PUBLIC AT LARGE

BA-PA suggests that notification of broadband availability to the general public is best handled through customer notification and product advertising when broadband availability becomes a reality in an area.

### PART 5 - DEPLOYMENT TO HEALTH CARE FACILITIES, INDUSTRIAL PARKS, PUBLIC SCHOOLS

Page 38 of the Commission's order raises the issue of defining health care facilities, industrial parks and public schools to be included in BA-PAs master listing of such facilities. The definitions / criteria used are as follows:

**PUBLIC SCHOOLS:** BA-PA has included all public schools from K - 12 and as well as secondary schools.

**HEALTH CARE FACILITIES:** As required in House Bill 84 (page 2), health care facilities were defined in accordance with the Health Care Facilities Act of July, 1979 (P.L. 130, No.48)<sup>21</sup>.

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<sup>21</sup> The Health Care Facilities Act defines a "Health Care Facility" as "A general or special hospital including tuberculosis and psychiatric hospitals, skilled nursing facilities, kidney disease treatment centers including free-standing hemodialysis units, intermediate care facilities and ambulatory surgical facilities, both profit and nonprofit and including those operated by an agency of State or local government, but shall not include an office used exclusively for their private or group practice by physicians or dentists, nor a program which renders treatment or care for drug or alcohol abuse or dependence, unless located within, by or through a health care facility, a facility providing treatment solely on the basis of prayer or

INDUSTRIAL PARKS: There is not a succinct statewide definition of the term "Industrial Park". In fact, a common definition could not even be attained at a County level. Due to the ambiguity of the term, BA-PA included in their listing any facility that was titled "industrial" or "business" park.

Attachment E provides a listing of all health care facilities, industrial parks and public schools for which BA-PA commits to providing broadband facilities in or adjacent to the nearest public rights-of-way. This list is sorted by central office name within urban, suburban and rural areas. A quick cross reference with Attachments B or C, provides information on the availability of digital switching, ISDN and Intelligent Network Signaling for all entities served by that wire center.

BA-PA has made every attempt to include all facilities that fall into each category. However, as stated in BA-PA's November 9, 1994 filing with the Commission, "The Company recognizes that this method of classification is not perfect and can result in omissions or misidentifications. Therefore to address any remaining concerns, the company is willing to make its lists of schools, health care facilities and industrial parks available for public inspection<sup>22</sup>. The Company will then entertain any requests from

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spiritual means in accordance with the tenets of any church or religious denomination, nor a facility conducted by a religious organization for the purpose of providing health care services exclusively to clergyman or other persons in a religious profession who are members of the religious denominations conducting the facility."

<sup>22</sup> These lists will be made available for public inspection by March 1, 1995, at the Company's public offices.

entities to be added to these lists for purposes of the Company's broadband deployment commitments<sup>23</sup>."

The Company will send a bill imprint to all business customers notifying them of the availability of these lists.

### PART 6 - CONCLUSION

On July 28, 1994, the Company filed its modified NMP which committed to the deployment of an interactive state-of-the-art broadband network to all BA-PA customers by 2015. This filing provided benchmark network commitments to achieve this goal. On September 26, 1994 BA-PA, per Commission order, submitted 53 pages of network detail representing the first three years of deployment. Today the company submits additional clarification and detail to clear what we hope will be the final hurdle in this process. BA-PA requests prompt Commission approval so it can re-focus its attention to building the network envisioned by the legislature.

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<sup>23</sup> If any disputes arise regarding the classification of an entity, the Company and the entity will contact the Commission staff informally to resolve the dispute.

**THIRD SUPPLEMENT TO  
NETWORK MODERNIZATION PLAN  
REVISED PURSUANT TO COMMISSION ORDER  
ENTERED SEPTEMBER 17, 2003**

Verizon Pennsylvania Inc. ("Verizon PA") hereby supplements the Broadband Services section of its Network Modernization Plan (NMP).<sup>1</sup>

Deployment of Remote Terminals:

Verizon PA commits that all new Remote Terminals (RTs) will be fiber-fed or fed with comparable technology (to meet our obligations under Plan). Based on current technological requirements, Verizon PA will (a) deploy additional remote terminals throughout its territory where none are in place and where customers are more than 12,000 feet from a central office, and (b) deploy the necessary equipment so that broadband services at speeds of at least 1.544 Mbps are available to every end user in Pennsylvania on the timetable outlined below. If technologies make higher broadband speeds available over longer loops or using other technology, Verizon PA shall have the right to modify its Plan accordingly and submit those modifications to the Commission for approval.

1.544 megabits service:

Chapter 30 defines broadband as "a communications channel using any technology *and having a bandwidth equal to or greater than 1.544 megabits.*" "Universal broadband availability" is defined in Chapter 30 as "Access to broadband service by each

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<sup>1</sup> This Revised Third Supplement incorporates the modifications to Verizon PA's original Third Supplement to the Network Modernization Plan, in compliance with ordering paragraph 15 of the Public Utility Commission's Opinion and Order entered September 17, 2003.

bona fide telephone customer of a local exchange telecommunications company within ten business days after a request for broadband service is received by any telecommunications company.” 66 Pa. C.S. § 3002. This interval has been increased to ten business days in Act 183 of 2004. 66 Pa. C.S. § 3014(b)(5).

Verizon PA reaffirms its commitment to universal broadband availability, as defined above, by 2015, with interim commitments<sup>2</sup> as shown below:

<u>Target Date</u>	<u>% Broadband Deployment</u>
12/31/2004	50%
12/31/2006	60%
12/31/2008	70%
12/31/2010	80%
12/31/2012	90%

These minimum deployment targets and Verizon PA’s accomplishments in attaining them will be reflected in the 2004 Biennial Update. Progress toward meeting these targets in urban, suburban and rural areas will be provided by residence and business access lines.

As with Verizon PA’s initial NMP, the commitments in this Revised Third Supplement do not require any specific technology. Verizon may choose any technology to meet this commitment so long as it provides 1.544 mbps in at least one direction.

Higher Speed Services:

Verizon PA also commits to making higher speed broadband services available, as described herein. Higher speeds services of 45 mbps and higher -- up to tariff service

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<sup>2</sup> As with the existing NMP, all targets in this Supplement are considered to be floors for broadband availability, meaning that Verizon PA may exceed the target in any one category (urban, suburban or rural) and not exceed the target in the other categories.

levels -- will be made available according to the following schedule: fifty percent (50%) of urban/suburban/rural access lines by December 31, 2004, and one hundred percent (100%) of urban/suburban/rural access lines by 2015. Verizon PA currently has services under tariff at speeds up to 2.488 Gbps (OC-48). All higher speed broadband services will be offered at market-based rates.

These higher speed services will be available to customers in commercially reasonable time frames (currently defined as 45-60 days), as negotiated with the customer.

Exchange Reclassification

For purposes of Chapter 30 commitment tracking and measurement, Verizon PA has reclassified the following exchanges from the rural to the suburban category:

Altoona	Mechanicsburg
Berwick	Nanticoke
Bloomsburg	New Castle
Coatesville	Olyphant
Collegeville	Phoenixville
Downingtown	Pottsville
Harleysville	Royersford
Indiana	Souderton
Kennett Square	Sunbury
Landisville	Uniontown
Lebanon	Warren
Line Lexington	Washington
McMurray	

In addition, the Plymouth exchange has been reclassified from the suburban to the rural category.

DSL Deployment "overlay"

In order to meet end users' interim needs for high-speed service, Verizon PA will accelerate deployment of DSL service, which may be provided at speeds faster or slower than 1.544 megabits, to achieve 45% availability in rural areas by year-end 2006.

Verizon PA will also close the DSL residence and business availability gap in the rural category to no more than 10% by 2007. On a semi-annual basis, beginning October 17, 2003, Verizon PA will file a publicly available list of the locations within its service territory where DSL service is available.

**FOURTH SUPPLEMENT TO  
NETWORK MODERNIZATION PLAN  
FILED PURSUANT TO  
ACT 183**

Verizon Pennsylvania Inc. ("Verizon PA") hereby amends its Network Modernization Plan ("NMP") pursuant to Act 183 via the following supplement.<sup>1</sup>

Broadband Availability:

Act 183 defines broadband as "[a] communication channel using any technology and having a bandwidth equal to or greater than 1.544 megabits per second (Mbps) in the downstream direction and equal to or greater than 128 kilobits per second (Kbps) in the upstream direction." 66 Pa. C. S. §3012. Broadband availability is defined as access to broadband service by a retail customer within ten business days after receiving the customer's request for a broadband service. 66 Pa. C. S. §3014(b)(5). Verizon PA commits to providing broadband availability, as defined above, to 100% of the total retail access lines in its distribution network by December 31, 2015. Verizon PA's interim broadband availability commitments, as outlined in the Third Supplement to its NMP (as approved August 3, 2004), remain unchanged.

Technology:

As stated in Verizon PA's Third Supplement to its NMP, the broadband commitments contained in the NMP do not require a specific technology. Similarly, Act 183 provides that a local telecommunications company cannot be required to deploy a

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<sup>1</sup> This Fourth Supplement amends the prior NMP and the Supplements thereto, which remain in full force and effect except as expressly amended by this Fourth Supplement.

specific technology. 66 Pa. C.S. §3014(n). Accordingly, Verizon PA may choose any technology to meet its broadband commitments. In the Third Supplement, based on then-current technological requirements, Verizon PA committed to deploying new remote terminals, fed by fiber or a comparable technology, where customers are more than 12,000 feet from a central office and to deploying the necessary equipment so that broadband services of at least 1.544 Mbps are available to every end user in Pennsylvania. Verizon PA further stated that if other technologies made broadband services of at least 1.544 Mbps available, Verizon PA would have the right to modify its Plan accordingly.

Technology has subsequently advanced so that in some geographic areas, fiber optic facilities are being constructed all the way from the serving central office to the customer's premises (fiber to the premises or "FTTP"). This technology permits the provision of broadband services to a customer without the need for a remote terminal. Therefore, in wire centers where Verizon deploys FTTP, remote terminals are not needed to shorten copper loop lengths. Similarly, as technology advances, Verizon PA may also choose to use other technologies like fixed wireless or mini-DSLAMs<sup>2</sup> to provide broadband, as defined by Act 183, to its customers, also without the need for a traditional remote terminal. Verizon will continue to inform the Commission about the technologies it is deploying to make broadband available to its customers in its Biennial Updates.

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<sup>2</sup> Mini-DSLAMs house electronics in the outside plant that allow for the provision of DSL beyond existing distance limitations of central office-based DSL service.

Bona Fide Retail Request Program:

Verizon PA will implement a Bona Fide Retail Request (“BFRR”) program in accordance with Act 183 no later than 90 days after the effective date of this supplement to the NMP. No later than 30 days in advance of program implementation, Verizon will file with the Commission and provide to the Department of Community and Economic Development (“DCED”) a written description of the program and samples of the forms to be used in the program. 66 Pa. C. S. §3014(c).

Business Attraction or Retention Program:

Verizon PA will establish a Business Attraction or Retention (“BAR”) Program as required by Act 183. No later than 90 days after the effective date of this supplement to the NMP, Verizon PA will designate a single point of contact to receive all written advanced or broadband service requests forwarded by DCED, provide associated contact information to DCED, and provide DCED and the Commission with a written description of its participation in the program and a sample request for advanced or broadband services form for use in the program. 66 Pa. C. S. §3014(d).

Assistance to Political Subdivisions:

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

**PART 4 - ADDITIONAL COMPANY COMMITMENTS**

**A. Ongoing Regulatory Requirements**

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

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

3. Bell will continue to monitor service quality in compliance with the Commission's regulations in Chapter 63,

Subchapter E - Telephone Quality Service Standards (52 Pa. Code §§ 63.1, et seq.), and Chapter 64 - Standards and Billing Practices for Residential Telephone Service (52 Pa. Code §§ 64.1, et seq.), as they may be amended from time to time. Bell will also continue to monitor service quality in compliance with the Federal Communications Commission's Regulations in 47 C.F.R. §63.100 (notification of service outage), as they may be amended from time to time.

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

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

6. Bell will continue to make Aggregated Customer Proprietary Network Information (ACPNI) available to other providers using the procedures established in the FCC's orders on Bell Operating Company non-structural safeguards.<sup>11</sup> Bell will

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<sup>11</sup> In re Furnishing of Customer Premises Equipment, CC Docket No. 86-79, 2 FCC Rcd. 143 (1987); In re Amendment to Sections 64.702, CC Docket No. 85-229, 2 FCC Rcd. 3072 (1987);

not disclose information relating to any individual customer's pattern of use, equipment and network information and any accumulated records about the customer to any other person except as permitted by Commission regulations. 52 Pa. Code §§ 63.131, *et seq.*

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

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

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

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In re Amendment to Sections 64.702, CC Docket No. 85-229, Phase II, 3 FCC Rcd. 1150 (1988).

**B. Reporting Requirements**

1. Bell will provide the following new reports:
  - A. Biennial Updates to the Company's Network Modernization Implementation Plan. The reports will be filed June 30 of the years 1996, 1998, 2000, 2002, 2004, 2006, 2008, 2009, 2010, 2012, 2014, 2016. See Part 3.C.6.
  - B. Competitive Service Monitoring Report: Reports for each service determined by the Commission to be competitive shall be filed biennially. The reports will be filed March 31 of the years, 1996, 1998, 2000, 2002, 2004, 2006, 2008, 2009, 2010, 2012, 2014, 2016. See Part 2.C.
  - C. Proposal for Price Change Opportunity: Annual documentation of Bell's proposed changes under the PSM. See Part 1.A.3.
  
2. Bell will continue to provide the following existing reports:
  - A. Carrier Common Line Access CAP - on a semi-annual basis (Docket No. R-842779, Order entered February 24, 1988).
  - B. Extended Area Service Traffic Usage Study - on a biennial basis (52 Pa. Code § 63.72).
  - C. EEO/Diversity Compliance - on a quarterly basis (Secretary Letter M-920329, dated March 16, 1992).
  - D. Access Line Summary - on an annual basis (Docket No. M-900239, Order entered August 3, 1990; Docket No. P-830452, Order entered April 9, 1987).
  - E. PA Telecommunications Relay Surcharge - on an annual basis (Docket No. M-900239, Orders entered May 24, 1990 and September 11, 1992).
  - F. Assessment for Regulatory Expenses Upon Public Utilities - on an annual basis (66 Pa. C.S.A. §510(b)).
  - G. Measurement of Service Quality - on an exception basis (52 Pa. Code § 63.56).

- H. Intrastate Earnings Reports filed quarterly (52 Pa. Code §71.4).
- I. Annual Depreciation Report and Triennial Service Life Study (Docket No. P-910536, Order entered January 8, 1992).

3. The following reports, filed with the Commission under traditional rate/base rate of return regulation, are no longer relevant and will be discontinued:

- A. Customized Pricing and Design Option Tracking Report (Docket No. R-881131, Order entered February 15, 1991).
- B. Product Summary Reports and Product Evaluations (Docket No. P-80100245, Order entered December 19, 1980 and Docket No. R-901737, Order entered September 28, 1990).

**PART 5 – ACT 183 SUPPLEMENT - CHANGES IN THE NON-NMP SECTIONS OF THE PLAN**

Per Act 183, Verizon PA's alternative form of regulation plan was deemed amended consistent with Act 183 upon the Commission's May 20, 2005 approval of Verizon PA's NMP amendment. 66 Pa. C. S. §3015(h) Key changes in the non-NMP sections of Verizon PA's plan include the following:

- Verizon PA's inflation offset shall be equal to 0.5% pursuant to the company's amended NMP that commits to deploy 100% broadband availability by December 31, 2015. 66 Pa. C. S. §3015(a) (1) (II).
- Where annual rate adjustments made under Verizon PA's price stability mechanism are calculated using revenues from protected services, an average rate adjustment for protected residential customer local exchange telecommunications service lines shall be determined by dividing the total protected service revenues associated with such lines, as adjusted by the price stability formula, by the number of such lines, and the rate adjustment for any individual line shall not vary from this average rate adjustment by more than 20%. 66 Pa. C.S. §3015(a) (3).
- Beginning in 2005 and continuing through 2015, or such earlier date after June 30, 2011, by which Verizon PA achieves 100% broadband availability, Verizon PA shall be assessed for contributions to the Broadband Outreach and Aggregation Fund based on the first year's annual revenue effect of any rate increase permitted by the reduction in its inflation offset and placed into effect. 66 Pa. C.S. §3015(c) (2).
- Beginning in 2005 and continuing through 2010, Verizon PA shall be annually assessed an amount to be deposited in the Education Technology Fund ("E-Fund"). Verizon PA's annual assessment shall be payable in two equal installments due on October 31 of each year, and January 31 of the following year, and shall be based on the relative proportion of the retail access lines served by Verizon PA in relation to the number of retail access lines served by all nonrural telecommunications carriers that have filed an amended network modernization plan under Section 3014 (b) (3) of Act 183. Verizon PA's E-Fund assessments may not be recovered via a surcharge on customers' bills or in rates for noncompetitive services as an exogenous change adjustment under the provisions of Verizon PA's price stability mechanism or from annual rate adjustments made under Verizon PA's price stability mechanism. 66 Pa. C.S. §3015(d) (3).
- Verizon PA may declare any retail nonprotected service to be competitive by filing such declaration with the Commission and serving it on the Office of Consumer Advocate, Office of Small Business Advocate and each party to Verizon PA's original Chapter 30 proceeding. The declaration becomes effective upon filing. 66 Pa. C.S. §3016(b).

- The Commission's filing and audit requirements for Verizon PA shall be limited to the following: Network Modernization Plan Report; Annual Financial Report, Annual Relay Information Report; Annual Service Report; Universal Service Reports; Annual Access Line Report; annual State of Gross Intrastate Operating Revenues for Assessment Purposes; Annual State Tax Adjustment Computation for the years in which a tax change occurs, if applicable; and a Bona Fide Retail Request Report. 66 Pa. C.S. §3015(e). The Commission may not require further reports unless they are required to ensure compliance with Chapter 30 and the benefits substantially outweigh the expense. 66 Pa. C.S. §3015 (f) (1).
- Verizon PA must allow Lifeline customers to subscribe to any number of other telecommunications services at tariffed rates and must advise customers on subscription and twice annually of the availability of Lifeline service. In addition, Verizon PA must provide the Department of Public Welfare with service descriptions, forms, contacts and other information about Lifeline service. 66 Pa. C.S. §3019(f).

**Note: Just as Verizon's initial Alternative Regulation Plan did not provide a complete catalogue of all the provisions of the original Chapter 30, neither is this Supplement an exhaustive list of the provisions of Act 183. Nonetheless, Per Act 183, Verizon PA's alternative form of regulation plan was deemed amended consistent with Act 183 upon the Commission's May 20, 2005 approval of Verizon PA's NMP amendment. 66 Pa. C. S. §3015(h).**

## GLOSSARY OF TERMS

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

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

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

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

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

**Broadband Switching:** The ability to transmit a broadband signal (greater than or equal to 1.5 Mbps) through a switch matrix.

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

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

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

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

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

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

**Data Communications:** The transmission of data to and from computers and components of computer systems.

**Dial Tone Line (DTL):** The physical facilities that provide customers with access to the public switched telephone network. The term Dial Tone Line applies to individual and party lines.

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

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

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

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

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

**Fiber Optic Trunk Line:** A Fiber Optic Circuit Link.

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

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

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

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

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

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

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

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

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

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

**LifeLine rates:** LifeLine rates are part of the LifeLine Assistance program, which provides financial assistance to low-income subscribers, as defined using a "means" test, with respect to monthly telephone payments.

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

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

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

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

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

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

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

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

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

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

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

**Routing:** A process used to determine how to move information from its source to its destination.

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

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

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

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

**Telecommuting:** Working from home rather than commuting to an office.

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

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

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

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

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

**CATEGORIES OF PROTECTED TELEPHONE SERVICES****RESIDENTIAL LOCAL EXCHANGE SERVICES****Residential Dial Tone Line and Local Usage Services:**

- \* Residence Individual Line Dial Tone Line
- \* Residence Two-Party Line Dial Tone Line
- \* Residence Four-Party Line Dial Tone Line
- \* Budget Usage Option
- \* Local Area Standard Usage Package
- \* Local Area Unlimited Usage Package
- \* Extended Area Unlimited Usage Package
- \* Hometown-Plus Usage Option
- \* Metropolitan Area Standard Usage Package
- \* Metropolitan Area Unlimited Usage Package
- \* Measured Metropolitan Use (Metro Call Bands 1-6)
- \* Lifeline Service

The regulations, rates, exchange maps and charges for Dial Tone Line and Local Usage Options are contained in the associated "Exchange Area" tariffs of the Bell Telephone Company of Pennsylvania:

- \* Pennsylvania Exchange Areas Pa. P.U.C.-NO. 180A (Dial Tone Line Cells 3 and 4)
- \* Philadelphia Exchange Area Pa. P.U.C.-NO. 182 (Dial Tone Line Cells 1 and 2)
- \* Philadelphia Suburban Exchange Area Pa. P.U.C.-NO. 182A (Dial Tone Line Cell 3)
- \* Pittsburgh Exchange Area Pa. P.U.C.-NO. 185B (Dial Tone Line Cells 1 and 2)
- \* Pittsburgh Suburban Exchange Area Pa. P.U.C.-NO. 185C (Dial Tone Line Cell 3)

**Touch Tone Residence Service**

- \* Residence Individual/Party Line, Per Line, Per Subscriber

The regulations and rates for individual, party and trunks are contained in the following tariff for the Bell Telephone Company of Pennsylvania:

- \* Local General Tariff Pa. P.U.C.-NO. 1., (Section 30D)

**Residential Local Exchange Ordering, Installation And Restoral Charges:**

- \* Residence Dial Tone Line Connection Charge
- \* Residence Telephone Number Change Charge
- \* Residence Temporary Suspension Charge
- \* Change of Residence Service Charge
- \* Residence Service Restoral Charge
- \* Residence Toll Service Restoral Charge
- \* Residence Voluntary Toll Restriction Charge
- \* Residence Service Change Charge
- \* Link Up America
- \* Residence 900 Service Subsequent Blocking Charge
- \* Residence 976/556 Subsequent Blocking Charge
- \* Optional Payment Plan

The regulations and charges associated with residential ordering, installation and restoral charges are contained in the following tariff for the Bell Telephone Company of Pennsylvania:

- \* Local General Tariff Pa. P.U.C.-NO. 1., (Sections 22C & 36A)

The Link Up America residence service connection discount option and regulations (for qualified low-income customers) are contained in the following tariff for the Bell Telephone Company of Pennsylvania:

- \* Local General Tariff PA. P.U.C.-NO. 1., (Section 22E and Section 1A Optional Payment Plans)

**BUSINESS LOCAL EXCHANGE SERVICES****Business Dial Tone Line and Local Usage Services**

- \* Business Single Line Dial Tone Line
- \* Business Multi-Line Dial Tone Line
- \* Business Single Line Two-Party Line Dial Tone Line
- \* Business Multi-Line Two-Party Line Dial Tone Line
- \* Budget Usage Option
- \* Local Area Standard Usage Package
- \* Local Area Business Valu-Pak Option
- \* Local Area Unlimited Usage Package (Grandfathered)
- \* Metropolitan Area Standard Usage Package
- \* Metropolitan Area Business Valu-Pak Option
- \* Extended Area Unlimited Usage Package (Grandfathered)
- \* Measured Metropolitan Use (Metro Call Bands 1-6)

The regulations, rates, exchange maps and charges for Dial Tone Line and Local Usage Options are contained in the associated "Exchange Area" tariffs of the Bell Telephone Company of Pennsylvania:

- \* Pennsylvania Exchange Areas Pa. P.U.C.-NO. 180A (Dial Tone Line Cells 3 and 4)
- \* Philadelphia Exchange Area Pa. P.U.C.-NO. 182 (Dial Tone Line Cells 1 and 2)
- \* Philadelphia Suburban Exchange Area Pa. P.U.C.-NO. 182A (Dial Tone Line Cell 3)
- \* Pittsburgh Exchange Area Pa. P.U.C.-NO. 185B (Dial Tone Line Cells 1 and 2)
- \* Pittsburgh Suburban Exchange Area Pa. P.U.C.-NO. 185C (Dial Tone Line Cell 3)

**Touch Tone Business Service**

- \* Business Single/Multi-Line/Party Line, Per Line, Per Subscriber
- \* Exchange Access Trunk, Each

The regulations and rates for individual, party and trunks are contained in the following tariff for the Bell Telephone Company of Pennsylvania:

- \* Local General Tariff Pa. P.U.C.-NO. 1., (Section 30D)

**Business Local Exchange Ordering, Installation And Restoral Charges:**

- \* Business Dial Tone Line Connection Charge
- \* Business Telephone Number Change Charge
- \* Business Temporary Suspension Charge
- \* Business Transfer Of Billing Name Charge
- \* Business Voluntary Toll Restriction Charge
- \* Business Service Restoral Charge
- \* Business Service Change Charge
- \* Business 900 Service Subsequent Blocking Charge
- \* Business 976/556 Subsequent Blocking Charge
- \* Centrex Central Office Service Subsequent 976/556 Blocking Charge

The regulations and charges associated with business ordering, installation and restoral charges are contained in the following tariff for the Bell Telephone Company of Pennsylvania:

- \* Local General Tariff Pa. P.U.C.-NO. 1., (Sections 22C & 36A)

**SWITCHED ACCESS SERVICES****Switched Access Services**

All rate elements tariffed as of the filing date of this plan under Pa. PUC Tariff No. 302 sections 3, 5 and 6.

**SPECIAL ACCESS SERVICES****Special Access Services**

Special Access Services are dedicated, nonswitched services offered by Bell of Pennsylvania which are usually ordered by Interexchange Carriers and Large Volume users. These services provide a connection between an Interexchange Carrier or private network and a customer's premises and primarily serve as the end portions of interLATA services.

Bell of Pennsylvania's Special Access Services are offered in the following channel types as defined in Pa. PUC Tariff No. 304:

- \*Metallic and Metallic Equivalent Services
- \*Metallic Data Services
- \*Telegraph Grade Services
- \*Voice Grade Services
- \*Program Audio Services
- \*Digital Data Services
- \*High Capacity Services

**Billing Services:****Definition of Service:**

Billing services is a family of services offered under contract to third parties like interexchange carriers (IXCs), resellers, enhanced service providers, wireless carriers and other telecommunications firms. These services include: collecting account information and raw billing data, rating of raw billing data, rendering a bill in the form selected by the customer, processing of customer payments, responding to customer inquiries, treatment and collection of overdue amounts, security services to detect and deter fraud, and billing information services.

**Relevant Market:**

The relevant market includes all of the individual or any combination of billing services described above.

**Presence and Viability of Other Competitors.**

There are a variety of other viable competitors in the billing services market, including: in-house billing services, service bureaus, and credit card companies. For example, all of the three largest IXCs in Pennsylvania perform some of their billing functions in-house. Service Bureaus who perform billing functions for others include large companies, like Electronic Data Systems (EDS), who perform billing functions for other local exchange carriers, resellers and enhanced service providers. Finally, credit card companies have recently made available "calling card" capability to bill telephone calls by partnering with IXCs. Bell of PA performs billing services for only a small percentage of IXC messages: message recording 10%; rendering and processing bills - 20 to 25%; and billing inquiry - 1%.

**Ability of competitors to offer services on like terms and conditions.**

Competitive providers like EDS and the IXCs can and do offer their services at competitive prices terms and conditions. This is evident from the market results and the nature and intensity of rivalrous behavior.

**Availability of Like or Substitute Services.**

As described above, substitute billing services are widely available in the market today.

**Ease of Market Entry.**

There are no substantial barriers to entry into this market. Any company can perform in-house billing services as long as it has account information and billing data. Similarly, any company either large or small with spare data processing capacity can

perform billing services on a service bureau basis. Improvements in data processing technology make competitive inroads more accessible to new players.

**Effect on Protected Services.**

Under the terms of Bell's Price Stability Mechanism, a finding that Bell's billing services are competitive will have no impact on protected services.

**Effect on Availability of Existing Services.**

Finding billing services to be competitive would not affect the availability of any noncompetitive service, and would not diminish and could enhance, continued availability of a wide variety of billing services in the marketplace.

**Identifiable Benefits to the Consumer of the Service.**

Consumers will continue to see product enhancements and other benefits from the provision of this service on a competitive basis.

**The Degree of Continued Regulation Necessary.**

Bell will continue to be subject to applicable Commission regulations governing service and billing standards. No other regulatory oversight of Bell's billing services is either necessary or appropriate. This Commission has not price regulated billing services since 1987, but has permitted them to be offered on a detariffed, contractual basis.

**Unbundling of Basic Service Functions and Imputation.**

Bell's billing services do not depend upon any basic service functions.

**No Cross-subsidization.**

Bell's Price Stability Mechanism ensures that noncompetitive services do not cross-subsidize any competitive service, including billing services. In addition, Bell's billing services cover their incremental costs so there is no cross-subsidy with any other services, including noncompetitive services.

## Directory Advertising.

### Definition of Service:

Directory advertising includes all paid directory advertising, including Yellow Pages advertising and White Pages Bold advertising. The PUC does not regulate the prices or earnings of these services, although earnings data is provided in an annual informational filing with the PUC.

### Relevant Market:

Bell's directory advertising services compete in the market with all advertising that serves the same function as advertising in these directories from the perspective of the firms that purchase this advertising. This includes most local advertising, including other directories, newspapers, magazines, radio, television, direct mail, flyers, outdoor advertising, etc.

### Presence and Viability of Other Competitors.

There is a high level of competition from other firms that produce reasonably close substitutes for Bell directory advertising. There are approximately 75 consumer-oriented directories competing with those published by Bell of Pennsylvania. The competing 24 directories published by Donnelley Directories alone cover almost the same population as that served by Bell. In addition, there are many business-oriented purchasing directories, with coverage ranging from city-wide to national, which provide listings of local suppliers and distributors in Pennsylvania. Finally, there are numerous local newspapers, magazines, local television and radio, direct mail and other advertising media that compete directly with Bell's Directory Advertising product for the local advertising dollar.

Bell of Pennsylvania's directory advertising product constitutes less than 17.6% of the relevant market.

### Ability of competitors to offer services on like terms and conditions.

Competitive providers can and do offer their services at competitive prices terms and conditions. This is evident from the market results and the nature and intensity of rivalrous behavior.

### Availability of Like or Substitute Services.

Substitutes for Bell's directory advertising include, at a minimum, advertisements in competing directories, daily and weekly newspapers, magazines, local radio and television, direct mail, flyers, outdoor advertising, signs on storefronts, welcome wagons, telemarketing, free gifts with company logos, public relations campaigns, and coupons.

**Ease of Market Entry.**

Potential entrants into the market for local advertising do not face significant entry barriers. Both competing directory publishers and other local advertising media are characterized by low entry barriers.

**Effect on Protected Services.**

Under the terms of Bell's Price Stability Mechanism, finding directory advertising to be competitive will have no impact on protected services.

**Effect on Availability of Existing Services.**

Finding directory advertising to be competitive would not affect the availability of any noncompetitive service, and would not diminish, and could enhance, continued availability of a wide variety of local advertising services in the marketplace.

**Identifiable Benefits to the Consumer of the Service.**

Consumers will continue to see product enhancements and other benefits from the provision of this service on a competitive basis.

**The Degree of Continued Regulation Necessary.**

Bell's Directory Advertising Services have never been subject to price or service regulation by the Commission. Since 1992, Bell's directory advertising services have not been subject to earnings surveillance review. Under Bell's Price Stability Mechanism, no regulatory oversight of directory advertising is necessary or appropriate.

**Unbundling of Basic Service Functions and Imputation.**

On July 27, 1994, Bell filed tariffs for directory listings database as a Basic Service Function in compliance with the Commission's June 28, 1994 Opinion and Order.

**No Cross-subsidization.**

Bell's Price Stability Mechanism ensures that noncompetitive services do not cross-subsidize any competitive service, including directory advertising. In addition, the revenues from directory cover their incremental costs, thereby ensuring that there is no cross-subsidy with any other services, including noncompetitive services.

**Centrex:****Definition of Service:**

Centrex Central Office Service is a private telecommunications system based in the telephone company's switching equipment. Centrex provides both the ability to make calls to all other users within the Centrex system ("intercom capability") and the ability to make and receive calls to all other telecommunications users ("Exchange access"). Centrex also provides a number of standard system features, like Call Waiting, Call Forwarding, and System Speed Calling. Optional features are also available to Centrex customers for a charge.

**Relevant Market:**

The business telecommunications systems market includes Centrex service, Private Branch Exchange (PBX) systems and Key systems.

**Presence and Viability of Other Competitors.**

There are more than fifty vendors nationwide whose products can be used as substitutes for Centrex. These include such substantial entities as AT&T, Northern Telecom, Inc. (NTI), Rolm/Siemens, and Mitel. Bell's Centrex Service accounts for approximately 11.6% of this market in Pennsylvania.

**Ability of competitors to offer services on like terms and conditions.**

Competitive providers can and do offer their services at competitive prices, terms and conditions. Customers perceive Centrex, PBX and Key systems as substitutes and compare prices and features. There are numerous examples where Bell customers have selected competitive services in place of Centrex.

**Availability of Like or Substitute Services.**

As described above, substitute business communications products are widely available in the market today.

**Ease of Market Entry.**

There are no substantial barriers to entry into this market. Any company with adequate funding can bring a product to market.

**Effect on Protected Services.**

Under the terms of Bell's Price Stability Mechanism, a finding that Bell's Centrex service is competitive will have no impact on protected services.

**Effect on Availability of Existing Services.**

Finding Centrex service to be competitive would not diminish the continued availability of any of Bell's existing services or competitive offerings by PBX or key systems.

**Identifiable Benefits to the Consumer of The Service.**

By declaring Centrex to be competitive, the Commission will be making the business telecommunications systems market in Pennsylvania more competitive, thereby benefitting customers through more pricing options and continued quality services.

**The Degree of Continued Regulation Necessary.**

No continued regulation of Centrex is necessary. Since providers of PBX and key systems are not subject to any form of Commission regulation, there would be no public benefit from continuing to regulate Centrex. Bell will, however, provide the Commission with proprietary price lists and incremental cost data with its biennial monitoring report.

**Unbundling of Basic Service Functions and Imputation.**

The basic service functions required by PBX and key systems competing with Centrex are PBX trunk/Business Dial Tone Line service and Touch-Tone service. Both are already available under tariff. Bell's Centrex rates, adjusted on a trunk equivalency basis, exceed the imputed rates, plus the subscriber line charge, of these services.

**No Cross-subsidization.**

Bell's Price Stability Mechanism ensures that noncompetitive services do not cross-subsidize any competitive service, including Centrex services. In addition, Bell's Centrex services exceed their incremental costs, thereby ensuring that there is no cross-subsidy with any other services, including noncompetitive services.

Paging.Definition of Service:

Paging service is a tariffed service providing one-way transmission of messages using the public switched network and radio frequencies. Paging service notifies a paging customer, away from his/her home or office, that someone is attempting to call them by transmitting a signal to the customer's pager, which is a pocket sized radio receiver.

Relevant Market:

Paging services compete in a broad market of services designed for "people in motion," including cellular telephone, other paging companies and even public pay telephones. The paging market is a subset of this broader market.

Presence and Viability of Other Competitors.

There are approximately 60 paging service providers in Pennsylvania. The dominant player is Metromedia, with 32% market share. Bell has only 4% of the market share for paging services.

Ability of competitors to offer services on like terms and conditions.

Paging is very price competitive, and providers like Metromedia and PageNet are able to make competitive offerings.

Availability of Like or Substitute Services.

As described above, many companies offer paging services. These services are available in all parts of the state.

Ease of Market Entry.

Competitors must obtain frequencies from the FCC, and there are start-up costs to this business. However, the current competitors are well-financed with the ability to compete vigorously.

Effect on Protected Services.

Under the terms of Bell's Price Stability Mechanism, a finding that Bell's paging service is competitive will have no impact on protected services.

Effect on Availability of Existing Services.

Finding paging services to be competitive would not diminish, and may enhance, the availability of a wide range of paging services in the market. This finding would have no impact on Bell's other existing services.

Identifiable Benefits to the Consumer of the Service.

By classifying paging as competitive, customers will benefit through more pricing options and continued quality services.

**The Degree of Continued Regulation Necessary.**

No continued regulation of paging services is necessary or in the public interest. Bell will however, provide the Commission with informational price lists with its biennial monitoring report.

**Unbundling of Basic Service Functions and Imputation.**

All of the services required to provide paging services are available in Bell's tariffs. These services include: blocks of telephone numbers, Direct Inward Dialing Trunks, voice grade private line channels, and dial tone lines. Bell's rate for paging services exceeds the imputed rates for these basic services functions.

**No Cross-subsidization.**

Bell's Price Stability Mechanism ensures that noncompetitive services do not cross-subsidize any competitive service, including paging services. In addition, Bell's paging services exceed their incremental costs, thereby ensuring that there is no cross-subsidy with any other services, including noncompetitive services.

**Repeat Call.****Definition of Service:**

Repeat Call is a tariffed service which allows a customer to automatically redial the last number dialed by dialing \*66 (on tone telephones) or 1166 (on rotary telephones). If the called number is busy, the calling party will receive an announcement which advises that the network will attempt to set up the call when the dialed number is no longer busy. Bell's network will then periodically test the busy/idle status of the called line. If both lines become idle during the 30 minute time period, the calling party will be signalled with a special ring.

**Relevant Market:**

The market includes all products and services which permit customers to redial the last number dialed.

**Presence and Viability of Other Competitors.**

The primary competition is customer premises equipment (CPE) with redial capability. Two types of redial capability are available: auto redial and last number redial. Some of the major competitors are AT&T, GE, Conair, Panasonic and Unisonic. Last number redial is available on 70% of telephone sets available today; auto redial is available on 21%. Bell's market share is very small. Although Bell is able to provide this service throughout most of its service territory, less than 1% of its customers subscribed to this service as of July 1993.

**Ability of competitors to offer services on like terms and conditions.**

CPE competitors offer a service with some specific advantages in terms of price and features. Prices for CPE with a redial function range from \$16.99 to \$169.99. The additional cost of purchasing CPE with this function, as compared to more basic CPE, is minimal.

**Availability of Like or Substitute Services.**

CPE with redial capability is widely available throughout Pennsylvania through large retail outlets like Sears and Radio Shack, through catalogs, and other marketing channels.

**Ease of Market Entry.**

There are no artificial barriers to entry into this market. The addition of a redial functionality to CPE does not necessarily require any additional or special investment. The technology to offer this service is widespread, easy to duplicate and very inexpensive. The major competitors are well established companies with resources and distribution channels available.

**Effect on Protected Services.**

Under the terms of Bell's Price Stability Mechanism, a finding that Bell's Repeat Call service is competitive will have no impact on protected services.

Effect on Availability of Existing Services.

Finding Repeat Call to be competitive would not diminish, and may enhance, the availability of a wide range of redial services in the market, and will have no impact on the availability of other Bell services.

Identifiable Benefits to the Consumer of the Service.

By making Repeat Call competitive, customers will benefit through more pricing options and continued quality services.

The Degree of Continued Regulation Necessary.

No continued regulation of Repeat Call is necessary or in the public interest. Bell's competitors are not subject to any form of regulation.

Unbundling of Basic Service Functions and Imputation.

Bell's Repeat Call service does not depend on any basic service functions.

No Cross-subsidization.

Bell's Price Stability Mechanism ensures that noncompetitive services do not cross-subsidize any competitive service, including Repeat Call. In addition, Bell's Repeat Call service exceeds its incremental costs, thereby ensuring that there is no cross-subsidy with any other services, including noncompetitive services.

**Speed Calling.****Definition of Service:**

Speed Calling is a tariffed service which allows customers to make both local and long distance calls by dialing abbreviated dialing codes, either one or two digits. Speed Calling 8 service permits users to dial eight numbers using one digit codes; Speed calling 30 permits the dialing of thirty numbers with two digit codes.

**Relevant Market:**

The market includes all products and services which permit, customers to dial numbers through abbreviated codes.

**Presence and Viability of Other Competitors.**

The primary competition is customer premises equipment (CPE) with speed dialing capability. Some of the major players are AT&T, GE, Conair, Panasonic and Unisonic. Bell's share of this market is likely very small. Even though Bell is able to provide this service throughout its service territory, its penetration is only 1.5% of its customers, a percentage that has been steadily dropping.

**Ability of competitors to offer services on like terms and conditions.**

Speed dialing capability offered on CPE is functionally equivalent to Speed Calling. Prices for CPE with a speed dialing capability range from \$19.99 to \$299.99. Customers purchasing CPE with this feature pay one time for a telephone set, as compared to monthly charges for Speed Calling.

**Availability of Like or Substitute Services.**

CPE with speed dialing capability is widely available throughout Pennsylvania through large retail outlets like Sears and Radio Shack, through catalogs, and other marketing channels.

**Ease of Market Entry.**

There are no artificial barriers to entry into this market. The addition of a speed dialing functionality to CPE does not necessarily require any additional or special investment. The technology to offer this service is widespread, easy to duplicate and very inexpensive. The major competitors are well established companies with resources and distribution channels available, and offering the additional speed dialing service would be easy.

**Effect on Protected Services.**

Under the terms of Bell's Price Stability Mechanism, a finding that Bell's Speed Calling service is competitive will have no impact on protected services.

**Effect on Availability of Existing Services.**

Finding Speed Calling to be competitive would not diminish, and may enhance, the availability of a wide range of redial services in the market. The availability of other Bell services would also not be affected.

**Identifiable Benefits to the Consumer of The Service.**

By making Speed Calling as competitive, customers will benefit through more pricing options and continued quality services.

**The Degree of Continued Regulation Necessary.**

No continued regulation of Speed Calling is necessary or in the public interest. Bell's competitors are not subject to any form of regulation.

**Unbundling of Basic Service Functions and Imputation.**

Bell's speed calling services do not depend on any basic service functions.

**No Cross-subsidization.**

Bell's Price Stability Mechanism ensures that noncompetitive services do not cross-subsidize any competitive service, including Speed Calling. In addition, Bell's Speed Calling service exceeds its incremental costs, thereby ensuring that there is no cross-subsidy with any other services, including noncompetitive services.

Appendix 2-7

Report for Monitoring Competitive Status of Services  
Determined to be Competitive

- A. Section I - Description of Service
- B. Section II - Summary of significant changes in service since the service was declared competitive; or since last report period:
  1. Relevant Market - Describe any changes in the relevant market (e.g., geographic coverage).
  2. Market Share - Report current market share and any changes.
  3. Competitors - List any new entrants and/or previous competitors who have exited the market.
  4. Substitutes - List availability of new substitutes and removal of previous substitutes from the market.
  5. Barriers to Entry - List changes such as increased/decreased regulation and changes in technology that impact entry into the market.
  6. Costs - Provide updated incremental costs and current rates for product or service.
  7. Imputation - Show that the current rates for the product or service exceed the tariff rates for the underlying basic service functions.
  8. Other - Describe any other relevant changes in market or product.

CLASSIFICATION OF BA-PA EXCHANGES BY TARIFF  
DENSITY CELL DESIGNATION AS OF JULY 27, 1994

EXCHANGE	DENSITY CELL	CLASSIFICATION
BALDWIN	1	URBAN
DAVENPORT	1	URBAN
DOWNTOWN-1	1	URBAN
EVERGREEN	1	URBAN
LOCUST	1	URBAN
MARKET	1	URBAN
OAKLAND	1	URBAN
PENNYPACKER	1	URBAN
POPLAR	1	URBAN
SHERWOOD	1	URBAN
ALLENTOWN-PITT	2	URBAN
BELLEVUE	2	URBAN
BRADDOCK	2	URBAN
CARRICK	2	URBAN
CHESTNUT HILL	2	URBAN
CRAFTON	2	URBAN
DEWEY	2	URBAN
DORMONT	2	URBAN
EAST LIBERTY	2	URBAN
EASTWICK	2	URBAN
GERMANTOWN	2	URBAN
HOMESTEAD	2	URBAN
IVYRIDGE	2	URBAN
JEFFERSON	2	URBAN
KNIGHTS ROAD	2	URBAN
MAYFAIR	2	URBAN
MCKEES ROCKS	2	URBAN
MILLVALE	2	URBAN
NORTHSIDE	2	URBAN

ORCHARD	2	URBAN
PILGRIM	2	URBAN
REGENT	2	URBAN
SARATOGA	2	URBAN
SHARPSBURG	2	URBAN
SQUIRREL HILL	2	URBAN
TRINITY	2	URBAN
WAVERLY	2	URBAN
WEST VIEW	2	URBAN
WILKINSBURG	2	URBAN
ALLENTOWN	3	SUBURBAN
AMBLER	3	SUBURBAN
AMBRIDGE	3	SUBURBAN
ARDMORE	3	SUBURBAN
BALA CYNWYD	3	SUBURBAN
BEAR CREEK	3	SUBURBAN
BETHAYRES	3	SUBURBAN
BETHEL PARK	3	SUBURBAN
BETHLEHEM	3	SUBURBAN
BRIDGEVILLE	3	SUBURBAN
BRISTOL	3	SUBURBAN
BRYN MAWR	3	SUBURBAN
CAMP HILL	3	SUBURBAN
CARNEGIE	3	SUBURBAN
CATASAUQUA	3	SUBURBAN
CHESTER A	3	SUBURBAN
CHESTER B	3	SUBURBAN
CHESTER HEIGHTS	3	SUBURBAN
CHURCHVILLE	3	SUBURBAN
CLAIRTON	3	SUBURBAN
CONSHOHOCKEN	3	SUBURBAN
CORAOPOLIS	3	SUBURBAN

DORSEYVILLE	3	SUBURBAN
DOYLESTOWN	3	SUBURBAN
EAST PETERSBURG	3	SUBURBAN
EASTON	3	SUBURBAN
EDDINGTON	3	SUBURBAN
ELIZABETH TOWNSHIP	3	SUBURBAN
ENOLA	3	SUBURBAN
EXTON	3	SUBURBAN
FISHING CREEK	3	SUBURBAN
GLENOLDEN	3	SUBURBAN
GLENSHAW	3	SUBURBAN
GREENSBURG	3	SUBURBAN
HARRISBURG	3	SUBURBAN
HATBORO	3	SUBURBAN
HAZLETON	3	SUBURBAN
HEPBURNVILLE	3	SUBURBAN
IRWIN	3	SUBURBAN
JEANNETTE	3	SUBURBAN
JENKINTOWN	3	SUBURBAN
KING OF PRUSSIA	3	SUBURBAN
KINGSTON	3	SUBURBAN
KIRKLYN	3	SUBURBAN
KUHNSVILLE	3	SUBURBAN
KULPMONT	3	SUBURBAN
LANCASTER	3	SUBURBAN
LANGHORNE	3	SUBURBAN
LANSDALE	3	SUBURBAN
LANSDOWNE	3	SUBURBAN
LARCHMONT	3	SUBURBAN
LAURELDALE	3	SUBURBAN
MCKEESPORT	3	SUBURBAN
MEDIA	3	SUBURBAN

MONESSEN	3	SUBURBAN
MONROEVILLE	3	SUBURBAN
MONTOURSVILLE	3	SUBURBAN
MORRISVILLE	3	SUBURBAN
MOUNTAINVILLE	3	SUBURBAN
NEW CUMBERLAND	3	SUBURBAN
NEW KENSINGTON	3	SUBURBAN
NEWTOWN	3	SUBURBAN
NORRISTOWN	3	SUBURBAN
NORTH WALES	3	SUBURBAN
OAKMONT	3	SUBURBAN
PAOLI	3	SUBURBAN
PAXTANG	3	SUBURBAN
PAXTONIA	3	SUBURBAN
PENN HILLS	3	SUBURBAN
PERRYSVILLE	3	SUBURBAN
PITTSTON	3	SUBURBAN
PLEASANT HILLS	3	SUBURBAN
PLYMOUTH	3	SUBURBAN
POTTSTOWN	3	SUBURBAN
READING	3	SUBURBAN
RIDLEY PARK	3	SUBURBAN
ROBINSON TP	3	SUBURBAN
SAINT LAWRENCE	3	SUBURBAN
SCRANTON	3	SUBURBAN
SEWICKLEY	3	SUBURBAN
SHARON	3	SUBURBAN
SHILLINGTON	3	SUBURBAN
SINKING SPRING	3	SUBURBAN
SPRINGDALE	3	SUBURBAN
SPRINGFIELD	3	SUBURBAN
STATE COLLEGE	3	SUBURBAN

STEELTON	3	SUBURBAN
TAYLOR	3	SUBURBAN
TROOPER	3	SUBURBAN
TULLYTOWN	3	SUBURBAN
TURTLE CREEK	3	SUBURBAN
WARRINGTON	3	SUBURBAN
WAYNE	3	SUBURBAN
WEST CHESTER	3	SUBURBAN
WEST MIFFLIN	3	SUBURBAN
WILKES-BARRE	3	SUBURBAN
WILLIAMSPORT	3	SUBURBAN
WILLOW GROVE	3	SUBURBAN
WILLOW STREET	3	SUBURBAN
WYOMING	3	SUBURBAN
YARDLEY	3	SUBURBAN
ALBRIGHTSVILLE	4	RURAL
ALEXANDRIA	4	RURAL
ALFARATA	4	RURAL
ALQUIPPA	4	RURAL
ALTOONA	4	RURAL
ANNVILLE	4	RURAL
ASHLAND	4	RURAL
AUSTIN	4	RURAL
AVELLA	4	RURAL
AVONDALE	4	RURAL
BADEN	4	RURAL
BARNESBORO	4	RURAL
BATH	4	RURAL
BEAVER FALLS	4	RURAL
BEDMINSTER	4	RURAL
BELLE VERNON	4	RURAL
BELLEFONTE	4	RURAL

BELLWOOD	4	RURAL
BERWICK	4	RURAL
BESSEMER	4	RURAL
BLACK LICK	4	RURAL
BLAIRSVILLE	4	RURAL
BLOOMSBURG	4	RURAL
BOALSBURG	4	RURAL
BOLIVAR	4	RURAL
BRADFORD	4	RURAL
BROWNSVILLE	4	RURAL
BUCKINGHAM	4	RURAL
BURGETTSTOWN	4	RURAL
BUSHKILL	4	RURAL
CALIFORNIA	4	RURAL
CANONSBURG	4	RURAL
CARBONDALE	4	RURAL
CARROLLTOWN	4	RURAL
CARVERSVILLE	4	RURAL
CATAWISSA	4	RURAL
CENTER POINT	4	RURAL
CENTRE HALL	4	RURAL
CHARLEROI	4	RURAL
CHERRY TREE	4	RURAL
CHESTER SPRINGS	4	RURAL
CLARION	4	RURAL
CLAYSVILLE	4	RURAL
CLEARFIELD	4	RURAL
CLYMER	4	RURAL
COATESVILLE	4	RURAL
COLLEGEVILLE	4	RURAL
CONNELLSVILLE	4	RURAL
COUDERSPORT	4	RURAL

CRESCO	4	RURAL
CRESSON	4	RURAL
CURWENSVILLE	4	RURAL
DANVILLE	4	RURAL
DAUPHIN	4	RURAL
DAWSON	4	RURAL
DERRY	4	RURAL
DONORA	4	RURAL
DOWNINGTOWN	4	RURAL
DUBOIS	4	RURAL
DUNBAR	4	RURAL
EAGLE	4	RURAL
EBENSBURG	4	RURAL
ELDRED	4	RURAL
ELIZABETH	4	RURAL
ELLWOOD CITY	4	RURAL
ELYSBURG	4	RURAL
ENDEAVOR	4	RURAL
FAIRCHANCE	4	RURAL
FARMINGTON	4	RURAL
FAYETTE CITY	4	RURAL
FINLEYVILLE	4	RURAL
FLEETWOOD	4	RURAL
FRACKVILLE	4	RURAL
FREELAND	4	RURAL
FRENCHVILLE	4	RURAL
GALETON	4	RURAL
GIRARDVILLE	4	RURAL
GLEN CAMPBELL	4	RURAL
GLEN LYON	4	RURAL
GLENMOORE	4	RURAL
GREEN LANE	4	RURAL

GREENVILLE	4	RURAL
GROVE CITY	4	RURAL
HALIFAX	4	RURAL
HAMBURG	4	RURAL
HAMLIN	4	RURAL
HARLEYSVILLE	4	RURAL
HASTINGS	4	RURAL
HAWLEY	4	RURAL
HELLERTOWN	4	RURAL
HERMINIE	4	RURAL
HOLLIDAYSBURG	4	RURAL
HOMER CITY	4	RURAL
HONESDALE	4	RURAL
HONEY BROOK	4	RURAL
HOOKSTOWN	4	RURAL
HOUTZDALE	4	RURAL
HUMMELSTOWN	4	RURAL
HUNTINGDON	4	RURAL
IMPERIAL	4	RURAL
INDIANA	4	RURAL
JERMYN	4	RURAL
JERSEY SHORE	4	RURAL
JIM THORPE	4	RURAL
KANE	4	RURAL
KEMBLESVILLE	4	RURAL
KENNETT SQUARE	4	RURAL
KUTZTOWN	4	RURAL
LAKE ARIEL	4	RURAL
LAKE COMO	4	RURAL
LANDENBERG	4	RURAL
LANDISVILLE	4	RURAL
LATROBE	4	RURAL

LEBANON	4	RURAL
LEEPER	4	RURAL
LEHIGHTON	4	RURAL
LEWISTOWN	4	RURAL
LIGONIER	4	RURAL
LINE LEXINGTON	4	RURAL
LOCK HAVEN	4	RURAL
LORDS VALLEY	4	RURAL
MAHAFFEY	4	RURAL
MAHANAY CITY	4	RURAL
MARCHAND	4	RURAL
MARIENVILLE	4	RURAL
MARION CENTER	4	RURAL
MARSHALLS CREEK	4	RURAL
MASONTOWN	4	RURAL
MCADOO	4	RURAL
MCCLELLANDTOWN	4	RURAL
MCDONALD	4	RURAL
MCMURRAY	4	RURAL
MCVEYTOWN	4	RURAL
MECHANICSBURG	4	RURAL
MENDENHALL	4	RURAL
MERCER	4	RURAL
MIDDLETOWN	4	RURAL
MIDLAND	4	RURAL
MILLERSVILLE	4	RURAL
MILLHEIM	4	RURAL
MILLVILLE	4	RURAL
MILTON	4	RURAL
MINERSVILLE	4	RURAL
MONONGAHELA	4	RURAL
MOOSIC	4	RURAL

MOSCOW	4	RURAL
MOUNT CARMEL	4	RURAL
MOUNT GRETNA	4	RURAL
MOUNT JEWETT	4	RURAL
MOUNT PLEASANT	4	RURAL
MOUNT POCONO	4	RURAL
MOUNT UNION	4	RURAL
MOUNTAINTOP	4	RURAL
NANTICOKE	4	RURAL
NAZARETH	4	RURAL
NESQUEHONING	4	RURAL
NEW CASTLE	4	RURAL
NEW FLORENCE	4	RURAL
NEW HOPE	4	RURAL
NEW PHILADELPHIA	4	RURAL
NEW SALEM	4	RURAL
NEW STANTON	4	RURAL
NEWFOUNDLAND	4	RURAL
NORTHAMPTON	4	RURAL
NUMIDIA	4	RURAL
OAKDALE	4	RURAL
OLYPHANT	4	RURAL
ORWIGSBURG	4	RURAL
OSCEOLA MILLS	4	RURAL
OXFORD	4	RURAL
PALMYRA	4	RURAL
PARKERFORD	4	RURAL
PARKESBURG	4	RURAL
PARKWOOD	4	RURAL
PATTON	4	RURAL
PENNSBURG	4	RURAL
PERKASIE	4	RURAL

PERRYOPOLIS	4	RURAL
PHILIPSBURG	4	RURAL
PHOENIXVILLE	4	RURAL
PINEVILLE	4	RURAL
PLEASANT GAP	4	RURAL
PLUMSTEADVILLE	4	RURAL
POINT MARION	4	RURAL
PORT ALLEGHENY	4	RURAL
PORTAGE	4	RURAL
POTTSVILLE	4	RURAL
PUGHTOWN	4	RURAL
PUNXSUTAWNEY	4	RURAL
QUAKERTOWN	4	RURAL
RENOVO	4	RURAL
REW	4	RURAL
REYNOLDSVILLE	4	RURAL
RIEGELSVILLE	4	RURAL
ROCHESTER	4	RURAL
ROULETTE	4	RURAL
ROYERSFORD	4	RURAL
RUSSELL	4	RURAL
SAXTON	4	RURAL
SCHUYLKILL HAVEN	4	RURAL
SCHWENKSVILLE	4	RURAL
SCOTTDALE	4	RURAL
SHAMOKIN	4	RURAL
SHARPSVILLE	4	RURAL
SHENANDOAH	4	RURAL
SLATINGTON	4	RURAL
SMETHPORT	4	RURAL
SMOCK	4	RURAL
SNOW SHOE	4	RURAL

SOUDERTON	4	RURAL
SPRING MILLS	4	RURAL
SPRINGTOWN	4	RURAL
STANDING STONE	4	RURAL
STRASBURG	4	RURAL
STROUDSBURG	4	RURAL
SUGAR GROVE	4	RURAL
SUNBURY	4	RURAL
SYKESVILLE	4	RURAL
TAMAQUA	4	RURAL
TANNERSVILLE	4	RURAL
TARENTUM	4	RURAL
TIDIOUTE	4	RURAL
TIONESTA	4	RURAL
TOBYHANNA	4	RURAL
TYRONE	4	RURAL
ULYSSES	4	RURAL
UNIONTOWN	4	RURAL
UPPER BLACK EDDY	4	RURAL
WALLENPAUPACK	4	RURAL
WAMPUM	4	RURAL
WARREN	4	RURAL
WASHINGTON	4	RURAL
WASHINGTONVILLE	4	RURAL
WEATHERLY	4	RURAL
WEST ALEXANDER	4	RURAL
WEST GROVE	4	RURAL
WEST MIDDLESEX	4	RURAL
WEST NEWTON	4	RURAL
WHITEHAVEN	4	RURAL
WINBURNE	4	RURAL
WOODLAND	4	RURAL

WOOLRICH	4	RURAL
YOUNGSVILLE	4	RURAL
ZELIENOPLE	4	RURAL

October 1, 1993

**PENNSYLVANIA BROADBAND DEPLOYMENT GUIDELINES**

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

**THE INTEROFFICE NETWORK:**

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

**THE FEEDER NETWORK:**

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

**THE DISTRIBUTION NETWORK:**

1. **NEW:** Fiber optic systems will be used for new construction when the installed first cost of a fiber optic system is equal to or less than 120% of the installed first cost of copper based distribution cables.
2. **REHABILITATION:** When maintenance is required, copper based distribution cables will be replaced with fiber optic systems when the installed first cost of the fiber optic system is equal to or less than 125% of a copper based distribution cable.

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

Separate Entity for Electronic Publishing

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

2. For purposes of these Safeguards:

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

"Electronic publishing" does not include the transmission of information as a common carrier for unaffiliated persons, protocol conversion, language translation, conversion of data from one format to another, the provision of information necessary for the management, control, or operation of a telephone company telecommunications system, the provision of directory assistance that provides names, addresses, and telephone numbers, repair and provisioning

databases for telephone company operations, credit card and billing validation for telephone company operations, existing time and weather services and any other existing information services now provided by Bell of Pennsylvania, and 911-E and other emergency assistance databases.

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

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

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

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

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

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

(E) Any transaction between BPA and any corporate affiliate that engages in electronic publishing shall not be based on any preference or discrimination, shall be carried out at arms length and in the same manner that BPA conducts business with unaffiliated entities, shall be fully auditable in accordance with generally accepted accounting principles and reflect fair market

IN THE COMMONWELATH OF PENNSYLVANIA  
BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Verizon North Inc.	)	
For Alternative Regulation and	)	Docket No. P-00981449
Plan for Network Modernization	)	Docket No. P-00001854 F1000

FINAL ALTERNATIVE REGULATION PLAN  
OF  
VERIZON NORTH INC.

Finalized in compliance with PA PUC

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

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Dated: June 20, 2005

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## EXECUTIVE SUMMARY

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

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

The Plan has four principal components: (1) a Network Modernization Plan ("NMP"); (2) a Competitive Services Deregulation Plan ("CSP"); (3) a Price Stability Plan ("PSP") for Noncompetitive Services; and (4) commitments regarding quality, safety, adequacy and reliability of service. These four parts of the Plan are interrelated and dependent upon one another.

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

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

Part 3 of the Plan is the Price Stability Plan, which governs price changes for noncompetitive services for the duration of the Plan. The PSP constrains noncompetitive service price changes, based on an independent inflation index and Commission review.

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

Part 5 of the Plan incorporates in the non-NMP provisions of Act 183. Per Act 183, the 2002 alternative regulation plan was deemed amended consistent with Act 183 upon the Commission's approval of Verizon North's NMP amendment on May 20, 2005.

## PART 1. NETWORK MODERNIZATION PLAN

### A. Introduction

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

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

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

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<sup>1</sup> Absent exceptional circumstances, which circumstances shall be set forth in a petition to the Pennsylvania Public Utility Commission ("Commission"), with all Chapter 30 parties in this proceeding being given notice and the opportunity to respond, and subject to Commission approval.

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

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

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

**1. Digital Switching**

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

**2. Intelligent Network Signaling Capability**

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

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

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

**3. Interoffice Trunking**

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

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

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

**4. Broadband Distribution Facilities**

(a) The deployment of broadband capability in the distribution network is essential to making broadband services available. For the purpose of this Plan, "broadband capability," "broadband facilities" and "broadband service" are defined as providing or using a bandwidth of 1.544 megabits per second or greater.

(b) Verizon North will deploy broadband capabilities in its distribution network as described in this sub-part. Verizon North expects xDSL technology to be the primary initial means to provide broadband services to end-users. Verizon North may

utilize other existing and future technologies as circumstances may warrant or permit. Verizon North may modify its implementation plans in keeping with broadband availability commitments. The following schedule is the minimum deployment rate of broadband capability that Verizon North will provide, measured as a percentage of access lines that are broadband capable:

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

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

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

**C. NMP Reports**

1. The Company will submit an initial NMP report regarding the status of broadband deployment on March 31, 2003, and every two years thereafter. The Company will file an Interim Status Report on or before September 30, 2002. The reports filed will comply with the Commission's directives contained in the Orders approving this Plan. Absent exceptional circumstances, as set forth in footnote 1 above, Verizon North will meet or exceed its commitment schedule.

**SUPPLEMENT TO  
NETWORK MODERNIZATION PLAN  
FILED PURSUANT TO  
ACT 183**

Verizon North Inc. ("Verizon North") hereby amends its Network Modernization Plan ("NMP") pursuant to Act 183 via the following supplement.<sup>1</sup>

Broadband Availability:

Act 183 defines broadband as "[a] communication channel using any technology and having a bandwidth equal to or greater than 1.544 megabits per second (Mbps) in the downstream direction and equal to or greater than 128 kilobits per second (Kbps) in the upstream direction." 66 Pa. C. S. §3012. Broadband availability is defined as access to broadband service by a retail customer within ten business days after receiving the customer's request for a broadband service. 66 Pa. C. S. §3014(b)(5). Verizon North commits to providing broadband availability, as defined above, to 100% of the total retail access lines in its distribution network by December 31, 2015.

Verizon North also commits to universal broadband deployment in or adjacent to public rights-of-way abutting all public schools, including the administration offices supporting public schools, industrial parks and health care facilities on or before December 31, 2005. 66 Pa. C. S. §3014(b)(4).

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<sup>1</sup> This Supplement amends the NMP, which remains in full force and effect except as expressly amended by this Supplement.

Technology:

As stated in Verizon North's NMP, the broadband commitments contained in the NMP do not require a specific technology. Similarly, Act 183 provides that a local telecommunications company cannot be required to deploy a specific technology. 66 Pa. C.S. §3014(n). Accordingly, Verizon North may choose any technology to meet its broadband commitments.

Bona Fide Retail Request Program:

Verizon North will implement a Bona Fide Retail Request ("BFRR") program in accordance with Act 183 no later than 90 days after the effective date of this supplement to the NMP. No later than 30 days in advance of program implementation, Verizon North will file with the Commission and provide to the Department of Community and Economic Development ("DCED") a written description of the program and samples of the forms to be used in the program. 66 Pa. C. S. §3014(c).

Business Attraction or Retention Program:

Verizon North will establish a Business Attraction or Retention ("BAR") Program as required by Act 183. No later than 90 days after the effective date of this supplement to the NMP, Verizon North will designate a single point of contact to receive all written advanced or broadband service requests forwarded by DCED, provide associated contact information to DCED, and provide DCED and the Commission with a written description of its participation in the program and a sample request for advanced or broadband services form for use in the program. 66 Pa. C. S. §3014(d).

Assistance to Political Subdivisions:

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

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

The Company's Competitive Services Deregulation Plan ("CSP") allows for the price and earnings deregulation of any services at all or some locations, which have been, or may be, found by the Commission to be competitive. An initial group of services is addressed below. The Company may submit future requests, however, to classify other services as competitive and may request competitive classification, upon sixty (60) days' notice, for services and/or locations that are found to be competitive for other companies for similar services.

### **A. Competitive Services**

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

2. The following additional services are declared competitive for Verizon North: directory advertising; intrastate billing and collection; Centranet; speed call; last number redial; and toll services. The Company will file informational tariffs for these services. For toll services, Verizon North will file tariffs as required by the Commission for interexchange carriers. Existing or new route specific optional calling plans maintained for compliance with the Commission's EAS regulations are not a competitive service.

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

4. Competitive services are not to be regulated on any basis, including rates, rate structures, rate base, rate of return or earnings. The Commission will retain its existing general authority over competitive services for the purpose of safety, adequacy and reliability under 66 Pa. C.S. §1501, et seq. Verizon North will continue to monitor service quality standards as set forth in 52 Pa. Code §63.56.

5. When the Company requests that new or existing services be classified as competitive, a sixty (60) day notice procedure shall be followed. The public shall be notified by general newspaper notice, billing insert or bill message. Such request for competitive classification shall be served in hand upon the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate, all intervenors in this Chapter 30 proceeding and any other person as directed by the Commission's Secretary on the day of filing with the Commission. Any complaint or comment in support of, or opposition to, the proposed classification shall be filed with the Commission within twenty (20) days of the original filing. The Company may respond within ten (10) days thereafter. The Commission shall enter an Order within one hundred eighty (180) days of the filing date concerning the service's competitive status; otherwise, the service shall be deemed to be competitive.

6. 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 to be competitive under Chapter 30, so long as the markets are substantially similar.

**B. Statutory Protections**

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

2. By operation of the PSP, the revenues earned and expenses incurred for any noncompetitive service will not cross-subsidize or support any competitive service; therefore, this Plan is in compliance with the requirements of 66 Pa. C.S. §3005(g)(2).

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

4. Verizon North will perform its own cost studies in order to comply with competitive costing and pricing safeguards and will share those studies with intervenors under appropriate proprietary agreements.

5. Tariffs or price lists may be required to be filed by the Company for future competitive services under 66 Pa. C.S. §3009(f).

6. Formal challenges to the Company's compliance with the provisions of the CSP can be made only through separate complaint procedures. Any competitor or other party who believes the Company has violated any of the provisions of this CSP may file a complaint with the Commission. That party, however, bears the burden of proof under 66 Pa. C.S. §332(a). The Commission retains the right to institute proceedings on its own motion, and the Company shall have the burden of proof in those proceedings.

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

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

The PSP procedures specify the allowable change (increase or decrease) in rates for noncompetitive services, equal to the annual change in the Gross Domestic Product Price Index ("GDP-PI"), as calculated by the United States Department of Commerce, less an inflation offset and adjusted for any exogenous events. The Company's inflation offset shall be 2.5%. The PSP also addresses revenue neutral rate rebalancing/restructuring and the introduction of new services.

The PSP in this Chapter 30 Plan is in complete replacement of rate base/rate of return regulation for the Company and is the exclusive basis upon which the Company's noncompetitive rates and services will be regulated, upon implementation of this Plan. All tariff filings for noncompetitive services are subject to review under the terms of this Plan. Noncompetitive services are those services that are not declared to be competitive.

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

1. The Price Stability Index ("PSI") is based upon the Company's rates in effect on the date this Final Plan becomes effective, as a starting point. Those rates are just, reasonable, nondiscriminatory and otherwise fully in compliance with all Pennsylvania laws.

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

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

When:

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

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

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

$Z$  = The effect of any exogenous changes. Exogenous changes are positive or negative changes in the Company's revenues or expenses as defined in the Plan. In the calculation of the PSI, exogenous changes are expressed as a percentage of the Company's revenue received from intrastate, noncompetitive services.

2.5% = Inflation offset.

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

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

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

When:

$SPI_t$  = The proposed new SPI value.

$SPI_{t-1}$  = The existing SPI value as of the last approved tariff filing.

$P_t$  = The proposed price for rate element "i."

$P_{t-1}$  = The existing price for rate element "i."

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<sup>3</sup> If the Department of Commerce should cease reporting the GDP-PI during the term of the Plan, then, subject to Commission approval, the Company will substitute an alternative index and make any adjustments to the formula necessary to replicate the current formula as closely as possible.

$V_i$  = The current revenue weight for rate element "i", calculated as the ratio of the revenue for the rate element "i" priced at the existing rate, to the revenue for all noncompetitive services priced at existing rates.

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

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

6. On or about November 15 of each year, beginning in 2003, the Company shall file with the Commission a PSI and SPI Report. Each such annual filing may be accompanied by tariffs to implement any required or authorized SPI. Such tariffs will contain an effective date one hundred and five (105) days from the date of filing.

7. Proposed rate increases for existing noncompetitive services will become effective subject to the "Tariff Filing Process" set forth below. The Commission shall review the tariff rate change proposals to determine whether they are designed to produce revenues so that the SPI is not greater than the PSI. If the Commission determines that the Company's rate proposals do not comply with this criterion, then the Commission may order the Company to modify them to produce an SPI value which is equal to the PSI. If the Company's proposals comply with this criterion, then the Commission shall approve them subject to the Consumer Protections in Part 3, Section E.

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

9. Notwithstanding any other limitations specified herein, the Company, or any other party, may request that the Commission make special revenue adjustments within the scope of the PSI to recognize significant exogenous events that are outside the Company's control as follows:

- (a) Jurisdictional shifts in cost recovery when interstate revenues actually change;
- (b) Subsequent state or federal regulatory and legislative changes which affect revenues or expenses, to the extent they are not captured in GDP-PI; and

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

(c) Unique changes in the telephone industry that are not reflected in the overall inflation factor as measured by GDP-PI.

For example, future increases in the amount of the Company's required contribution to the Universal Service Fund in Pennsylvania shall be a qualifying exogenous event. Exogenous revenue changes shall be flowed through on a dollar-for-dollar basis, using the most recent per books revenue levels, without any investigation or review of earnings. Exogenous expense changes shall be flowed through, dollar-for-dollar, on the basis of review of that single expense item for which an exogenous change is sought, without any investigation or review of earnings, and using the most recent per books level of such expense. Results shall be adjusted to recognize the impact of gross receipts taxes. The *Tariff Filing Process* as described herein shall apply to any such exogenous changes.

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

**B. Rate Restructuring And Rebalancing**

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

(a) The SPI is not greater than the PSI;

- (b) No other rate restructuring/rebalancing filing has become effective in the same calendar year which affects basic local exchange service rates exclusive of changes made pursuant to the PSI/SPI formula and exogenous events;
- (c) The rates for those services which are established by the Commission as universal services do not exceed the level determined by the Commission to be affordable pursuant to the Universal Service proceeding or any successor docket;<sup>5</sup>
- (d) The proposed changes to basic, local rates will not cause an increase in excess of \$3.50 per month to the rates in existence at the end of the preceding year; and
- (e) The rates proposed are consistent with the MOU and the Commission Order approving the Verizon parent level merger.

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

3. The Company may make rate decreases at any time and such decreases will be included in the PSI/SPI calculations.

4. The Commission shall review the tariff proposals to determine whether they are within the criteria listed in sub-part B.1. If the Commission determines that the Company's rate proposals are not within these criteria, then the Commission may order the Company to modify them to produce a tariff which does not exceed these criteria. If

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

the tariff proposals are within the criteria listed in sub-part B.1, then the Commission shall approve them.

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

The Company provides Lifeline and Link Up programs for qualifying, low-income residential customers, which programs will remain in effect during the Plan.

**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," then the Tariff Filing Process, as detailed above, shall apply. Protected services are as follows:

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

(b) Switched access service;

(c) Special access service; and

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

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

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

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

**E. Consumer Protections**

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

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

3. Complaints under §1309 of the Public Utility Code against existing rates may only be filed if such rates fail to comply with the terms of this Plan. Section 1309 of the Public Utility Code shall be the exclusive basis for filing complaints against existing rates and such a complaint may be sustained only if such existing rates do not comply with the terms of this Plan.

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

**A. Ongoing Regulatory Requirements**

1. All services provided by the Company within the jurisdiction of the Commission shall remain subject to all provisions of 66 Pa. C.S. §1501, et seq., regarding safety, adequacy and reliability of telecommunications services.

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

3. The Company will comply with the Commission's Extended Area Service ("EAS") regulations, as revised by the Universal Service task force, on an interim basis.

The Company may petition for waivers from those regulations as needed and can petition for an automatic waiver if a waiver is granted to a similarly situated company. The Company will continue to provide EAS on required routes, will continue to regroup exchanges as appropriate and will be allowed to implement EAS-related rate increases, subject to restrictions in Section B., paragraph 1 above on Rate Rebalancing.

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

5. The Company shall continue to comply with Chapters 63 and 64 of the Commission's regulations as amended from time to time. The Company reserves the right to petition for waivers of those regulations and to petition for an automatic waiver if it is granted to a similarly situated company.

6. Approval of this Plan shall not operate in any way to foreclose the Company from exercising any of its options, pursuant to the enactment of new state or federal legislation.

7. In the event that the Company effects a change either to its depreciation expense or depreciation reserve, Commission approval shall not be required; however, in the event of the reinstatement of any form of rate base/rate of return regulation of the Company, then the Company will request permission from the Commission to establish booked amounts for depreciation at that time.

**B. Reporting Requirements**

1. In addition to Annual PSI and SPI Reports provided in accordance with this Plan, the Company will continue to provide the following reports:

- (a) Network Modernization Plan implementation reports, as required by Section 3003(b)(6) of Chapter 30 and in accordance with Docket No. M-00930441;
- (b) Access line summary in accordance with Docket No. M-900239;
- (c) Pennsylvania Telecommunications Relay Surcharge report in accordance with Docket No. M-900239;
- (d) The Company's annual assessment for regulatory expense in accordance with 66 Pa. C.S. §510(b);
- (e) Measurement of service quality in accordance with 52 Pa. Code §63.56;
- (f) Annual financial reporting requirements; and
- (g) Any reports required under the MOU.

2. Generally, no other reports or audits shall be required of the Company by the Commission, however, should the Commission require any additional reports, the Company retains the right to oppose such submission on the grounds that the benefit of the report or audit will not exceed the attendant expense or administrative time requirements associated therewith.

**C. Term of the Plan**

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

2. In the event of any appellate court reversal, remand, vacation, amendment or other modification of any Commission order approving or interpreting this Plan, or any aspect thereof, the Company retains the right to withdraw from the Plan.

**PART 5 – ACT 183 SUPPLEMENT - CHANGES IN THE NON-NMP SECTIONS OF THE PLAN**

Per Act 183, Verizon North's alternative form of regulation plan was deemed amended consistent with Act 183 upon the Commission's May 20, 2005 approval of Verizon North's NMP amendment. 66 Pa. C. S. §3015(h) Key changes in the non-NMP sections of Verizon North's plan include the following:

- Verizon North's inflation offset shall be equal to 0.5% pursuant to the company's amended NMP that commits to deploy 100% broadband availability by December 31, 2015. 66 Pa. C. S. §3015(a) (1) (II).
- Where annual rate adjustments made under Verizon North's price stability mechanism are calculated using revenues from protected services, an average rate adjustment for protected residential customer local exchange telecommunications service lines shall be determined by dividing the total protected service revenues associated with such lines, as adjusted by the price stability formula, by the number of such lines, and the rate adjustment for any individual line shall not vary from this average rate adjustment by more than 20%. 66 Pa. C.S. §3015(a) (3).
- Beginning in 2005 and continuing through 2015, or such earlier date after June 30, 2011, by which Verizon North achieves 100% broadband availability, Verizon North shall be assessed for contributions to the Broadband Outreach and Aggregation Fund based on the first year's annual revenue effect of any rate increase permitted by the reduction in its inflation offset and placed into effect. 66 Pa. C.S. §3015(c) (2).
- Beginning in 2005 and continuing through 2010, Verizon North shall be annually assessed an amount to be deposited in the Education Technology Fund ("E-Fund"). Verizon North's annual assessment shall be payable in two equal installments due on October 31 of each year, and January 31 of the following year, and shall be based on the relative proportion of the retail access lines served by Verizon North in relation to the number of retail access lines served by all nonrural telecommunications carriers that have filed an amended network modernization plan under Section 3014 (b) (3) of Act 183. Verizon North's E-Fund assessments may not be recovered via a surcharge on customers' bills or in rates for noncompetitive services as an exogenous change adjustment under the provisions of Verizon North's price stability mechanism or from annual rate adjustments made under Verizon North's price stability mechanism. 66 Pa. C.S. §3015(d) (3).
- Verizon North may declare any retail nonprotected service to be competitive by filing such declaration with the Commission and serving it on the Office of Consumer Advocate, Office of Small Business Advocate and each party to Verizon North's original Chapter 30 proceeding. The declaration becomes effective upon filing. 66 Pa. C.S. §3016(b).

- The Commission's filing and audit requirements for Verizon North shall be limited to the following: Network Modernization Plan Report; Annual Financial Report, Annual Relay Information Report; Annual Service Report; Universal Service Reports; Annual Access Line Report; annual State of Gross Intrastate Operating Revenues for Assessment Purposes; Annual State Tax Adjustment Computation for the years in which a tax change occurs, if applicable; and a Bona Fide Retail Request Report. 66 Pa. C.S. §3015(e). The Commission may not require further reports unless they are required to ensure compliance with Chapter 30 and the benefits substantially outweigh the expense. 66 Pa. C.S. §3015 ((f) (1).
- Verizon North must allow Lifeline customers to subscribe to any number of other telecommunications services at tariffed rates and must advise customers on subscription and twice annually of the availability of Lifeline service. In addition, Verizon North must provide the Department of Public Welfare with service descriptions, forms, contacts and other information about Lifeline service. 66 Pa. C.S. §3019(f).

**Note: Just as Verizon North's initial Alternative Regulation Plan did not provide a complete catalogue of all the provisions of the original Chapter 30, neither is this Supplement an exhaustive list of the provisions of Act 183. Nonetheless, Per Act 183, Verizon North's alternative form of regulation plan was deemed amended consistent with Act 183 upon the Commission's May 20, 2005 approval of Verizon North's NMP amendment. 66 Pa. C. S. §3015(h).**

## CLASSIFICATION OF EXCHANGES

(12/15/98)

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

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

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

**SCHEDULE A**

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

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

**Price Stability Index (PSI) Calculation**

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

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

**Service Price Index (SPI) Calculation**

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

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

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

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

Ronald F. Weigel  
Director  
Government Relations

ORIGINAL



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ronald.f.weigel@verizon.com

July 29, 2005

**VIA UPS OVERNIGHT DELIVERY**

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

***Re: Petition for Amended Network Modernization Plan of Verizon North Inc.,  
Docket Number P-00001854 F1000***

Dear Secretary McNulty:

In its May 20, 2005 Order approving the petition of Verizon North Inc. ("Verizon North") in the above-referenced docket, the Commission directed Verizon North to file a tariff supplement, effective on one day's notice, implementing its school discounts and waivers consistent with Section 3014(i) of Act 183, P.L. 1398 (66 Pa. C.S. §3014(i)). Pursuant to this provision, Verizon North is required to offer K-12 schools a 30% or greater discount on the tariffed distance-sensitive rate element and a waiver of the associated non-recurring charges for intrastate broadband services.

Verizon North hereby advises the Commission that all necessary tariff provisions are in place in its current tariffs to permit Verizon to offer the School Discount Program. More notably, Verizon North's Tariff Pa. P.U.C. No. 11 Informational Tariff for Competitive Services contains the appropriate Individual Case Basis (ICB) pricing flexibility needed to offer eligible schools the prescribed discounts for broadband services. Accordingly, additional tariff supplements are not needed, and therefore will not be filed.

If you have any questions about this notice, please call me.

Very truly yours,

DOCUMENT  
FOLDER

OVERNIGHT DELIVERY

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