



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

MAY 20, 2005

P-00001854F1000

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VERIZON-PENNSYLVANIA, INC.
1717 ARCH STREET - 32 NW
PHILADELPHIA PA 19103

DOCKETED
AUG 10 2005

Petition for Amended Network Modernization Plan of Verizon Pennsylvania, Inc.

**DOCUMENT
FOLDER**

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on May 19, 2005 has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,

James J. McNulty
Secretary

fg
encls
cert. mail

TONY RAMETTA
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**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held May 19, 2005

Commissioners Present:

Wendell F. Holland, Chairman
Robert K. Bloom, Vice Chairman
Kim Pizzingrilli

DOCKETED
AUG 10 2005

Petition for Amended Network Modernization Plan of
Verizon North Inc.

Docket Number
P-00001854 F1000

ORDER

**DOCUMENT
FOLDER**

BY THE COMMISSION:

Before us for review is a Petition by Verizon North Inc. (“Verizon North” or the “Company”) for its Supplement To Network Modernization Plan (“amended Chapter 30 Plan” or “amended plan”) filed on February 17, 2005, in accordance with Act 183 of 2004, P.L. 1398 (66 Pa. C.S. §§3011-3019) (Act 183).

Introduction

By Order entered April 11, 2002, this Commission approved Verizon North’s original Petition for Alternative Regulation and Network Modernization Plan pursuant to the former Chapter 30 of the Public Utility Code (“Code”) 66 Pa. C.S. §§3001-3009.

However, the original Chapter 30, 66 Pa. C.S. §§3001-3009, was subject to sunset provisions on December 31, 2003, and expired. In light of the sunset of the former Chapter 30, this Commission issued a Statement of Policy, Docket No. M-00041786, Order entered January 26, 2004, to clarify the duties and obligations of telecommunications carriers in regards to the final Commission orders issued under the provisions of the former Chapter 30. In that Statement of Policy, the Commission determined that the previously approved Chapter 30 plans remained in effect and were fully enforceable in all aspects upon the Incumbent Local Exchange Carriers (“ILECs”) after the Chapter 30 sunset date of December 31, 2003.

Subsequently, on November 19, 2004, the Pennsylvania General Assembly passed Act 183, amending the original Chapter 30 provisions. The Governor signed the Act into law on November 30, 2004. Act 183, among other things, provides an ILEC the ability to amend its original Chapter 30 Plan accelerating broadband deployment in its network in return for regulatory relief, including the ability to reduce or eliminate the inflation offset to its Price Stability Mechanism¹ in annually adjusting rates for noncompetitive services.

Act 183 provides three options for an ILEC amending its Chapter 30 Plan depending on whether it is a rural² or nonrural ILEC. The first option, for rural ILECs only, requires the company to provide 100% broadband availability in its service territory by December 31, 2008. By choosing this option, the rural ILEC is not required to offer a Bona Fide Retail Request Program (“BFRR”) or a Business Attraction and Retention

¹ The Price Stability Mechanism (“PSM”) is a formula which may be included in a carrier’s Commission approved alternative form of regulation plan that permits rates for noncompetitive services to be adjusted upward or downward. The PSM includes an “inflation offset” that reduces the amount that the carrier can raise or lower rates. The option and dates for 100% broadband availability that a carrier chooses determine the amount of the inflation offset.

² “Rural” is defined in section 3 of the Telecommunications Act of 1996, 47 U.S.C. §153, and includes all non-Verizon Pennsylvania ILECs.

Program (“BARP”),³ nor will the rural ILEC be assessed for the Broadband Outreach and Aggregation Fund nor the Education Technology Fund.⁴

The second option, also for rural ILECs only, specifies two choices for accelerating broadband deployment. The company must offer broadband availability to at least 80% of its distribution network by December 31, 2010, and 100% by December 31, 2013, or, in the alternative, 80% by December 31, 2010, and 100% by December 31, 2015. A rural ILEC choosing this second option must offer the BFRR and the BARP.

The third option is for a nonrural ILEC only. Under this option, the nonrural ILEC also has two choices for accelerating broadband deployment: it can choose to provide 100% broadband availability in its distribution network by either December 31, 2013, or December 31, 2015.

Background on Verizon North’s Amended NMP

On December 29, 2004, Verizon North filed a notice⁵ with the Commission that it was electing to amend its original Chapter 30 Plan in accordance with the new Chapter 30. The Notice specified that Verizon North would be choosing Option 3 (§3014(b)(3)), which would commit the Company to either accelerate 100% broadband availability to December 31, 2013, or retain the present commitment of December 31, 2015, and that it would file its amended plan within 60 days of the notice filing date.

Verizon North subsequently filed a Letter Petition for Supplement To Alternative Regulation and Network Modernization Plan (Verizon’s “amended Chapter 30 Plan” or

³ The Bona Fide Retail Request Program and the Business Attraction or Retention Program are described extensively in sections 3014(c) and (d).

⁴ Act 183, P.L. 1398 (66 Pa. C.S §3015(c) and (d)).

⁵ *Id.* at §3014(e).

“amended NMP”) on February 17, 2005 at P-00930715 F1000. Concurrent with this filing, Verizon North served a copy of the amended plan on the Office of Consumer Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”). Verizon North also provided notice of this filing in newspapers of general circulation in Verizon North’s service territory to inform its customers of the filing.

The Commission issued a Secretarial Letter on February 22, 2005, notifying the OCA and OSBA that Verizon North had filed an amended Chapter 30 Plan and providing dates for comments and reply comments. The Secretarial Letter stated that interested parties could file comments on the Amended Plan by March 14, 2005, with Verizon North reply comments due by March 24, 2005. The Secretarial Letter also indicated that the Commission would treat Verizon North filing as a compliance filing with no evidentiary hearings expected, unless an interested party raised a factual issue that showed that the filing was not in compliance with Act 183. The Secretarial Letter also stated, in accordance with Act 183, that there would be a 100-day approval process for these filings.

Comments/Reply Comments

The OSBA was the only party to file comments on Verizon North’s amended plan. The OSBA commented that it had not discovered any violation of Act 183 in the Verizon North amended plan petition. There were no reply comments by Verizon North.

Discussion of Verizon North’s Amended Chapter 30 Plan

As indicated above, Verizon North filed its petition for an amended plan on February 17, 2005.⁶ In its petition, Verizon North included a cover letter that delineated

⁶ Verizon North Inc., Docket No. P-00930715F1000, Verizon Letter and Supplement To Network Modernization Plan Filed Pursuant To Act 183 (February 17, 2005).

the broadband availability option that it was choosing, and a list of the parties served with the petition. The petition also included Supplement to Network Modernization Plan Filed Pursuant To Act 183.

By electing to amend its Chapter 30 Plan Verizon North must adhere to a number of other obligations or conditions, which it expressly recognized in its amended Chapter 30 Plan filing.

Option to Amend NMP Chosen – In its Amended Plan, Verizon North, a nonrural telecommunications carrier, selected “Option 3,” which committed it to provide broadband availability to 100% of its total retail access lines by December 31, 2015.⁷

Price Stability Mechanism And The Inflation Offset Chosen – The Price Stability Mechanism (PSM) is a formula which is included in Verizon North’s original Commission approved Alternative Regulation and Network Modernization Plan, permitting its rates for noncompetitive services to be adjusted upward or downward. The inflation offset is part of the calculation of the PSM. A change in the inflation offset correspondingly affects the amount that Verizon North can raise or lower its rates, on an annual basis. Choosing Option 3, with a 100% broadband availability date of December 31, 2015, will allow Verizon North to reduce the inflation offset of its Price Stability Mechanism (PSM) from 2.5% to one-half of one percent (.5%).⁸ Subsequently, if the Gross Domestic Product – Price Index rises more than one-half of one percent (.5%) in any year then Verizon North can increase its rates for noncompetitive services. Verizon North will report annually on the rate effect of the modified PSM in accordance with its original alternative regulation plan.

In its letter, Verizon North states that:

⁷ Act 183, P.L. 1398 (66 Pa. C.S. §3014(b)(3)(ii)).

⁸ *Id.* at §3015(a)(1)(ii).

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)⁹

Verizon North further states:

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).¹⁰

Broadband Service Interval – Consistent with the statutory options, Verizon North elected to extend the time required to make broadband available to a customer, from the current commitment of five business days, to ten business days of a customer request.¹¹

Broadband Availability For Public Schools, Industrial Parks, and Health Care Facilities – Verizon North committed to 100% broadband availability for public schools, industrial parks, and health care facilities by December 31, 2005. The company may extend this commitment for any exchange with less than 4,000 access lines to December 31, 2006.¹²

Broadband Discounts For Public Schools – Pursuant to Act 183, Verizon North further agreed to provide a discount of 30% or more on its tariffed distance sensitive per-

⁹ Verizon North Inc., Docket No. P-00930715F1000, Verizon Letter and Supplement To Network Modernization Plan Filed Pursuant To Act 183, Letter at 1 (February 17, 2005) ("Letter").

¹⁰ *Id.*

¹¹ Act 183, P.L. 1398 (66 Pa. C.S. §3014(b)(5)); Verizon North Inc., Docket No. P-00930715F1000, Verizon Letter and Supplement To Network Modernization Plan Filed Pursuant To Act 183, Supplement at 1 (February 17, 2005) ("Supplement").

¹² Act 183, P.L. 1398 (66 Pa. C.S. §3014(b)(4)).

mile rate element and waive the nonrecurring charges for intrastate broadband services to schools that commit to a 3-year contract.¹³

Broadband Outreach And Aggregation Fund – With respect to its commitment to the Broadband Outreach and Aggregation Program¹⁴ and the Broadband Outreach and Aggregation Fund,¹⁵ Verizon North states that:

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)¹⁶

Educational Technology Fund (E-Fund) – Verizon North will participate in the E-Fund, as established in Act 183.¹⁷ In its Letter, Verizon North included a statement acknowledging that:

Beginning in 2005 and continuing through 2010, Verizon North shall be annually assessed an amount to be deposited in the Educational 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).¹⁸

¹³ *Id.* at §3014(l).

¹⁴ *Id.* at §3014(l).

¹⁵ *Id.* at §3015(c).

¹⁶ Letter at 2.

¹⁷ Act 183, P.L. 1398 (66 Pa. C.S. §3014(l) and §3015(c)).

¹⁸ Letter at 2.

Assistance To Political Subdivisions – Verizon North commits to provide technical assistance to political subdivisions in its service territory, in pursuing the deployment of additional telecommunications infrastructure or services provided by Verizon.¹⁹

Bona Fide Retail Request Program – Verizon North will implement a BFRR program in accordance with Act 183 no later than 90 days after the effective date of this supplement to its 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.²⁰

Business Attraction or Retention Program – Verizon North will establish a BARP 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 the DCED, provide associated contact information to the DCED, and provide the 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.²¹

Lifeline Service – Pursuant to Act 183, as an Eligible Telecommunications Carrier, Verizon North is required to offer a revised Lifeline Program to all qualifying customers whereby customers who subscribe to Lifeline will now be able to subscribe to any of the other eligible telecommunications services at tariffed rates for such services. Further, Verizon North is required to inform existing customers twice annually by bill

¹⁹ Act 183, P.L. 1398 (66 Pa. C.S. §3014(g)); Supplement at 3.

²⁰ Act 183, P.L. 1398 (66 Pa. C.S. §3014(c)); Supplement at 3.

²¹ Act 183, P.L. 1398 (66 Pa. C.S. §3014(d)); Supplement at 3.

insert or bill message and appraise new customers of Lifeline availability at the time of application.²²

Competitive Services – Act 183 provides that “a local exchange telecommunications company may declare any retail nonprotected service as competitive by filing its declaration with the Commission [and other interested parties] ...” and that “A declaration of a retail nonprotected service as competitive shall be effective upon filing by the local exchange telecommunications company with the Commission.”²³

Accordingly, Verizon North has recently made several such filings pursuant to this provision.

Biennial NMP Reports – Verizon North will be filing a biennial network modernization plan report to its amended Chapter 30 Plan in such form and detail as required by the Commission.²⁴ Verizon North’s Second NMP Biennial Report was filed March 31, 2005. It covered the period January 1, 2004, through December 31, 2004. Subsequent reports will be filed by March 31st of odd-numbered years.

Conclusion

Based on our review of Verizon North amended Chapter 30 Plan, we conclude that it complies with the provisions of Act 183, P.L. 1398 (66 Pa. C.S. §§3011-3019), and, in particular, with the conditions attendant with its selection of Option 3 for nonrural ILECs,

²² Act 183, P.L. 1398 (66 Pa. C.S. §3019(f)); Verizon North modified its local tariff to conform to Lifeline requirements at Docket No. R-00050255, filed January 18, 2005 to become effective January 19, 2005.

²³ Act 183, P.L. 1398 (66 Pa. C.S. §3016(b)).

²⁴ *Id.* at §3014(f).

THEREFORE,

IT IS ORDERED:

1. That the Petition for an Amended Alternative Regulation and Network Modernization Plan of Verizon North Inc. is hereby approved, as in compliance with Act 183 of 2004, P.L. 1398 (66 Pa. C.S. §§3011-3019).

2. Verizon North Inc. is directed to file a tariff Supplement, effective on 1-day's notice implementing its school discounts and waivers consistent with Act 183, P.L. 1398 (66 Pa. C.S. §3014(l)).

3. Verizon North Inc. will implement a Bona Fide Retail Request program in accordance with Act 183 no later than 90 days after the effective date of this supplement to its Network Modernization Plan ("NMP"). No later than 30 days in advance of program implementation, Verizon North Inc. 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.

4. Verizon North Inc. will establish a Business Attraction or Retention Program as required by Act 183. No later than 90 days after the effective date of this supplement to the NMP, Verizon North Inc. will designate a single point of contact to receive all written advanced or broadband service requests forwarded by the DCED, provide associated contact information to the DCED, and provide the 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.

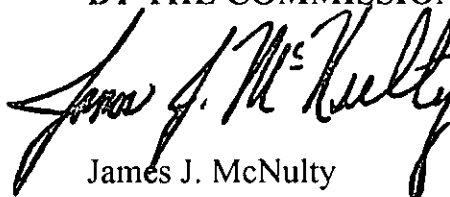
5. Verizon North Inc. is directed to file a revised version of its Amended Chapter 30 Plan within 30 days. This final Plan should include the provisions of Act 183.

6. Verizon North Inc. is directed to file its biennial NMP reports by March 31th of odd-numbered years, consistent with Act 183, P.L. 1398 (66 Pa. C.S. §3014(f)(1)).

7. A copy of this Order shall be served on Verizon North Inc., the Office of Small Business Advocate, and the Office of Consumer Advocate.

8. A copy of this Order shall be posted on our website.

BY THE COMMISSION



James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: May 19, 2005

ORDER ENTERED: MAY 20 2005