

**ALTERNATIVE REGULATION PLAN
OF
MERRIMACK COUNTY TELEPHONE COMPANY**

(Amended to Reflect Settlement Agreement)

Merrimack County Telephone Company's ("Company") plan for an alternative form of regulation ("Plan") is established pursuant to RSA 374:3-b. The Plan's provisions outlined herein shall establish the method and applicable statutes and administrative rules by which the New Hampshire Public Utilities Commission ("Commission") will regulate the intrastate services offered by the Company.

1. Goals of the Plan.

- 1.1. Set forth the regulatory requirements applicable to the Company's retail operations that are comparable to the regulation the Commission applies to competitive local exchange carriers.
- 1.2. Ensure that a high level of service continues to be provided to the Company's customers while maintaining a network that meets customer's needs and allows them to have access to innovative services.
- 1.3. Facilitate the transition to a competitive telecommunications market in the Company's territory, including satisfaction of the Company's intercarrier service obligations.
- 1.4. Preserve universal service by maintaining the Company's status as the carrier of last resort to ensure customers have access to affordable basic telephone service.

2. Term and Termination.

- 2.1. Term: The Plan will be effective on the 1st day of the month following the issuance of the Commission's final order approving the Plan (herein referred to as the "effective date"), and will continue until the Plan is terminated pursuant to 2.2 or 2.3.
- 2.2. Termination by Company: The Company shall have the right to terminate the Plan by filing a notice of termination with the Commission. Immediately upon the filing of a notice of termination, the Company shall return to the form and level of regulation under which it operated prior to the approval of the Plan or, in the alternative, if the Company qualifies for another form of regulation at that time, the Company may elect that form of regulation.
- 2.3. Commission Action: After providing the Company an opportunity for a hearing and in the event that the Commission determines that the Company ~~no longer~~ ~~meets~~does not meet the criteria for eligibility for an alternative regulation plan under RSA 374:3-b, the Commission may require the Company to propose modifications to the Plan or return to its prior form of regulation.

3. Regulation of the Company under the Plan.

- 3.1. Pursuant to RSA 374:3-b, II, the Company's retail operations shall be regulated in a manner comparable to the regulation applied to a Competitive Local Exchange Carrier except that the Company shall continue to be subject to regulations necessary for the Company to continue its obligation as a carrier of last resort, and to meet federal and state intercarrier obligations.
 - 3.1.1. A listing of the administrative rules and regulations applicable to the Company is set forth in Appendix 1. All other rules that would otherwise apply to the Company are waived by the Commission.
 - 3.1.2. The Company shall not be subject to rate-of-return regulation, and the Commission shall not consider rate base, rate-of-return or the overall earnings of the Company in connection with any rate changes made pursuant to this Plan.
 - 3.1.3. During the term of this Plan, the Company shall not be required to file affiliate contracts or obtain prior Commission approval of financings or corporate organizational changes, including, without limitation, mergers, acquisitions, corporate restructurings, issuance or transfer of securities, or the sale, lease, or other transfer of assets or control.
- 3.2. During the term of the Plan, the Company shall continue to provide service as the carrier of last resort providing "basic service" as defined in Puc 402.05 and Puc 412.01.
- 3.3. Rates and charges for the Company's services shall be subject to §4 below.
- 3.4. The Company shall meet its intercarrier obligations under other applicable laws including, without limitation, the federal Telecommunications Act of 1996 and applicable successor legislation.
- 3.5. The Company will be able to offer bundled services that include combinations of regulated and unregulated services.
- 3.6. ~~While this Plan is effective, the Company reserves all of its rights under the Telecommunications Act of 1996 as a Rural Telephone Company. By effectuating this Plan, the Company does not explicitly or implicitly waive any of its federal rights including its rights to a rural exemption under 47 USC § 251(f)(1), to seeking a suspension or modification under 47 USC § 251(f)(2) or the requirements set forth in 47 USC § 253. Approval of this Plan shall also not constitute a waiver of the Commission's authority under those provisions.~~
Rural Company Exemption.

- 3.6.1. The Company will not oppose Commission certification or registration of any company seeking to do business as a competitive local exchange carrier (“CLEC”) in the Company’s service territory.
- 3.6.2. The Company agrees to waive the rural telephone company exemption under Section 251(f)(1) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the “Act”) (47 U.S.C. § 251(f)(1)); provided, however, that such waiver shall not result in the Company being required to file wholesale UNE and resale tariffs, and to the extent applicable, the tariff filing requirements of Puc 419.01(f) and Puc 420.01 shall be deemed waived.
- 3.6.3. The Company agrees that a CLEC may request an interconnection agreement limited to the items set forth in section 251 (a), (b) and (c) (2), (4) and (6) of the Telecommunications Act of 1996, including, but not limited to the issue of the appropriate discount to be applied to resold retail services. For such a request, the time period set forth in Section 252(b)(1) of the Act to seek arbitration shall be between the 90th and 115th days after receipt of a request for negotiation (instead of between the 135th and the 160th day specified in such section). The expedited process set forth above shall be in addition to, not in lieu of, the obligation to negotiate in good faith for a complete interconnection agreement, including the obligation to negotiate in good faith to provide unbundled network elements under Section 251(c)(3) of the Act.
- 3.6.4. The Company reserves its rights under Section 251(f)(2) of the Act (47 U.S.C. §251(f)(2)) to seek modification or suspension of Section 251 requirements. Any such request would be subject to the approval of the Commission in accordance with the standards set forth in Section 251(f)(2).
- 3.6.5. The Company does not agree to undertake obligations applicable only to “Bell operating companies” (as defined in the Act).

4. Pricing Structure and Tariff Requirements for Retail and Wholesale Services

- 4.1. Basic Retail Service Rates: The Company may increase or decrease its rates for Basic Retail Service at any time as long as the rates (absent any rate adjustments pursuant to §4.1.2 for exogenous changes) do not exceed the rates for Basic Retail Service for comparable customers in comparable rate groups charged by the largest incumbent local exchange carrier in the state of New Hampshire and subject to the annual percentage limitation set forth in Section 4.1.1 (“Rate Cap”).

 - 4.1.1. The maximum level of the Company’s rates for Basic Retail Service in each exchange shall not increase by more than ten (10) percent annually (“Annual Percentage Rate Cap”) in each of the four (4) years after the effective date of the Plan.

- 4.1.1. The Company shall not raise Basic Retail Service rates in any exchange during the first and second years of its Plan. After the two year period, Basic Retail Service rates will be permitted to increase for an exchange under the Plan when the Company can show that at least one of the tests set forth in Section 4.1.2 shall have been met for that exchange.
- 4.1.2. The Basic Retail Service rate cap set forth in Section 4.1.1 may be terminated by the Company for the affected exchanges if (i) a non-affiliated wireline CLEC has collocated in the central office serving that exchange and is offering service; (ii) a non-affiliated cable telephone provider is certified to provide telephone service within the exchange and has facilities able to serve a majority of customers within that exchange; (iii) a non-affiliated cable provider is offering the functional equivalent to telephone service within the exchange and has facilities able to serve a majority of customers within that exchange; (iv) a non-affiliated CLEC is providing basic retail service to the exchange through resale, unbundled network elements, its own facilities or a combination thereof; or (v) the Company demonstrates to the Commission that wireless or non-affiliated broadband service¹ is available to a majority of retail customers in the affected exchanges and that such service is “competitive” within the meaning of RSA 374:3-b.
- 4.1.3. Following the termination of the initial cap on Basic Retail Service rates specified in Sections 4.1.1 and 4.1.2 hereof (the “Initial Rate Cap”) for an exchange, the Company may increase its rates for Basic Retail Service at any time as long as the rates (absent any rate adjustments pursuant to §7 for exogenous changes) do not exceed the rates for Basic Retail Service for comparable customers (including in the case of Lifeline customers, the comparable Lifeline rates) in comparable rate groups charged by the largest incumbent local exchange carrier in the state of New Hampshire and subject to the annual percentage limitation set forth in Section 4.1.3.1 (“Rate Cap”).
 - 4.1.3.1 The maximum level of the Company’s rates for Basic Retail Service in each exchange shall not increase by more than ten (10) percent annually (“Annual Percentage Rate Cap”) in each of the four (4) years following the termination of the Initial Rate Cap for that exchange.
 - 4.1.3.2 Rate adjustments pursuant to §7 for exogenous changes will not be included for the purposes of calculating the Rate Cap established in §4.1.3.

¹ The signatories agree that sometime in the future a non-affiliated third party may use TDS service in the provision of phone service. The third party telephone service in this instance will not be considered affiliated with TDS.

4.1.3.3 The Company may bundle any Basic Retail Service with any other regulated or unregulated services (e.g., long distance, Caller ID, Internet, video), which then will be priced and regulated as a Non-Basic Retail Service pursuant to §4.2 (e.g., prices for each bundle will be set at the discretion of the Company), provided that the unbundled Basic Retail Service continues to be offered to customers.

4.1.4. Tariff Requirements: The Company shall file rate schedules similar to the provisions of Puc 431.06. The Company will adopt the Uniform Tariff prescribed pursuant to Puc 431.05.

4.1.4.1 The Company will file the Uniform Tariff within 90 days from the Commission's final order approving the Plan.

4.1.5. Lifeline Rates. Notwithstanding the provisions of Sections 4.1.1 and 4.1.2, the Company will not raise Basic Retail Service rates for Lifeline customers in any exchange during the first four years of the Plan and until one or more of the tests set forth in Section 4.1.2 shall have been met in the affected exchange. Thereafter, Basic Retail Service rates for Lifeline customers will be permitted to increase by up to ten percent per year during each of the succeeding four years, subject to the Rate Cap established in Section 4.1.3, for comparable Lifeline customers.

4.1.5.1 The Company will work with the Office of Consumer Advocate, New Hampshire Legal Assistance and the Commission Staff to improve the dissemination of information regarding Lifeline and Link-up programs to eligible persons to increase participation in the programs.

4.1.6. Exogenous Changes. Notwithstanding the limitations on Basic Retail Service rates in this Section 4, the rates of the Company are subject to increase or decrease, with Commission approval, upon the occurrence of exogenous events as specified in RSA 374:3-b, III (b) (i.e., "changes in federal, state or local government taxes, mandates, rules, regulations or statutes").

4.2. Non-Basic Retail Services: Non-Basic Retail Services are all intrastate retail telecommunications services other than Basic Retail Service.

4.2.1. Rates: All rates and charges for all Non-Basic Retail Services, and all new services introduced by the Company will be set and will increase or decrease in response to market conditions.

4.2.2. Pricing for these services is at the discretion of the Company; provided, however, that if the Company itself offers intraLATA toll services (which

it does not as of the effective date of the Plan), such intraLATA toll services shall be priced at levels which are not less than the price of the lowest form of access that competitors would purchase to compete for customers with comparable volumes of usage, plus the incremental cost of related overhead.

- | 4.2.3. **Tariff Requirements:** The Company shall file rate schedules similar to the provisions of Puc 431.06. The Company will adopt the Uniform Tariff prescribed pursuant to Puc 431.05.
 - | 4.2.3.1 The Company will file the Uniform Tariff within 90 days from the Commission's final order approving the Plan.
- | 4.3. **Wholesale Services:** The Company shall continue to provide the existing wholesale intercarrier ~~compensation~~-services (including, but not limited to, switched access, special access, reciprocal compensation and unbundled network elements) in compliance with applicable state and federal administrative laws, rules and regulations.
 - 4.3.1. For the duration of the Plan, the Company's intrastate access rates will be capped at the level that existed on the effective date of the Plan. However, the Company may file cost studies supporting increasing these rates above the existing levels, which will become effective upon approval by the Commission.
 - 4.3.2. The Company will maintain its existing Intrastate Access Tariff until such future time when an alternative mechanism or detariffing is approved by the Commission.
 - 4.3.3. The Company may reduce intrastate access rates below their existing levels upon a one day notice to the Commission.

5. Offering of Innovative Services.

- 5.1. The Company commits to maintaining a network that will enable the offering of state-of-the-art, innovative services to its customers by the Company, its wholesale providers, and others. Pursuant to this commitment, the Company shall:
 - 5.1.1. Maintain its network infrastructure in order to ensure the continued availability of reliable, high quality telecommunication services throughout its service territory.
 - 5.1.2. Regularly assess customer satisfaction.

6. Service Quality.

- 6.1. The Company shall comply with the service quality standards pursuant to Puc 413.06 d.

- 6.2. The Company will continue to file the service quality reports required pursuant to Puc 411.06 a-c.

7. Exogenous Changes.

- 7.1. With Commission review and approval, the Company may (and, upon Commission order, the Company shall) adjust the prices for its Basic Services upward or downward due to the financial impacts of exogenous changes. For purposes of this section, the term exogenous change shall mean a change in any single federal, state or local government tax, mandate, rule, regulation, or statute which causes a change in a local exchange carrier's total intrastate regulated revenue, expenses, or plant in service, of more than 25% in any twelve-month period, as compared to the base period. The base period shall be the later of the following: the twelve-month period immediately preceding the effective date of alternative regulation, three years prior to the proposed exogenous change, or the period covered by the last exogenous change for the same government action.

- 7.1.1. On its own initiative and after notice and hearing, the Commission may require the Company to adjust rates for circumstances that meet the criteria of §7.

7.2. Exogenous changes shall include, but are not limited to, the following:

7.2.1. Separations matters (involving the separation of investment, expenses, and revenues, between the intrastate and interstate jurisdictions).

7.2.2. Taxes (federal and state income taxes, and property or similar taxes).

7.2.3. Accounting rule changes.

7.2.4. Intercarrier compensation revenues (Switched access and reciprocal compensation revenues and expenses) or any government action taken to reduce intrastate access charges pursuant to NH RSA § 378:17 a or any other statute or administrative rule.

7.2.4.1 Nothing within this Plan is intended to limit the Company's ability to draw from any funding mechanism that may be created to provide recovery for reducing intrastate access rates or to recover intercarrier compensation costs.

7.2.5. Other federal, state, or local governmental activity (including legislative, judicial, and administrative events).

- 7.2. [Intentionally Omitted.]

- 7.3. In such an event, the Company may petition the Commission to adjust any of its rates accordingly. The petition shall include a description of the exogenous change, the proposed adjustment to prices, the duration of the adjustment, and the estimated financial impact of the governmental action.

- 7.4. The Commission may initiate an investigation of a proposed exogenous factor rate change ~~within by Order of Notice to be issued not more than~~ 30 days ~~after receiving the following receipt of a request in pursuant to~~ § 7.3 or on its own motion. Such investigation shall be limited to the financial impact of the proposed change and shall not include a rate-of-return analysis. If the Commission does not initiate an investigation within 30 days after receiving the request, such request shall go into effect as filed by the Company. ~~Within 60 days after initiating an investigation and following an opportunity for hearing, the Commission shall issue an order approving, modifying or rejecting the rate change. If a hearing is held, the time within which the Commission may issue an order may be extended by 30 days. The Commission may suspend a proposed rate structure alteration or rate increase pending the issuance of the order. If the Commission does not act within 60 days (or 90 days if a hearing is held) after initiating an investigation, then the request shall go into effect as filed by the Company.~~ ~~The Commission shall complete such investigation not later than five months following the date of the Order of Notice.~~
- 7.5. ~~The Commission shall approve the In evaluating a~~ change in rates to reflect an exogenous change ~~if, the Commission finds that: shall consider whether:~~
- 7.5.1. An exogenous change has caused the financial impact under §7.1.
 - 7.5.2. The exogenous change causing the financial impact has been correctly identified.
 - 7.5.3. The proposed rate changes produce revenue covering only the financial impact of ~~the all relevant~~ exogenous changes.
 - 7.5.4. The rates would be applicable to the appropriate class or classes of customers.
- 7.6. ~~The Company and the Commission Staff shall determine additional information to be provided in the reports of the Company to the Commission to identify exogenous changes and the impact thereof.~~

Appendix 1

The following Puc 400 rules shall apply to the Company upon approval of the alternative regulation plan:

Rule Number	Title
Puc 410	Incumbent Local Exchange Carriers (ILECS)
Puc 410.01	Purpose
Puc 410.02 b	Application of Rules
Puc 410.03 a-b a-b	Definitions
Puc 411	ILEC Regulatory Requirements
Puc 411.03 a-b	Assessment
Puc 411.04	Contact Information
Puc 411.05 a-c	Information Required when Service Cannot be Provided
Puc 411.06 a-c	Quality of Service Information Required
Puc 411.08 a-g	Accident Notifications
Puc 412	ILEC Customer Relations
Puc 412.01 a-c	Provision of Basic Service
Puc 412.02 a-c	Telecommunications Relay Service
Puc 412.03 a-b	E911 Surcharge
Puc 412.05 a-f	Bill Forms
Puc 412.06	Application of Payments
Puc 412.08 a-c	Slamming Prohibited
Puc 412.09 a-b	Cramming Prohibited
Puc 412.12 a-b	Publication of Telephone Numbers
Puc 412.13 a-d	Confidentiality Requirements
Puc 412.14 a-b	Exit Fees
Puc 412.15 a-h	Disconnection of Service
Puc 412.16 a-k	Disconnection of Service to Lifeline Telephone Assistance Customers
Puc 412.17 a-n	Notice of Disconnection
Puc 412.18 a-j	Disconnection Conferences with Customer
Puc 412.19 a-h	Disconnection of Service to Non-Residential Customers
Puc 412.21 a-b	Application of Payments for Customers Participating in the Lifeline Telephone Assistance Program
Puc 413	ILEC Equipment and Facilities
Puc 413.02	Restoration of Service
Puc 413.03 a-d	Emergency Operation
Puc 413.04 a-d	Safety Instructions
Puc 413.05	Commission Inspections
Puc 413.06 d	Quality of Service Standards
Puc 415	ILEC Reports and Filing
Puc 415.01 b 1-2	Annual Reports
Puc 415.05 a-b	Submitting Reports and Forms
Puc 415.06	Confidential Treatment
Puc 417	ILEC Operator Services

Rule Number	Title
Puc 417.01 a-e	Provision of Service
Puc 418	ILEC Intercarrier Obligations
Puc 418.01 a-b	Intercompany Cooperation
Puc 418.02 a-g	Switching and Signaling Obligations
Puc 418.03 a-d	Trouble Reporting and Resolution Obligations
Puc 418.04	Rights of Ways
Puc 418.06 a-i	Carrier to Carrier Migrations
Puc 418.07 a-b	Intercompany Contact Information
Puc 418.08 a-b	Accessing, Maintaining and Updating of Databases
Puc 419	ILEC Resale
Puc 419.01 a-f	Resale Requirements
Puc 420	ILEC Unbundling Rules
Puc 420.01	Unbundled Network Elements
Puc 421	ILEC Interconnection
Puc 421.01 a-d	Provision of Interconnection
Puc 421.02 a-d	Terms and Conditions
Puc 421.03 a-b	Network Changes
Puc 429	ILEC Forms
Puc 429.01 a-b	Availability of Forms
Puc 429.02 a-e	Form ILEC-1 Contact Information
Puc 429.03 a-b	Form ILEC-2 Assessment Report
Puc 429.05 a-e	Form ILEC-4 Quality of Service Report
Puc 429.06 a-c	Form ILEC-5 Quality of Service Report Card
Puc 429.11 a-e	Form ILEC-30 Utility Accident Report
Puc 431	CLEC Regulatory Requirements
Puc 431.05 a-c	Uniform Tariff
Puc 431.06 a-i	Rate Schedule
Puc 431.08 a	Changes in Prices and Services
Puc 431.09 a-b	Annual Report
Puc 431.17 a	Service Outages
Puc 432	CLEC Customer Relations
Puc 432.04 a-c	CLEC Notices to Customers
Puc 432.07 a-e	Notice to Customers of Changes in Rates
Puc 432.10 a-c	Directories
Puc 432.19 a-b	Disconnection of Associated Services
Puc 433	CLEC Equipment and Facilities
Puc 433.01 a-c	Construction, Installation and Maintenance of Physical Plant
Puc 434	CLEC Reports and Filings
Puc 434.02	Biennial Reports
Puc 434.03 a, b 3-5	Annual Reports
Puc 435	CLEC Records
Puc 435.01 a-b	Preservation of Records
Puc 437	CLEC Intercarrier Obligations

Rule Number	Title
Puc 437.05 a-b	Exchange of Billing Name and Address Information
Puc 441	CLEC Corporate Restructuring
Puc 441.03 a-b	Change in Ownership
Puc 449	CLEC Forms
Puc 449.04 a-i	Form CLEC-3 Annual Report
Puc 449.08 a-b	Form CLEC-11 Intent to Use Uniform Tariff
Puc 449.10 a-d	Form CLEC-25 Rate Schedule Cover Sheet
Puc 449.15 a-c	Form CLEC-37 Change in Ownership