



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

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 1<sup>st</sup> 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.
- 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 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.

#### **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.

4.1.2. Rate adjustments pursuant to §7 for exogenous changes will not be included for the purposes of calculating the Rate Cap established in §4.1.

4.1.3. 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.

4.2. 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 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 2% 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 mechanism 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 participate in any funding mechanism that may be created to alter the existing intrastate access rate structure or intercarrier compensation mechanism.

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

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 30 days after receiving the request in § 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.

- 7.5. The Commission shall approve the change in rates to reflect an exogenous change if the Commission finds that:
  - 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 exogenous change.
  - 7.5.4. The rates would be applicable to the appropriate class or classes of customers.

# Appendix 1

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

Rule Number	Title
<b>Puc 410</b>	<b>Incumbent Local Exchange Carriers (ILECS)</b>
Puc 410.01	Purpose
Puc 410.02 b	Application of Rules
Puc 410.03 a-b a-b	Definitions
<b>Puc 411</b>	<b>ILEC Regulatory Requirements</b>
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
<b>Puc 412</b>	<b>ILEC Customer Relations</b>
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	Application of Service to Non-Residential Customers
Puc 412.21 a-b	Telephone Assistance Program
<b>Puc 413</b>	<b>ILEC Equipment and Facilities</b>
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
<b>Puc 415</b>	<b>ILEC Reports and Filing</b>
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
<b>Puc 418</b>	<b>ILEC Intercarrier Obligations</b>
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
<b>Puc 419</b>	<b>ILEC Resale</b>
Puc 419.01 a-f	Resale Requirements
<b>Puc 420</b>	<b>ILEC Unbundling Rules</b>
Puc 420.01	Unbundled Network Elements
<b>Puc 421</b>	<b>ILEC Interconnection</b>
Puc 421.01 a-d	Provision of Interconnection
Puc 421.02 a-d	Terms and Conditions
Puc 421.03 a-b	Network Changes
<b>Puc 429</b>	<b>ILEC Forms</b>
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
<b>Puc 431</b>	<b>CLEC Regulatory Requirements</b>
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
<b>Puc 432</b>	<b>CLEC Customer Relations</b>
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
<b>433</b>	<b>CLEC Equipment and Facilities</b>
433.01 a-c	Construction, Installation and Maintenance of Physical Plant
<b>434</b>	<b>CLEC Reports and Filings</b>
434.02	Biennial Reports
434.03 a, b 3-5	Annual Reports
<b>435</b>	<b>CLEC Records</b>
435.01 a-b	Preservation of Records
	<b>CLEC Intercarrier Obligations</b>



<b>Rule Number</b>	<b>Title</b>
Puc 437.05 a-b	Exchange of Billing Name and Address Information
<b>Puc 441</b>	<b>CLEC Corporate Restructuring</b>
Puc 441.03 a-b	Change in Ownership
<b>Puc 449</b>	<b>CLEC Forms</b>
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