

**ALTERNATIVE REGULATION PLAN  
OF  
UNION TELEPHONE COMPANY**

Union 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 in the State of New Hampshire.

**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 customers' 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 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 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. 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 (subject to the restrictions imposed by §4.1.3) 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. Pursuant to the stipulation agreement reached in DT 09-136, no basic retail rate increase can become effective until 14 months following July 26, 2010, which is the date that Union's operational support systems for

regulated services completed the transition to TDS Telecom's operational support systems for regulated services.

4.1.4. The Company may bundle any Basic Retail Service with any other regulated or unregulated services (i.e., 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.

4.1.5. 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.

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

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 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 5% 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. 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.

7.3. The Commission may initiate an investigation of a proposed exogenous factor rate change by Order of Notice to be issued not more than 30 days following receipt of a request pursuant to § 7.2 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. The Commission shall complete such investigation not later than five months following the date of the Order of Notice.

7.4. In evaluating a change in rates to reflect an exogenous change, the Commission 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 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.