

IN RE:

**PETITION OF SOUTH CENTRAL BELL)
TELEPHONE COMPANY TO) DOCKET NO. 24499
RESTRUCTURE ITS FORM OF)
REGULATION)**

**ALL TELEPHONE COMPANIES)
OPERATING IN ALABAMA, GENERIC) DOCKET NO. 24472
HEARING ON LOCAL COMPETITION)**

**STREAMLINED REGULATION OF)
INTEREXCHANGE CARRIER AND) DOCKET NO. 24030
RESELLER TELECOMMUNICATIONS)
SERVICES)**

**COMPLAINT FILED BY AT&T)
COMMUNICATIONS OF THE SOUTH) DOCKET NO. 24865
CENTRAL STATES, INC. AGAINST)
SOUTH CENTRAL BELL ON)
APRIL 25, 1995)**

REPORT AND ORDER

BY THE COMMISSION:

BACKGROUND

The Commission opened generic Docket 24472, on January 30, 1995, to examine the possible implementation of competition in the local telephone service market. On February 2, 1995, BellSouth Telecommunications, Inc. d/b/a South Central Bell Telephone Company (SCB) filed with the Commission a petition to restructure its form of regulation and included a proposed plan for price regulation. The Commission opened Docket 24499 to consider SCB's petition. On February 13, 1995, the Commission held a pre-hearing conference on local competition and instructed the

parties to meet, to define issues in the case, and to report those findings to the Commission. On April 6, 1995, the Commission held a pre-hearing conference on the SCB price regulation docket. The parties to the proceedings were instructed to meet, to define issues in the case, and to report findings to the Commission.

On May 17, 1995, the parties filed a Stipulation with the Commission which essentially combined the issues of price regulation and local competition. The Stipulation by the parties proposed: modifications to SCB's price regulation plan; a price regulation plan for non-SCB LECs including GTE; a streamlined regulation plan for interexchange carriers and resellers; and, a plan to implement local competition. On June 14-15, 1995, the Commission held two days of hearings on the Stipulation. Testimony was heard from witnesses testifying in support of the Stipulation and from a witness sponsored by the Department of Defense. Alabama consumers were represented by the Attorney General's Office (AG) of Alabama, who also sponsored a witness.

The Alabama Legislature, during its 1995 regular session, resolved any legal impediment to the Commission's consideration of price regulation by the passage and approval by the Governor of what is now Act 95-210.

The AG met with other parties to the Stipulation to discuss proposed modifications to the proposal. As a result, a compromise was reached which included modifications to SCB's price regulation plan, agreements for further annual rate reductions by SCB through 1999, and recommendations for the Commission to consider in implementing price regulation and local competition in Alabama. On June 29, 1995, the AG filed a motion to accept and implement the Stipulation with modifications.

The Commission subsequently assigned a staff workgroup to review SCB's Price Regulation Proposal and the Stipulation of Parties, to recommend modifications consistent with the Commission's objectives and policies, and to report its findings to the Commission. On August 14, 1995, the staff briefed the Commission on its preliminary report for price regulation and local competition. The staff further modified its preliminary report based on feedback from the Commission and briefed its preliminary findings to all parties to the proceedings on August 16, 1995. The Staff Report on Price Regulation and Local Competition was submitted to and approved by the Commission on August 21, 1995. The Commission subsequently directed the staff to prepare a Price Regulation and Local Competition Plan which incorporates SCB's Price Regulation Proposal, the Stipulation of Parties, the AG's Motion to Accept and Implement Stipulation, and the Staff Report on Price Regulation and Local Competition.

OBJECTIVES

The Commission's objectives for price regulation and local competition are:

1. To create an environment in which fair and effective local competition flourishes.
2. To encourage the introduction of new technology and modern services in all areas of Alabama, both urban and rural.
3. To protect customers from unjust prices for telephone services and from deterioration of telephone service quality.
4. To establish price regulation procedures which allow the Commission to fulfill its regulatory responsibilities during the transition to a fully competitive local telecommunications marketplace.
5. To ensure universal access to telephone service in all areas of Alabama.
6. To streamline regulatory procedures, where feasible, which might encumber new entrants and incumbent providers of telecommunications services in the transition to a competitive marketplace.
7. To develop a plan which is dynamic and capable of responding to changes in legislation, new ideas, and evolving market conditions.

PRICE REGULATION

01.00 PARTICIPATION

With the exception of the rate rebalancing component, participation in this alternative regulation plan is optional for non-SCB LECs. Non-SCB LECs electing to change their form of regulation shall provide notice of their election to the Commission within ninety calendar days from the date of this Order and within thirty calendar days after the anniversary date of the plan's adoption each year thereafter. However, all LECs are subject to competition from new entrants into their local service area no later than three years from the date of this Order.

02.00 SERVICE CATEGORIES

02.01 Each LEC tariffed service is assigned to one of three categories: basic, non-basic and interconnection.

02.02 Basic services are those basic local exchange services provided to business and residence

customers which are generally necessary to make or receive a call within the local calling area, including area calling service. The following SCB services are considered basic:

<u>SERVICE</u>	<u>REFERENCE</u>
Area Calling Service	A3.2.9
Flat Rate Service	A3.7.1
Measured Rate Service	A3.7.4
Local Exceptions	A3.10
Network Access Register Usage Package	A3.12
Auxiliary Line Service	A3.17
Grouping Service	A3.19
Trunk Lines	A3.20
Multiline Service	A3.21
Network Access Service	A3.26
Trunk Side Access Facility	A3.28
Classroom Communication Service	A3.32
Back-Up Line	A3.38
Service Connection Charges	A4.
Semi-public Telephone Service	A7.2.4
Access Line Service for Customer Provided Telephones	A7.4
SmartLine Service for Public Telephone Access	A7.8

The basic service category for all LECs will correspond functionally with the above list of SCB services.

02.03 Non-basic services are all those services, excluding interconnection services, which do not meet the definition as stated above for basic services. The non-basic category includes the myriad of services provided by LECs which are considered optional, supplemental, and/or discretionary in nature.

02.04 Interconnection services allow other telecommunications providers to interconnect to the LEC's network in order to originate or terminate calls. The interconnection category includes switched access and local interconnection services.

02.05 The Commission will conduct a workshop to study the appropriateness of Area Calling Service (and other local calling plans) and Lifeline Service for the non-SCB LECs. The workshop will focus on any changes to Area Calling Service which may be necessary to transition the non-SCB LECs to a more fully competitive local market and on plans for introducing Lifeline Service. Subsequently, the Commission may reassign Area Calling Service to the non-basic category.

02.06 Along with its filing for the introduction of a new service, the LEC shall request assignment of the service into one of the three service categories. The LEC may also request the re-classification of any service previously assigned to one of the three service categories. The LEC is

responsible for providing appropriate justification to the Commission to support its request.

02.07 The Commission shall make the final determination regarding the classification or re-classification of any service in accordance with the provisions of the Tariff Requirements section of this Order (**13.00**).

03.00 CHANGES TO EXISTING PRICES

03.01 SCB will adjust existing prices for basic services as follows:

1. The Company will implement a \$10.2 million reduction in Basic Business and Residence Service, effective July 1, 1995, to eliminate the embedded TouchTone rate and any charge for TouchTone Service.
2. Effective July 1, 1996 (or at the Company's discretion, earlier), the Company will implement a \$15.3 million reduction in Residence and Business Local Exchange Service by consolidating Rate Groups 7 and 8 into Rate Group 6.
3. Effective July 1, 1997 (or at the Company's discretion, earlier), the Company will implement a \$10.1 million reduction in Area Calling Service usage rates, Grouping Service rates, and Business Basic Service rates.
4. Effective July 1, 1998 (or at the Company's discretion, earlier), the Company will implement an \$11 million reduction consisting of (1) a total reduction of \$6 million in long distance rates and Area Calling Service rates (as required to maintain proper rate relationships), and (2) a \$5 million reduction in Residential Services included in the Basic Services category, with preference to reductions in local exchange rates, with the limitation that no rate shall be reduced below its incremental cost. Should this limitation restrict such reduction, the residual rate reduction shall apply to Business Services included in the Basic Service category.
5. Effective July 1, 1999 (or at the Company's discretion, earlier), the Company will implement an \$11 million reduction consisting of (1) a total reduction of \$6 million in long distance rates and Area Calling Service rates (as required to maintain proper rate relationships), and (2) a \$5 million reduction in Business Services included in the Basic Service category.

03.02 The non-SCB LECs are authorized to transition, within five years, revenues lost from reductions in intrastate access charges to prices for basic service rates provided that: (1) such rate increases are only authorized for basic service rates which are below the rate for SCB Rate Group 6, following elimination of the embedded TouchTone charge (hereafter referred to as "SCB revised Rate Group 6"); (2) residential rates shall not exceed SCB revised Rate Group 6 rates with a business rate threshold of twice the residential rate for the non-GTE LECs; (3) increases are

authorized only to the extent that they are revenue neutral in relation to revenue losses from access charge reductions. The Commission staff will verify that the effects of rate rebalancing are revenue neutral based on access line data in effect at the time of the rate change with no adjustments for subsequent line growth. The Commission reserves the right to make any modifications to basic service rates necessary to ensure compliance with this requirement. Further, Touchtone service is henceforth considered an integral and non-separable component of basic service and any additional charge for this service shall be eliminated under the rate rebalancing process.

03.03 Participating non-SCB LECs will reduce basic service rates which exceed those for SCB's revised Rate Group 6 by reducing, each year for four years, monthly residential rates by \$1 and monthly business rates by \$2, to include any applicable touchtone charge embedded in the basic service rate or otherwise, provided that reductions shall not be required below the rates in effect for SCB revised Rate Group 6. The preceding applies to GTE for all of its exchanges with basic service rates that exceed SCB revised Rate Group 6, except: Brilliant, Falkville, Guin, Hackleburg, Hamilton, Jemison, Massey, Oden Ridge, Phil Campbell, Thorsby, and Winfield. For those exchanges, the Company shall reduce, each year for three years, monthly residential basic service rates by \$1 and monthly business service rates by \$2, provided no decreases are required below the rates for SCB revised Rate Group 6. In the fourth year, the rates for those exchanges shall be further reduced to those in effect for SCB revised Rate Group 6.

03.04 A schedule of rate increases/decreases for all non-SCB LECs under this plan will be determined in a Commission workshop.

03.05 Subject to the provisions of sections **03.01** through **03.04**, the basic service rates of the LECs are acceptable for purposes of implementing price regulation.

04.00 EXPLANATION OF TERMS

04.01 The Gross Domestic Product Price Index (GDP-PI) is a measure of inflation in the market prices of output in the economy. The GDP-PI measures the value of output produced by people, government, and firms in the United States, whether they are U.S. or foreign citizens, or American or foreign owned firms. The GDP-PI is calculated and published quarterly and annually by the U.S. Department of Commerce and is the government measure which best corresponds to the telephone industry.

04.02 The Price Regulation Index (PRI) is based on the annual change in the GDP-PI and is used to establish a ceiling on basic service price increases. The PRI Report is filed annually with the Commission.

04.03 Total Factor Productivity (TFP) is the ratio of total output to total input, where total output includes all services provided by the Local Exchange Carriers (LECs) and total input includes the capital, labor, and materials used to provide those services. The Efficiency Factor is the estimated

differential in productivity growth between the LECs and the U.S. economy and is used to adjust the change in the GDP-PI for the higher productivity growth of LECs.

04.04 The Service Price Index (SPI) is a cumulative measure of price changes. The SPI Report is used to: (1) compare the new PRI to the Present SPI for the purposes of establishing whether any price increases are authorized; (2) measure the aggregate change in revenue between existing and proposed prices of individual services within a category; (3) calculate a New SPI based on proposed price increases; and, (4) compare the New SPI to the New PRI to determine if the proposed price changes are authorized. A SPI Report is filed annually and each time a change in prices is proposed.

04.05 The “anniversary date” is the effective date of this Order.

04.06 “GTE” includes GTE and its (formerly) CONTEL holdings.

04.07 SCB Rate Group 6 is the benchmark residential rate adopted in this plan on a going forward basis. After the reduction of the embedded TouchTone charge, the residential rate is estimated to be \$16.30 (referred to as SCB revised Rate Group 6). The benchmark is based on analysis by the staff of the average long run incremental cost for SCB’s access lines, less the FCC End User Line Charge. SCB will have residential rates which are below this benchmark but, after the rate reduction referenced in section **03.01 B**, the Company’s rates will not exceed SCB revised Rate Group 6. In fact, as referenced in section **03.01 D**, SCB’s rates for basic residential service may be decreased further.

04.08 “Rate rebalancing” is the process whereby non-SCB LEC revenue losses from reductions in access charges are recovered through increases to local rates in all exchanges where the existing residential rates are lower than SCB revised Rate Group 6. Rate rebalancing will be accomplished on a revenue neutral basis. Therefore, though SCB revised Rate Group 6 is the approved ceiling for residential rates under rate rebalancing, LECs may have residential rates which are below this price. The basic service reductions referenced in section **03.03** are not a part of the rate rebalancing plan but, instead, is a “good faith” offering on the part of the non-SCB LECs. After these reductions are accomplished, all but a few exchanges in Alabama will have residential basic service rates which are at or below SCB revised Rate Group 6. The exceptions are a small number of exchanges where the customers elected to increase their basic service rates in order to obtain extended area service (EAS) into a large metropolitan area. Still, their residential rates will decrease by \$4 per month, from existing levels, after the reductions referenced in section **03.03** are accomplished.

04.09 The Primary Carrier Plan (PCP) is an intraLATA toll fund administered by SCB for all participating Alabama LECs. The PCP focuses on intraLATA minutes of use (MOUs), where SCB is the primary carrier. SCB’s payment to the participating non-SCB LECs, of traffic sensitive access charges, is based on originating/terminating MOUs. A separate portion of the PCP consists of nontraffic sensitive (NTS) intrastate access charges for the non-SCB LECs. MOUs were “frozen” at the December, 1990 inception of this NTS portion of the PCP and permitted to increase only by an allowance for annual access line growth. Disbursements to the non-SCB LECs are based on their

1990 MOUs adjusted by an allowance for access line growth. The NTS portion of the PCP is in the process of being phased-down by 25% per year over four years. Prior to the date of this Order, the third year of the phase-down had been accomplished.

04.10 The Alabama Service Fund (ASF) is an interLATA access fund administered by Gulf Telephone Company for all participating non-SCB/GTE LECs. While the traffic sensitive portion of access charges (and the nontraffic sensitive charges which do not exceed interstate CCLC) are billed directly to the Carriers by the LECs, the ASF consists of the NTS portion of intrastate access charges, which exceed interstate Common Carrier Line Charges (CCLC). Revenues were “frozen” at the plan’s February, 1993 inception and permitted to increase only by an allowance for annual access line growth. The pool administrator bills each IXC and reseller for the portion of the ASF based on their percentage of total originating and terminating access minutes.

05.00 SERVICE QUALITY

05.01 Four service quality standards will be used for the purposes of the SCB PRI. These standards will be analyzed on an annual basis and can impact the PRI levels associated with annual filings.

1. Overall trouble report rates (for non-memory services) for the latest 12 month period will be calculated and limited to 2.42% of access lines, on the average.
2. Trouble report rates (non-memory services only) of individual wire centers for the latest 12 month period will be calculated and limited to 1 wire center with a trouble report rate average of greater than 5% of access lines.
3. Held applications for the latest 12 month period will be limited to an average of 0.015% of access lines.
4. Receipt-to-final status times (the time it takes to close a trouble report from the point that the trouble report was received) will be tracked for the latest 12 month period and will be limited to 72% of troubles closed within 36 hours.

05.02 In the event that one or more of these standards is not met, the efficiency factor will be increased by 0.2% for each standard missed. If only one standard is missed, then the factor is set at 3.2%; if two standards are missed, the factor increases to 3.4%; if three are missed, the factor increases to 3.6%; and if all four standards are missed, the efficiency factor is set at 3.8%. If all standards are met by the Company, the efficiency factor remains at 3.0%. Attachment 1 describes the calculations associated with these service quality standards.

05.03 The service quality standards to be used in the non-SCB LEC’s PRI will be determined in a

Commission workshop with consideration given for LEC size. At a minimum, three such standards will be utilized with a total value for all three of 0.75% (i.e., 0.25% each).

05.04 In the event of unusual occurrences, such as winter storms, hurricanes, floods, etc., LECs may petition the Commission for relief from some or all of the service quality standards, during the affected period.

05.05 The limited scope of service quality standards used in the PRI in no way relieves LECs from compliance with all of the Commission's prescribed telephone service quality standards and objectives.

06.00 PRICING RULES - BASIC SERVICE CATEGORY

06.01 For the first five years after approval of the Order, all prices within the basic category are capped at the price levels in effect, subject to the modifications referenced in sections **03.01** through **03.04**. However, the Commission reserves the right to review the extent to which local competition exists, prior to the elimination of the cap, and to consider additional remedies necessary for the protection of basic service customers. This modification is consistent with the proposed Commission objective to "protect customers from unjust prices for telephone services and from deterioration of telephone service quality".

06.02 Beginning with the anniversary date in which the cap on the prices of basic services ends, prices are authorized to increase based on annual changes in the GDP-PI, reduced by an efficiency factor, and any penalties for missing the service quality parameters referenced in sections **05.01** through **05.03**.

06.03 The efficiency factor is initially set at 3% for SCB and 1% for all non-SCB LECs. The Commission will conduct a workshop to address study procedures and plans for performing a regional and/or Alabama specific total factor productivity study. Consequently, the Commission reserves the right for further review and modification of the prescribed efficiency factor for SCB and the non-SCB LECs.

06.04 Immediately following the expiration of the price cap for basic services and annually thereafter on the anniversary date (or on a modified filing schedule as per section **06.05**), LECs will file with the Commission:

1. The PRI Report, as shown on Attachment 2, page 1 of 3.
2. The SPI Report I, as shown on Attachment 2, page 2 of 3.
3. The SPI Report II, as shown on Attachment 2, page 3 of 3.

06.05 In order to more efficiently allocate its resources, the Commission may establish staggered PRI/SPI filing dates for the non-SCB LECs providing that this administrative action shall not

otherwise delay implementation of the non-SCB LEC price regulation plan.

06.06 General PRI/SPI Procedures

1. The PRI Report is filed annually with the Commission and is not filed again until the subsequent annual filing date.
2. The New PRI is calculated, and entered on line 7 and line 1 of the SPI Report II. The Present SPI must be less than the new PRI in order for any price increases to occur (line 3 of SPI Report II).
3. If price increases are authorized, SPI Report I is used to record the present and proposed prices. Items F and G are calculated and used on line 4 of SPI Report II to determine the Change in SPI.
4. A New SPI is calculated on line 5 of SPI Report II. It is then compared to the PRI to determine whether the proposed increases are authorized (line 6).

06.07 Each time prices for services within a category are changed, on or during the interim between annual filings, a new SPI Report (I and II) is calculated and filed with the Commission. These reports must be updated as necessary based on Commission action regarding the tariff filing(s). LECs may increase some prices while decreasing others, as long as the SPI for the category is less than or equal to the PRI.

06.08 Residential service prices are included in the SPI calculations for determining the aggregate price change in the basic services category. However, the price for individual residential services will not be raised at a rate greater than the Adjusted GDP-PI. SPI Report I has a column entitled “Basic Residential Services Only” which will be used to ensure compliance with this requirement.

06.09 LECs may choose to defer an allowed price increase and subsequently increase rates as long as the SPI remains less than or equal to the PRI. Following the elimination of the price cap on basic services, price increases may be made at any time, not just at the time of the annual filing. However, the SPI must always remain less than or equal to the PRI. Price decreases may be made at any time including the price cap period.

06.10 All PRI and SPI calculation results will be filed with the Commission. The calculations will be furnished to the staff on a proprietary basis.

06.11 Annual Demand (SPI Report I Column A)

1. Demand for recurring elements is established by multiplying the latest available month’s

quantities by 12. Demand for non-recurring elements is established by using the latest available 12 month's quantities.

2. New services are included in the SPI Report provided the latest available 12 month's quantities include at least six months of demand quantities for the service, whereupon the demand for recurring elements is established by multiplying the latest available month's quantities by 12 and demand for non-recurring elements is established by annualizing the latest available 6 month's quantities. Until the demand quantities for new services are included in the SPI Report filed with the Commission, prices for these services may be decreased but no price increases are authorized unless a waiver is requested from and granted by the Commission.

06.12 Within 90 days after the implementation of price regulation and annually on the anniversary date thereafter, during the period in which basic services are capped, all LECs will file an SPI Report I for the basic services category. This report will be used to verify that no increases are made to the prices for basic services other than those authorized under the non-SCB LEC rate rebalancing plan or as otherwise approved by the Commission. Each time price changes are made, to include changes as part of the rate rebalancing plan, LECs will file an updated SPI Report I. An SPI Report I is also required when the price cap period for basic services expires and annually on the anniversary date thereafter (or on a modified filing schedule as per section **06.05**).

06.13 All SPI/PRI filings will be made electronically to avoid duplication of effort and the potential for errors involved with user input of computer data. The appropriate spreadsheet/database application to be used for the filings and arrangements for the transfer of data either by floppy disk or by modem will be resolved in a Commission workshop. As a security measure for proprietary information, files may be stored on disk with password protection. All filings will be electronically or manually archived for future referral by both the Company and the Commission.

07.00 PRICING RULES, NON-BASIC SERVICES CATEGORY

07.01 No price increases are authorized in this category for the first 12 months that the LEC is regulated under price regulation.

07.02 Beginning with year two, the aggregate prices in this category can be increased, but only at a maximum of 10% for a given year (from one anniversary date to the next). Price decreases may be made at any time following implementation of price regulation. Individual prices may be increased

more than 10%, as long as other prices are increased less than 10% or decreased, resulting in an aggregate price increase for the category of no more than 10%. The LEC may request Commission approval of price changes at any time.

07.03 Within six months from the implementation of price regulation and annually on the anniversary date thereafter (or on a modified filing schedule as per section **06.05**), all LECs will file an SPI Report I for the non-basic services category using the procedures identified in section **06.13**. Item H in this report will be used to verify that increases are made in compliance with section **07.02**. During the period between annual filings, LECs will file an SPI Report I each time price changes are proposed. This report must be updated as necessary based on Commission action regarding the tariff filing(s).

08.00 SUMMARY OF PRI/SPI REPORT FILING REQUIREMENTS

1. Basic Services Category

1. Initial PRI due immediately following the expiration of the cap on prices for basic services and annually thereafter on the anniversary date (or on a modified filing schedule as per section **06.05**).

2. Initial SPI Report I due within 90 days after the implementation of price regulation and annually thereafter on the anniversary date during the price cap period for basic services. An SPI Report I is also required when the price cap period for basic services expires and annually on the anniversary date thereafter (or on a modified filing schedule as per section **06.05**)¹.

3. Initial SPI Report II due immediately following the expiration of the cap on prices for basic services and annually thereafter on the anniversary date (or on a modified filing schedule as per section **06.05**)¹.

2. Non-Basic Services Category

Initial SPI Report I due within six months from the implementation of price regulation and annually on the anniversary date thereafter (or on a modified filing schedule as per section **06.05**)¹.

¹ Must be filed each time price changes are proposed. The Report must be updated, as required, based on subsequent Commission action on the tariff filings.

09.00 INTERCONNECTION SERVICES

09.01 With the Commission's approval of price regulation, South Central Bell's intrastate switched access prices shall be reduced to equal the August 1, 1995, FCC interstate rates and reduced further

by one cent per minute for two ends of access.

09.02 SCB's intrastate switched access prices shall be reduced an additional 1/2 cent on July 1, 1996, an additional 1/2 cent on July 1, 1997, an additional 1/4 cent on July 1, 1998, and an additional 1/4 cent on July 1, 1999, for a total additional reduction in intrastate switched access charges of one and one-half cents for two ends of access.

09.03 South Central Bell will continue to price its intrastate switched access charges at or below interstate levels for an initial five (5) year period for each rate element. Therefore, should any subsequent interstate switched access rate changes result in intrastate access rate element(s) which are less than those referenced in sections **09.01** and **09.02**, then the intrastate access rate element(s) shall be reduced to the interstate level and any forthcoming reductions described in section **09.02** shall be decreased accordingly. The corresponding adjustment of the scheduled intrastate access reductions referenced in section **09.02** shall be by an amount equal to the reductions required because of the interstate access reduction(s). The adjustment shall be made to the next scheduled intrastate reduction referenced in section **09.02** and, if necessary due to the magnitude of the interstate changes, to the succeeding scheduled reduction(s) thereafter. A reduction of 2.5 cents from the August 1, 1995 FCC rates will result from the agreement unless the commitment to cap rates at interstate levels causes a reduction which is greater than 2.5 cents. This could occur if the magnitude and timing of the interstate reduction(s) is such that the pending intrastate reductions referenced in **09.02** cannot be sufficiently adjusted to compensate for the interstate reductions. The 2.5 cent reduction will be applied to the CCL and RIC components of switched access and/or a Universal Service Fund, if the CCL and RIC are a part of this fund. The reductions will not be used for purposes of implementing zone pricing.

09.04 At the end of the initial five (5) year period of the plan, intrastate switched access prices and structures (on a rate element basis) will continue to be capped at the lower of the intrastate rates in effect on July 1, 1999, or the effective interstate prices and structures approved by the FCC. Ultimately, however, the rates for intrastate access and interstate access should be the same. In addition, this continued cap on intrastate access charges may be re-examined by the Commission upon application by any affected party.

09.05 The PCP (**04.09**) and the ASF (**04.10**) will continue to operate. A new fund: the Transition Fund for SCB and the IXCs/resellers, will be initiated following the Commission workshop referenced in section **09.07**. The Transition Fund will be allocated the revenue differential between the existing non-SCB/GTE LEC intrastate access rates and the initial intrastate access reduction to \$0.054 for each end of access. On September 1, 1996, intrastate access rates for the non-SCB/GTE LECs are reduced to \$0.043 for each end of access and the revenue associated with the difference, between \$0.054 and \$0.043 for each end of access, moved to the Transition Fund. On September 1, 1998, intrastate access rates for the non-SCB/GTE LECs are reduced to \$0.032 for each end of access and the revenue associated with the difference, between \$0.043 and \$0.032 for each end of access, moved to the Transition Fund. Priority of reductions is to the CCLC and RIC rate elements followed by the Local Switching rate element. The revenue associated with the Transition Fund will

be permitted to increase based on an allowance for access line growth. SCB and IXCs/resellers will pay non-SCB/GTE LECs the required Transition Fund revenues based on their portion of the total intrastate minutes of use (MOUs).

09.06 The NTS portion of the PCP (which exceeds interstate CCLC) and the entire ASF will be eliminated, in tandem, as the initial priority under the rate rebalancing plan.

09.07 Lost revenue from the phased elimination, referenced in section **09.06**, will be transitioned to the local service rates of the non-SCB/GTE LECs according to the terms and conditions referenced in sections **03.02** and **03.04**. The revenue associated with any additional local service rate increases, approved by the Commission for the non-SCB LECs under the rate rebalancing plan, will be applied toward elimination of the Transition Fund. The Commission will conduct a workshop to:

1. Calculate the revenue loss associated with the provisions of section **09.06** for each non-SCB/GTE LEC.
2. Calculate the Transition Fund revenues applicable to each non-SCB/GTE LEC.
3. Develop procedures and methods applicable to the new Transition Fund.

Parts A and B (above) will be used in the Commission workshop referenced in section **03.04**.

09.08 Pending the elimination of the entire ASF and the NTS portion of the PCP (in excess of the interstate CCLC):

1. SCB will fund the PCP and the primary carrier portion of the Transition Fund.
2. IXCs/resellers will fund the ASF and the interLATA portion of the Transition Fund.

09.09 Following the September 1, 1996 non-SCB/GTE intrastate access reduction to \$0.043 for each end of access, SCB's payments into the separate fund for ACS MOUs will be reduced by approximately \$0.011 (existing terminating access cost - \$0.043). The payments for ACS MOUs will be further reduced by approximately \$0.011 after the September 1, 1998 access charge reduction.

09.10 On July 1, 1995, GTE reduced its composite intrastate switched access rates by 1/3 of the difference between its intrastate access prices and \$0.064 per minute (for two ends of intrastate switched access). On July 1, 1997, GTE will further reduce its composite intrastate switched access rates by an additional 1/3 of the difference between its intrastate access prices prevailing on July 1, 1995, and \$0.064 per minute (for two ends of intrastate switched access). On July 1, 1998, GTE will reduce its composite intrastate switched access rates to \$0.064 per minute (for two ends of intrastate switched access). Access reductions will be targeted to the CCL and RIC elements. After July 1, 1998, intrastate access rates will be capped at the lower of \$0.064 per minute (for two ends of access) or GTE's interstate rates. However, this continued cap on intrastate access charges may be re-examined by the Commission upon application by any affected party. GTE will transition revenues lost through access reductions to local rates as provided in sections **03.02** and **03.04**.

10.00 FLOW THROUGH OF INTRASTATE ACCESS REDUCTIONS

10.01 IXC and reseller intrastate toll reductions will coincide with the effective date of SCB's reduction in intrastate access charges. Such reductions in intrastate toll rates will be on a dollar for dollar basis relative to SCB's intrastate access reductions (subject to verification by the Commission staff).

10.02 It is the Commission's intent that any savings to IXCs and resellers resulting from access reductions associated with the non-SCB LECs rate rebalancing plan similarly coincide and flow through to intrastate toll rates on a dollar for dollar basis. Consequently, a Commission workshop will be conducted to develop procedures that ensure compliance with this intent.

10.03 The purchasers of intrastate access will coordinate with SCB to establish an effective date for the scheduled 1995 intrastate access reductions. That date will be as soon as practical following the date of this Order.

10.04 SCB and the IXCs/Resellers are provided the flexibility to modify the day of the month for future intrastate access charge reductions, as referenced in section **09.02**, for the purpose of establishing an effective date for the joint reductions to coincide.

10.05 The Commission shall maintain its available remedies, including the ordering of refunds of unauthorized rate differentials in the form of credits to customer bills if: (1) intrastate toll reductions by purchasers of intrastate access are filed to become effective after the effective date of the SCB access charge reductions, and/or (2) the Commission finds that purchasers of intrastate access have not fully complied with the requirement to reduce intrastate toll rates on a dollar for dollar basis, and/or (3) intrastate toll reductions by purchasers of intrastate access are not in compliance with the procedures to be developed as referenced in section **10.02**.

11.00 OTHER PRICING RULES

11.01 The price for any new or existing service shall equal or exceed its long run incremental cost (LRIC) unless: (1) specifically exempted by the Commission based on public interest concerns, or (2) LECs in good faith, and upon Commission approval, price the service to meet the equally low

price of a competitor. Part (2) will apply to all non-SCB LECs after the period of limited protection from competition has expired, or earlier, if the Commission authorizes local competition as referenced in section **16.03**.

11.02 In the event that SCB prices a service below cost to meet the equally low price of a competitor, the universal service fund which may exist cannot be utilized to make SCB whole for the resulting monetary shortfalls. Application of this rule to the non-SCB LECs will be addressed in a Commission workshop regarding the universal service fund.

11.03 With respect to existing services that are priced at or above cost at the inception of this plan, no price reductions will result in rates that are below cost unless approved by the Commission. Services priced below cost shall not be reduced until the prices exceed cost, unless approved by the Commission.

11.04 LECs will provide required cost data to the Commission to document compliance with sections **11.01** through **11.03**. To the extent that such cost data is proprietary, it will be subject to the Commission's rules for such data.

12.00 EFFECTS OF EXTRAORDINARY GOVERNMENTAL ACTIONS

12.01 The financial impact of governmental mandates, both state and federal, which apply specifically and/or disproportionately to, and have a major impact on telecommunications companies, may be recovered through an adjustment to prices for interconnection, basic and/or non-basic services. In such event, LECs shall notify the Commission of their intent to adjust prices. Such notice shall provide schedules and appropriate tariffs for the adjusted prices and their effective date.

12.02 A "major" impact is an amount (intrastate only) exceeding two percent of total intrastate regulated revenues booked in the preceding calendar year. Should there be such an impact, the PRI calculation will include an appropriate adjustment. Procedures for adjusting the PRI will be addressed in a Commission workshop.

12.03 In order for pricing adjustments to occur under this provision, LECs must demonstrate to the Commission's satisfaction that the GDP-PI does not accommodate the effect of the extraordinary event. Further, the Commission can initiate a proceeding on its own motion or on the motion of any ratepayer.

12.04 The use of the universal service fund for purposes of "making whole" non-SCB LECs for revenue losses not recovered through price increases under sections **12.01** and **12.02**, shall be addressed in a Commission workshop following the date of this Order.

13.00 TARIFF REQUIREMENTS

13.01 Tariffs will continue to be required for all basic, non-basic, and interconnection services,

unless otherwise de-tariffed by the Commission.

13.02 All tariff filings for price decreases and promotional offerings will have an interval between the filed and effective dates (hereafter referred to as “effective date”) of no less than 15 calendar days. The tariffed list of authorized services offered via contract service arrangement, on a case by case basis, may be expanded to include other competitive services. Tariffs to expand the list will have an effective date of 30 days.

13.03 Filings for decreases, promotional offerings, and any expansion of services to the approved list of contract service arrangements may be suspended to a 60 day effective date due to Commission investigation or third party intervention. Suspension of the effective date for these tariffs is warranted because of possible customer inconvenience that could result if interim approval were authorized and the Commission subsequently disallowed the filing.

13.04 Because of the relatively abbreviated effective date associated with tariffs for decreases and promotions, a letter from the Commission will be utilized as the “action” for suspending the effective date of these filings.

13.05 All tariff filings for price increases, to include proposed price increases associated with filings under the Effects of Extraordinary Governmental Actions, and filings for the introduction of new services will have an effective date of no less than 30 calendar days. This 30 day period may be extended to 60 days from the file date by action of the Commission. A 30 day effective date will apply to any request for shifting services between categories.

13.06 Tariff filings, along with any categorization of services as basic or non-basic, will become effective as filed, unless there is intervention by a third party or investigation by the Commission. If such third party intervention or Commission investigation of tariff filings for price increases or for categorization of services occurs, said tariffs will be allowed to go into effect subject to a decision by the Commission that the tariff filings are appropriate, just and reasonable. Third party intervention or Commission investigation of tariff filings for price decreases, promotional offerings, and any expansion of services to the approved list of contract service arrangements will result in such filings being suspended pending a decision from the Commission. Except as noted below, the Commission must enter its decision on tariff filings within sixty (60) calendar days following the filed date of said tariffs. If no such decision on a filing is made within this period, the filing shall become effective on a continuing basis on the 60th day. With the exception of filings for price decreases, promotional offerings, and contract service arrangements, this period can be extended by the Commission, either on its own motion or at the request of an interested party, if substantially in the public interest, with such additional amount of time not to exceed sixty (60) days, for a total of 120 days. Should the Commission determine after investigation that a tariff filing is not appropriate, just and reasonable, the Commission will maintain its available remedies. In addition, the Commission shall have authority, through agreement of all the parties to this proceeding, to require adjustments to customer bills for rate differentials which are subsequently disallowed. Said adjustments shall be authorized from the date the tariff became effective through the date of its

disapproval.

13.07 The following is a summary of tariff requirements:

<u>Effective Date (Days)</u>	<u>Type Filing</u>	<u>Extendable by Commission Action to (Days):</u>	<u>Extendable for Investigation and/or due to Intervention (Days)</u>
15	Decreases, Promotions	N/A	60 ¹
30	Contract Service Arrangements	N/A	60 ¹
30 ²	Increases ³ , Introduction of New Services	60	60 ⁴
30	Transfer of Services Between Categories, and all others	N/A	60 ⁴

¹ If suspended, will not go into effect until the earlier of 60 days or the date of a final Commission decision.

² Effective date may be extended by Commission action to 60 days.

³ Includes filings for increases under the Effects of Extraordinary Governmental Actions.

⁴ May be extended by the Commission to a maximum of 120 days.

14.00 REPORTING REQUIREMENTS

14.01 SCB shall provide the Commission with financial results in the form of a monthly Alabama income statement and such other interstate and intrastate financial reports which may be required by the Commission.

14.02 SCB shall provide the Commission with service quality information on a monthly basis. This information, as referenced in Attachment 1, will include:

1. A report, by wire center, of trouble report rates for the most recent 12 months.
2. A report of held applications for the most recent month and held application rates for the most recent 12 months.
3. The Access and Services Report II as required to determine the monthly number of access lines in service.
4. Trouble report receipt-to-final status times for the most recent 12 months.

14.03 The monthly financial and service quality reporting requirements for the non-SCB LECs will be addressed in a Commission workshop.

14.04 Commission approval of LEC depreciation rate changes is required until the period of limited protection from competition has expired.

14.05 All LECs will file PRI/SPI Reports as referenced in sections **06.00** through **07.00**.

15.00 INFRASTRUCTURE AND SERVICE COMMITMENTS

15.01 The non-SCB LECs commit to provide:

1. 100 percent digital, stored program control switching for all exchanges within three years.
2. The availability of Custom Calling and Class services to at least 75% of their customers within three years and to all customers within five years of their election to participate in the Alternative Regulation Plan.

15.02 Commitments for Custom and Class services availability will be measured in terms of the latest available access line data (i.e., [total access lines at wire centers with Custom and Class services capability/total access lines in service] X 100). The status of both commitments will be provided on any service quality reports required by the Commission for non-SCB LECs, referenced in section **14.03**.

15.03 The Commission, through agreement of all parties to the proceeding, reserves the right to apply a \$0.50 per month - per line penalty (\$1.00 for business) in the price of residential and business basic exchange service (to include the flat rate portion of ACS type offerings) for each of the above commitments that the LEC fails to achieve within the prescribed time referenced in section **15.01**. The penalty will be applied as a credit to the monthly bills of customers in the exchanges for which the commitment(s) was not honored until such time as the LEC fulfills its commitment.

15.04 Before the application of any such penalty, however, the LEC will be granted sufficient opportunity to provide the Commission with details concerning their failure to honor the commitment and to offer reasonable redress.

16.00 LIMITED PROTECTION FROM LOCAL COMPETITION

16.01 Except as provided in section **16.03**, no certificates of public convenience and necessity shall be issued to provide local exchange service in an area serviced by an existing non-SCB LEC until the earlier of:

1. three years after the Commission Order for this docket, or
2. two years after the non-SCB LEC obtains authority from the Commission to provide local exchange service to areas outside of its existing local exchange area.

16.02 Should any non-SCB LEC utilize its local exchange facilities to provide video dial tone or cable service, the incumbent cable company (or companies) may seek a certificate from the Commission to serve the LEC service area. LECs which were authorized to provide video services in a particular service area, prior to the effective date of this Order, shall not be affected by this provision and shall not lose such protection.

16.03 The Commission reserves the right to authorize competition in any non-SCB LEC service area provided that:

1. the Commission conduct formal proceedings by its own motion or at the request of an interested party (excluding any party to the Stipulation), and that
2. the non-SCB LEC is allowed to complete rate rebalancing, on an accelerated schedule approved by the Commission, before any certificate is granted to new entrants into the LEC's local service area.

This provision is not intended to restrict the entry of affected local cable TV companies should a non-SCB LEC elect to provide video dial tone or cable service under the terms and conditions referenced in section **16.02**.

17.00 COMMISSION REGULATION AND OVERSIGHT

Price regulation in no way diminishes the Commission's right or responsibility to regulate LECs and to oversee their operations. The Commission will remain actively involved in public interest concerns, such as what consumers pay, the quality of services received, availability of services and new technologies, universal service, etc. With price regulation, prices charged to customers become the financial focus of the Commission, rather than the earnings of LECs. Other regulatory issues and requirements remain pertinent. Further, nothing herein shall release LECs of their ongoing obligation to provide financial, cost or other related data that the Commission requires.

18.00 IXC AND RESELLER STREAMLINED REGULATION PLAN

18.01 All interexchange carriers and resellers shall continue to file tariff revisions with the

Commission for informational purposes only. All new service introductions and rate decreases shall be effective five (5) days after filing. All increases in rates shall be effective seven (7) days after filing.

18.02 Interexchange carrier and reseller rates charged for all services shall continue to be compensatory (i.e., each service must recover total access charges plus billing and collection costs on that service).

18.03 Interexchange carriers and resellers shall not obsolete any service offering without prior approval of the Commission.

18.04 All interexchange carrier and reseller services shall be available for resale.

18.05 No interexchange carrier or reseller shall be relieved of its obligation to serve its existing service areas in the State of Alabama without the approval of the Commission.

18.06 No interexchange carrier or reseller shall be relieved of its obligation to pay for access services used.

18.07 No interexchange carrier or reseller shall geographically de-average its intrastate rates without approval of the Commission.

18.08 No interexchange carrier or reseller shall be relieved of its obligation to comply with any legislative mandate implemented by the Commission regarding revisions to toll rates and services. Further, all interexchange carriers and resellers shall comply with sections **10.00** through **10.05** of this plan regarding the “flow through” of intrastate access charge reductions to intrastate toll rates.

18.09 There shall be no modification to any interexchange carrier's or reseller's certificate of authority without prior approval of the Commission.

LOCAL COMPETITION

19.00 REQUIREMENTS FOR NEW ENTRANTS

19.01 All new local service providers must apply for and receive a certificate from the Commission prior to providing any local exchange services.

19.02 To create an environment in which fair and effective local competition flourishes, regulatory requirements for new entrants will initially be kept to a minimum in order to prevent unnecessary barriers to effective competition. Nevertheless, the Commission believes that certain requirements

are necessary to safeguard the public interests.

19.03 New entrants must demonstrate that they possess the technical, managerial, and financial resources to provide local exchange service before the Commission considers the issuance of a certificate.

19.04 New entrants must provide access to and interconnection with their facilities at just and reasonable rates.

19.05 New entrants must comply with all applicable Commission service quality standards and shall submit any service quality reports and allow any access to facilities required by the Commission.

19.06 New entrants must provide access to: emergency services, the Relay Center for the Hearing Impaired, and operator/directory assistance services.

19.07 New entrants must, during normal business hours (at a minimum), provide sufficient and knowledgeable personnel to respond to customer service and billing inquiries.

19.08 New entrants must, at a reasonable cost, provide customers with a local exchange telephone directory.

19.09 New entrants must provide all cost and financial data required by the Commission and pay supervision and inspection fees to the Commission. Additionally, new entrants must participate in the funding of outside reviews of this plan under the terms and conditions covered in section **25.06**.

19.10 New local service providers shall file tariffs for local exchange and exchange access services. These tariffs will be only as information to the Commission and will not require Commission approval.

19.11 Additionally, on or before April 1 of each year, new entrants shall file with the APSC a copy of their Annual Report to Shareholders and the Form 10-K filed with the Securities Exchange Commission. Companies not preparing these reports shall file financial statements containing comparable information.

19.12 Further, the Commission reserves the right to modify and expand the regulatory requirements for new entrants.

20.00 INTERCONNECTION AND NETWORKING REQUIREMENTS

20.01 All local service providers shall make their networks available for interconnection and that

all networks will be "open" and interoperable with all other local networks. All local service providers will participate in the development of, and adhere to, uniform technical standards for local interconnection. It is recognized that CATV network design is substantially different from traditional telephone network design and, therefore, technical "openness" may be somewhat limited.

20.02 All LECs will provide read-only access to their databases, as required for network interoperability and quality local telephone service. Further, all incumbent providers and new entrants will participate in developing interworking arrangements and uniform compatibility standards for database access.

20.03 All LECs which provide N11 services will provide access to and interworking with N11 services.

20.04 All LECs will allow new entrants' white page listings in their directories, at prices to be developed in a Commission workshop on interconnection.

20.05 All local service providers will provide access to their conduits, rights-of-way, poles, and easements, on a first-come/first-serve basis, provided any spare or unused capacity exists after evaluating the providing party's reasonable needs, subject to local, state, and federal requirements.

20.06 Non-discriminatory interconnection charges will be developed which are just, reasonable, and support the Commission's objective to create an environment in which fair and effective local competition flourishes. The Commission will conduct a workshop for the purpose of developing interconnection charges.

20.07 The Commission recognizes that technical and financial limitations may limit the ability of some non-SCB LECs to fully comply, within the same timetable as SCB, with the networking, interconnection, and facilities access requirements referenced in sections **20.01** through **20.03** and section **20.04**. Within one (1) year of the date of this Order, all non-SCB LECs shall be required to submit a plan to substantially meet these requirements by the end of the limited protection period referenced in sections **16.01** through **16.03**.

20.08 The Alabama Local Competition Committee, referenced in section **25.05**, will convene a task force to further develop uniform technical standards for local interconnection and procedures for access to unused facilities and use of easements/rights-of-way, referenced in section **20.05**.

21.00 RESALE OF SERVICES/FACILITIES AND RELATED ISSUES

21.01 The LECs will, at a minimum, unbundle their local networks into the following four basic

network functions: 1) local loop; 2) local switching; 3) local interoffice facilities; and, 4) signaling. Unbundling of basic network functions shall be addressed in the Commission workshop on interconnection.

21.02 All services shall be available for resale, at prices and with use and user restrictions in place, with the exception of flat rate residential, flat rate single line business, and flat rate business trunks. The Commission, as referenced in section **26.02 C**, will determine whether these and other services should be available for unrestricted resale and whether and to what extent resold services should be offered at a discounted price. All non-SCB LECs shall meet the requirements of this section and section **21.01** by the expiration of the limited protection period referenced in sections **16.01** through **16.03**.

21.03 Due to the interLATA restrictions imposed upon it by the MFJ, SCB requests that "joint marketing" restrictions, for any combination local/toll service offering, be imposed on new entrants until SCB can make similar offers to customers. This issue will be addressed in a separate Commission docket as referenced in section **26.02 A**.

22.00 TELEPHONE NUMBER PORTABILITY

Telephone number portability is an issue which will be addressed at the national level. All local service providers are encouraged to participate in national forums, meetings, etc., to ensure that Alabama-specific concerns are addressed. Further, LECs will implement reasonable short-term and long-term solutions as required at the national level and/or by the Commission. The Commission will conduct a workshop on telephone number portability.

23.00 UNIVERSAL SERVICE AND RELATED ISSUES

Universal service, and the many cost, subsidy, and funding issues associated with it, will be addressed in a Commission workshop. The LECs shall serve as carriers of last resort and existing support mechanisms for non-SCB LECs will continue, during the interim, until these issues are resolved.

24.00 NEW TECHNOLOGIES AND EXPANDED SERVICES

The availability of emerging technology, multimedia services, expanded services, and the benefits of the "information super highway", are of primary concern to Alabama consumers and to the Commission. All local service providers will develop networks and capabilities to support this effort, in both urban and rural areas. The Commission will conduct a workshop on new technologies and expanded services.

25.00 OTHER ISSUES

25.01 The Commission will establish a separate docket for 1+ and 0+ intraLATA toll

presubscription issues.

25.02 All LECs will provide equal access for interLATA toll, subject to existing request procedures. Equal access, to include any requirements that new entrants provide equal access, will be addressed in the Commission workshop on interconnection.

25.03 Upon approval of this plan, AT&T agrees to dismiss its complaint against SCB, filed with the Commission on April 25, 1995.

25.04 Without standardized cost study procedures, it will be extremely difficult to resolve challenges involving non-competitive pricing. Therefore, a workshop will be held for the purposes of establishing uniform cost definitions and cost study procedures that will be applicable to all incumbent LECs and new entrants.

25.05 The Commission will establish an “Alabama Local Competition Committee”. The committee should be chaired by a representative of the Commission and include at least one additional Commission representative, one representative from the AG’s office, two representatives of the non-SCB/GTE LECs, and one representative each from SCB, GTE, AT&T, MCI, Sprint, DELTACOM, the Resellers, the cable TV industry, and the Communication Workers of America (CWA). Additionally, one or more vacancies should be reserved for new entrants which are otherwise not represented. The Committee should meet at least once per quarter and shall conduct its initial meeting within 180 days from the date of this Order. The committee will:

1. Review local competition efforts in Alabama and in other jurisdictions.
2. Identify and review cross subsidization issues and alternative cost study procedures.
3. Identify and recommend solutions for barriers to local competition.
4. Convene a task force, as referenced in section **20.08**, to further develop uniform technical standards for local interconnection and procedures for access to unused facilities and use of easements/rights-of-way.
5. Address all other relevant local competition issues upon request by any member or from outside parties.
6. Provide quarterly/annual reports to the Commission to include recommended modifications to the price regulation/local competition plan and any recommended requirements for legislation.

25.06 An outside review of price regulation/local competition procedures and the impact on Alabama ratepayers will be conducted by no later than the third anniversary date of Commission approval and, thereafter, by joint agreement between the Commission and the AG. A list of consultants, proposed scope of the review, and proposed price ceiling for the review, shall be developed by the Alabama Local Competition Committee and submitted to the Commission and AG for their consideration. The selection of the consultant shall be made jointly by the Commission and the AG. The review will be paid for by incumbent LECs, interexchange carriers, resellers, and new local service providers on a pro-rata basis, using the most recent calendar year’s total regulated

intrastate telecommunications revenue.

25.07 The Commission will conduct a workshop to develop plans for educating the consuming public on the issues and impact of price regulation and local competition.

25.08 The Commission retains authority in these matters, to include the extension, modification or repeal of all or a portion of this Order, and reserves the right to take such steps as necessary to ensure that satisfactory progress is made with regard to all issues.

26.00 REQUIREMENT FOR SEPARATE COMMISSION DOCKETS

26.01 In various sections of this plan, references have been made to additional Commission proceedings which will be necessary after the Commission Order. The Commission will establish a separate docket to deal with all unresolved price regulation and local competition issues. This docket should be structured such that issues may be resolved independently of each other and within differing time-frames.

26.02 Following the Commission Order for this plan, separate dockets will be established as follows:

1. Local/toll joint marketing restrictions **(21.03)**.
2. 1+ and 0+ intraLATA toll presubscription **(25.01)**.
3. Unrestricted resale of local service **(21.02)** and other unresolved price regulation and local competition issues **(26.01)**

27.00 UNRESOLVED ISSUES

Unresolved price regulation and local competition issues other than those to be addressed by separate Commission docket as referenced in section **26.02** are:

1. Area Calling Service and Lifeline Service for non-SCB LECs **(02.05)**.
2. Schedule of basic service rate increases and decreases for non-SCB LECs **(03.04)**.
3. The development of service quality standards (PRI Report) for non-SCB LECs **(05.03)**.
4. Development of procedures/plans for Total Factor Productivity studies **(06.03)**.
5. Procedures for electronic PRI/SPI filings **(06.13)**.
6. Transition Fund procedures **(09.07)**.
7. Plan for “flowing through” non-SCB LEC access reductions to carrier/reseller intrastate toll rates **(10.02)**.
8. Universal Service cost, subsidy, funding, and other issues **(11.02, 12.04, 23.00)**.
9. Procedures for adjusting the PRI due to Extraordinary Governmental Actions **(12.02)**
10. Monthly financial and service quality reporting requirements for non-SCB LECs **(14.03, 15.02)**.

11. Local interconnection (**20.04, 20.06, 21.01, 25.02**).
12. Telephone Number Portability (**22.00**).
13. New Technologies and Expanded Services (**24.00**).
14. Standardized cost study procedures (**25.04**).
15. Customer education plans (**25.07**).

28.00 COMMISSION WORKSHOPS

28.01 The Commission will conduct all workshops to resolve the issues referenced in section **27.00** and will provide notice to parties relative to the time and location(s) for the workshops.

28.02 Workshops are organized as follows:

<u>Workshop No.</u>	<u>Section 27.00 Issues Addressed</u>	<u>Issues to be Resolved No Later Than ¹ (Days from Order)</u>
1	A, B, E, F, G	60
2	C, J	60
3	O	60
4	D, N, I	180
5	H, M	180
6	K, L	180

¹ Calendar days from the effective date of this Order (may be extended by the Commission).

28.03 The staff will provide the Commission with periodic status reports on the progress in the workshops. The separate docket for these unresolved issues will remain open until all such issues are settled. Nevertheless, the Commission reserves the right to modify, approve, and implement agreements on individual issues addressed in the workshops or addressed in hearings under this docket. The Commission further reserves the right to conduct proceedings, and to implement policies, plans and procedures on any of the individual issues to be addressed in the workshops. The Commission may take this action at its discretion, or because these issues cannot be resolved by the parties in the workshop prior to the end of the period prescribed in section **28.02** (or earlier if an apparent “impasse” is reached).

28.04 This plan will be amended to reflect the changes and additions approved by the Commission under the terms and conditions of sections **26.02** and **28.03**.

The Commission is of the opinion and finds that the public interest would be served by the implementation of telecommunication price regulation and local competition as discussed in the preceding report.

IT IS, THEREFORE, ORDERED BY THE COMMISSION, That the Price Regulation and Local

Competition Plan which incorporates and amends SCB's Price Regulation Proposal, the Stipulation of Parties, the AG's Motion to Accept and Implement Stipulation, and the Staff Report on Price Regulation and Local Competition, as discussed and detailed herein, is hereby adopted by the Commission;

IT IS FURTHER ORDERED, That the South Central Bell price regulation plan shall be effective as of the date of this order; and

IT IS FURTHER ORDERED, That the non-SCB LECs shall provide notice to the Commission of their election to change their form of regulation within ninety calendar days from the date of this Order and within thirty calendar days of the anniversary date of this Order each year thereafter, and

IT IS FURTHER ORDERED, That this Order shall be effective as of the date hereof.

Done at Montgomery, Alabama, this day of September, 1995.

ALABAMA PUBLIC SERVICE COMMISSION

Jim Sullivan, President

Jan Cook, Commissioner

Charles B. Martin, Commissioner

ATTEST: A True Copy

Walter L. Thomas, Jr., Secretary

Attachment 1
Page 1 of 3

SCB SERVICE QUALITY CALCULATIONS

1. Overall Trouble Report Rates

The number of troubles (excluding memory services) for each wire center will be reported monthly. The Total Access Served (line 03 450 of the Access and Services Report - 2) for the beginning of the month and for the end of the month will be summed and divided by 2 to obtain average monthly access lines. The trouble report rate for the most recent 12 months is calculated as follows:

- a. Sum the monthly **total** troubles for the 12 month period.
- b. Sum the monthly average access lines for the 12 month period.
- c. Divide line a by line b and multiply by 100. Round to nearest two decimal places using conventional rounding.
- d. Enter result on Service Quality - Penalty Worksheet, Line 1.

2. Trouble Report Rates for Individual Wire Centers

The trouble report rate (excluding memory services) and access lines (as per network reports) for each wire center will be reported monthly. The trouble report rate for the most recent 12 months is calculated as follows:

- a. Sum the monthly troubles in each wire center for the 12 month period.
- b. Sum the monthly access lines in each wire center for the 12 month period.
- c. Divide line a by line b and multiply by 100. Round to nearest two decimal places using conventional rounding.
- d. Count the number of wire centers with trouble report rates exceeding 5 %. Enter result on Service Quality - Penalty Worksheet, Line 2.

3. Held Applications

The Backlog Cross Reference Report for Non-Excluded Past Due Orders and the Access and Services - Report 2 will be provided monthly. Monthly average access lines determined as per part

1 (above). The held application rate for the most recent 12 months is calculated as follows:

- a. Sum each month's total held applications as shown on the Backlog Cross Reference Report for the 12 month period.
- b. Sum the average access lines for each month for the 12 month period.
- c. Divide line a by line b and multiply by 100. Round to nearest three decimal places using conventional rounding.
- d. Enter result on Service Quality - Penalty Worksheet, Line 3.

4. Receipt to Final Status

The Network Receipt to Final Status results will be submitted monthly as follows:

	A	B	C	D	E	F
	<u>< 24 hrs</u>	<u><36 hrs</u>	<u><48 hrs</u>	<u><72 hrs</u>	<u>>72 hrs</u>	<u>Total</u>
# Troubles						D + E

Results for the most recent 12 months will be composited and the percent of troubles with final status received in less than 36 hours calculated as follows.

Month	A	B	C	D	E	F
	<u>< 24 hrs</u>	<u><36 hrs</u>	<u><48 hrs</u>	<u><72 hrs</u>	<u>>72 hrs</u>	<u>Total</u>
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
Total		Sum B				Sum F
Percent						

Percent of Troubles with Receipt to Final Status in < 36 hrs = (Sum B/ Sum F) X 100.
 Rounding to 2 decimal places, conventional rounding applies. Enter result on Service Quality - Penalty Worksheet, Line 4.

Service Quality - Penalty Worksheet

Penalty

1. Overall Trouble Report Rate _____%

Greater than 2.42 % ?
Yes (enter .2) _____%

2. Number of wire centers with trouble
report rate exceeding 5.00 % _____
Greater than 1 ?
Yes (enter .2) _____%

3. Held Application Rate _____%
Greater than .015 % ?
Yes (enter .2) _____%

4. Receipt to Final Status _____%
Less than 72.00 % ?
Yes (enter .2) _____%

5. Total Service Quality Penalty
(sum of lines 1 through 4)
Enter here and on PRI Report,
Line 4b. _____%

Company

Date

Change in GDP-PI

1. Gross Domestic Product Price Index (GDP-PI) for the latest available quarter².
2. GDP-PI for the same quarter of the previous year.
3. Change in GDP-PI [(line1 - line 2) divided by line 2]

Adjustments for Efficiency/ Service Quality Performance

4. a. Efficiency Factor (.03 for SCB, .01 for all non-SCB LECs)
b. Service quality penalties³
c. Resulting efficiency factor (line 4a. + line 4b.)
5. Adjusted change in GDP-PI (line 3 - line 4c.)

Price Regulation Index Calculations

6. Present PRI⁴ (from PRI Report of previous year, line 7)
7. New PRI [(1.0 + line 5) X line 6]

¹ All figures rounded to three decimal places.

² Source: U.S. Department of Commerce, Bureau of Economic Analysis.

³ Apply in the event that service quality standards are missed.

⁴ Initial PRI set at 100.

SERVICE PRICE INDEX (SPI) REPORT I

Company

Date

Adjusted Change in GDP-PI (PRI Report, line 5).¹

<u>Service Description</u>	<u>Annual Demand</u> A	<u>Present Price</u> B	<u>Proposed Price</u> C	<u>Annual Price</u> D	<u>Annual Revenue</u> D=A X B	<u>Basic Residential Revenue</u> E= A X C	<u>Services Only</u> [(E-D) divided by D]
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TOTAL REVENUE

Change in Prices [(Item G - Item F) divided by Item F] X 100²

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¹ Annual price increases for residential basic services are limited to the Adjusted Change in the GDP-PI (rounded to three decimal places).

² Used for monitoring non-basic services only . The annual increase in prices for the aggregate non-basic services category is limited to 10 percent (rounded to one decimal place)

SERVICE PRICE INDEX (SPI) REPORT II¹

Company

Date

1. New PRI ² (from line 7 of PRI Report)
2. Present SPI ³
3. Present SPI less than New PRI ⁴ (line 2 < line 1)?
YES: Price Increases Authorized.
NO: Price Increases are not Authorized
4. Change in SPI (SPI Report I, Item G divided by Item F)
5. New SPI = Present SPI X Change in SPI (line 2 X line 4)
6. New SPI less than or equal to the New PRI ³ (line 5 < or = line 1)?
YES: Price Increases Authorized.
NO: Price Increases are not Authorized

¹ All figures rounded to three decimal places.

² The PRI is calculated once per annum and will not change until the subsequent annual filing date for the LEC.

³ The initial SPI is set at 100 and subsequently is taken from line 5 of the most recent SPI Report II filed with the Commission. The SPI will change each time there is a price change.

⁴ The SPI must always be less than or equal to the new PRI in order for price increases to occur.