

# Schedule 4

**Table 5. Detail of Retail Rate Regulation Plans of Incumbent Local Telecommunications Providers  
(as of June 2003)**

State	ILEC	Regime	Expiration date	Service regulation by type of service			Earnings regulation	Infrastructure requirements	Other plan requirements	Comments
				Basic	Other noncompetitive	Competitive				
AL	All	Price caps (1996)	None	Nonindexed caps (basic exchange & access)		Can rise up to 10% per year, in aggregate, with rate design subject to PSC review.	Not regulated		Required to rebalance or otherwise adjust rates in return for price caps regulation. Adjustments varied by company and were completed by 2001.	PSC this spring planned to open comprehensive global review of how all local exchange providers were regulated to determine whether changes in industry structure, technology and policy since 1996 required changes in the regulatory system.
AK	Large incumbents (more than \$325,000 annual revenue)	Streamlined rate of return (1992)					Earnings still count in rate-of-return calculations		Rate boosts up to 6% and any permanent rate cuts decided in as few as 45 days under ROR principles. Rate adjustments filings made annually. In markets where competitors operate, incumbents can cut rates without prior state approval but can't raise them back to previous level. They can also set limited-duration promotional rates to match competition.	Regulators in mid-2001 initiated rate case for state's largest incumbent, ACS, and granted carrier 24% interim residential rate increase in Anchorage. Rate case encountered some delays, with final ruling now anticipated by fall. Bill in 2003 legislature for local rate deregulation failed to pass.
	Small incumbents (less than \$325,000 annual revenue)	Streamlined rate of return (1992)					Earnings still count in rate-of-return calculations		Rate boosts up to 6% and any permanent rate cuts decided in as few as 45 days under ROR principles. Rate adjustments filings made annually. In markets where competitors operate, incumbents can cut rates without prior state approval but can't raise them back to previous level. They can also set limited-duration promotional rates to match competition.	Small incumbents can opt out of state rate and earnings regulation upon approval of ratepayers. Four small incumbents have done so. Rates and earnings of smallest rural incumbents (under \$50,000 annual revenues) were deregulated in 1992.
AZ	Qwest	ROR with price caps (2001-2004)	Review in 2004	Rate freeze	Nonindexed caps that allow for price movement under cap	Price flexibility, but subject to revenue cap for entire basket.	Carrier under earnings-based regulation pegged to ROR on "fair value" of rate base. Earnings from all services count in ROR calculations.			In March 2001 rate case decision that granted Qwest \$23.9 million net revenue increase, regulators established price capping system. Major deregulation of telecom rates or services requires voter approval of constitutional amendment.
	Other incumbents	ROR		Fully tariffed ROR			Carrier under earnings-based regulation pegged to ROR on "fair value" of rate base.			Major deregulation of telecom rates or services requires voter approval of constitutional amendment.
AR	SBC, Alltel	Price caps (1997)	None	Caps indexed to 75% of GDP-PI (basic exchange and switched access)	Deregulation		Not regulated		Companies can request rate deregulation of those services in exchanges with effective local competition but no requests have been filed	
	Century Tel	ROR								Applies to 203,000 access lines Century bought from Verizon in 2000. It has option to switch to price caps, but have not done so. In Feb 2003 carrier filed rate case seeking \$35 million increase that would raise local rates up to 400%. Hearings expected in Dec. 2003.
	Other incumbents	Price caps (1997)	None	Rates allowed to rise annually by lesser of 15% or \$2 per line monthly	Deregulation		Not regulated			Century Tel's original 43,000-line Arkansas operation is under that cap system.

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CA	SBC, Verizon, Roseville Telephone, Citizens Telecom	Price caps (1990)	None	Rate freeze, except for cost-justified changes		Price flexibility	SBC and VZ earnings not regulated since 1999 when profit sharing was suspended. Other telcos must share earnings over 11.5%.			Plan's original inflation indexing suspended by PUC in 1995. PUC has opened a comprehensive multiphase review of the regulatory program for SBC and VZ that is expected to continue during 2003. PUC plans review of Citizen's program this year to address price and sharing issues specific to that company.
	Other incumbents	ROR		Fully tariffed ROR					PUC in 1997 concluded rate cases for all other incumbents and established schedule to ensure rates of each small incumbent were reviewed at least every 5 years.	
CO	Qwest	Price caps (1999-2004)	March 2004	Nonindexed caps	Price flexibility		Not regulated	Company on schedule to meet requirement to invest total of \$200 million in network by end 2003.	Company liable for up to \$15 million in annual penalties for failure to meet plan's service quality goals.	Company paid \$11.2 million penalty for 2000, \$4.1 million for 2001 and \$2.2 million for 2002. Qwest is expected to file its proposal for future regulation by fall.
	Other incumbents	ROR		Fully tariffed ROR						Option to petition for earnings-based or price-based alternative regulation systems but none have done so.
CT	SNET	Price caps (1996-2006)	2006 review	Caps indexed to GDP-PI. Caps levels don't change unless GDP-PI exceeds 5% per year, when caps can rise by half the amount over 5%.		Price flexibility	Not regulated		Penalties assessed for failure to meet service quality targets.	Program comprehensively reviewed in 2001. No changes made. Next full review due in 2006.
	Other incumbents	ROR		Fully tariffed ROR						No pending proceedings to change that status.
DE	Verizon	Price caps (1994-2003)	September 2003	Caps indexed to GNP-PI minus 3%		Price flexibility	Not regulated			Plan originally was to run to 2005, but Verizon's Sept. 2002 long distance entry triggered clause that will terminate plan this Sept. Verizon has proposed major changes in current plan, including revising definition of basic services and ability to target basic-service rate changes.

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DC	Verizon	Price caps (2000-2004)		Rate freeze: residential dial tone for duration of current plan. Other basic residential and business services can increase up to 10% per year. Discretionary service rates can rise up to 15% annually. But percentage of revenue increase from those boosts can't exceed inflation rate.		Not rate regulated, except that they can't be priced below incremental cost.	Not regulated		Verizon must provide \$5 million in ratepayer benefits during life of plan.	Current plan adopted early 2002.
FL	BellSouth, Verizon, Sprint	Price caps (1995)	None	Caps indexed to GDP-PI minus 1%. Access charges capped at interstate rate.	Nonbasic services can rise up to 6% per year in noncompetitive markets and up to 20% a year in competitive markets.		Not regulated			Legislature in May 2003 passed bill (SB-654) to change regulatory program so all services of large telcos immediately could rise up to 20% per year and be rate deregulated if telcos cut intrastate access charges to local reciprocal compensation rate. Governor indicated he would sign it.
	Other incumbents	Price caps (1995)								Other incumbents can elect price cap regulation under program similar to that for large providers. Six other incumbents have chosen price caps. Only one small incumbent remains under ROR. Legislature in May 2003 passed bill (SB-654) to change regulatory program from indexed price cap to indexed revenue cap, with option for a more lenient program that would allow any service to increase up to 20% per year if telco reduced intrastate switched access charges to 8 cents per minute. Governor indicated he would sign it.
GA	BellSouth	Price caps (1995)	None	Caps indexed to GDP-PI. Access charges capped at interstate rate.	Deregulated		Not regulated	\$2 billion infrastructure investment requirement completed in 2000. No further requirements have been linked to price caps.		
	Other incumbents	Price caps (1996)						No infrastructure requirements		Other incumbents can elect price cap regulation under program similar to BellSouth. As of March, 2002, 25 of 34 of the state's other incumbents have elected price caps. The rest remain under fully tariffed ROR.

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HI	Verizon-Hawaii	ROR								State law requires cost-based rates and earnings-based regulation until PUC determines effective local competition exists. Some of Verizon's rates have been adjusted, but no full rate case has occurred since 1997. Bills in 2002 legislature to establish price caps regulation system failed to pass.
ID	Qwest	Deregulation (1989)		ROR: Basic local exchange under 5 lines, in exchanges with no local competition. <u>Nonindexed price caps</u> : basic exchange under 5 lines where fully effective competition exists.	Rates deregulated for all retail services except basic local exchange provided to accounts with fewer than 5 lines.				Qwest can petition for full basic exchange deregulation in exchanges where fully effective competition exists. Qwest has petition pending for full rate deregulation in its 7 largest Idaho exchanges, hearings scheduled to begin June 2003. Service deregulation doesn't apply to Qwest's 35,000-line Lewiston service area in northern Idaho, which is separate Qwest operation that's under full rate-of-return regulation.	Service deregulation doesn't apply to Qwest's 35,000-line Lewiston service area in northern Idaho, which is under full ROR.
	Other Incumbents	ROR								Option to switch to regulatory plan similar to Qwest's, but none had chosen to do so as of March, 2002.
IL	SBC	Price caps (1995)	Plan extended in 2002	<u>Rate freeze</u> (residential rates). Telecom reform law passed in July 2001 changed retail rate structure for residential and single-lined business customers to require that 3 grades of flat-rate local service be offered at regulated rates.	Caps indexed to GDP-PI minus 3%.	Price flexibility	Not regulated		Company must meet service quality goals. Telecom reform law passed in July 2001 changed retail rate structure for Ameritech's residential and single-line business services to require that 3 grades of flat-rate local service be offered at regulated rates. Law also imposed additional service quality requirements and penalties.	
	Other Incumbents	ROR		Fully tariffed						Telecom reform law passed in July 2001 changed retail rate structure for Verizon's residential and single-lined business customers, requiring 3 grades of flat-rate local service.
IN	SBC	Price caps (1994-2003)	November 2003	Nonindexed caps	Price flexibility		Not regulated	Investment \$578 million in infrastructure improvements and commit to DSL deployment schedule.	Company has to make modest basic service rate reductions, pay penalties up to \$30 million annually for poor service, contribute \$5 million annually for advanced services to school and libraries and pay \$20 million in bill credits for past poor service.	SBC has begun discussions with commission staff on possible replacement program.
	Sprint, Verizon	Price caps (1999-2003)	2003	Nonindexed caps	Price flexibility		Not regulated	Sprint's plan includes infrastructure requirements	Sprint was required to reduce basic rates \$50 million at start of cap program, then cap rates at resulting level.	Companies have begun discussions with commission staff on possible replacement program.
	Other Incumbents	Flexible regulation					Investor-owned incumbents with fewer than 30,000 lines have price flexibility but their earnings still may be reviewed.			Telephone cooperatives are deregulated.

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IA	Qwest, Iowa Telecom Services, Frontier Communications	Price caps (1995)	None	Caps indexed to GDP-PI minus 2.6%	Rates can rise up to 6% annually	Services found to be competitive are removed from state regulation	Not regulated			Qwest in 2002 sought full deregulation in certain exchanges on ground those markets were competitive, but petition was denied. New law allows local rate increases up to \$2 monthly, but resulting revenue must be used for broadband development.
	Other incumbents	Deregulation (1983)								Rates and earnings deregulated. Companies must keep current tariffs on file and give 30 days' notice of changes. Price changes are not reviewed but changes in terms and conditions of service are reviewed by regulatory staff and may be questioned.
KS	SBC, Sprint	Price caps (1998)	None	All services under caps indexed to GDP-PI minus 2.3%.		Deregulation of operator services (SBC, 2002).	Not regulated			Companies in 2001 completed access charge reduction to cost. SBC petition for business local rate deregulation in Wichita area is pending. Sprint hasn't sought rate deregulation.
	Other incumbents	ROR		Fully tariffed ROR						No pending proceedings to change regulatory situation.
KY	BellSouth	Price caps (1995)	None	Caps indexed to GDP-PI. Access capped at interstate levels.		Deregulation	Not regulated	BellSouth completed infrastructure upgrading program for broadband services by December 2002.	In 2000 PSC ordered series of rates increases and other adjustments to rebalance retail rates to incremental cost. The program was completed in December 2002.	BS cap plan is due for triennial review in 2003.
	Cincinnati Bell	Rate freeze (1999-2004)		Rate freeze		Price flexibility	No earnings review			In 2001, PSC made the Kentucky program identical to Ohio's regulation of Cincinnati Bell, with any future changes by Ohio automatically implemented for the Kentucky operation. In 2003 Ohio extended its rate freeze for CBT and Kentucky is expected to follow suit.
	Alltel	ROR								Alltel was under price caps but returned to rate-of-return in Aug. 2002 after it acquired Verizon's Ky. assets. PSC staffers expect Alltel to file proposal for alternative regulation plan later in 2003.
	Other incumbents	ROR								Seventeen other companies have option to propose price caps or other alternatives to ROR regulation but only one has done so. Its petition for alternative regulation is pending.

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LA	BellSouth	Price caps (1996-2004)	April 2004	Nonindexed caps for basic and access services.		Price flexibility		In 2000 plan extended to April of 2004 on condition that BellSouth invest \$1 billion in its local network by 2004.	Company must meet service quality targets and accommodate local competition. Company must also keep adequate staff in state to handle customer complaints and not seek support for nonrural exchanges from state universal service fund before 2004.	
	Other incumbents	Price caps (1997)	None	Nonindexed caps for basic and access services.		Price flexibility	Not regulated		Conditions for price cap regulation vary by carrier.	State's eleven other incumbents have come under price caps at different times since 1997.
ME	Verizon	Price caps (1995-2006)	2006	Rate freeze for basic residential and business services	Price flexibility, except for operator services, which are capped at May 2001 levels. PUC reserved right to impose caps on VZ custom calling features if it were to determine those services were essential part of basic service.				Plan allows Verizon to petition for basic service rate increases due to exogenous cost factors and to petition for deregulation of basic business rates to customers over 10 lines in markets with meaningful competition. VZ must maintain service quality on pain of \$12.5 million in annual penalties.	Verizon was allowed \$12.5 million basic rate increase at current plan's inception in June 2001 to offset \$12.5 million reduction in access charges. It must also complete \$19.8 million in toll rate cuts by June 2003. Maine Supreme Court in March 2003 vacated and remanded plan to PUC for determination of whether rates under that program were less than they would have been under rate-of-return regulation. PUC and Verizon agreed to maintain regulatory status quo until proceeding required by court decision was completed.
	Other incumbents	ROR		Fully tariffed						No pending proceedings to change status
MD	Verizon	Price caps (1996)	None	Caps indexed to GDP-PI minus 3-year average of CPI		Deregulation	Not regulated			VZ has proposed consolidating current 4 rate groups into just 2, which could raise local rates for some customers. Proposal is being considered as part of PSC's current triennial review of cap program.
	Other incumbents	ROR		Fully tariffed ROR						No pending proceedings to change status
MA	Verizon	Rate freeze (2001)	None	Rate freeze for residential basic services and retail private line services	Price flexibility, with retail rates free to move any point above wholesale rates.		Not regulated		Plan requires Verizon to meet quality of service standards.	VZ reverted to ROR in August 2001 following expiration of indexed price cap plan. New alternative plan was approved June 2003. All price-regulated services may be increased or decreased in the event of an exogenous event that increases or decreases the Company's cost of providing, or increases or decreases its revenues from, those price-regulated services.
	Other incumbents	ROR		Fully tariffed ROR						All 22 other incumbents will undergo rate cases this year as PUC acts to meet legislative mandate to reduce all incumbents' intrastate access charges to interstate levels by Dec. 31.

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MI	SBC, Verizon	Price caps (1995)	None	Caps indexed to Detroit-area CPI minus 2%. Rate cuts presumed competitive and not reviewed.		Deregulation	Not regulated			State law in 2000 amended cap program to freeze all retail rates of Ameritech and Verizon through 2003 except those in customer-specific contracts, and to abolish state subscriber line charges. Telcos challenged law on constitutional grounds in federal court and won stay of freeze and SLC provisions. They withdrew litigation in Feb. 2003 following settlement agreement with state in Dec. 2002 that waived rate freeze and allowed continued billing of state SLC at reduced rate.
	Other incumbents	Rate freeze (2000)						In return for switching to rate freeze from indexed price caps, other incumbents obtained deregulation of their intrastate switched access rates and waiver of law's requirements for expanding local calling areas.	Incumbents other than SBC and VZ had option of switching from indexed price caps to local rate freeze. All elected to switch. Since 2002, 9 companies have asked to break freeze and adjust their rates so they could respond to customer demand for expanded calling areas.	
MN	Qwest	Price caps (1999-2003)	December 2003	Nonindexed caps (local exchange and access), price flexibility (other basic services)	Price flexibility (emerging competitive services)	Deregulated	Not regulated		Company must meet minimum service quality standards.	Company in 2001 completed local and access charge reductions required as condition of price regulation. No proceeding yet on successor to current plan, but Qwest is expected to file proposal Summer 2003.
	Sprint , Citizens Telecom	Price caps (1996)	None	Nonindexed caps.	Price flexibility (nonbasic and emerging competitive services)	Deregulated	Not regulated	Carriers must meet infrastructure investment requirements		Price cap plan for the Frontier properties was reviewed by PUC in mid-2001 as part of the Citizens purchase and was continued without major change under the new Citizens ownership. PUC in 2002 approved some changes in the pricing flexibility details of Sprint's regulation plan but its major features were left intact.
	Citizens Telecom (formerly GTE)	ROR		Fully tariffed ROR						Citizens properties purchased from GTE in 1999. Terms of PUC's purchase approval order barred company from seeking alternative regulation for 3 years, but that provision expired in Aug. 2002. Company has not proposed any alternative regulation option.
	Other incumbents	Price flexibility	None	Allowed to price services to market unless greater of 500 or 5% of ratepayers seek PUC review of rate change.	Price flexibility (nonbasic and emerging competitive services)	Deregulated	Not regulated			Other incumbents, all with fewer than 50,000 lines, can self-elect flexible pricing system. Some 80% of small incumbents have opted for flexible pricing program.
MS	BellSouth	Price caps (1996-2007)	2007	Rate freeze. Access capped at interstate rates.	Service rates can increase up to 20% per year		Not regulated	In 2001 company completed network upgrades in its most complaint-prone exchanges.	In 2001 company completed \$47.7 million in rate cuts required by plan. Service quality standards were updated and potential penalties increased when caps program was renewed in 2001.	Plan comes up for midcourse review at end of this year to see whether any changes are needed.
	Other incumbents	ROR		Fully tariffed						No pending proceedings to change status

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MO	SBC, Sprint, Century Tel	Price caps (1997)	None	Indexed caps to telecom component of CPI.	Nonbasic services can rise up to 8% annually.	In 2001, SBC won local rate deregulation of certain large business services in St. Louis and Kansas City and of residential rates in 2 suburban St. Louis exchanges, plus interexchange services statewide.	Not regulated			Companies have option to increase basic rates up to \$1.50 monthly as part of revenue rebalancing to reduce intrastate access charges to level below 150% of interstate rate. Sprint exercised that option to move access pathway to goal. Starting in 2001, companies were allowed to petition for rate deregulation of competitive services in markets where competitors operated. Sprint has petition pending seeking competitive rate deregulation for certain services statewide and for basic services in its 5 largest exchanges. Hearings planned in July 2003.
	Other incumbents	ROR		Fully tariffed ROR						Retail rates of telephone cooperatives are deregulated but their access charges remain regulated.
MT	Qwest	ROR		Qwest can request pricing flexibility to match local competitors' rates in exchanges where competitors operate, but earnings still count in rate-of-return calculations. Qwest also can request full deregulation of services that are subject to effective local competition.			Earnings still count in ROR calculations			PSC opened rate case for Qwest in April to conduct comprehensive review of carrier's rates and earnings. All incumbents have option to petition for alternative forms of regulation but none have done so.
	Rural telephone coop	ROR		Retail rates deregulated						All incumbents have option to petition for alternative forms of regulation but none have done so.
	Investor-owned incumbents	ROR								All incumbents have option to petition for alternative forms of regulation but none have done so.
NE	All incumbents	Deregulation		Retail telecom service rates not regulated since 1986, except that PSC can roll back excessive residential local rate increases in exchanges without competition upon petition by affected ratepayers.			Not regulated. PSC in 2000 set benchmark earnings at 12%.		PSC in 2000 set state universal service benchmark rates of \$17.50 residential and \$27.50 business. Incumbents remain free to change rates at will, upon 10 days notice, but those setting rates below benchmarks or posting earnings above 12% would see reduced support from state universal service fund.	



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NV	Sprint	Price caps (1996-2007)	June 2007	Nonindexed caps. Rate cuts allowed, but not increases	Nonbasic services can increase up to 5% annually up to a cumulative total 20% increase.	Price flexibility. Broadband services deregulated.	Not regulated			PUC in May 2002 approved \$43.5 million revenue increase that raised local rates about 15%, and renewed cap plan for another 5 years. Bill passed in 2003 grants carrier more flexibility to make special deals with business customers.
	SBC	Price caps (1997-2008)		Nonindexed caps for basic services. Access charges capped at interstate rates.	Other services can be priced at any point above cost floor. Broadband services deregulated in 2003.		Not regulated			Current program prescribed for Nevada Bell by 1999 state law. PUC in mid-2002 extended current cap program for another 5 years without any changes in basic service rates. Bill passed in 2003 grants carrier more flexibility to make special deals with business customers.
	Other incumbents	ROR		Fully tariffed ROR						No current proceedings to change situation.
NH	All	ROR								General guidelines for alternative regulation were adopted in 1996 but to date only one incumbent, TDS-owned Kearsarge Telephone, has applied for price-based regulation. Its petition for an indexed price cap plan, filed in Nov. 2001, is pending. Hearings were due in mid-May 2003.
NJ	Verizon	Price caps (2002)	None	Cap at July 2002 levels for residential and business rates for customers with 1-3 lines; Deregulation for business rates for customers with more than 3 lines.		Deregulated	Not regulated	Requirement that Verizon invest \$55 million for advanced services to public schools and libraries.	Plan includes service quality commitments and provide public schools and libraries with discounted monthly rates for high-speed Internet access until 2014.	
	Other incumbents	ROR		Fully-tariffed ROR (investor-owned companies)						No current proceedings to change situation.
NM	Qwest, Valor Telecom	Price caps (2001)	No expiration date, but review scheduled for 2005	Nonindexed caps.	Qwest - Nonbasic services capped at average rates in Qwest's 14-state home region. Valor - can raise nonbasic rates up to 5% annually.	Deregulated	Not regulated	Qwest - Investment of \$788 million in network by 2005.	Plan includes service quality requirements.	Qwest - Entitled to 10% boost in Sept. 2003 if it is on schedule with investment requirements.
	Other incumbents (fewer than 50,000 lines)	Deregulated		Basic residential rates subject to regulatory review for increases that affect 2.5% of ratepayers or if PRC staff protest increase.						Deregulation occurred in 1999 by state law. Decision on rate increases required within 60 days of hearing. Companies must give 60 days' notice of basic residential rate increases.

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NY	Verizon	Revenue cap (2002-2004)	March 2004	Rate freeze for Lifeline only. Price flexibility for all other services. Prices can be adjusted up or down but increase in net revenue cannot exceed 3% per year.			Not regulated		Penalties and automatic customer credits imposed for poor service quality.	Plan was approved in March 2002 as successor to indexed price cap regime that had been in place since 1995.
	Frontier Telephone of Rochester	Price caps (1995-2004)		Rate freeze for residential rates.	Indexed caps	Price flexibility			Carrier agreed to make additional infrastructure investments.	Carrier made \$5 million rate cut at current plan's inception in March 2000 and agreed to accept increased penalties for poor wholesale and retail service. Carrier's acquisition by Citizens Telecom in April 2001 didn't affect provisions of cap program.
	Other incumbents	ROR		Fully tariffed ROR						No current proceedings to change status.
NC	BellSouth	Price caps (1996-2003)	2003	Caps indexed to GDP-PI minus 2%.	Service specific caps for most other services.		Not regulated			Program was to have come up for comprehensive review in 2001 but that was extended in return for BellSouth's agreeing to 66% cut in intrastate access charges. Review of plan is expected in 2003.
	Other incumbents	Price caps (1996)								Other incumbents can elect price cap regulation under program similar to BellSouth. Sprint's Carolina Tel., Centel, Verizon, Alltel, Mebtel, and Concord Tel have switched to caps. Nine remain under ROR.
ND	Qwest	Price caps (1993)	None	Nonindexed caps (basic exchange and switched access). Rate decreases allowed, but no increases except when government action increases service costs.	Price flexibility. Price increases cannot exceed 3% per year or 5% over 2 years.		Not regulated			Qwest new cap system became effective August 1, 2003.
	North Dakota Telephone	ROR		Fully tariffed ROR						No current proceedings to change status.
	Other incumbents	Deregulation		Retail rates of investor-owned incumbents with fewer than 8,000 lines and of all telephone cooperatives regardless of size have been deregulated since 1993. Carrier access services rate deregulated unless carrier requests access price regulation, but earnings aren't regulated.						
OH	SBC, Sprint	Price caps (2002)	None	Indefinite rate freeze for local rates.	Rates for certain vertical services and specialty business services frozen through 2004, then will be deregulated. All other retail rates deregulated immediately.		Not regulated		Companies must meet goals for expanded availability of advanced services and Lifeline by end of 2004.	Companies opted for generic price cap regulation framework PUC adopted in April 2002.
	Cincinnati Bell	Rate freeze (1998-2004)	June 2004	Rate freeze for duration		Price flexibility			Company must meet service quality requirements	State PUC in May 2003 agreed to extend plan to June 2004. Carrier must choose by then whether to opt for generic price cap framework or file new company-specific regulation plan.
	Other incumbents	ROR		Traditional or streamlined ROR						Carriers have option of switching to PUC's generic price cap system or proposing company-specific alternative regulation plan.

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OK	SBC	Price caps (1999-2004)		All services under nonindexed caps.			Not regulated	SBC must invest \$200 million in network by 2004, including retirement of all analog switches and deployment of digital subscriber line technology in specific geographic areas.		
	Other incumbents	ROR				Companies can seek pricing flexibility for competitive services but revenues count in rate-of-return calculations.				Incumbents with fewer than 75,000 lines are under streamlined form of ROR. Smaller incumbents can raise monthly local rates up to \$2 annually but boosts are subject to investigation and possible rollback if 15% of ratepayers protest. Valor Telecom, state's 2nd largest incumbent and the only one of the other incumbents with more than 75,000 lines, sought legislation that would deregulate its rates and earnings but bill was vetoed by governor.
OR	Qwest	Price caps (2000)	None	Rate freeze (residential and small business basic exchange, PBX trunks, and payphone access services), except for cost-justified rate changes.	All other services under non-indexed caps with cost floors.	Carrier can seek right to change rates on short notice in competitive markets. It has done so in most of its OR markets.				PUC in Sept. 2001 adjusted caps for access, local and toll services to achieve \$64.2 million revenue reduction and rebalance some residential rates to cost, as required by April 2000 settlement of litigation over 1997 Qwest rate case.
	Verizon, Sprint, Century Tel	ROR		Fully tariffed ROR. Companies can also can request right to change rates on short notice in competitive markets and have done so for most of their territories			Earnings still count in ROR calculations.			
	Other incumbents	Deregulation		PUC may review rate changes if 10% of affected ratepayers petition for review.			Not regulated.			Rates of other incumbents, all with fewer than 15,000 lines, have been deregulated since 1983.
PA	All incumbents	Price caps (2002)	None	Capped rates		Price flexibility	Not regulated	Verizon Pa. And Verizon North must complete by Dec. 31 a total of \$2.7 billion in infrastructure investment requirements imposed by the PUC's 1999 global competition order and Bell Atlantic-GTE merger decisions.	All telcos were required to restructure their access charges so fixed costs would be recovered through flat rates. All telcos also are required to make broadband service universally available throughout their service areas by 2015. Each telco has its own schedule for achieving goal.	All incumbent telcos moved under price cap regulation in 2002 under state law known as Chapter 30, although some had been under individual cap plans earlier. While there are some differences in plan details for individual telcos, all these plans are similar in general outline. Although Chapter 30 statute sunsets at end of 2003, price cap plans implemented under it won't terminate with law's end. A bill pending in the Pa. legislature would renew Chapter 30 with modifications.

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RI	Verizon	Price caps (2003-2005)	2005	Residential rates under caps that permit increase of \$1 per line in 2003 and another \$1 in 2004. After that, PUC would review any proposed increase in residential rates.	Can be set at any point above cost floors.		Not regulated		Verizon must donate up to \$2 million annually to support Internet access for K-12 schools and public libraries in 2003 and 2004, and meet service quality requirements.	
SC	BellSouth	Price caps (1999-2004)		Nonindexed caps	Other services flexibly priced, except that the cumulative effect of all rate changes for all other services can't increase total revenue more than 5% per year.		Not regulated			
	Sprint, Verizon	Price caps (1999)	None	Caps indexed to CPI	Other services flexibly priced, except that the cumulative effect of all rate changes for all other services can't increase total revenue more than 5% per year.		Not regulated			
	Other incumbents	ROR		Fully tariffed ROR						Carriers can petition for switch to price caps or other alternative forms of regulation if they choose.
SD	Qwest	Price caps (1996)	None	Nonindexed caps (basic exchange). Switched access capped except for cost-justified rate changes. Qwest has petition pending for retail rate deregulation of basic exchange service on ground that it now is competitive. August 2003 hearings set.	Rates for all other retail services deregulated		Not regulated			A 1998 law permits retail local rates to be set above cap level to recover costs of state-ordered infrastructure upgrades to deliver services beyond voice, but that law has not been invoked to date.
	Other incumbents	Deregulation		Switched access capped except for cost-justified rate changes. All other retail service rates deregulated.			Not regulated			State law allows reregulation if majority of company's ratepayers petition for it, but that power hasn't been used to date.
TN	BellSouth, Sprint, Citizens Telecom	Price caps (1996)	None	Caps indexed to lesser of one-half GDP-PI or GDP-PI minus 2%			Not regulated			Cap system prescribed by state law and changes in it would require act of legislature.
	Other incumbents	ROR		Fully tariffed ROR						State law allows them to petition for alternative regulation, but to date none have chosen to do so.
TX	All incumbents	Price caps (1999-2005)	Sunset in 2005	Nonindexed caps (residential basic, 911, Lifeline and carrier access)	All other services deregulated, except for ban on below-cost pricing.		Not regulated	Cap statute, which sunsets in 2005, spells out infrastructure up grading goals for SBC, Verizon, Sprint and Valor Telecom over life of program. Other incumbents have no specific infrastructure upgrading goals.		

**Table 5. Detail of Retail Rate Regulation Plans of Incumbent Local Telecommunications Providers  
(as of June 2003)**

State	ILEC	Regime	Expiration date	Service regulation by type of service			Earnings regulation	Infrastructure requirements	Other plan requirements	Comments
				Basic	Other noncompetitive	Competitive				
UT	Qwest	Price caps (1997)	None	Indexed caps to GDP-PI minus 4.95%		Price flexibility	Not regulated			PSC in July will review productivity offset. System allows Qwest to petition for full rate deregulation in markets where competitors operate. Qwest has won local business rate deregulation in state's major cities, covering 85% of total business lines. It also has won residential rate deregulation in Salt Lake City metropolitan area, covering 30% of residential lines.
	Other incumbents (fewer than 30,000 lines)	Steamlined ROR (1997)								Rate changes for other incumbents get speedy administrative review through expedited process. But if 10% of ratepayers challenge result, full rate case is held. Other incumbents have option to petition for price cap regulation but none have done so.
VT	Verizon	Price caps (2000-2005)		Nonindexed caps for all services. Caps set at levels prevailing in April 2000, minus \$16.5 million in rate cuts scheduled at intervals over life of plan for local exchange, toll and switched access services to correct ROR overearnings situation.			Not regulated, but state regulators made clear their expectation that plan would produce benefits to ratepayers over time.	No specific infrastructure upgrade requirements.	Verizon must provide 56 high schools in its service area with free T-1 service for distance learning applications during life of this plan. Verizon also must meet plan's service quality standards on pain of penalties up to \$10.5 million annually.	
	Other incumbents	ROR		Fully tariffed ROR						State law allows them to opt into price cap system or propose other alternative forms of regulation, but to date none have chosen to do so.
VA	Verizon VA	Price caps (1995)	None	Rate freeze through 2003, then under caps indexed to one-half GDP-PI.	Discretionary services indexed to 0.0083 times number of months since last increase, or since Jan. 1, 2001, with 25% maximum increase.	Price flexibility	Not regulated		No rate increases allowed for any service if company fails to meet service quality standards.	Company is under \$1.546 billion network investment requirement linked to Bell Atlantic-GTE merger approval agreement, not price caps.
	Verizon South	Price caps (2000)	None	Rate freeze through 2003, then under caps indexed to one-half GDP-PI.	Discretionary services indexed to 0.0083 times number of months since last increase, or since Jan. 1, 2001, with 25% maximum increase.	Price flexibility	Not regulated		No rate increases allowed for any service if company fails to meet service quality standards.	Company is under \$281 million network investment requirement linked to Bell Atlantic-GTE merger approval agreement, not price caps.
	Sprint Telcos	Price caps (1995)	None	Caps indexed to one-half GDP-PI.	Discretionary services indexed to GDP-PI.	Price flexibility	Not regulated			
	Other incumbents	Deregulation (2000)		Investor-owned small telcos are free to move rates up or down in response to markets, as long as increases are advertised and excessive complaints are not						

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(as of June 2003)**

State	ILEC	Regime	Expiration date	Service regulation by type of service			Earnings regulation	Infrastructure requirements	Other plan requirements	Comments
				Basic	Other noncompetitive	Competitive				
WA	All incumbents	ROR				Companies can petition for broad pricing flexibility for competitive services in exchanges where competitors operate, but revenues continue to be accounted for as regulated services. Toll, directory assistance and business services to large customers have been priced flexibly in competitive markets for large incumbents. Qwest has petition pending for statewide pricing flexibility for all business services in all of its markets; decision expected by October 2003.				No proceedings pending to change situation. Qwest's last rate case ended in 1996 and Verizon's in 1999. No rate cases currently pending. Moratorium on Qwest rate cases, stemming from merger agreement that formed Qwest, expires at end of 2003. State law allows incumbents to petition for alternative regulation but no petitions currently are pending. Qwest operated under earnings-based incentive plan until 1994, when it reverted to rate-of-return regulation.
WV	Verizon	Flexible regulation (1994-2005)		Rate freeze, access charges capped.		Deregulated		Program was extended in 2001 for 4 years on condition that Verizon invest \$375 million in network by 2005.	Program extension requires Verizon to cut access charges \$18.5 million to reduce them to interstate level and contribute \$15 million toward cost of state E911 mapping project for rural areas that's meant to give all rural locations an addressing scheme compatible with E-911 location databases.	No rate case during program.
	Citizens Telecom	Flexible regulation (1994-2003)		Rate freeze, access charges capped.		Company can request rate deregulation		Company must meet infrastructure investment requirements.	Company must meet service quality goals.	No rate case during program. PSC is considering extension of program that would require reduction in access charges.
	Other incumbents	ROR		Fully tariffed ROR						No pending proceeding to change current status.
WI	SBC	Price caps (1994-2004)	2004	Caps indexed to GDP-PI minus 3%		Price flexibility	Not regulated			Next comprehensive review is due in 2004. Wis. legislature in 2002 considered legislation to alter cap system but bill failed to pass.
	Verizon	Price caps (1995-2002)		Caps indexed to GDP-PI minus 2%		Price flexibility	Not regulated			Next comprehensive review is due in 2004.
	Other incumbents	Flexible regulation		Of state's 82 other incumbents, 25 are under some form of price-based regulation and 55 under streamlined rate-of-return with some degree of pricing flexibility. Two others are under traditional fully tariffed ROR, but one of those is considering seeking alternative price-based regulation.						

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				Basic	Other noncompetitive	Competitive				
WY	Qwest	Price caps (1996)	None	Residential and business exchange capped at statewide \$23.10 with no distinction between residential and business service.	Price flexibility, but rates must stay above TSLRIC cost floor.		Not regulated			
	Other incumbents	Price caps (1997)	None	Nonindexed caps	Price flexibility, but rates must stay above TSLRIC cost floor.		Not regulated			Eight of the other incumbents have opted for cap program. Other 4 remain under rate-of-return regulation but 2 of those have petitions pending for switch to caps.

Source: *State Telephone Regulation Report*, May and June, 2003, Vol. 21 (9, 10 & 11).