

Theresa L. O'Brien
Vice President – Regulatory Affairs

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PUBLIC UTILITIES COMMISSION



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April 11, 2006

Ms. Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Docket No. 3692 – Verizon RI Alternative Regulation Plan

Dear Ms. Massaro:

In compliance with Commission Order No. 18550 in Docket No. 3692, attached please find a revised Alternative Regulation Plan incorporating the Commission's modifications.

Should you have any questions, please contact me on 525-3060.

Respectfully submitted,

A handwritten signature in cursive script that reads "Theresa L. O'Brien".

Theresa L. O'Brien

Attachment

cc: T. Ahern
S. Scialabba
B. Kent
L. Wold, Esq.
Service List

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

ALTERNATIVE REGULATION PLAN

APPLICABLE TO

VERIZON RHODE ISLAND INTRASTATE OPERATIONS

The Alternative Regulation Plan (the "Plan") establishes the method by which the Rhode Island Public Utilities Commission ("Commission") will regulate the intrastate services Verizon New England Inc., d/b/a Verizon Rhode Island ("Verizon RI" or the "Company") offers under tariff in the state. The terms of the Plan are as follows:

- A Rates and charges for all regulated retail services will increase or decrease in response to market conditions. Pricing and rate structures for these services will be at the discretion of Verizon RI.
- B The aggregate rates associated with all Intrastate Switched Access Services (as described in P.U.C. NO. 20) shall not be increased, except in response to an event such as a change in tax laws or other regulatory, judicial or legislative changes affecting the telecommunications industry, that is beyond the control of Verizon RI and negatively changes the Company's cost of providing, or its revenues from, its services. Outside of such an event, rate levels of individual service elements in this category may be increased, provided that the revenue impact of those increases is equal to or less than the revenue impact of rate reductions implemented in this category, prior to or coincident with the proposed increase. Should Verizon RI desire to increase or decrease any of its switched access rates as permitted by this Paragraph, it may do so only once it has made the appropriate filing with the Commission, and the Commission has taken such action on such filing as it deems is necessary and proper.
- C Prices for access to Verizon RI's unbundled network elements and interconnection with the Company's facilities and equipment, and the level of the Company's wholesale (resale) discount, will continue to be set in accordance with the Federal Telecommunications Act of 1996, as amended.
- D Lifeline Services – Effective January 1, 2006, Verizon RI may reduce the total Lifeline subsidy to \$8 per line, per month, and then to \$7 per line, per month as of January 1, 2007 for those Lifeline customers who are purchasing a package or feature. After June 30, 2006, Verizon RI may reduce the total Lifeline subsidy to \$8 per line, per month, and then to \$7 per line, per month as of January 1, 2007 for those Lifeline customers purchasing unlimited residential service without any features or packages. Verizon RI must continue its Lifeline subsidy to the extent necessary to allow Lifeline customers who are purchasing basic measured residential service without features or packages to pay \$1 per month.

E Tariff Filings and Withdrawals

1. Verizon RI may make filings incorporating tariffs to go into effect not less than thirty (30) days later unless suspended by the Commission.
2. Verizon RI may modify the application of rate elements during the term of the Plan so long as such modifications comply with all pricing rules.
3. The Division of Public Utilities and Carriers (the "Division") and the Commission will review these filings for compliance with the Plan and statutory requirements.
4. Verizon RI will continue to offer all of the intrastate services provided under tariff as of 1/1/06 unless it petitions and receives approval from the Commission to withdraw a service.
5. Verizon will not alter its Commission-approved calling areas without prior Commission approval.

F Verizon RI may petition the Commission to modify any of the terms or conditions of the Plan: (i) to reflect the impact of relevant provisions or decisions, enacted or issued subsequent to the Commission's approval of the Plan, of federal or state legislative, judicial or administrative bodies of competent jurisdiction; or (ii) to seek a less structured form of regulation or deregulation of its operations based upon changes in market conditions. The Division may petition the Commission to require that Verizon RI have a more structured form of regulation if there is a material change in circumstances.

G Effective January 1, 2006, Verizon RI shall have flexibility in regards to the depreciation of its plant and investment, and will continue to file its annual earnings report. Also effective January 1, 2006, Verizon RI will continue to file on a semi-annual basis the first page only of its Competitive Profile showing total landline access lines, Verizon RI and CLEC residential and business lines and CLEC market share by mode of entry. The Competitive Profile need no longer break down the above data by wire center. In addition, Verizon RI will file quarterly service quality reports; however, service quality penalties are no longer applicable.

H Price Floor

At such time as Verizon RI files any tariff proposing decreases in any of its retail rates for services currently offered or proposing initial retail rates for new offerings, Verizon RI will include with such filing a certification that such reduced rates or initial rates are not less than the Long Run Incremental Cost (LRIC) of such services or offerings. Upon the subsequent request of the Commission or the Division, Verizon RI shall file the necessary support documentation to confirm that such reduced or initial rates meet said price floor. In all proceedings concerning Verizon RI's compliance with the price floor, Verizon RI retains the burden of proving that its proposed prices exceed the appropriate LRIC price floor.

I Term

The term of this Plan shall end on December 31, 2008. However, the Plan shall stay in effect until such time, after December 31, 2008, that the Commission enters an order altering the Plan.

J Verizon RI acknowledges that the Commission has a statutory obligation to protect the public against improper and unreasonable rates that cannot be precluded by this Plan. In approving the Plan, the Commission maintains its rights to review, and where required, modify rates to protect the public from rates found to be improper and unreasonable in accordance with R.I.G.L. §§ 39-1-1, et seq.