

2015-2019 VERMONT INCENTIVE REGULATION PLAN FOR FAIRPOINT

Effective January 1, 2015

This 2015-2019 Vermont Incentive Regulation Plan ("Plan") is established pursuant to 30 V.S.A. § 226b. The Plan establishes the method by which the Public Service Board ("Board") will regulate all retail intrastate telecommunications products and services offered in Vermont by Telephone Operating Company of Vermont LLC ("FairPoint" or the "Company"), during the term of the Plan.

I. Term of the Plan

- A. The Plan shall commence on January 1, 2015 and terminate on December 31, 2019. If the Board finds that FairPoint is in material violation of any term or condition of the Plan, it may, at its option, terminate the Plan at any time in which case all further obligations under the Plan shall terminate.
- B. FairPoint shall confer with the Department of Public Service ("Department") regarding a renewal of the plan or a successor plan at least one year prior to the conclusion of the Plan. Subsequent to conferring and consulting with the Department, but not less than ten months prior to the conclusion of this Plan, FairPoint shall convey to the Board and Department the Company's intention regarding a renewal or a proposal for a successor plan, if any. In no event may this Plan, continue in effect beyond the seven-year deadline set out in 30 V.S.A. § 226b(j).

II. Changes in pricing, terms, and conditions of Residential and Business Basic Local Exchange Service

- A. The Company shall continue to provide existing residential and business basic local exchange services ("BLES") throughout the term of the Plan. It may increase or decrease BLES rates at any time; provided that the aggregate increase in BLES rates in any year during the term of the Plan shall not exceed the greater of (a) eleven percent or \$2.00 per year (whichever is less), and (b) any increase required to meet the Federal Communications Commission's ("FCC's") rate floor (or benchmark) relating to high cost support pursuant to 47 C.F.R. §54.318(b). The Company may revise BLES tariff terms and conditions only upon Board approval.
- B. BLES shall mean the Company's basic local exchange service enabling calling within a local exchange area (dial tone and local measured service only).

- C. Any increase or decrease in BLES rates shall be implemented at the same time in the same manner in all FairPoint local exchanges.

III. Changes in the pricing, terms and conditions of all other Vermont intrastate retail telecommunications products and services

- A. This Plan applies only to the retail services described in FairPoint's former tariff 20 as it existed on April 1, 2011.
- B. FairPoint shall maintain a statement of rates terms and conditions of service for all retail services it offers, which shall be posted on the Company's website.
- C. During the term of the Plan, the Company may increase or decrease prices, and change terms and conditions, for intrastate retail telecommunications products and services other than BLES at any time.
- D. The pricing terms and conditions for special contracts and other Section 229 arrangements shall not be more advantageous than those offered in the SGAT. These special contracts shall be filed with the Department and the Board and shall take effect immediately. The Department and/or Board may seek an investigation into special contract filings.
- E. The Company may offer any product or service that is subject to price regulation on a promotional basis, for up to one year, without limitation as to dates, and times of the offerings, customers eligible to receive the offerings, and/or locations where offerings are made. Pricing terms and conditions of promotional offerings shall be at the sole discretion of FairPoint.
- F. Promotional offerings offered for a term exceeding three months must be posted on the company website.
- G. Nothing herein prevents the Department from claiming that any prices, terms, conditions or promotional offerings not subject to price constraints under this Plan are inconsistent with generally-applicable laws.

IV. Exemptions

Sections 225, 226, 227, and 229 of Title 30 shall not apply, except as specified herein. FairPoint shall continue to file tariffs during the term of the Plan only with respect to BLES and switched access. Section 218(a) shall not apply, except as specified herein and for dedicated transport and special access services, including but not limited to intrastate DS-1 and intrastate DS-3 point to point services.

V. Service Quality

- A. FairPoint shall continue to comply with service quality standards, consumer protection standards, and privacy protections adopted by the Board in Docket 5903 (and as may be subsequently modified or incorporated into rules).
- B. FairPoint shall comply with any wholesale service quality standards adopted in Docket 6255 or successor proceedings.

VI. Other Provisions

- 1. Except to the extent provided herein, during the term of the Plan FairPoint shall comply with all applicable obligations imposed in Board Docket 7270 and in Case No. 09-16335 (BRL).
- 2. The Company shall not be obligated to file reports with the Board or Department during the term of this Plan other than (a) the reports identified in Attachment A and (b), upon request, copies of reports required to be filed with the Federal Communications Commission and Securities and Exchange Commission.
- 3. The Company shall be able to invest Federal High Cost Universal Service Funds to upgrade local loop plant or infrastructure, or for any other purposes provided for by federal or state law.
- 4. Nothing herein shall be construed so as to preclude the Company from opting into any subsequently enacted regulatory scheme (if applicable).

VII. Modifications

FairPoint or the Department may petition the Board to modify any of the terms or conditions of the Plan: (i) to reflect the impact of relevant provisions or decisions enacted or issued by federal or state legislative, judicial or administrative bodies subsequent to the Board's approval of the Plan; or (ii) to seek a revised form of regulation of the Company's operations based upon changes in market conditions. In any proceeding, the burden shall be on the petitioner to establish a reasonable basis for the modification. A request for modification under this section shall be limited to events that are both material and were not reasonably foreseeable.

REQUIRED REPORTS

1. Docket No. 6255 (or successor proceedings) Wholesale Service Quality.
2. Rule 7.600 Disconnection Report.
3. Annual Report filed pursuant to 30 V.S.A. § 22(a).