

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet

1. REPORT DATE: March 21, 2006	2. BUREAU AGENDA NO. APR-2006-FUS-0430*
3. BUREAU: Fixed Utility Services	
4. SECTION(S): Telecommunications	5. PUBLIC MEETING DATE: April 20, 2006
6. APPROVED BY: Director: R. Rosenthal 3-5242 Mgr/Spvr: J. Tuzinski 3-6175 Legal Review: A. Arnold 7-8032	
7. PERSONS IN CHARGE: R. Staver/W. Townsend 7-3861	9. EFFECTIVE DATE OF FILING: May 16, 2006
8. DOCKET NO(s): P-00961024F1000, R-00061290	

**DOCUMENT
FOLDER**

10. (a) **CAPTION** (abbreviate if more than 4 lines)
(b) **Short summary of history & facts, documents & briefs**
(c) **Recommendation**

- (a) 2006 Commonwealth Telephone Company Annual Price Stability Index, Service Price Index and Deferred Change Index Reports and Tariff Supplement No. 98 to Tariff PA PUC No. 24 requesting a \$4.1 million increase from the application of the Service Price Index change.
- (b) On February 1, 2006, the Price Stability Plan was filed. On February 17, 2006, the Office of Small Business Advocate filed a Formal Complaint, docketed at R-00061290C1000.
- (c) The Bureau of Fixed Utility Services recommends that the Commission adopt the proposed Order.

DOCKETED
MAY 04 2006

11. **MOTION BY:** Commissioner Chm. Holland
SECONDED: Commissioner Cawley*

Commissioner Shane - Yes
Commissioner Pizzigrilli - Yes
Commissioner Fitzpatrick - Yes

CONTENT OF MOTION: Staff recommendation adopted.

*Vice Chairman James H. Cawley concurring in result only.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

APR 20 2006

P-00961024 F1000
R-00061290

NORMAN JAMES KENNARD
RIKARDO J HULL
HAWKE MCKEON SNISCAK & KENNARD LLP
100 NORTH TENTH STREET
HARRISBURG PA 17101

DOCUMENT
FOLDER

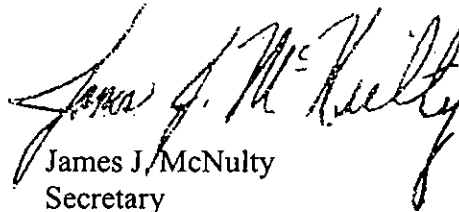
2006 Commonwealth Telephone Company Annual Price Stability Index, Service Price Index and Deferred Change Index Reports and Tariff Supplement No. 98 to Tariff PA PUC No. 24 requesting a \$4.1 million increase from the application of the Service Price Index change

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on April 20, 2006 has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,


James J. McNulty
Secretary

JS
encls
cert. mail

Please see attached list for additional parties of record.

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held April 20, 2006

Commissioners Present:

Wendell F. Holland, Chairman
James H. Cawley, Vice Chairman, Concurring in result only
Bill Shane
Kim Pizzingrilli
Terrance J. Fitzpatrick

DOCUMENT
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Commonwealth Telephone Company
Supplement No. 98 to Commonwealth Telephone
Company Tariff PA PUC No. 24

R-00061290

2006 Annual Price Stability Index / Service Price
Index Filing and Deferred Index Report of
Commonwealth Telephone Company

P-00961024F1000

Office of Small Business Advocate v.
Commonwealth Telephone Company

R-00061290C0001

ORDER

DOCKETED
OCT 3 - 2007

BY THE COMMISSION:

I. BACKGROUND

Before us for disposition are the Commonwealth Telephone Company ("Commonwealth" or "Company") annual 2006 Annual Price Stability Index / Service Price Index Filing and Deferred Index Report filing and the associated revenue increases. Commonwealth filing was made under the provisions of the new Chapter 30 law, Act 183 of 2004, P.L. 1398 (66 Pa. C.S. §§ 3011-3019) ("Act 183") and pursuant to the

Company's Alternative Regulation and Network Modernization Plan ("Chapter 30 Plan") that this Commission approved at Docket No. P-00961024F1000.¹

As a result of the passage of Act 183, companies with Chapter 30 Plans are entitled to significantly lower inflation offset values within their respective price cap formulas in exchange for a commitment to accelerated broadband deployment. Inflation offsets previously ranging from 2% to 2.93% were reduced to either 0% or 0.5%, depending on each company's Chapter 30 Plan. In Commonwealth's case, the inflation offset was reduced from 2% to 0%. Accordingly, annual Price Stability Plan ("PLAN") filings have the potential for substantial revenue and rate impacts on end-user consumers.

Under the Company's PLAN, the allowable change (increase or decrease) in rates for noncompetitive services is based on the annual change in the Gross Domestic Product Price Index ("GDP-PI"). The PLAN also contains special provisions for protected services and addresses revenue neutral adjustments to the rates of noncompetitive services. The PLAN set forth in Commonwealth's Chapter 30 Plan is a complete substitution of the rate base/rate of return regulation. Noncompetitive services are defined as regulated services or business activities that have not been determined or declared to be competitive.

II. COMPANY FILING

Pursuant to the PLAN, Advance Notice was issued on January 17, 2006, informing the Commission of the forthcoming rate change. On February 1, 2006, Commonwealth filed its annual PLAN filing using the change in 2004 and 2005 third quarter GDP-PI (Gross Domestic Product – Price Index) of 2.92% that produced an

¹ *Petition for Amended Alternative Regulation and Network Modernization Plan of Commonwealth Telephone Company*, Docket No. P-00961024F1000 (Order entered March 3, 2005).

overall 2.86% increase allowable for noncompetitive revenues. According to this filing, the Company is entitled to an annual revenue increase of \$4,133,338.

Commonwealth proposes to implement its PLAN by increasing rates for the following services: Residence, Business, and PBX Local Exchange Service rates. The revenue allocation was uniform for all local service in that each class was increased by \$1.40. The proposed tariff revisions to Tariff Telephone Pa. P.U.C. No. 24 were filed to become effective May 16, 2006.

On February 17, 2006, the Office of Small Business Advocate ("OSBA") filed a Formal Complaint. The OSBA contends that the Company's proposed rates, rules, and conditions of service may be unjust, unreasonable, unduly discriminatory, and otherwise contrary to law, particularly as they pertain to small business customers.

III. DISCUSSION

1. PLAN Calculations and Rate Increases

The annual Commonwealth PLAN submissions under Chapter 30 laws must conform to its Commission-approved Amended Chapter 30 Plan. Our review of the calculations submitted by Commonwealth indicates that they are accurate and consistent with the terms of the Company's Price Stability Plan formula approved in its Chapter 30 Plan at Docket No. P-00961024F1000. In addition, we are of the opinion that the proposed rate increases appear to be reasonable and in conformance with the Company's Chapter 30 Plan. Therefore, we shall approve Commonwealth's 2006 PLAN calculation and proposed rate increases subject to findings of the Office of Administrative Law Judge ("ALJ") regarding the complaint filed by OSBA and subject to refund.

2. Banked Revenues

Commonwealth's calculation of the Banked Principle for May 16, 2005, through May 15, 2006, listed three distinct events, deferred increase, rate increase approved from the 2005 PLAN filing and a revenue increase from a change in the pole attachment agreement. Each event produced a change in the Price Stability Index and Deferred Change Index. Our review of the calculations submitted by Commonwealth indicates that they are consistent with the terms of the Company's PLAN formula approved in its Chapter 30 Plan.

The current 2006 PLAN, by Commonwealth, retires the price decreases recorded in 2003 and 2004. The interest calculation, associated with the 2003 and 2004 banked decreases, was reviewed and found in compliance with the Company's Chapter 30 Plan. The remaining banked revenue increase of \$80,667 for the period is correct.

THEREFORE,

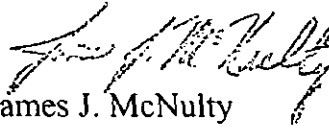
IT IS ORDERED:

1. That Commonwealth Telephone Company's 2006 PLAN filed on February 1, 2006, is in compliance with its Commission-approved Amended Chapter 30 Plan.

2. That the tariffed rate increases proposed by Commonwealth Telephone Company be permitted to go into effect as filed subject to findings of the Office of Administrative Law Judge regarding the complaint filed by the Office of Small Business Advocate and subject to refund investigation and recoupment.

3. That a copy of this Order be served on the Office of Consumer Advocate, Office of Small Business Advocate, the Office of Trial Staff and the Office of Administrative Law Judge.

BY THE COMMISSION,


James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: April 20, 2006

ORDER ENTERED: APR 20 2006

P-00961024 F1000, R-00061290 Service List
2006 Commonwealth Telephone Company
Annual Price Stability Index, Service Price Index
and Deferred Change Index Reports and Tariff
Supplement...

NORMAN JAMES KENNARD
RIKARDO J HULL
HAWKE MCKEON SNISCAK & KENNARD
LLP
100 NORTH TENTH STREET
HARRISBURG PA 17101

WILLIAM R LLOYD JR
STEVEN C GRAY
KANREN OILL MOURY ESQUIRE
300 NORTH SECOND STREET
COMMERCE BUILDING SUITE 1102
HARRISBURG PA 17101

ROBERT C BARBER ATTORNEY
AT&T COMMUNICATIONS OF PA INC
3033 CHAIN BRIDGE ROAD
OAKTON VA 22185

IRWIN A POPOWSKY ESQUIRE
CRAIG BERGRAFF ESQUIRE
OFFICE OF CONSUMER ADVOCATE
1425 STRAWBERRY SQUARE
HARRISBURG PA 17120

JOHNNIE SIMMS
PA PUBLIC UTILITY COMMISSION
OFFICE OF TRIAL STAFF
PO BOX 3265
HARRISBURG PA 17105-3265

DANIEL CLEARFIELD ESQUIRE
WOLF BLOCK SCHORR & SOLIS-COHEN
212 LOCUST STREET 12TH FLOOR
HARRISBURG PA 17101

GERALD GORNISH ESQUIRE
WOLF BLOCK SCHORR & SOLIS-COHEN
5931 ELLSWORTH AVENUE
PHILADELPHIA PA 19102

HONORABLE PAUL W SEMMEL
HOUSE OF REPRESENTATIVES
HOUSE POST OFFICE MAIN CAPITOL
HARRISBURG PA 17120

HONORABLE DANTE SANTONI JR
HOUSE OF REPRESENTATIVES
HOUSE POST OFFICE MAIN CAPITOL
HARRISBURG PA 17120

HONORABLE GEORGE HASAY
HOUSE OF REPRESENTATIVES
HOUSE POST OFFICE MAIN CAPITOL
HARRISBURG PA 17120

HONORABLE CHARLES LEMMOND
SENATE OF PENNSYLVANIA
SENATE POST OFFICE MAIN CAPITOL
HARRISBURG PA 17120

HONORABLE GIBSON E ARMSTRONG
SENATE OF PENNSYLVANIA
SENATE POST OFFICE MAIN CAPITOL
HARRISBURG PA 17120

HONORABLE RAPHAEL MUSTO
SENATE OF PENNSYLVANIA
SENATE POST OFFICE MAIN CAPITOL
HARRISBURG PA 17120

HONORABLE NOAH W WENGER
SENATE OF PENNSYLVANIA
SENATE POST OFFICE MAIN CAPITOL
HARRISBURG PA 17120

HONORABLE CHARLES D LEMMOND JR
SENATE OF PENNSYLVANIA
22 DALLAS SHOPPING CTR
MEMORIAL HIGHWAY
DALLAS PA 18612-1231

HONORABLE GIBSON E ARMSTRONG
SENATE OF PENNSYLVANIA
122 QUEEN STREET
LANCASTER PA 17603

MICHAEL P SHARRY SR MGR REGULATORY
& PUBLIC AFFAIRS
100 CTE DRIVE
DALLAS PA 18612-9774

BARRETT C SHERIDAN ACA
OFFICE OF CONSUMER ADVOCATE
555 WALNUT STREET
5TH FLOOR FORUM PLACE
HARRISBURG PA 17101-1923

PA PUBLIC UTILITY COMMISSION
OFFICE OF ADMINISTRATIVE LAW JUDGE
PO BOX 3265
HARRISBURG PA 17105-3265