

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
Uniform Cover and Calendar Sheet

1. <b>REPORT DATE:</b> June 13, 2006	2. <b>BUREAU AGENDA NO.</b> JUN-2006-FUS-0462*
3. <b>BUREAU:</b> Fixed Utility Services	
4. <b>SECTION(S):</b> Telecommunications	5. <b>PUBLIC MEETING DATE:</b> June 22, 2006
6. <b>APPROVED BY:</b> Director: R. Rosenthal 3-5242 <i>PAR</i> Mgr/Spvr: J. Tuzinski <i>J</i> 3-6175 Legal Review: A. Arnold <i>A</i> 7-8032	7. <b>EFFECTIVE DATE OF FILING:</b> June 30, 2006 <b>DOCKETED</b> SEP 07 2006
7. <b>PERSONS IN CHARGE:</b> R. Staver/M. Knerr 3-6171	
8. <b>DOCKET NO(s):</b> P-00981432F1000 R-00061485	

**DOCUMENT  
FOLDER**

**DOCKETED**  
SEP 07 2006

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

(a) **Lackawaxen Telecommunications Services, Inc.**

Price Service Index / Service Price Index Filing

(b) On May 1, 2006, Lackawaxen Telecommunications Services, Inc. filed its 2006 Annual Price Stability Index/Service Price Index filing with Supplement No. 116 to Telephone PA P.U.C. No. 2 to become effective June 30, 2006.

(c) The Bureau of Fixed Utility Services recommends that the Commission adopt the proposed Order.

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

**SECONDED:** Commissioner Cawley

Commissioner Shane - Yes  
Commissioner Pizzingrilli - Yes  
Commissioner Fitzpatrick - Yes

**CONTENT OF MOTION:** Staff recommendation adopted.



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

IN REPLY PLEASE  
REFER TO OUR FILE

June 22, 2006

R-00061485  
P-00981432F1000

MICHAEL L SWINDLER REGINA L MATZ  
THOMAS THOMAS ARMSTRONG & NIESEN  
212 LOCUST ST SUITE 500  
HARRISBURG PA 17108-9500

DOCUMENT  
FOLDER

Lackawaxen Telecommunications Services, Inc.  
Supplement No. 116 to Lackawaxen Telecommunications Services, Inc. Tariff PA PUC No. 2

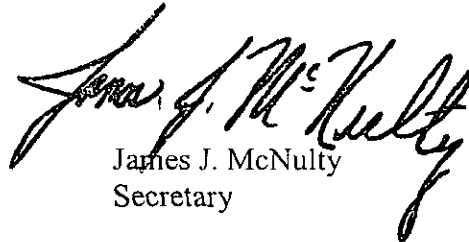
2006 Annual Price Stability Index/Service Price  
Index Filing and Deferred Index Report of Lackawaxen Telecommunications Services, Inc.

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on June 22, 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

MMB  
encls  
cert. mail

PATRICIA ARMSTRONG ESQUIRE  
THOMAS THOMAS ARMSTRONG & NIESEN  
212 LOCUST ST SUITE 500 P O BOX 9500  
HARRISBURG PA 17108-9500

STEVEN C GRAY ASST SML BUS ADVOCATE  
SUITE 1102 COMMERCE BUILDING  
300 N 2<sup>ND</sup> ST  
HARRISBURG PA 17101

OFFICE OF CONSUMER ADVOCATE  
555 WALNUT ST 5<sup>TH</sup> FL FORUM PLACE  
HARRISBURG PA 17101-1921

Docket Number: R-00061485

0001

MICHAEL L SWINDLER, REGINA L MATZ  
THOMAS THOMAS ARMSTRONG AND NIESEN  
SUITE 500 212 LOCUST STREET  
HARRISBURG PA 17108-9500  
LACKAWAXEN TELECOMMUNICATIONS

SERVICE LIST

0001

PATRICIA ARMSTRONG, ESQUIRE  
THOMAS THOAMS ARMSTRONG AND NIESEN  
SUITE 500, 212 LOCUST ST, PO BOX 9500  
HARRISBURG PA 17108-9500  
ARMSTRONG TELEPHONE COMPANY

0002

STEVEN C GRAY, ASST SML BUS ADVOCATE  
SUITE 1102 COMMERCE BUILDING  
300 NORTH SECOND STREET  
HARRISBURG PA 17101  
OFFICE OF SMALL BUSINESS ADVOCATE

0003

OFFICE OF CONSUMER ADVOCATE  
555 WALNUT STREET 5TH FLOOR FORUM PLACE  
HARRISBURG PA 17101-1921

SERVICE LIST

**PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA 17105-3265**

Public Meeting held June 22, 2006

Commissioners Present:

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

Lackawaxen Telecommunications Services, Inc.  
Supplement No. 116 to Lackawaxen  
Telecommunications Services, Inc. Tariff PA PUC  
No. 2.

R-00061485

2006 Annual Price Stability Index / Service Price  
Index Filing and Deferred Index Report of  
Lackawaxen Telecommunications Services, Inc.

P-00981432F1000

**ORDER**

**BY THE COMMISSION:**

**BACKGROUND**

Before us for disposition are the Lackawaxen Telecommunications Services, Inc.'s ("Lackawaxen" or "Company") annual initial 2006 Annual Price Stability Index / Service Price Index Filing and the associated revenue increases. Lackawaxen's 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-00981432F1000.<sup>1</sup>

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 Lackawaxen’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 Lackawaxen’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.

### **COMPANY FILING**

Pursuant to the Plan, Advance Notice was issued on April 14, 2006, informing the Commission of the forthcoming rate change. On May 1, 2006, Lackawaxen 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 overall 2.92% increase allowable for noncompetitive revenues.

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<sup>1</sup> *Petition for Amended Alternative Regulation and Network Modernization Plan of Lackawaxen Telecommunications Services, Inc.*, Docket No. P-00981432F1000 (Order entered June 3, 2005).

Lackawaxen proposes to implement its Plan by increasing installation charges from their current rates of \$22.00 for residential customers and \$26.00 for business customers to a proposed \$45.00 and \$53.00, respectively. Other proposed changes are to increase the following non-recurring charges: Returned Check Charge from \$7.00 to \$30.00; Number Change Charge from \$14.00 to \$25.00; and Service Reconnect Charge from \$12.00 for residential and \$16.00 for business lines to \$23.00 each. The proposed tariff revisions to Tariff Telephone Pa. P.U.C. No. 2 were filed to become effective June 30, 2006.

## DISCUSSION

### 1. Plan Calculations and Rate Increases

Lackawaxen's current 2006 Plan proposes to increase revenues by .82% out of the allowable increase of 2.92%. The annual Lackawaxen Plan submissions under Chapter 30 laws must conform to its Commission-approved Amended Chapter 30 Plan. Our review of the calculations submitted by Lackawaxen 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-00981432F1000. 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 Lackawaxen's 2006 Plan calculation and proposed rate increases.

### 2. Banked Revenues

Lackawaxen's current 2006 Plan banks the remaining allowable revenue increase of 2.1%. According to its Chapter 30 Plan, "If the Company elects not to increase its rates by the full amount allowed under the terms of the Plan, including exogenous events in a given year, the Company may increase its rates in future years to

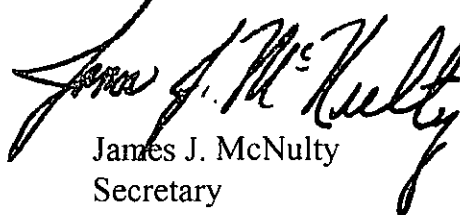
reflect the full amount of the allowable increases previously deferred. The Company may bank increases for a period not to exceed four (4) consecutive years.”<sup>2</sup> **THEREFORE,**

**IT IS ORDERED:**

1. That Lackawaxen Telecommunications Services, Inc.’s 2006 Plan filed on May 1, 2006, is in compliance with its Commission-approved Amended Chapter 30 Plan.

2. That the tariffed rate increases proposed by Lackawaxen Telecommunications Services, Inc. be permitted to go into effect as filed.

**BY THE COMMISSION,**



James J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: June 22, 2006

ORDER ENTERED: JUN 22 2006

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<sup>2</sup> Lackawaxen Telephone Co. Chapter 30 Plan, Part 3 –Price Stability Plans for Non-Competitive Services, Section A. (A) 7.