

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560 (in PA only)

IRWINA. POPOWSKY
Consumer Advocate

FAX (717) 783-7152
consumer@paoca.org

November 21, 2006

Honorable Susan D. Colwell
Administrative Law Judge
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

RECEIVED
2006 NOV 22 AM 11:32
PA PUC
SECRETARY'S BUREAU

Re: 2006 Annual Price Stability Index/Service
Price Index Filing of Denver & Ephrata
Telephone and Telegraph Company
Docket No. P-00981430F1000; R-00061377

2006 Annual Price Stability Index/Service
Price Index Filing of Buffalo Valley
Telephone Company
Docket No. P-00981428F1000; R-00061375

2006 Annual Price Stability Index/Service
Price Index Filing of Conestoga Telephone
& Telegraph Company
Docket No. P-00981429F1000; R-00061376

DOCUMENT
FOLDER

Dear Judge Colwell:

Enclosed please find the Office of Consumer Advocate's Prehearing
Memorandum in the above-captioned proceeding.

OFFICE OF CONSUMER ADVOCATE
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PA PUC
KJR

Page 2

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel H. Cheskis". The signature is written in a cursive style with a large, looping initial "J".

Joel H. Cheskis
Assistant Consumer Advocate
PA Attorney I.D. #81617

Enclosures

cc: All parties of record
*91671

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

2006 Annual Price Stability Index/Service	:	
Price Index Filing of Denver & Ephrata	:	
Telephone and Telegraph Company	:	
	:	Docket No. P-00981430F1000;
	:	R-00061377
2006 Annual Price Stability Index/Service	:	
Price Index Filing of Buffalo Valley	:	
Telephone Company	:	
	:	Docket No. P-00981428F1000;
	:	R-00061375
2006 Annual Price Stability Index/Service	:	
Price Index Filing of Conestoga Telephone	:	
& Telegraph Company	:	
	:	Docket No. P-00981429F1000;
	:	R-00061376

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa.C.S. §333, and the Prehearing Order of Administrative Law Judge Susan D. Colwell dated November 14, 2006, the Pennsylvania Office of Consumer Advocate ("OCA") hereby submits this Prehearing Memorandum:

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OFFICE OF P.U.C. ALJ
06 NOV 22 AM 8:00
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I. INTRODUCTION

On November 15, 2006, the Pennsylvania Public Utility Commission ("Commission") entered an Order in the above-captioned dockets referring the proceedings back to the Office of Administrative Law Judge to reconsider its Order of June 23, 2006 at the same dockets pursuant

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to Section 703(g) of the Public Utility Code. The Commission's June 23, 2006 Order allowed Denver & Ephrata Telephone & Telegraph Company, Conestoga Company and Buffalo Valley Telephone Company (collectively referred to as "the Companies") the option, among other things, to raise intrastate access charges as part of their 2006 Annual Price Stability Index/Service Price Index filings.

The Companies increased their access charges despite the criticism of the Commission in its June 23, 2006 Order, that doing so "appeared to contradict long-standing access service reform in Pennsylvania." November 15th Order at 13. The Commission further noted that "if the companies did not bank the proposed increases or allocate them to basic local exchange services, the instant investigation would be expanded to include an examination of whether the three companies' access rate increases are consistent with the regulations and policies governing the [Pennsylvania Universal Service Fund]." Id. The Commission added that it is "concerned as to how increases in intrastate access charges proposed by those same companies that participate in the Pennsylvania Universal Service Fund will ultimately affect the fund." Id. at 14.

By Notice dated November 14, 2006, the Commission established a Prehearing Conference for November 28, 2006 before ALJ Colwell. ALJ Colwell issued a Prehearing Conference Order on the same day. The OCA files this Prehearing Memorandum in response to that Prehearing Conference Order.

II. ISSUES

The Consumer Advocate intervened in this proceeding to protect the interests of Pennsylvania's telecommunications users. Section 3017 of the Public Utility Code generally prohibits the Commission from ordering incumbent local exchange companies to reduce access

rates except on a revenue-neutral basis. 66 Pa. C.S. § 3017(a). Access charges are the rates charged by telephone companies to other telephone companies seeking access to the local loop in order to provide services to the end-user. As such, if the Companies' access rates are reduced, the Companies' may seek to increase other rates, such as their basic local service rate, in order to be revenue-neutral. Pursuant to prior Commission Orders, however, the Companies are generally prohibited from raising monthly basic local service rates beyond an \$18 rate cap, unless increases above \$18 are obtained from the state universal service fund.

This proceeding follows an Order by the Commission, entered at Docket No. M-00021596 on July 15, 2003, that approved a settlement allowing for a reduction in rural telephone companies' intrastate access charges. That settlement, of which the OCA was a part, allowed offsets to the reduction in access charges with increases in basic local residential rates up to the cap of \$18.00 per month. Any amounts above \$18.00 must come from the Universal Service Fund. This limitation was subsequently codified in Section 3015(g) of Act 183 of 2004. Section 3015(g) states "the annual rate change limitations set forth in a local exchange telecommunications company's effective Commission-approved alternative form of regulation plan or any other Commission-approved rate change limitation shall remain applicable." The \$18 rate cap is an important protection for customers of Pennsylvania rural incumbent local exchange companies.

At issue in this proceeding is the Companies' ability to collect, their revenue increase allowed under their 2006 PSI filings in light of the \$18 rate cap and the Commission's continued efforts to reduce intrastate access rates. The OCA intends to participate fully in this investigation to protect the Companies' consumers. The OCA may issue discovery if necessary. If any additional issues arise as a result of this investigation, the OCA will raise them in testimony.

III. WITNESSES

The OCA has not determined at this point whether a formal witness will be required in this proceeding. However, the OCA specifically reserves the right to call a witness, as necessary. As soon as the OCA has determined whether a witness will be necessary for any portion of its case, the ALJ and all parties of record will be notified.

IV. PROTECTIVE ORDER

The OCA is unaware at this time of a need for a Protective Order to be entered in this proceeding.

V. DISCOVERY

The OCA does not propose any changes to the discovery regulations at this time.

VI. PROPOSED PROCEDURAL SCHEDULE

The OCA and other anticipated active parties are in discussions to develop a schedule for this proceeding so that all the different issues can be addressed. The OCA will cooperate with the ALJ and other parties in establishing a schedule for this proceeding.

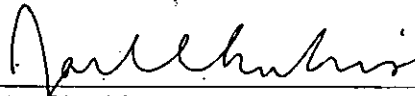
VII. MISCELLANEOUS

The OCA will be represented in this case by Assistant Consumer Advocate Joel H. Cheskis. The OCA requests that copies of all documents be served on the OCA as follows:

Joel H. Cheskis
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street, Forum Place, 5th Floor
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
Telecopier: (717) 783-7152
E-mail: jcheskis@paoca.org

The OCA is amenable to settlement discussions and will participate in whatever settlement discussions are scheduled.

Respectfully submitted,



Joel H. Cheskis
Assistant Consumer Advocate
PA Atty I.D. # 81617

For: Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048

Dated: November 21, 2006

91657

CERTIFICATE OF SERVICE

Re: 2006 Annual Price Stability Index/Service Price Index Filing of Denver & Ephrata Telephone and Telegraph Company
Docket No. P-00981430F1000; R-00061377
2006 Annual Price Stability Index/Service Price Index Filing of Buffalo Valley Telephone Company
Docket No. P-00981428F1000; R-00061375
2006 Annual Price Stability Index/Service Price Index Filing of Conestoga Telephone & Telegraph Company
Docket No. P-00981429F1000; R-00061376

I hereby certify that I have this day served a true copy of the foregoing document, Office of Consumer Advocate's Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:


Dated this 21st day of November, 2006.

SERVICE BY INTER-OFFICE MAIL

Office of Trial Staff
Pa. Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Patricia Armstrong, Esq. (E-Mail & 1st Class)
Thomas Thomas Armstrong & Niesen
212 Locust Street, Suite 500
P.O. Box 9500
Harrisburg, PA 17108-9500


Joel H. Cheskis
Assistant Consumer Advocate
PA Attorney I.D.#81617

Office of Small Business Advocate
Suite 1102 Commerce Building
300 North Second Street
Harrisburg, PA 17101

Counsel for
Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

*91610



THOMAS, THOMAS,
ARMSTRONG & NIESEN

Attorneys and Counsellors at Law

MICHAEL L. SWINDLER
Direct Dial: 717.255.7609
mswindler@ttanlaw.com

DOCUMENT
FOLDER

November 21, 2006

VIA HAND DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

ORIGINAL

SECRETARY'S BUREAU
2006 NOV 21 PM 3:23

In re: 2006 Annual Price Stability Index/Service Price Index Filing of Buffalo Valley Telephone Company
Docket Nos. P-00981428F1000 and R-00061375

2006 Annual Price Stability Index/Service Price Index Filing of Conestoga Telephone and Telegraph Company
Docket Nos. P-00981429F1000 and R-00061376

2006 Annual Price Stability Index/Service Price Index Filing of Denver and Ephrata Telephone and Telegraph Company
Docket Nos. P-00981430F1000 and R-00061377

Dear Secretary McNulty:

Enclosed for filing on behalf of Buffalo Valley Telephone Company, Conestoga Telephone and Telegraph Company and Denver and Ephrata Telephone and Telegraph Company are an original and three (3) copies of their Prehearing Memorandum in the above-referenced proceeding. Copies of the Prehearing Memorandum are being served in accordance with the attached Certificate of Service.

Sincerely,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By 

Michael L. Swindler

Enclosures

cc: Certificate of Service
Leonard J. Beurer (w/encl.)
Jeanne Price (w/encl.)
John Rutkowski (w/encl.)

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Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

2006 Annual Price Stability	:	Docket No. P-00981428F1000 and
Index/Service Price Index Filing of	:	R-00061375
Buffalo Valley Telephone Company	:	
	:	
2006 Annual Price Stability	:	Docket No. P-00981429F1000 and
Index/Service Price Index Filing of	:	R-00061376
Conestoga Telephone and Telegraph	:	
Company	:	
	:	
2006 Annual Price Stability	:	Docket No. P-00981430F1000 and
Index/Service Price Index Filing of	:	R-00061377
Denver and Ephrata Telephone and	:	
Telegraph Company	:	

PREHEARING CONFERENCE MEMORANDUM
OF
BUFFALO VALLEY TELEPHONE COMPANY,
CONESTOGA TELEPHONE AND TELEGRAPH COMPANY,
AND DENVER AND EPHRATA TELEPHONE AND TELEGRAPH COMPANY

To The Honorable Susan D. Colwell:

At the request of the Presiding Officer, Buffalo Valley Telephone Company ("BVTC"), Conestoga Telephone and Telegraph Company ("Conestoga") and Denver and Ephrata Telephone and Telegraph Company ("D&E") (collectively "Companies") submit this Prehearing Conference Memorandum for purposes of the Initial Prehearing Conference scheduled for November 28, 2006 at 10:00 a.m. in Hearing Room 5.

I. Name and Address of Companies' Attorneys:

Michael L. Swindler
PA Attorney ID No. 43319
Regina L. Matz
PA Attorney ID No. 42498

D. Mark Thomas
PA Attorney ID No. 15611
THOMAS, THOMAS, ARMSTRONG & NIESEN
212 Locust Street, Suite 500
P.O. Box 9500
Harrisburg, PA 17108-9500
Phone: (717) 255-7600
Fax: (717) 236-8278
Email: mwindler@ttanlaw.com
rmatz@ttanlaw.com
dmthomas@ttanlaw.com

II. Procedural Background

1. D&E is a rural telephone company providing local exchange service in portions of Berks, Lancaster, and Lebanon Counties. Conestoga is a rural telephone company providing local exchange service in portions of Berks, Chester, Lancaster, and Montgomery Counties. BVTC is a rural telephone company providing local exchange service in portions of Northumberland, Snyder, and Union Counties.

2. On June 20, 2000, D&E, Conestoga and BVTC, each implemented its respective Chapter 30 Plan pursuant to Commission Orders entered January 20, 2000, and March 30, 2000, at Docket Nos. P-00981430, P-00981429 and P-00981428, respectively. The Plans included each Company's commitment to deploy universal broadband availability by December 31, 2015. The regulatory *quid pro quo* for this commitment was the inclusion in each of the Plans of a Price Stability Mechanism ("PSM"). The PSM incorporated an Annual Price Stability Index/Service Price Index ("PSI/SPI") permitting each of the Companies to change rates on an annual basis. The PSM was intended to provide each of the Companies with an opportunity to annually increase its revenues on an inflationary basis with a 2% inflation offset. The PSM is a substitution of

traditional rate base/rate of return regulation and are the exclusive basis upon which the Company's noncompetitive rates are regulated.

3. On February 25, 2005, each of the Companies filed an Amended Chapter 30 Plan pursuant to Act 183.¹ This Amended Chapter 30 Plan accelerated the Companies' 100% broadband availability commitment from December 31, 2015 to December 31, 2008. To provide the Companies with additional revenues to execute this accelerated commitment, each of the Amended Chapter 30 Plans retained the PSM but eliminated the 2% inflation offset therein consistent with the provisions of Act 183.

4. On April 28, 2006,² each of the Companies filed its respective annual PSI/SPI Chapter 30 filing ("2006 Filing") under its PSM which "determines the allowable change (increase or decrease) in rates for noncompetitive services based upon the annual change in the Gross Domestic Product Price Index" (Chapter 30 Plan, Part 3.A.2). The 2006 Filing was prepared using the identical procedure previously employed in all of the Companies' prior annual PSI/SPI Chapter 30 filings (with the exception of the 2% offset).

5. The rate changes in the Conestoga 2006 Filing included (i) a \$0.33 decrease in the Carrier Common Line ("CCL") charge and increases of \$.000962 per Minute of Use ("MOU") for Tandem Switching ("TS") and \$0.007644 MOU for Local Switching ("LS") to bring these rates into parity with interstate rates and (ii) non-basic local service rates for Return Check Charge, Foreign Exchange

¹See 66 Pa.C.S. §3011 *et seq.*

²Notice of the filings was provided as required in the Companies' Chapter 30 Plans, specifically including notice to access customers. No complaints or objections were filed.

Mileage charges, increases to off-premise extension mileage charges and charges for Business Private Line Services for non-mileage related services.

6. The rate changes in the D&E 2006 Filing included (i) a \$1.20 increase in the Carrier Common Line ("CCL") charge and increases of \$.000939 per Minute of Use ("MOU") for Tandem Switching ("TS") and \$.00636 MOU for Local Switching ("LS") to bring these rates into parity with interstate rates and (ii) non-basic local service rates for Return Check Charge, Foreign Exchange Mileage charges, and charges for Business Private Line Services for non-mileage related services.

7. The rate changes in the BVTC 2006 Filing included (i) a \$0.97 increase in the Carrier Common Line ("CCL") charge and increases of \$0.002402 per Minute of Use ("MOU") for Tandem Switching ("TS") and \$0.000247 MOU for Local Switching ("LS"), (ii) a per line increase of \$0.30 for basic local services, PBX and Pay Telephone rates, and (iii) non-basic local service rates for Return Check Charge, Foreign Exchange Mileage charges, increases to off-premise extension mileage charges and charges for Business Private Line Services for non-mileage related services. BVTC filed the increase in the Tandem Switching rate to bring this rate into parity with interstate rates even though BVTC does not have an access tandem and cannot bill the Tandem Switching rate to its customers based on its network configuration.

8. On June 23, 2006, the Commission issued Orders permitting the proposed rate changes to be implemented after adjustment of the PSI/SPI

procedure for calculating the Chapter 30 revenue entitlement.³ Although the Commission's June 23 Orders⁴ raised criticisms of the increases placed on the Companies intrastate access charges and provided the Companies with the alternative to instead increase basic exchange rates or bank the revenue entitlements. The June 23 Orders, however, provided the Companies with the option of implementing the proposed rate changes if adjusted for a change in the annual revenue entitlement calculation procedure, as described above and they expressly permitted implementation of the adjusted rate changes. If the Companies pursued the latter alternative, the Commission directed that certain issues related thereto be consolidated with the USF/Access III Investigation. On June 28, 2006, the Companies filed revised rates consistent with the procedural modification directed in the June 23 Orders.

9. On July 10, 2006, the Companies sought reconsideration of the Commission's June 23 Orders from the standpoint of the adjustment to the PSI/SPI procedure. Specifically, the Companies filed Petitions for Reconsideration, which are incorporated herein by reference, requesting reconsideration of the change directed in their revenue entitlement formula and addressing the Commission's criticisms raised in the June 23 Orders regarding increases in their intrastate access charges. In these Petitions, the Companies summarized (i) the extensive steps they have taken beginning with the Global

³The June 23 Orders directed that the Companies revise their calculations of eligible revenue increase from an annualized increase using December 2005 revenues to using actual 2005 year-end revenues.

⁴See Orders entered June 23, 2006, at Docket Nos. R-00061377 and P-00981430F1000, Nos. R-00061375 and P-00981428F1000, and Nos. R-00061376 and P-00981429F1000, collectively "June 23, 2006 Orders."

proceeding,⁵ to achieve intrastate access reform, (ii) their commitment to rural Pennsylvania evidenced by the acceleration in their Chapter 30 broadband commitments under Act 183 to achieve universal broadband availability throughout their rural service territories by December 31, 2008, and (iii) the extensive intermodal competition they are facing hindering their ability to grow revenues and earnings to offset the capital cost arising from their accelerated Chapter 30 broadband commitments under Act 183. The Companies explained that intermodal competition precluded further increases in their basic exchange rates and that the minor increases proposed to their intrastate access charges were the only realistic means to achieve additional revenues to carry-out their accelerated Chapter 30 broadband commitments.

10. By Order entered November 15, 2006, the Commission pursuant to Section 703(g) of the Public Utility Code sought reconsideration as to whether any rescission or amendment of the June 23 Order was appropriate consistent with the Commission's access charge reform and universal service policies and the Companies' Chapter 30 Plans.

III. Statement of Issues

1. Whether the Companies' raising intrastate access charges in the amounts and manner provided in their 2006 PSI Filings contradicted the *Global Order*?
2. Whether the Companies' raising intrastate access charges in the amounts and manner provided in their 2006 PSI Filings affected the PA USF or those Companies' draw from the PA USF?
3. Whether since the issuance of the *Global Order* the Commission has precluded incumbent local exchange carriers from increasing intrastate access charges in the amounts or in the manner provided by the

⁵*Joint Petition of Nextlink Pennsylvania, Inc., et al.*, 196 PUR4th 172 (1999).

Companies in their 2006 PSI Filings, in other words, has the Commission precluded companies from mirroring interstate and intrastate traffic sensitive rates and increasing the CCL?

4. Whether the Companies' raising intrastate access charges in the amounts and manner provided in their 2006 PSI Filings impacts the calculation of the PA USF?
5. Whether the Companies' raising intrastate access charges in the amounts and manner provided in their 2006 PSI Filings were consistent with Act 183 and with the Companies' Chapter 30 Plans?

IV. Proposed Witnesses

As previously stated, Companies believe that the scope of this proceeding is limited to that indicated in the PUC's November 9 Order and will present Leonard J. Beurer, Vice President, Regulatory and External Affairs, to address this issue. Companies reserve the right to submit additional testimony and witnesses should it be necessary.

V. Proposed Procedural Schedule

Given the limited scope of the instant proceeding, the Companies believe the following schedule is appropriate:

Testimony (if only Company) or if others submitting testimony	- January 8, 2007
Direct	December 15, 2006
Rebuttal	December 30, 2006
Surrebuttal	January 10, 2007
Hearings	- January 16, 2007
Briefs	- January 26, 2007
Reply Briefs	- February 2, 2007
Recommended Decision	- February 28, 2007

Respectfully submitted,

By Michael L. Swindler / unij
Michael L. Swindler
PA Attorney ID No. 43319
Regina L. Matz
PA Attorney ID No. 42498
D. Mark Thomas
PA Attorney ID No. 15611

Attorneys for Buffalo Valley Telephone Company, Conestoga Telephone and Telegraph Company and Denver and Ephrata Telephone and Telegraph Company

THOMAS, THOMAS, ARMSTRONG & NIESEN
212 Locust Street
P.O. Box 9500
Harrisburg, PA 17108-9500
(717) 255-7600

Dated: November 21, 2006



OFFICE OF SMALL BUSINESS ADVOCATE

Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101

William R. Lloyd, Jr.
Small Business Advocate

November 22, 2006

(717) 783-2525
(717) 783-2831 (FAX)

E-mail and First Class Mail

Hon. Susan D. Colwell
Administrative Law Judge
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: 2006 Annual Price Stability Index/Service Price Index filing of Buffalo Valley Telephone Company
Docket Nos. P-00981428F1000 and R-00061375**

**2006 Annual Price Stability Index/Service Price Index filing of Conestoga Telephone & Telegraph Company
Docket Nos. P-00981429F1000 and R-00061376**

**2006 Annual Price Stability Index/Service Price Index filing of Denver & Ephrata Telephone & Telegraph Company
Docket Nos. P-00981430F1000 and R-00061377**

Dear Judge Colwell:

Enclosed are two copies of the Prehearing Memorandum on behalf of the Office of Small Business Advocate in the above-captioned proceeding.

As evidenced by the enclosed certificate of service, all parties have been served as indicated.

**DOCUMENT
FOLDER**

Sincerely,

William R. Lloyd
Small Business Advocate
Attorney ID No. 16452

SECRETARY'S BUREAU

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Enclosures

cc: James J. McNulty, Secretary
Parties of Record
Allen Buckalew

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

2006 Annual Price Stability Index/	:	
Service Price Index filing of Buffalo	:	Docket Nos. P-00981428F1000
Valley Telephone Company	:	R-00061375
2006 Annual Price Stability Index/	:	
Service Price Index filing of Conestoga	:	Docket Nos. P-00981429F1000
Telephone & Telegraph Company	:	R-00061376
2006 Annual Price Stability Index/	:	
Service Price Index filing of Denver &	:	Docket Nos. P-00981430F1000
Ephrata Telephone & Telegraph Company	:	R-00061377

OFFICE OF SMALL BUSINESS ADVOCATE
PREHEARING MEMORANDUM

I. INTRODUCTION

The Office of Small Business Advocate ("OSBA") is authorized to represent the interests of small business consumers of utility services before the Pennsylvania Public Utility Commission pursuant to the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50 ("the Act"). In order to discharge this statutory duty, the Small Business Advocate deems it necessary to participate as a party to this proceeding. Representing the OSBA in this matter is Assistant Small Business Advocate Steven C. Gray. Please address all correspondence as follows:

Steven C. Gray, Esquire
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101
(717) 783-2525
(717) 783-2831 (fax)
sgray@state.pa.us

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II. FILING BACKGROUND

Buffalo Valley Telephone Company, Conestoga Telephone & Telegraph Company, and Denver & Ephrata Telephone and Telegraph Company are Incumbent Local Exchange Carriers ("ILECs") subject to an alternative form of regulation under Chapter 30 of the Public Utility Code, 66 Pa. C.S. Ch. 30. As part of that alternative form of regulation, each of these ILECs made its annual Price Stability Index/Service Price Index ("PSI/SPI") filing on April 28, 2006. Although each ILEC proposed a variety of rate increases, each proposed to collect a substantial portion of the annual revenue increase through higher intrastate access charges.

By Orders entered June 23, 2006, the Commission allowed the ILECs to implement the proposed rate increases but indicated that the increases in access charges would be subject to further consideration as part of the rural access charge investigation at *Investigation Regarding Intrastate Access Charges and IntraLATA Toll Rates of Rural Carriers and the Pennsylvania Universal Service Fund*, Docket No. I-00040105.

On July 10, 2006, the three ILECs sought reconsideration of the Commission's June 23, 2006, Orders with regard to access charges.

By Order entered November 15, 2006, the Commission directed that the Office of Administrative Law Judge conduct expedited hearings to reconsider the June 23, 2006, Orders with regard to increased access charges.

III. IDENTIFICATION OF WITNESSES AND TENTATIVE ISSUES

Assisting in the development and presentation of the OSBA's case in this proceeding will be:

Mr. Allen Buckalew
J.W. Wilson & Associates, Inc.
Rosslyn Plaza C - Suite 1104
1601 North Kent Street
Arlington, VA 22209
(703) 243-1049
(703) 243-3389 (fax)
abuca@aol.com

The OSBA will participate in the proceeding to assure that the interests of small business customers are adequately represented and protected. After an initial review of the PSI/SPI filings and the subsequent Orders and pleadings, the OSBA has identified the following issues:

1. Whether increasing access charges (in the amounts originally proposed by the ILECs) would be contrary to law or would otherwise result in access charges that are unjust, unreasonable, or discriminatory.
2. Whether any alternative allocation of the revenue increase (that may be proposed by the ILECs or another party) would result in rates that are unlawful, unjust, unreasonable, or discriminatory.

The OSBA reserves the right to pursue additional issues as they arise throughout the proceeding.

As appropriate and necessary, the OSBA will investigate and analyze the claims and proposals of the other parties through the cross-examination of witnesses appearing for those parties and through briefing. The OSBA will particularly focus on any issue where the impact on the interests of the ILECs' small business consumers would be unjustifiably different than, or disproportionate to, the impact on another class of customers, or otherwise lacking in reasonableness or basic fairness.

IV. SERVICE OF DOCUMENTS

The OSBA requests that all parties serve a hard copy of any document filed in this case upon the OSBA and the OSBA witness identified above. In addition to hard copies of pleadings, briefs, and exceptions, the OSBA requests hard copies of responses to discovery propounded by the OSBA or any other party. Service by electronic mail only is not acceptable.

V. DISCOVERY

The OSBA has not yet served interrogatories because the ILECs have not yet filed their testimony.

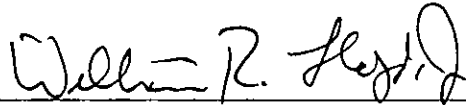
VI. SETTLEMENT

The OSBA notes its willingness to enter into settlement discussions at the appropriate phase of this proceeding.

VII. HEARING AND BRIEFING SCHEDULE

The OSBA will cooperate with the other parties to develop a procedural schedule. Given the Governor's desire to limit the travel of State Offices under his jurisdiction, the OSBA respectfully requests that any hearings take place in Harrisburg.

Respectfully submitted,



William R. Lloyd, Jr.
Small Business Advocate
Attorney ID No. 16452

Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Dated: November 22, 2006

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

2006 Annual Price Stability Index/Service Price Index Filing of Buffalo Valley Telephone Company	:	:	Docket Nos. P-00981428F1000, R-00061375
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2006 Annual Price Stability Index/Service Price Index Filing of Denver & Ephrata Telephone and Telegraph Company	:	:	Docket Nos. P-00981430F1000, R-00061377

CERTIFICATE OF SERVICE

I certify that I am serving two copies each of the Prehearing Memorandum, on behalf of the Office of Small Business Advocate, by e-mail and first class mail (unless otherwise noted) upon the persons addressed below:

Hon. Susan D. Colwell
Administrative Law Judge
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
(717) 787-1191
(717) 787-0481 (fax)
scolwell@state.pa.us
(E-mail and Hand Delivery)

Johnnie E. Simms, Esquire
Office of Trial Staff
Pa. Public Utility Commission
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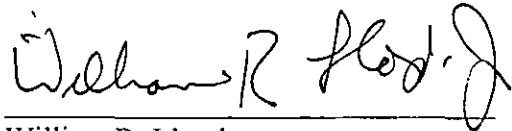
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Date: November 22, 2006

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November 27, 2006

VIA UPS OVERNIGHT DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**RE: 2006 Annual Price Stability Index/ Service Price Index filing
of Buffalo Valley Telephone Company
P-00981428F1000 and R-00061375**

**2006 Annual Price Stability Index/Service Price Index filing
of Conestoga Telephone & Telegraph Company
P-00981429F1000 and R-00061376**

**2006 Annual Price Stability Index/Service Price Index filing
of Denver & Ephrata Telephone & Telegraph Company
P-00981430F1000 and R-00061377**

Dear Mr. McNulty:

Enclosed please find an original and three copies of the Petition to Intervene and Entry of Appearance of Verizon Pennsylvania Inc., Verizon North Inc., Verizon Select Services Inc., Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance, Verizon Global Networks, Inc., MCI metro Access Transmission Services, LLC d/b/a Verizon Access Transmission Services, and MCI Communications Services Inc. (collectively "Verizon"), in the above-referenced matter.

Do not hesitate to contact me if you have any questions.

Respectfully,

Suzan D. Paiva

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VIA E-Mail and First Class US Mail
cc: The Honorable Susan Colwell
Certificate of Service

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CERTIFICATE OF SERVICE

I, Suzan D. Paiva, hereby certify that I have this day served a copy of Verizon's Petition to Intervene and Entry of Appearance, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 27th day of November, 2006.

VIA E-MAIL AND USPS FIRST CLASS MAIL

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Patricia Armstrong, Esquire
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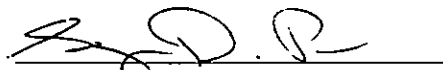
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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2006 Annual Price Stability Index/	:	
Service Price Index filing of Buffalo	:	P-00981428F1000
Valley Telephone Company	:	R-00061375
2006 Annual Price Stability Index/	:	
Service Price Index filing of Conestoga	:	P-00981429F1000
Telephone & Telegraph Company	:	R-00061376
2006 Annual Price Stability Index/	:	
Service Price Index filing of Denver &	:	P-00981430F1000
Ephrata Telephone & Telegraph Company	:	R-00061377

**PETITION TO INTERVENE AND ENTRY OF
APPEARANCE OF THE VERIZON COMPANIES**

Pursuant to 52 Pa. Code §§ 5.71-5.74, Verizon Pennsylvania Inc., Verizon North Inc., Verizon Select Services Inc., Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance, Verizon Global Networks, Inc., MCImetro Access Transmission Services, LLC d/b/a Verizon Access Transmission Services, and MCI Communications Services Inc. (collectively "Verizon") petition to intervene as parties in the above-captioned proceedings.

1. By three separate orders entered June 23, 2006, the Commission reviewed the 2006 Annual Price Stability Index/Service Price Index ("PSI") Filings of Denver & Ephrata Telephone & Telegraph Company ("D&E"), Buffalo Valley Telephone Company ("Buffalo Valley") and Conestoga Telephone & Telegraph Company ("Conestoga") (collectively the "D&E Companies").¹ Each company had proposed to implement its annual PSI/SPI filing by increasing switched access rates. The

¹ See Orders entered June 23, 2006 at Docket Nos. R-00061377 and P-00981430F1000 ("D&E Access Order"), Nos. R-00061375 and P-00981428F1000 ("Buffalo Valley Access Order") and Nos. R-00061376 and P-00981429F1000 ("Conestoga Access Order").

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Commission gave each company the choice of reallocating these increases to basic service rates or allowing the access rate increases to go into effect. However, if the companies chose to increase access rates, then the Commission's acceptance was on the express condition that these rates would be subject to further investigation in the Rural Access Reform Investigation at Docket No. I-00040105.

2. The Commission noted that "access services are protected services, subject to proof that the rates are just and reasonable under 66 Pa. C.S. § 3109(h), Chapter 13 of Code, as well as the Company's amended Chapter 30 Plan. The Company fails to provide adequate justification on whether the proposed rate increase for access services is in the public interest and whether or not it will negatively affect competition and, in addition, universal service in Pennsylvania. Furthermore, since the Company did not submit any cost studies with its filing establishing that the current rates are below cost, we cannot ascertain whether or not access services rate elements are priced below cost or unfairly above cost level." (D&E Order at 12; Conestoga Order at 12; Buffalo Valley Order at 12). The Commission therefore determined to expand the investigation at Docket No. I-0004015 to examine among other issues whether these access rate increases are "consistent with the regulations and policies governing the Pennsylvania Universal Service Fund, the Company's previously granted request for suspension of further intrastate access reform in Docket No. I-00040105, the Company's previously approved Amended Chapter 30 Plan set forth in Docket P-00981430F1000, and the continuing statutory obligations set forth in Sections 3011(1)-(13), 3019(h) and Chapter 13 of the Public Utility Code." (*Id.* at Ordering ¶ 7).

3. After the Commission entered these June 23 orders, a group of rural ILECs, including the D&E companies, moved to extend the stay of the investigation at Docket No. I-00040105. Certain of the Verizon companies that were existing parties to the investigation opposed the motion to extend the stay, in part because the D&E companies' actions to increase their access rates during the previous stay period were inconsistent with the request for an extension of the stay, and that an extension would delay resolution of the important issues relating to the D&E companies' access rates that this Commission had deferred to the investigation proceeding. Alternatively, Verizon argued that if the stay were extended then the Commission should bifurcate the question of whether the D&E companies' access rates are just and reasonable and whether those companies should continue to receive subsidies from the USF, and investigate those issues immediately.

4. The Commission by order entered November 15, 2006 granted the motion to extend the stay, but also pursuant to 66 Pa. C.S. § 703(g) determined to reconsider its June 23 Orders relating to the D&E companies' PSI/SPI filings. The Commission decided to hold further hearings immediately to afford the parties due process and to determine "based on the record, whether any rescission or amendment would be warranted by the evidence, consistent with our access charge reform and universal service policies, and lawful under the companies' Chapter 30 Plans." (11/15/06 Order at 14-15). The Commission specifically stated that the bifurcation of the D&E matters for immediate hearings was intended, in part, to address concerns raised by certain of the Verizon companies in opposition to the motion to stay the Investigation at Docket No. I-00040105. (*Id.*). The Commission directed the investigation of the D&E

companies' access rates to be completed on an expedited basis, with a recommended decision issued by February 28, 2007.

5. The Verizon companies are eligible to intervene in this proceeding under the criteria set forth in 52 Pa. Code § 5.72(a). Verizon has a direct and substantial interest in this proceeding and its participation in this proceeding would be in the public interest. The Verizon companies are access customers of D&E, Buffalo Valley and Conestoga, and accordingly as ratepayers are directly affected by the access rate increase proposed by these companies. Verizon also retains an interest in the matters subject to investigation here by virtue of its status as a party to the original Universal Service Fund ("USF") Settlement adopted by the Commission in the *Global Order*, and as the largest contributor to the USF under its present configuration. The Verizon companies accordingly have a direct interest in the matters included in this investigation and may be bound by any Commission action taken here.

6. Verizon will be represented by the following counsel in this proceeding, whose names should be included on any service list or e-mail distribution:

Suzan DeBusk Paiva
Verizon
1717 Arch Street, 10th Floor
Philadelphia, PA 19103
Phone (215) 466-4755
Fax (215) 563-2658
E-mail: Suzan.d.paiva@verizon.com

7. Verizon's participation in this proceeding will ensure that its interests are protected.

8. Verizon's interests cannot be adequately represented by any other party in this proceeding.

WHEREFORE, Verizon respectfully requests that it be permitted to intervene as a party in these proceedings and that its counsel listed above be placed on any service lists relating to these matters.

Date: November 27, 2006



Suzan DeBusk Paiva
Verizon
1717 Arch Street, 10th Floor
Philadelphia, PA 19103
(215)466-4755

Attorney for Verizon

Suzan DeBusk Paiva
Assistant General Counsel



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November 27, 2006

VIA UPS OVERNIGHT DELIVERY

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Pennsylvania Public Utility Commission
Commonwealth Keystone Building
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Harrisburg, PA 17120

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**RE: 2006 Annual Price Stability Index/ Service Price Index filing
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**2006 Annual Price Stability Index/Service Price Index filing
of Denver & Ephrata Telephone & Telegraph Company
P-00981430F1000 and R-00061377**

DOCUMENT
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Dear Mr. McNulty:

Enclosed please find an original and three copies of the Prehearing Conference Memorandum and proposed Protective Order of Verizon Pennsylvania Inc., Verizon North Inc., Verizon Select Services Inc., Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance, Verizon Global Networks, Inc., MCI metro Access Transmission Services, LLC d/b/a Verizon Access Transmission Services, and MCI Communications Services Inc. (collectively "Verizon"), in the above-referenced matter.

Do not hesitate to contact me if you have any questions.

Respectfully,



Suzan D. Paiva

VIA E-Mail and First Class US Mail
cc: The Honorable Susan Colwell
Certificate of Service

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Telephone & Telegraph Company	:	R-00061376
2006 Annual Price Stability Index/	:	
Service Price Index filing of Denver &	:	P-00981430F1000
Ephrata Telephone & Telegraph Company	:	R-00061377

**PREHEARING MEMORANDUM
OF THE VERIZON COMPANIES**

Verizon Pennsylvania Inc., Verizon North Inc., Verizon Select Services Inc., Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance, Verizon Global Networks, Inc., MCImetro Access Transmission Services, LLC d/b/a Verizon Access Transmission Services, and MCI Communications Services Inc. (collectively "Verizon") submit this Prehearing Memorandum for purposes of the prehearing conference scheduled for November 28, 2006.¹

I. HISTORY OF PROCEEDING

On May 3, 2006, Denver & Ephrata Telephone & Telegraph Company ("D&E"), Buffalo Valley Telephone Company ("Buffalo Valley") and Conestoga Telephone & Telegraph Company ("Conestoga") (collectively the "D&E Companies") made their 2006 Annual Price Stability Index/Service Price Index ("PSI") filings. These companies

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¹ Verizon is filing this date a Petition to Intervene in the above-captioned matters.

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BEFORE THE
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Service Price Index filing of Denver &	:	P-00981430F1000
Ephrata Telephone & Telegraph Company	:	R-00061377

PROTECTIVE ORDER

THEREFORE,

IT IS ORDERED:

1. This Protective Order, submitted by Verizon Pennsylvania Inc., Verizon North Inc., Verizon Select Services Inc., Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance, Verizon Global Networks, Inc., MCI metro Access Transmission Services, LLC d/b/a Verizon Access Transmission Services, and MCI Communications Services Inc. (collectively "Verizon"), is hereby established for use in this proceeding with respect to all materials and information identified at Paragraph 2 of this Protective Order which are filed with the Commission, produced in discovery, or otherwise presented during these proceedings. All persons now and hereafter granted access to the materials and information identified in Paragraph 2 of this Protective Order shall use and disclose such information only in accordance with this Order.

2. The materials subject to this Order are all correspondence, documents, data, information, studies, methodologies and other materials which a party or an affiliate of a party furnishes in this proceeding pursuant to Commission rules and regulations, discovery procedures or cross-examination or provides as a courtesy to a party to this proceeding, which are claimed to be of a proprietary or confidential nature and which are designated