

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**Harrisburg, Pennsylvania 17120**

**Lackawaxen Telecommunications  
Services Inc.**

**Public Meeting June 14, 2017**  
**2598885-TUS**  
**Docket No. R-2017-2598885**  
**P-00981432F1000**

**STATEMENT OF COMMISSIONER ROBERT F. POWELSON**

The matter before us involves the annual price cap filing by Lackawaxen Telecommunications Services, Inc. (Lackawaxen or Company), which includes its 2017 Annual Price Stability Index (PSI)/Service Price Index (SPI) Report and a tariff supplement. The Company proposes to increase rates for residential and business one-party lines by \$2.00 per month, a total revenue increase of \$38,208. For residential customers, the Company's one-party line rate would become \$19.00 per month.

The Company's rate mechanisms are controlled by the Commission-approved terms of its Chapter 30 Plan. The PSI calculates Lackawaxen's annual allowable change in regulated rates *i.e.*, noncompetitive services) based on the change in inflation as measured by the GDPI (Gross Domestic Product Price Index). Changes in rates are tracked by the SPI. Under the Plan, the cumulative change in rates over the life of the Plan (the SPI) may be increased up to, but may not exceed, the cumulative rate of inflation captured in the PSI. This difference in the PSI and SPI is an ongoing opportunity and, if not taken, is preserved for use in the following years, but on a prospective basis only. In addition, and not in substitution of this mechanism, Lackawaxen is permitted to bank the increase not taken in the first year as a discrete, non-recurring dollar value.

Some may argue that the Commission should limit the increase to this year's change in the PSI value plus the amount of cumulative revenues included in the bank. Under this method, Lackawaxen proposed new rates would be denied, because there is insufficient money in the mechanism to fund the increase. I disagree with this outcome for two reasons.

First, the bank has been incorrectly administered in the most recent history of our tracking of allowable changes. Limiting the banking calculation to a three year tracking system, and denying Lackawaxen the full four years allowed under its Plan is an incorrect approach in my opinion. The current year PSI opportunity does not become part of the bank until the current year filing is made and disposed of by the Commission.

Second, I disagree with denying Lackawaxen the right to increase rates up to the current PSI of 125.6. Since the current SPI (before the increase) is 109.3, there is more than enough "head room" to raise rates. This is the foundation of the price cap formula and not permitting

this increase to occur is inconsistent with the Plan and improperly places restrictions on what should be a fairly straightforward exercise.

Lackawaxen served the filing upon the statutory parties, and so the public was informed of the proposed \$2.00 increase, and no one has objected. Lackawaxen is in a competitive business and subject to competitive pricing constraints. If the rate is too high, Lackawaxen will lose business. Moreover, at \$19.00 per month, the resulting rate is in the middle of the other local rates in Pennsylvania and below the federal benchmark. The proposed rate is clearly “just and reasonable.” It is the distortion of the price cap formula and the accounting confusion that forms the basis of the proposed denial of the increase.

I would approve the increase and revise our internal methodology so that it more accurately reflects the original formula, both in its words and intent.

My fellow Commissioners and Commission staff have struggled with these issues and the effort has raised our collective understanding of this issue. I would like to associate myself with the excellent analysis contained in Commissioner Sweet’s statement on banking and his proposed outcome on that topic. Also, I sympathize with the dilemma described in the analysis of Commissioner Coleman’s statement and urge the parties to address this issue to remove any possible ambiguity. These steps will help the Commission get the price cap formula back to where it was meant to be.

Therefore, I vote no on the recommended outcome.

DATE: June 14, 2017



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ROBERT F. POWELSON  
COMMISSIONER