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|   | **PENNSYLVANIA****PUBLIC UTILITY COMMISSION****Harrisburg, PA 17105-3265** |  |
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|  | Public Meeting held February 8, 2018 |
| Commissioners Present: |  |
| Gladys M. Brown, ChairmanAndrew G. Place, Vice ChairmanNorman J. KennardDavid W. Sweet John F. Coleman, Jr. |
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| Hamilton Relay, Inc. Supplement No. 2 to Tariff TRS PA P.U.C. No. 1 | R-2017-2639884 |
| Pennsylvania Telecommunications Relay Service | M-00900239 |

**ORDER**

**BY THE COMMISSION:**

 Before the Commission for consideration and disposition is proposed Supplement No. 2 to the Telecommunications Relay Service (TRS) Tariff PA P.U.C. No. 1, of Hamilton Relay, Inc. (Hamilton). The proposed tariff would increase the price per session minute of use (MOU) that Hamilton charges the TRS Fund for traditional Speech-to-Speech TRS in Pennsylvania.

**Background**

In 1989, the Commission asked the Pennsylvania Telephone Association (PTA) to look into establishing a statewide TRS in lieu of each telecommunications company handling relay services on an individual basis. A PTA task force developed a request for proposal (RFP), and four entities submitted proposals. On April 27, 1990, AT&T Communications of Pennsylvania, Inc., (AT&T Inc.) applied for a Certificate of Public Convenience (CPC) to provide intrastate relay service. Our orders at Docket Nos. M-00900239 and A‑00310125, entered May 29, 1990, and July 9, 1990, approved the application and proposed tariff effective July 9, 1990. Statewide TRS operations began September 24, 1990.

Our May 29, 1990 order at Docket Nos. M-00900239 and A-00310125 also approved a funding mechanism to recover charges associated with the TRS system and established the TRS Fund. Specifically, each local exchange carrier (LEC) in Pennsylvania assesses its wireline access lines a monthly TRS surcharge. Each LEC then remits the funds collected through the surcharge to the TRS Fund Administrator, who collects and invests the Fund receipts to satisfy the purposes of the Fund, including payment to the TRS provider for services rendered.

In 2014, AT&T advised the PA PUC that it wished to abandon its CPC to provide TRS in Pennsylvania. On June 19, 2014, the Commission issued RFP-PUC-2014-2, at Docket No. M‑2014-2399871, seeking qualified bidders to submit a proposal for the provisioning of traditional and speech-to-speech intrastate Telecommunications Relay Services (TRS) for the deaf, hard of hearing and speech impaired individuals throughout the Commonwealth of Pennsylvania to replace AT&T Corp.

At public meeting on September 2, 2014, the Commission accepted the Bureau of Administration’s recommendation of the RFP-PUC-2014-2 Evaluation Committee’s choice of Hamilton for TRS in Pennsylvania.

As required by RFP-PUC-2014-2 Part 1, section 1-1, in order to proceed with final negotiations with the Commission, Hamilton filed an application at Docket No. A‑2014‑2447601 for a CPC to provide TRS in Pennsylvania. On December 4, 2014, the Commission approved Hamilton’s application to operate as Pennsylvania’s certificated intrastate TRS provider. The Commission issued a CPC to Hamilton to provide TRS on January 9, 2015.

Hamilton is compensated monthly from the Fund based on intrastate billable call minutes multiplied by the Commission-approved tariffed MOU rate and a flat rate monthly fee. The actual TRS MOU rate, which is the subject of this order, is not applied to end user bills, although it is factored into the calculation of the TRS surcharge that is applied to wireline service end-users’ bills. The surcharge is currently $0.08 per-line per‑month for both business and residential customers and is subject to review and recalculation yearly.

**The Company’s Filing**

 In support of the proposed rate increase, Hamilton claims to have taken several factors into account. Hamilton states that during the past three years, it has experienced continual increases in personnel costs such as salaries, health insurance and other benefits. Hamilton cites data from the Social Security Administration showing the median wage increase from January 2014 to December 2016 averaged over 2.9% year-over-year or just over 9% cumulatively in a three-year period. Hamilton also cites data from the US Department of Labor Bureau of Labor Statistics showing the national inflation rate from January 2015 through September 2017 exceeded 5%.

Additionally, Hamilton states that Pennsylvania’s monthly TRS session minutes have declined over 40% from January 2015 to October 2017. The decreasing volume means that costs must be spread across a decreasing number of minutes per month. Hamilton avers that it fully expects the decline in minutes to continue.

 Further, Hamilton states that its commitment to provide TRS at the new proposed rate through December 15, 2019, brings value to the Commonwealth.

**Analysis**

 While the Commission affords national wage and inflation data tracked by federal agencies the deference warranted under the circumstances of each individual case where such evidence is presented, it is insufficient to support the rate increase proposed by the Company in Tariff Supplement No. 2. Therefore, pursuant to Section 1308(d) of the Public Utility Code (Code), 66 Pa. C.S. § 1308(d), the effective date of Tariff Supplement No. 2 and the rate increase contained therein shall be suspended by operation of law on February 21, 2018, until September 21, 2018, unless permitted by Commission Order to become effective at an earlier date. This will afford the Company the opportunity to present additional information to support its proposed rate increase and Commission staff adequate time to consider such additional support to ensure that any increase is supported by substantial evidence and that resultant rates are, *inter alia*, just and reasonable pursuant to Section 1301(a) of the Code, 66 Pa. C.S. § 1301(a).

**Conclusion**

Investigation and analysis of this proposed tariff filing and the supporting data indicate that the proposed changes in rates, rules and regulations may be unlawful, unjust, unreasonable and contrary to the public interest; **THEREFORE**;

**IT IS ORDERED:**

 1. That an investigation on Commission motion be, and hereby is, instituted to determine the lawfulness, justness and reasonableness of the rates, rules and regulations contained in the proposed Supplement No. 2 to TRS Tariff PA P.U.C. No. 1 of Hamilton Relay, Inc.

2. That the proposed Supplement No. 2 to TRS Tariff PA P.U.C. No. 1 of Hamilton Relay, Inc. will be suspended by operation of law until September 21, 2018, unless otherwise directed by Order of the Commission.

3. That the Bureau of Technical Utility Services shall commence with the issuance of appropriate data requests to determine if the rate increase contained in the proposed Supplement No. 2 to TRS Tariff PA P.U.C. No. 1 of Hamilton Relay, Inc. is just, reasonable and within the public interest.

4. That the Secretary’s Bureau serve a copy of this Order upon Hamilton Relay, Inc., the Office of Consumer Advocate, the Office of Small Business Advocate, the Bureau of Investigation and Enforcement and the Pennsylvania TRS Advisory Board.

**BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: February 8, 2018

ORDER ENTERED: February 9, 2018