

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

Public Meeting held April 14, 2022

Commissioners Present:

Gladys Brown Dutrieuille, Chairman, Statement, Recusal
John F. Coleman Jr., Vice Chairman
Ralph V. Yanora

2022 Joint Price Stability Index/Service Price Index Report
Filing of Frontier Communications of Breezewood, LLC;
Canton, LLC; Lakewood, LLC; Oswayo River, LLC; and
Pennsylvania, LLC R-2022-3030544

Petition for Streamlined Form of Regulation and Network
Modernization Plan of Frontier Communications of
Breezewood, LLC; Canton, LLC; Lakewood, LLC; Oswayo
River, LLC; and Pennsylvania, LLC P-00951005F1000

ORDER

BY THE COMMISSION:

I. BACKGROUND

Before us for disposition is the combined 2022 Price Stability Index (PSI) and Service Price Index (SPI) Report for Frontier Communications of Breezewood, LLC; Frontier Communications of Canton, LLC; Frontier Communications of Lakewood, LLC; Frontier Communications of Oswayo River, LLC; and Frontier Communications of Pennsylvania, LLC (collectively “Frontier” or “the Companies”). The Companies’ combined annual PSI/SPI Report was made under the provisions of Act 183 of 2004, P.L. 1398 (66 Pa.C.S. §§ 3011-3019) (Chapter 30) and pursuant to the Companies’ Amended Joint Streamlined Regulation and Network Modernization Plan (Amended Chapter 30 Plan) that this Commission approved at Docket No. P-00951005F1000.¹

¹ See *Joint Petition of Frontier Communications of Breezewood, Inc.; Frontier Communications of Canton, Inc.; Frontier Communications of Pennsylvania, Inc., Frontier Communication of Lakewood, Inc.; and Frontier Communication of Oswayo River, Inc. for a Streamlined Form of Regulation and Plan for Network Modernization*, Docket No. P-00951005F1000 (Order entered April 7, 2005).

The Companies² are local exchange carriers operating in various portions of the Commonwealth and serve primarily rural territory and a rural customer base. The Companies serve customers in Bedford, Fulton, Bradford, Lycoming, Tioga, Schuylkill, McKean, Potter, Lancaster, and Berks Counties. The Companies have operated under Chapter 30³ since 1997 and achieved 100% broadband deployment in 2008.

As a result of the passage of Act 183 of 2004, 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 the Companies' case, the inflation offset was reduced from 2.8% to 0%. Accordingly, annual Price Stability Plan (PSP or Plan) filings have the potential for substantial revenue and rate impacts on end-user consumers.

The Companies possess the statutory right under 66 Pa.C.S. § 3015(a)(1)(iii) and their approved Chapter 30 Plan to seek and obtain automatic revenue and rate increases as contemplated by Chapter 30. Under the Companies' PSP, the PSI calculates the allowable change in noncompetitive rates based, in part, on the annual change in the Gross Domestic Product Price Index (GDP-PI). The SPI tracks the prior rate changes for noncompetitive services related to the PSI. The PSP also addresses revenue neutral rate rebalancing/restructuring. The PSP set forth in the Companies' Chapter 30 Plan is a complete substitution of the rate base/rate-of-return regulation. Further, the Companies' Chapter 30 Plan acknowledges that nothing in their Plan shall be construed to limit the requirement under 66 Pa.C.S. § 1301 that rates shall be just and reasonable.

II. COMPANIES' FILING

Pursuant to the provisions of the Companies' Amended Chapter 30 Plan, Advance Notice was issued January 14, 2022, informing the Commission of the forthcoming filing. On

² Frontier Communications of Breezewood, LLC (utility code 310400); Canton, LLC (utility code 310550); Lakewood, LLC (utility code 311750); Oswayo River, LLC (utility code 312600); and Pennsylvania, LLC (utility code 311250).

³ Act 67 of 1993, P.L. 456 (66 Pa.C.S. §§ 3001-3009) replaced by Act 183 of 2004, P.L. 1398 (66 Pa.C.S. §§ 3011-3019).

February 1, 2022, the Companies filed their annual combined PSI/SPI Report using the change in 2020 and 2021 third quarter GDP-PI that produced a 4.63% increase in the GDP-PI, which equates to a 4.63% increase in the PSI. When applied to the previous PSI of 134.992, this produces a new PSI of 141.242. Applying this change to the Companies' current annual aggregate noncompetitive revenues of \$2,766,937 yields a maximum allowed revenue increase of \$128,109.24 for 2022.

The following table shows the breakdown of the aggregate revenue and maximum allowed increase amounts by Company. It should be noted that each individual Company's annual noncompetitive revenues and maximum allowed revenue increase amount may not be shared among the Companies.

| Current Noncompetitive Revenues and Allowable Increases for all Frontier Companies | | | |
|---|-----------------------|-----------------|---|
| Company | Annual Revenue | %ΔGDP-PI | Maximum Allowed Revenue Increase |
| Breezewood | \$277,197.00 | 4.63% | \$12,834.25 |
| Pennsylvania | \$1,609,626.00 | 4.63% | \$74,525.70 |
| Canton | \$467,741.00 | 4.63% | \$21,656.45 |
| Lakewood | \$187,541.00 | 4.63% | \$8,683.11 |
| Oswayo River | \$224,832.00 | 4.63% | \$10,409.73 |
| Total | \$2,766,937.00 | | \$128,109.24 |

On January 14, 2022, the Companies filed updated banking reports to reflect the amounts deducted from each Company's respective bank as a result of State Tax Adjustment Surcharge (STAS) recalculations. Each Company's respective bank was reduced to account for the cumulative impact of its 2018 through 2021 STAS recalculations. The following table reflects the STAS recalculation amounts deducted from each Company's respective bank.

| Company | STAS Adjustment |
|----------------|------------------------|
| Breezewood | \$1,816.00 |
| Pennsylvania | \$11,398.00 |
| Canton | \$2,512.00 |
| Lakewood | \$338.00 |
| Oswayo River | \$1,025.00 |

Consistent with the Commission-approved Protective Order entered February 28, 2008, at Docket No. P-2008-2022866, and pursuant to 52 Pa. Code § 5.365, the Companies have marked specific information in their PSI/SPI Report as proprietary.

On February 1, 2022, Frontier served a copy of its combined PSI/SPI Report on the Office of Small Business Advocate (OSBA), the Office of Consumer Advocate (OCA), the Bureau of Technical Utility Services, and the Bureau of Investigation and Enforcement. No complaints were filed and no hearings were held.

III. DISCUSSION

The Companies’ annual PSI/SPI Report must conform to Chapter 30 and the Companies’ Commission-approved Amended Chapter 30 Plan. Our review of the calculations submitted by Frontier indicates that they are accurate and procedurally consistent with Chapter 30 and the terms of the Companies’ approved Chapter 30 Plan at Docket No. P-00951005F1000.

In their 2022 PSI/SPI Report, the Companies had a combined total of \$128,109.24 that was not implemented into rate increases. Pursuant to the Companies’ Chapter 30 Plan, this banked revenue will be added to the Companies’ cumulative banked revenues.

Further, part 1.A.4 of the Companies’ Chapter 30 Plan contains the following provision regarding banking: “In lieu of filing tariff changes to align the SPI with the new PSI in its February 1st filings, the Companies may defer rate changes and bank the amounts corresponding to the difference between the PSI and SPI, for a period not to exceed four (4) consecutive years...” Accordingly, the Companies’ had to retire any remaining banked amounts from their 2018 filing. The following table shows the retired banked amounts by Company.

| Company | 2018 Amount Retired |
|----------------|----------------------------|
| Breezewood | \$3,993.09 |
| Pennsylvania | \$0.00 |
| Canton | \$7,051.23 |
| Lakewood | \$3,493.87 |
| Oswayo River | \$3,637.93 |
| Total | \$18,176.12 |

Previously, the Companies aggregate cumulative banked amount totaled \$155,112.26. The addition of the 2022 revenue amounts combined with the deductions for the STAS recalculations and the retirement of the remaining 2018 revenue amounts results in a remaining aggregate cumulative banked amount totaling \$247,956.32 to be carried forward for future use. We again note that each individual Company’s annual maximum allowed revenue increase amount may not be shared among the Companies and that the Companies’ Chapter 30 Plan restricts the banking of any deferred rate increases for a period not to exceed four consecutive years. The following table shows the breakdown of the banked amounts by Company.

| Banking Summary for All Frontier Companies | | | | | |
|---|---------------------|--------------------|--------------------|--------------------|---------------------|
| Company | 2022 Banked | 2021 Banked | 2020 Banked | 2019 Banked | Total Banked |
| Breezewood | \$12,834.25 | \$3,228.66 | \$5,507.54 | \$7,863.43 | \$29,433.88 |
| Pennsylvania | \$74,525.70 | \$17,917.35 | \$27,376.86 | \$8,812.12 | \$128,632.03 |
| Canton | \$21,656.45 | \$5,227.36 | \$8,123.34 | \$11,205.54 | \$46,212.69 |
| Lakewood | \$8,683.11 | \$2,142.39 | \$3,524.25 | \$6,676.35 | \$21,026.10 |
| Oswayo River | \$10,409.73 | \$2,645.01 | \$4,080.73 | \$5,516.15 | \$22,651.62 |
| Combined: | \$128,109.24 | \$31,160.77 | \$48,612.72 | \$40,073.59 | \$247,956.32 |

Because the Companies did not file for any rate changes in their 2022 PSI/SPI Report, each individual Company’s SPI remains the same.

| Company | SPI |
|----------------|------------|
| Breezewood | 110.070 |
| Pennsylvania | 112.167 |
| Canton | 108.374 |
| Lakewood | 110.217 |
| Oswayo River | 108.740 |

IV. CONCLUSION

Our review of the Companies’ combined 2022 PSI/SPI Report indicates the PSI/SPI calculations and the banked revenue calculations are procedurally consistent and in conformance with the terms of the Companies’ Commission-approved Amended Joint Chapter 30 Plan. Accordingly, we shall accept the PSI/SPI Report, subject to the results of the final adjudication

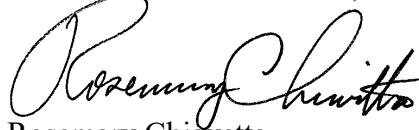
of the outstanding OCA formal complaints pending before our Office of the Administrative Law Judge;⁴ **THEREFORE,**

IT IS ORDERED:

1. That the Companies' combined 2022 PSI/SPI Report, filed on February 1, 2022, is accepted as being procedurally consistent with their Commission-approved Amended Joint Chapter 30 Plan.

2. That a copy of this Order be served on the Companies, the Office of Consumer Advocate, the Office of Small Business Advocate, the Bureau of Investigation and Enforcement, and the Office of Administrative Law Judge.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: April 14, 2022

ORDER ENTERED: April 14, 2022

⁴ The OCA did not file a complaint against the Companies' 2022 PSI/SPI filing on the basis of the 2017 Tax Cuts and Jobs Act (TCJA). However, since OCA complaints remain pending against the Companies' 2020 and 2019 filings on the basis, and the effects of the TCJA will transcend our action today, we are approving this 2022 filing as procedurally consistent only, subject to final resolution of the OCA's pending complaints. *See Office of Consumer Advocate v. Frontier Communications of Brezewood, LLC; Canton, LLC; Lakewood, LLC; Oswayo River, LLC; and Pennsylvania, LLC*, Docket Nos. R-2020-3016157 and C-2020-3018498, et al.; *Office of Consumer Advocate v. Frontier Communications of Brezewood, LLC; Canton, LLC; Lakewood, LLC; Oswayo River, LLC; and Pennsylvania, LLC*, Docket Nos. R-2019-3007239 and C-2019-3007906, et al.