

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

Public Meeting held June 16, 2022

Commissioners Present:

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

Hickory Telephone Company
2022 Annual Price Stability Index / Service Price Index
Filing

R-2022-3031889

Hickory Telephone Company Amended Alternative
Regulation and Network Modernization Plan

P-00981431F1000

ORDER

BY THE COMMISSION:

I. BACKGROUND

Before us for disposition is the Hickory Telephone Company (Hickory or Company) annual 2022 Price Stability Index/Service Price Index filing. The Company's filing 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 Company's Amended Alternative Regulation and Network Modernization Plan (Chapter 30 Plan) that this Commission approved at Docket No. P-00981431F1000.¹

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 Company's case, the inflation offset was reduced from 2% to 0%.

¹ *Petition for Amended Alternative Regulation and Network Modernization Plan of Hickory Telephone Company*, Docket No. P-00981431F1000 (Order entered June 3, 2005).

Accordingly, annual Price Stability Plan (PSP or Plan) filings have the potential for substantial revenue and rate impacts on end-user consumers.

Under the Company's PSP, the Price Stability Index (PSI) calculates the allowable change (increase or decrease) in rates for noncompetitive services based, in part, on the Gross Domestic Product Price Index (GDP-PI). The Service Price Index (SPI) tracks the prior changes for noncompetitive services related to PSI. The PSP also contains special provisions for protected services and addresses revenue neutral rate adjustments to the rates for noncompetitive services. The PSP set forth in the Company's Chapter 30 Plan is a complete substitution of traditional 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. Further, the Company's Chapter 30 Plan acknowledges that nothing in its Plan shall be construed to limit the requirement under 66 Pa.C.S. § 1301 that rates shall be just and reasonable.

II. COMPANY'S FILING

Pursuant to the Plan, Advance Notice was issued on April 14, 2022, informing the Commission of the forthcoming filing. On May 2, 2022, the Company filed its annual PSI/SPI Report using the change in 2020 and 2021 third-quarter GDP-PI, which equates to a 4.628% increase in the PSI. When applied to the previous PSI of 134.41, this produces a new PSI of 140.63. Applying this change to current noncompetitive revenues of \$339,406 yields a maximum allowed noncompetitive revenue increase of \$15,708.

The SPI indicates the cumulative price changes from current and prior years and tracks the actual total price changes for noncompetitive services. Although the Company did not propose rate changes in the instant filing, the Company's SPI was increased as part of its 2021 annual State Tax Adjustment Surcharge (STAS) filing.² In that filing, the Company offset its STAS by rolling the negative STAS amount into basic rates while making an equal offsetting increase to its SPI-related revenues. When applied to its old SPI of 113.42, the offsetting increase produced a new SPI of 113.47. Because the increase in the SPI offset the negative STAS roll-in, the end result is revenue neutral. Our review of the Company's STAS calculations

² See Docket No. R-2021-3028026.

indicates they are accurate and consistent with the methodology previously approved by this Commission.³

Consistent with the Commission-approved Protective Order entered July 1, 2008, at Docket No. P-2008-2041475 and pursuant to 52 Pa. Code § 5.365, the Company has marked specific information in its filing as proprietary.

On May 2, 2022, the Company served a copy of its PSI/SPI Report on the Office of Small Business Advocate (OSBA), the Office of Consumer Advocate (OCA), and the Commission's Bureau of Investigation and Enforcement.

III. DISCUSSION

1. Plan Provisions

Part 3.A.8 - 10 of Hickory's Chapter 30 Plan states the following:

On or before the anniversary date of Plan A . . . the Company shall file with the Commission a PSI and SPI Report. This annual filing may be accompanied by tariffs to implement any required or authorized rate changes . . . A Commission Order must be entered within sixty (60) days of the filing (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed . . . Such rates shall be deemed Commission-made.

Further, Part 3.A.7 of the Hickory's Chapter 30 Plan contains the following provision regarding banking:

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 increase previously deferred. The Company may bank increases for a period not to exceed four (4) consecutive years.

2. PSI/SPI Calculations and Rate Increases

The annual Hickory PSI/SPI filing submissions under Chapter 30 laws must conform to its Commission-approved Amended Chapter 30 Plan. Our review of the calculations submitted

³ See *Petition of Hickory Telephone Company Re Offsetting STAS Through the Service Price Index*, Docket No. P-2014-2420088 (Order entered June 23, 2014).

by Hickory indicates that they are procedurally consistent with the terms of the Company's Price Stability Plan formula approved in its Chapter 30 Plan.

3. Banked Revenues

The banking methods Hickory uses in its 2022 filing are also procedurally consistent with its Amended Chapter 30 Plan. The Company will bank the entire \$15,708 available in its current filing for future use. Pursuant to the provisions of its Chapter 30 Plan, the Company must retire its remaining 2018 banked amount of \$7,662 in the instant filing.

Previously, the Company's cumulative bank was \$26,474. The addition of the 2022 banked amount and the retirement of the 2018 banked amount results in a new cumulative bank of \$34,520 to be carried forward. We note that in accordance with Hickory's Chapter 30 Plan, deferred increases shall carry no interest. The following table shows the breakdown of the Company's cumulative bank:

Hickory Telephone Company Banking Summary	
Banked annual revenue increase from 2019 PSI/SPI Report	\$ 8,763
Banked annual revenue increase from 2020 PSI/SPI Report	\$ 6,224
Banked annual revenue increase from 2021 PSI/SPI Report	\$ 3,825
Banked annual revenue increase from 2022 PSI/SPI Report	\$ 15,708
Total:	\$ 34,520

IV. CONCLUSION

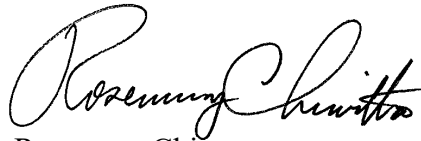
Our review of the Company's 2022 PSI/SPI filing indicates the PSI/SPI calculations and banked revenue calculations are procedurally consistent with the terms of its Chapter 30 Plan. Accordingly, we shall accept the PSI/SPI Report, subject to the results of the final adjudication of the outstanding OCA formal complaint pending before our Office of the Administrative Law Judge;⁴ **THEREFORE,**

⁴ The OCA did not file a complaint against the Company's 2022 PSI/SPI filing on the basis of the Tax Cuts and Jobs Act (TCJA). However, since an OCA complaint remains pending against the Company's 2018 PSI/SPI filing on that 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 complaint. See *Office of Consumer Advocate v. Hickory Telephone Company*, Docket Nos. C-2018-3001917 and R-2018-3001217.

IT IS ORDERED:

1. That Hickory Telephone Company's 2022 PSI/SPI Report is accepted as being procedurally consistent with its Commission-approved Amended Chapter 30 Plan.
2. That a copy of this Order be served on Hickory Telephone Company, the Office of Consumer Advocate, Office of Small Business Advocate, and the Bureau of Investigation and Enforcement.

BY THE COMMISSION,

A handwritten signature in black ink, appearing to read "Rosemary Chiavetta". The signature is fluid and cursive, with the first name being the most prominent.

Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: June 16, 2022

ORDER ENTERED: June 16, 2022