

**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

Lackawaxen Telecommunications Services, Inc.  
2022 Annual Price Stability Index/Service Price Index  
Report Filing

R-2022-3031892

Lackawaxen Telecommunications Services, Inc. Amended  
Alternative Regulation and Network Modernization Plan

P-00981432F1000

**ORDER**

**BY THE COMMISSION:**

**I. BACKGROUND**

Before us for disposition is Lackawaxen Telecommunications Services, Inc.'s (Lackawaxen or Company) 2022 Price Stability Index/Service Price Index Report 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-00981432F1000.<sup>1</sup>

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

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<sup>1</sup> *Petition for Amended Alternative Regulation and Network Modernization Plan of Lackawaxen Telecommunications Services, Inc.*, Docket No. P-00981432F1000 (Orders entered June 3, 2005, and June 23, 2014).

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 the 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 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 134.5587, this produces a new PSI of 140.7861. Applying this change to current noncompetitive revenues of \$574,164 yields a maximum allowed noncompetitive revenue increase of \$26,572.

In its 2022 PSI/SPI Report, the Company did not file for any rate increases, but indicated that the increase authorized under the PSP will be banked in accordance with its Chapter 30 Plan. This banked amount of \$26,572 will be added to the Company's cumulative banked revenue.

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.<sup>2</sup> In that filing, the Company offset its STAS by rolling the negative STAS amount into basic rates while making an equal offsetting

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<sup>2</sup> See Docket No. R-2021-3028031.

increase to its SPI-related revenues. When applied to its old SPI of 112.66, the offsetting increase produced a new SPI of 112.85. Because the increase in the SPI offset and the negative STAS roll-in, the end result is revenue neutral. Our review of the Company's STAS calculations indicates they are accurate and consistent with the methodology previously approved by this Commission.<sup>3</sup>

Consistent with the Commission-approved Protective Order entered July 1, 2008, at P-2008-2041496 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. No complaints were filed and no hearings were held.

### **III. DISCUSSION**

#### **1. Plan Provisions**

Part 3.A.10 of Lackawaxen's Chapter 30 Plan states that in the event of rate changes:

The initial filing by the Company shall include a full explanation of all reasons for such filing, including work paper... A Commission Order must be entered within sixty (60) days of the filing... otherwise the tariff(s) shall become effective as filed. Such rates shall be deemed Commission-made.

Further, Part 3.A.7 of Lackawaxen'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.

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<sup>3</sup> See *Petition of Lackawaxen Telephone Company Re Offsetting STAS Through the Service Price Index*, Docket No. P-2014-2420135 (Order entered June 23, 2014).

## 2. PSI/SPI Calculations and Rate Increases

The annual Lackawaxen PSI/SPI filing submissions under Chapter 30 laws must conform to its Commission-approved Amended Chapter 30 Plan. Our review of the calculations submitted by Lackawaxen 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 the Company uses in its 2022 PSI/SPI Report are also procedurally consistent with its Chapter 30 Plan. Lackawaxen will bank the entire \$26,572 available in its current filing for future use.

Additionally, the Company is retiring the remaining unused amount of \$14,527 authorized to it under its 2018 PSI/SPI filing in accordance with the banking terms of its Chapter 30 Plan.

Previously, the Company's cumulative bank was \$48,261. After retiring the remaining 2018 banked amount and adding the 2022 banked amount, the Company has a new cumulative bank of \$60,306, which will be carried forward. We note that in accordance with Lackawaxen's Chapter 30 Plan, deferred increases shall carry no interest. The following table shows the breakdown of the Company's cumulative bank.

<b>Lackawaxen Telecommunications Services, Inc.</b>	
<b>Banking Summary</b>	
Banked annual revenue increase from 2019 PSI Filing	\$ 16,975
Banked annual revenue increase from 2020 PSI Filing	\$ 10,499
Banked annual revenue increase from 2021 PSI Filing	\$ 6,260
Banked annual revenue increase from 2022 PSI Filing	\$ 26,572
<b>Total:</b>	<b>\$60,306</b>

## IV. CONCLUSION

Our review of the Company's 2022 PSI/SPI Report indicates the PSI/SPI calculations and the 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 complaints pending before our Office of the Administrative Law Judge;<sup>4</sup> **THEREFORE,**

**IT IS ORDERED:**

1. That Lackawaxen Telecommunications Services, Inc.'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 Lackawaxen Telecommunications Services, Inc., the Office of Consumer Advocate, the Office of Small Business Advocate, and the Bureau of Investigation and Enforcement.

**BY THE COMMISSION,**



Rosemary Chiavetta  
Secretary

(SEAL)

ORDER ADOPTED: June 16, 2022

ORDER ENTERED: June 16, 2022

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<sup>4</sup> The OCA did not file a complaint against the Company's 2022 PSI/SPI filing on the basis of the 2017 Tax Cuts and Jobs Act (TCJA). However, since OCA complaints remain pending against the Company's 2019 and 2018 PSI/SPI filings 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 complaints. *See Office of Consumer Advocate v. Lackawaxen Telecommunications Services, Inc.*, Docket Nos. C-2019-3009881 and R-2019-3009233; *Office of Consumer Advocate v. Lackawaxen Telecommunications Services, Inc.*, Docket Nos. C-2018-3001913 and R-2018-3001199.