

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

Public Meeting held August 25, 2022

Commissioners Present:

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

The North-Eastern Pennsylvania Telephone Company  
2022 Annual Price Stability Index/Service Price Index  
Filing

R-2022-3031890

The North-Eastern Pennsylvania Telephone Company  
Amended Alternative Regulation and Network  
Modernization Plan

P-00981435F1000

**ORDER**

**BY THE COMMISSION:**

**I. BACKGROUND**

Before us for disposition is The North-Eastern Pennsylvania Telephone Company's (North-Eastern or Company) 2022 Annual Price Stability Index/Service Price Index (PSI/SPI) Report. 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 (Amended Chapter 30 Plan) that this Commission approved at Docket No. P-00981435F1000.<sup>1</sup>

As a result of the passage of Act 183 of 2004, jurisdictional telephone companies that had already filed Chapter 30 Plans with the Commission were entitled to significantly lower inflation offset values within their respective price cap formulas in exchange for a commitment to accelerated broadband deployment. The inflation offsets previously ranging from 2% to 2.93% in these original Chapter 30 Plans were reduced to either 0% or 0.5%, depending on each company's filed Amended Chapter 30 Plan. In the Company's case, the inflation offset was

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<sup>1</sup> *Petition for Amended Alternative Regulation and Network Modernization Plan of The North-Eastern Pennsylvania Telephone Company*, Docket No. P-00981435F1000 (Orders entered June 23, 2005, and June 23, 2014).

reduced from 2% to 0%. 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 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 its Amended Chapter 30 Plan, the Company gave the Commission Advance Notice on April 14, 2022, about its forthcoming PSI/SPI 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 \$2,375,924 yields a maximum allowed noncompetitive revenue increase of \$109,958.

The SPI indicates the cumulative price changes from current and prior years and tracks the actual total price changes for noncompetitive services. The SPI was increased from 103.2576 to 103.2739 as part of the Company's 2021 State Tax Adjustment Surcharge filing.<sup>2</sup> Because the Company is not proposing rate changes in the instant filing, the Company's SPI remains at 103.2739.

Consistent with the Commission-approved Protective Order entered June 30, 2008, at P-2008-2041534 and pursuant to 52 Pa. Code § 5.365, the Company has marked specific information in its filing as proprietary.

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<sup>2</sup> See Docket No. R-2021-3028032.

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 Bureau of Investigation and Enforcement. No complaints were filed and no hearings were held.

### **III. DISCUSSION**

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

Part 3.A.10 of the Company's Amended Chapter 30 Plan states the following regarding its annual PSI/SPI filings:

The Company shall provide fifteen (15) days advance notice of filing to the Commission, which shall generally describe the anticipated filing... A Commission Order must be entered within sixty (60) days of the filing... otherwise [any] tariff(s) shall become effective as filed... Such rates shall be deemed Commission-made.

Further, Part 3.A.7 of the Company's Amended Chapter 30 Plan states the following 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 increases previously deferred. The Company may bank increases for a period not to exceed four (4) consecutive years. The Company may not bank decreases, but may offset increases with decreases for banking purposes. The Company will not, however, attempt to recover any revenues foregone as a result of deferring the increase in prices.

#### **2. PSI/SPI Calculations**

The Company's annual 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 North-Eastern indicates that they are procedurally consistent with the terms of the Company's Price Stability Plan formula approved in its Chapter 30 Plan at Docket No. P-000981435F1000.

#### **3. Banked Revenues**

The banking methods North-Eastern uses in its 2022 filing are also procedurally consistent with its Amended Chapter 30 Plan. The Company will bank the entire \$109,958

available in its current filing for future use. Additionally, the Company is retiring the \$56,731 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 \$200,803. After retiring the 2018 banked amount and adding the 2022 banked amount, the Company has a new cumulative bank of \$254,030, which will be carried forward. We note that in accordance with North-Eastern’s Amended Chapter 30 Plan, deferred increases shall carry no interest. The following table shows a breakdown of the Company’s cumulative bank:

<b>The North-Eastern Pennsylvania Telephone Company Banking Summary</b>	
Banked annual revenue from 2022 PSI/SPI Report	\$ 109,958
Banked annual revenue from 2021 PSI/SPI Report	\$ 28,182
Banked annual revenue from 2020 PSI/SPI Report	\$ 47,554
Banked annual revenue from 2019 PSI/SPI Report	\$ 68,336
Cumulative Banked Revenue:	\$ 254,030

#### **IV. CONCLUSION**

Our review of the Company’s 2022 PSI/SPI Report indicates the PSI/SPI and banked revenue calculations are procedurally consistent with the terms of its Amended Chapter 30 Plan. We shall accept the PSI/SPI Report, subject to the final adjudication of the outstanding OCA formal complaints pending before our Office of the Administrative Law Judge,<sup>3</sup> **THEREFORE,**

#### **IT IS ORDERED:**

1. That The North-Eastern Pennsylvania Telephone Company’s 2022 PSI/SPI Report is accepted as being procedurally consistent with its Commission-approved Amended Chapter 30 Plan.

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<sup>3</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 2018 and 2019 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. The North-Eastern Pennsylvania Telephone Company*, Docket Nos. C-2018-3001915 and R-2018-3001197; *Office of Consumer Advocate v. The North-Eastern Pennsylvania Telephone Company*, Docket Nos. C-2019-3009896 and R-2019-3009237.

2. That a copy of this Order be served on The North-Eastern Pennsylvania Telephone Company, the Office of Consumer Advocate, Office of Small Business Advocate, the Office of the Administrative Law Judge, and the Bureau of Investigation and Enforcement.

**BY THE COMMISSION,**

A handwritten signature in black ink, appearing to read "Rosemary Chiavetta". The signature is written in a cursive style with a large initial "R".

Rosemary Chiavetta  
Secretary

(SEAL)

ORDER ADOPTED: August 25, 2022

ORDER ENTERED: August 25, 2022