

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

Public Meeting held March 2, 2023

Commissioners Present:

Gladys Brown Dutrieuille, Chairman, Recusal Statement  
Stephen M. DeFrank, Vice Chairman  
Ralph V. Yanora  
Kathryn L. Zerfuss  
John F. Coleman, Jr.

Commonwealth Telephone Company d/b/a Frontier  
Communications Commonwealth Telephone Company  
2023 Price Stability Index/Service Price Index Report Filing

R-2023-3037683

Petition for Alternative Regulation and Network  
Modernization Plan of Commonwealth Telephone Company  
d/b/a Frontier Communications Commonwealth Telephone  
Company

P-00961024F1000

**ORDER**

**BY THE COMMISSION:**

**I. Background**

Before us for disposition is the 2023 Price Stability Index/Service Price Index Report Filing of Commonwealth Telephone Company d/b/a Frontier Communications Commonwealth Telephone Company (Frontier Commonwealth or the Company). The Company's annual Price Stability Index/Service Price Index (PSI/SPI) 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-00961024F1000.<sup>1</sup>

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<sup>1</sup> See *Petition for Amended Alternative Regulation and Network Modernization Plan of Commonwealth Telephone Company*, Docket No. P-00961024F1000 (Order entered March 3, 2005).

Frontier Commonwealth, utility code 310800, is a rural telephone company serving customers in all of Wyoming County and portions of Berks, Bradford, Bucks, Carbon, Chester, Columbia, Dauphin, Lackawanna, Lancaster, Lehigh, Luzerne, Lycoming, Monroe, Northampton, Schuylkill, Sullivan, Susquehanna, Tioga, and York Counties. Frontier Commonwealth has operated under Chapter 30<sup>2</sup> 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 Company's case, the inflation offset was reduced from 2.0% 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 Company possesses the statutory right under 66 Pa.C.S. § 3015(a)(1)(iii) and its approved Amended Chapter 30 Plan to seek and obtain an automatic revenue and rate increase as contemplated by Chapter 30. Under the Company's Price Stability Plan (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 contains special provisions for protected services and addresses revenue neutral rate adjustments for noncompetitive services. The PSP set forth in the Company's Amended Chapter 30 Plan is a complete substitution of the rate base/rate of return regulation. Further, the Company's Amended 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.

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<sup>2</sup> 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).

## **II. Company's Filing**

Pursuant to the Company's Amended Chapter 30 Plan, Advance Notice was issued on January 12, 2023, informing the Commission of the forthcoming filing. On January 31, 2023, Frontier Commonwealth filed its annual PSI/SPI Report using the change in 2021 and 2022 third quarter GDP-PI, which equates to a 7.11% increase in the PSI. When applied to the previous PSI of 1.3639, this produces a new PSI of 1.4609. Applying this change to current noncompetitive revenues of \$23,524,539 produces a 2023 maximum allowed noncompetitive revenue increase of \$1,672,595.

The SPI indicates the cumulative price changes from current and prior years and tracks the actual total price changes for noncompetitive services. The Company is not proposing any rates changes in the instant filing so the SPI of 1.1492 remains unchanged from last year.

Consistent with the Commission approved Protective Order entered March 27, 2008, at P-2008-2022840 and pursuant to 52 Pa. Code § 5.365, the Company has marked specific information in its filing as proprietary.

On January 31, 2023, 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.

### **A. Discussion**

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

Part 3.A.7-9 of Frontier Commonwealth's Commission-approved Amended Chapter 30 Plan states the following: "On February 1st of each year, . . . the Company shall file with the Commission a PSI and SPI Report . . . Each such annual filing may be accompanied by tariffs to implement any required or authorized SPI. The proposed tariff rates will become effective within 60 days of filing. . . . A Commission Order must be entered within sixty (60) days of the filing, otherwise the tariff(s) shall become effective as filed."

In addition, part 3.A.6 of Frontier Commonwealth's Commission-approved Amended 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 1<sup>st</sup> filings, the Company 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 ...."

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

The annual Frontier Commonwealth 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 Frontier Commonwealth indicate that they are accurate and procedurally consistent with the terms of the Company's approved Amended Chapter 30 Plan at Docket No. P-00961024F1000.

## **3. Banked Revenues**

The banking methods Frontier Commonwealth uses in its 2023 PSI/SPI filing are also procedurally consistent with its Amended Chapter 30 Plan. In its 2022 PSI/SPI filing, the Company was authorized a rate increase amount of \$1,247,984. The Company is banking the full amount authorized in its 2022 PSI/SPI filing for future use. In accordance with its Amended Chapter 30 Plan, the Company will bank any unused amount authorized to it under its 2023 PSI/SPI filing at the end of the 2023 PSI period.

On January 12, 2023, the Company filed an updated banking report to reflect the amounts deducted from the Company's bank as a result of State Tax Adjustment Surcharge (STAS) recalculations. The Company's bank was reduced to account for the cumulative impact of its 2015 (\$19,710) and 2016 (\$57,064) STAS recalculations.<sup>3</sup> These amounts were subtracted from the banked amount remaining from the Company's 2019 PSI period. In addition, the Company has retired the remaining banked amount from its 2018 PSI period.

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<sup>3</sup> See Docket Numbers R-2015-2501253 & R-2016-2564103, Secretarial Letters issued September 4, 2015, and January 4, 2017, respectively.

The following table summarizes the banking report included with Frontier Commonwealth’s 2023 PSI/SPI filing.

<b>PSI PERIOD 2023 BANKING REPORT</b>					
<u>PSI Period</u>	<u>Principal</u>	<u>Interest</u>	<u>Princ + Intrst</u>	<u>Retired Amt</u>	<u>Net Bank</u>
2022 (4/1/22 - 3/31/23)	1,247,984	\$ -	\$1,247,984	\$ -	\$1,247,984
2021 (4/1/21 - 3/31/22)	\$338,941	\$ -	\$338,941	\$ -	\$338,941
2020 (4/1/20 - 3/31/21)	\$536,732	\$ -	\$536,732	\$ -	\$536,732
2019 (4/1/19 - 3/31/20)	\$858,688	\$ -	\$858,688	\$ 76,774	\$781,914
<b>Total all PSI Periods</b>	<b>\$2,982,346</b>	<b>\$ -</b>	<b>\$2,982,346</b>	<b>\$ 76,774</b>	<b>\$2,905,572</b>

We note that under its Amended Chapter 30 Plan, the Company does not account for a given year’s authorized revenue increase until the following year’s PSI/SPI filing. Accordingly, the updated banking report filed by the Company in January 2024 and included with the Company’s 2024 PSI/SPI filing will reflect the addition of the authorized revenue increase amount of \$1,672,595 from its 2023 PSI/SPI filing.

### **III. Conclusion**

Our review of the Company’s 2023 PSI/SPI Report indicates the PSI/SPI calculations and the banked revenue calculations are procedurally consistent with the terms of its Commission-approved Amended 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 Commonwealth Telephone Company d/b/a Frontier Communications Commonwealth Telephone Company’s 2023 PSI/SPI Report, filed on January 31, 2023,

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<sup>4</sup> The OCA did not file a complaint against the Company’s 2023 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 2020 and 2019 PSI/SPI filings on that basis, and the effects of the TCJA will transcend our action today, we are approving this 2023 filing as procedurally consistent only, subject to final resolution of the OCA’s pending complaints. *See Office of Consumer Advocate v. Commonwealth Telephone Company d/b/a Frontier Communications Commonwealth Telephone Company*, Docket Nos. C-2020-3018501 and R-2020-3016152; *Office of Consumer Advocate v. Commonwealth Telephone Company d/b/a Frontier Communications Commonwealth Telephone Company*, Docket Nos. C-2019-3007911 and R-2019-3007237.

is accepted as being procedurally consistent with its Commission-approved Amended Chapter 30 Plan.

2. That a copy of this Order be served on Commonwealth Telephone Company d/b/a Frontier Communications Commonwealth Telephone Company, 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: March 2, 2023

ORDER ENTERED: March 2, 2023