

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

Public Meeting held June 15, 2023

Commissioners Present:

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

Windstream D&E, Inc. 2023 Annual Price Stability Index /
Service Price Index Filing and Supplement No. 28 to Tariff
Telephone PA P.U.C. No. 18

R-2023-3039899

Windstream D&E, Inc. Amended Alternative Regulation
and Network Modernization Plan

P-00981430F1000

ORDER

BY THE COMMISSION:

I. BACKGROUND

Before us for disposition is the Windstream D&E, Inc. (Windstream D&E or Company) annual 2023 Price Stability Index (PSI) / Service Price Index (SPI) Report and accompanying Supplement No. 28 to its Tariff Telephone PA P.U.C. No. 18. 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-00981430F1000.¹

As a result of the passage of Act 183 of 2004, companies that had filed initial 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. Inflation offsets previously ranging from 2% to 2.93% in these initial Chapter 30

¹ *Petition for Amended Alternative Regulation and Network Modernization Plan of Denver and Ephrata Telephone and Telegraph Company*, Docket No. P-00981430F1000 (Order entered June 3, 2005).

Plans were reduced to either 0% or 0.5%, depending on each company's Amended Chapter 30 Plan. In the Company's case, the inflation offset was 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 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 Amended 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 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.

II. COMPANY'S FILING

Pursuant to the Plan, Advance Notice was issued on April 10, 2023, informing the Commission of the forthcoming filing. On May 1, 2023, Windstream D&E filed an annual PSI/SPI report with proposed revenue rate increases and tariff changes. The effective date of the accompanying tariff supplement and corresponding proposed rate increase is July 1, 2023.

The Company filed its annual PSI/SPI Report using the change in 2021 and 2022 third-quarter GDP-PI, which equates to a 7.1082% increase in the PSI. When applied to the previous PSI of 1.464740, this produces a new PSI of 1.568857. Applying this change to current noncompetitive revenues of \$2,809,619 yields a maximum allowed noncompetitive revenue increase of \$199,713.

In its 2023 filing, the Company is implementing a total of \$14,246 in actual rate increases. The revenues to fund the proposed rate increases are being drawn from the Company's 2020 banked revenue amount, reducing that 2020 banked amount from \$71,772 to

\$57,536. The SPI indicates the cumulative price changes from current and prior years and tracks the actual total price changes for noncompetitive services. Applied to its current SPI of 1.108651, the Company’s rate changes produce a new SPI of 1.114272.

Consistent with the Commission-approved Protective Order entered June 27, 2008, at P-2008-2041572 and pursuant to 52 Pa. Code § 5.365, the Company has marked specific information in its PSI/SPI Report as proprietary.

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.²

As noted in more detail in the following table, in its 2023 filing, the Company proposes to increase monthly recurring charges for local residential dial tone line rates. The rate increase is \$0.39 monthly. The Company’s proposed rate increases will be implemented through Supplement No. 28 to Tariff Telephone - PA P.U.C. No. 18, which carries an effective date of July 1, 2023.

| Windstream D&E, Inc. 2023 PSI/SPI Filing Summary of Rate Changes | | | |
|---|-----------------------|------------------------|----------------------|
| <u>Service</u> | <u>Current</u> | <u>Proposed</u> | <u>Rate</u> |
| | <u>Rate</u> | <u>Rate</u> | <u>Impact</u> |
| Residential Line - Rate Group 4 | \$19.27 | \$19.66 | \$0.39 |
| Residential Line - Rate Group 6 | \$19.27 | \$19.66 | \$0.39 |

² On March 29, 2023, the OCA filed a Certificate of Satisfaction on its complaints against the Company’s 2018 and 2019 PSI/SPI filings. *See Office of Consumer Advocate v. Windstream D&E, Inc.*, Docket Nos. C-2019-3010149 and R-2019-3010100; *Office of Consumer Advocate v. Windstream D&E, Inc.*, Docket Nos. C-2018-3001870 and R-2018-3001133.

III. DISCUSSION

1. Plan Provisions

Part 3.A.8 - 10 of the Amended Company's Chapter 30 Plan states the following regarding its annual PSI/SPI filings:

On or before the anniversary date of the Plan (or the closest Commission working day thereafter) and annually thereafter, 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 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 Amended Company'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

The annual Windstream D&E 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 Windstream D&E indicates that they are procedurally consistent with the terms of the Company's Price Stability Plan formula approved in its Amended Chapter 30 Plan.

3. Banked Revenues

The banking methods the Company uses in its 2023 PSI/SPI Report are also procedurally consistent with its Amended Chapter 30 Plan. The Company will bank the entire \$199,713 available in its current filing for future use.

The Company used \$7,927 of its 2019 PSI/SPI filing banked revenue amount of \$117,904 for its 2022 annual State Tax Adjustment Surcharge (STAS) filing.³ The Company is retiring the remaining unused amount of \$109,977 authorized to it under its 2019 PSI/SPI filing in accordance with the banking terms of its Chapter 30 Plan.

Previously, the Company’s cumulative banked revenues totaled \$383,444. After the reduction for the 2022 STAS recalculation, the reduction for the retired 2019 banked amount, the reduction for the proposed rate increases, and the addition of the 2023 banked revenue amount, the Company has a cumulative banked revenue amount of \$451,007. We note that in accordance with the Company’s Amended Chapter 30 Plan, deferred increases shall carry no interest. The following table shows the breakdown of the Company’s cumulative bank:

| Windstream D&E, Inc. Banking Summary | |
|---|-------------------|
| Banked annual revenue from 2023 PSI/SPI Report | \$ 199,713 |
| Banked annual revenue from 2022 PSI/SPI Report | \$ 153,129 |
| Banked annual revenue from 2021 PSI/SPI Report | \$ 40,639 |
| Banked annual revenue from 2020 PSI/SPI Report | \$ 57,526 |
| Total | \$ 451,007 |

IV. CONCLUSION

Our review of the Company’s 2023 PSI/SPI Report indicates the PSI/SPI calculations, the banked revenue calculations, and the proposed rate increases are procedurally consistent with the terms of its Amended Chapter 30 Plan. Accordingly, we shall accept the PSI/SPI Report, subject to the results of the final adjudication of the outstanding OSBA formal complaint⁴ pending before our Office of the Administrative Law Judge; **THEREFORE,**

³ See Docket No. R-2022-3034597.

⁴ The OSBA did not file a complaint against the Company’s 2023 PSI/SPI filing. However, since the OSBA complaint remains pending against the Company’s 2022 filing we are approving this 2023 filing as procedurally consistent only, subject to final resolution of the OSBA’s pending complaint. See *Office of Small Business Advocate v. Windstream D&E, Inc.*, Docket Nos. C-2022-3032916 and R-2022-3031747.

IT IS ORDERED:

1. That Windstream D&E, Inc.'s 2023 PSI/SPI Report is accepted as being procedurally consistent with its Commission-approved Amended Chapter 30 Plan.
2. That Windstream D&E, Inc.'s Supplement No. 28 to its Tariff – Telephone PA P.U.C. No. 18 be permitted to go into effect on July 1, 2023.
3. That a copy of this Order be served on Windstream D&E, 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 15, 2023

ORDER ENTERED: June 15, 2023