

**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.

Lackawaxen Telecommunications Services, Inc. R-2023-3039938
2023 Annual Price Stability Index/Service Price Index
Report Filing

Lackawaxen Telecommunications Services, Inc. Amended P-00981432F1000
Alternative Regulation and Network Modernization Plan

ORDER

BY THE COMMISSION:

I. BACKGROUND

Before us for disposition is Lackawaxen Telecommunications Services, Inc.'s (Lackawaxen or Company) 2023 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 (Amended Chapter 30 Plan) that this Commission approved at Docket No. P-00981432F1000.¹

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

¹ *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).

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 17, 2023, informing the Commission of the forthcoming filing. On May 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 7.108% increase in the PSI. When applied to the previous PSI of 140.7861, this produces a new PSI of 150.7932. Applying this change to current noncompetitive revenues of \$540,296 yields a maximum allowed noncompetitive revenue increase of \$38,404.

In its 2023 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 Amended Chapter 30 Plan. This banked amount of \$38,404 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 2022 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 112.85, the offsetting increase produced a new SPI of 113.11. Because the increase in the SPI offset and the negative STAS roll-in, the end result is revenue neutral. Our review of

² See Docket No. R-2022-3034584.

the Company's STAS calculations indicates they are consistent with the methodology previously approved by this Commission.³

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 1, 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.⁴

III. DISCUSSION

1. Plan Provisions

Part 3.A.10 of Lackawaxen's Amended 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 Amended 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 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

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

⁴ 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. 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.

Lackawaxen 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. Lackawaxen will bank the entire \$38,404 available in its current filing for future use.

Additionally, the Company is retiring the remaining unused amount of \$16,975 authorized to it under its 2019 PSI/SPI filing in accordance with the banking terms of its Amended Chapter 30 Plan.

Previously, the Company's cumulative bank was \$60,306. After retiring the remaining 2019 banked amount and adding the 2023 banked amount, the Company has a new cumulative bank of \$81,735, 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.

Lackawaxen Telecommunications Services, Inc.	
Banking Summary	
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
Banked annual revenue increase from 2023 PSI Filing	\$ 38,404
Total:	\$ 81,735

IV. 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 Amended Chapter 30 Plan. Accordingly, we shall accept the Company's 2023 PSI/SPI Report as being procedurally consistent with the terms of its Commission-approved Amended Chapter 30 Plan; **THEREFORE,**

IT IS ORDERED:

1. That Lackawaxen Telecommunications Services, Inc.'s 2023 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,

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: June 15, 2023

ORDER ENTERED: June 15, 2023