

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

Public Meeting held June 13, 2024

Commissioners Present:

Stephen M. DeFrank, Chairman
Kimberly Barrow, Vice Chair
Ralph V. Yanora
Kathryn L. Zerfuss
John F. Coleman, Jr.

The North-Eastern Pennsylvania Telephone Company
2024 Annual Price Stability Index/Service Price Index
Filing

R-2024-3048481

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) 2024 Annual Price Stability Index/Service Price Index 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-00981435F1000.¹

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

¹ *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 16, 2024, about its forthcoming PSI/SPI filing. On May 1, 2024, the Company filed its annual PSI/SPI Report using the change in 2022 and 2023 third-quarter GDP-PI, which equates to a 3.204% increase in the PSI. When applied to the previous PSI of 150.63, this produces a new PSI of 155.46. Applying this change to current non-competitive revenues of \$2,041,278 yields a maximum allowed non-competitive revenue increase of \$65,403.

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 103.2997 to 103.8008 as part of the Company's 2023 State Tax Adjustment Surcharge filing.² Because the Company is not proposing rate changes in the instant filing, the Company's SPI remains at 103.8008.

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.

² See Docket No. R-2023-3042362.

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 protests 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 Amended Chapter 30 Plan at Docket No. P-000981435F1000.

3. Banked Revenues

The banking methods North-Eastern uses in its 2024 filing are also procedurally consistent with its Amended Chapter 30 Plan. The Company will bank the entire \$65,403

available in its current filing for future use. Additionally, the Company is retiring the \$47,554 authorized to it under its 2020 PSI/SPI filing in accordance with the banking terms of its Amended Chapter 30 Plan.

Previously, the Company's cumulative bank was \$340,701. After retiring the 2020 banked amount and adding the 2024 banked amount, the Company has a new cumulative bank of \$358,550, 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:

| The North-Eastern Pennsylvania Telephone Company Banking Summary | |
|---|------------|
| Banked annual revenue from 2021 PSI/SPI Report | \$ 28,182 |
| Banked annual revenue from 2022 PSI/SPI Report | \$ 109,958 |
| Banked annual revenue from 2023 PSI/SPI Report | \$ 155,007 |
| Banked annual revenue from 2024 PSI/SPI Report | \$ 65,403 |
| Cumulative Banked Revenue: | \$ 358,550 |

IV. CONCLUSION

Our review of the Company's 2024 PSI/SPI Report indicates the PSI/SPI and banked revenue calculations are procedurally consistent with the terms of its Amended Chapter 30 Plan. Accordingly, we shall accept the Company's 2024 PSI/SPI Report as being procedurally consistent with the terms of its Commission-approved Amended Chapter 30 Plan;

THEREFORE,

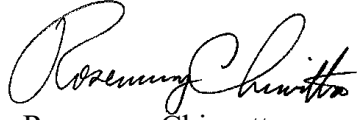
IT IS ORDERED:

1. That The North-Eastern Pennsylvania Telephone Company's 2024 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 The North-Eastern Pennsylvania Telephone Company, the Office of Consumer Advocate, Office of Small Business Advocate, and the Bureau of Investigation and Enforcement.

3. That this case be marked closed.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: June 13, 2024

ORDER ENTERED: June 13, 2024