

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
VERIZON DELAWARE LLC TO BANK THE)
REVENUES ASSOCIATED WITH THE 2007) PSC DOCKET NO. 07-010
ANNUAL PRICE INDEX FILING ADJUSTMENT)
(FILED MARCH 30, 2007))

ORDER NO. 7224

This 3rd day of July, 2007, the Commission determines and Orders the following:

1. For more than a decade, Verizon Delaware LLC ("VZ-DE") has been "TTIA" regulated.¹ Consistent with such TTIA regime, on March 30, 2007, VZ-DE filed its Annual Price Index Report seeking Commission approval on how to implement this year's adjustments to its regulated "basic service" rates.² In its filing, VZ-DE reports that the governing "inflation factor minus productivity offset" formula reflects an assumed 0.297 percent decrease in basic service rate costs, which, in turn, translates into a drop in the Price Index from last year's value of 1.003 to a new figure of 1.000. Given that application of this new factor would not result in significant, visible changes in rates to end-users or other carriers, VZ-DE proposes to "aggregate" the called for decrease into a dollar amount credit (\$103,000) and then "bank" that aggregated amount. By banking,

¹See 26 Del. C. §§ 704-11 (2004 Supp.) ("Telecommunications Technology Investment Act") ("TTIA"). See also "Rules and Regulations for Implementing the Telecommunications Technology Investment Act" (adopted by PSC Findings, Opinion & Order No. 4821 (June 9, 1998)) ("TTIA Rules").

²TTIA Rules §§ 3.1, 3.4.

the aggregated amount will then be combined with the changes called for in next year's Price Index filing to arrive at adjustments to VZ-DE's basic service rates at that time.³

2. In accordance with the TTIA rules, VZ-DE published notices of its Price Index filing and its "aggregate and bank" proposal. The notices asked for comments or objections to VZ-DE's calculations and its proposal. None were forthcoming. The Public Advocate does not object to VZ-DE's calculations nor its banking proposal. After considering VZ-DE's filing at its July 3, 2007 meeting, the Commission, based on Staff's recommendations, will accept VZ-DE's price cap calculations and its "aggregate and bank" proposal for the year 2007 Annual Price Index Report. As it has done in the past in similar aggregate and bank instances, the Commission finds "good cause" for the proposal in this instance. If the Price Index factor change was applied in this year, the resulting changes in rates that would be produced would be minute, if not indiscernible. The Commission finds it is better to bank the change (expressed in a dollar amount) to be joined with next year's called-for adjustments.

Now, therefore, **IT IS ORDERED:**

1. That the Commission hereby accepts the Annual Price Index Report for the year 2007 submitted by Verizon Delaware LLC on March 30, 2007.

³See TTIA Rules § 3.4.5 (1), (2). In past years, the Commission has allowed VZ-DE to aggregate and bank adjustments. In such situations what is "banked" is not the "percentage change" under the price cap formula but the aggregated dollar amount derived from applying the percentage change to the preceding year's regulated revenues. VZ-DE must pay interest to compensate for holding such banked, aggregated amount.

2. That, for the reasons set forth in the body of this Order, the Commission accepts the amount of \$103,000 as the aggregated negative rate change amount for Verizon Delaware LLC's "basic services" for the year 2007, as calculated pursuant to §§ 3.4.1 and 3.4.5 of the "Rules and Regulations for Implementing the Telecommunications Technology Investment Act" (adopted by PSC Findings, Opinion & Order No. 4821 (June 9, 1998)).

3. That, for the reasons set forth in the body of this Order, Verizon Delaware LLC's request, under § 3.4.5(2) of the "Rules and Regulations for Implementing the Telecommunications Technology Investment Act," to hold the aggregated amount set forth in Ordering paragraph 2 in reserve and to apply such amount in a subsequent year, is hereby granted. Verizon Delaware LLC shall be liable for interest on such reserved amount in accord with § 3.4.5 of the "Rules and Regulations for Implementing the Telecommunications Technology Investment Act."

4. That the Commission shall enter an Order directing how such reserved aggregated amount shall be applied to Verizon Delaware LLC's basic service rates in its disposition of the Annual Price Index Report filed by Verizon Delaware LLC for the year 2008.

5. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chair

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary