

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 2009) PSC DOCKET NO. 09-002
ANNUAL PRICE INDEX FILING ADJUSTMENT)
(FILED MARCH 31, 2009))

ORDER NO. 7590

This 16th day of June, 2009, the Commission determines and Orders the following:

1. On March 31, 2009, Verizon Delaware LLC ("VZ-DE") filed its 2009 Annual Price Index Report seeking Commission approval on how to implement this year's adjustments to its regulated "basic service" rates.¹ In its filing, VZ-DE reports that the governing "inflation factor" increase was slightly more than offset by the three percent productivity offset resulting in a potential \$120,000 revenue reduction for reducing basic services rates.

2. With the 2007 Annual Price Index filing, the Commission directed VZ-DE to "bank" the called-for decrease of \$103,000 until 2008, because such a small change would produce a "minute if not

¹Since 1994 Verizon Delaware LLC has been regulated under the provisions of the Telecommunications Technology Investment Act ("TTIA"). See 26 Del. C. §§ 704-11 (2004) supp.) TTIA; see also "Rules and Regulations for Implementing the Telecommunications Technology Act" ("TTIA Rules") (adopted by PSC Findings, Opinion & Order No. 4821 (June 9, 1998))("TTIA Rules"). House Bill 417 provided VZ-DE an alternative regulatory track within the TTIA Rules which VZ-DE opted into on August 4, 2008. The result was that most of the services previously classified as "Basic" were re-classified as "Competitive." However, the annual Price Index formula outlined in the TTIA remained intact and unaffected by House Bill 417.

indiscernible" rate change. (PSC Order No. 7224 (July 3, 2007)). In the 2008 Annual Price Index Report filing, the Commission found that the inflation factor increase was offset by the three percent productivity offset resulting in the revenue credit amount remaining unchanged at \$103,000. (PSC Order No. 7402 (June 17, 2008.)) The Commission ordered VZ-DE to continue to bank the \$103,000 revenue credit until 2009 when the amount was to be combined with the results from the 2009 Price Index filing to arrive at adjustments to VZ-DE's basic service rates at that time.² With revenue credits still insufficient to significantly change basic service rates, VZ-DE requested that all of the revenue credits continue to be banked until 2010 when this 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. No comments were received by VZ-DE or the Commission in response to the public notice. The Commission Staff recommended no adjustment to the 2009 Annual Price Index calculations and supports VZ-DE's banking proposal. Further, the Division of the Public Advocate does not object to VZ-DE's calculations or its banking proposal. After considering VZ-DE's filing at its June 16, 2009 meeting, the Commission, based on Staff's recommendations, will accept VZ-DE's price cap calculations and the continued "banking" of revenues

²See 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.

proposed within VZ-DE's 2009 Annual Price Index Report. As it has done in the past with similar requests, the Commission finds "good cause" for the proposal in this instance. If the revenue banked from the 2007 and 2009 Price Index change was applied in this year, the resulting changes in rates that would be produced would again be minute, if not indiscernible. The Commission finds it is better to continue to bank revenue with next year's called-for adjustments.

**NOW, THEREFORE, THIS 16th DAY OF JUNE, 2009, BY A VOTE OF
NOT LESS THAN THREE COMMISSIONERS, IT IS ORDERED:**

1. That the Commission hereby accepts the 2009 Annual Price Index Report submitted by Verizon Delaware LLC on March 31, 2009.

2. That, for the reasons set forth in the body of this Order, the Commission accepts that the effect of the inflation price index was exceeded by the three percent productivity offset resulting in a \$120,000 revenue credit for "basic services."

3. That the amount of \$120,000 be added to the amount of \$103,000 as the aggregated negative rate change amount for Verizon Delaware LLC's "basic services" be applied for the year 2010, 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)) and continue to be banked.

4. 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 3 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 accordance with § 3.4.5 of the "Rules and Regulations for Implementing the Telecommunications Technology Investment Act."

5. 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 2010.

6. 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:

/s/ Arnetta McRae
Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

/s/ Jeffrey J. Clark
Commissioner