

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE TARIFF FILING BY)
VERIZON DELAWARE INC., FOR ITS ANNUAL)
APPLICATION OF THE PRICE CAP FORMULA)
IN ACCORDANCE WITH SECTION 707 (B) OF) PSC DOCKET NO. 05-007
THE TELECOMMUNICATIONS TECHNOLOGY)
INVESTMENT ACT)
(FILED MARCH 31, 2005))

ORDER NO. 6668

This 5th day of July, 2005, the Commission determines and Orders the following:

1. For nine years, Verizon Delaware Inc. ("VZ-DE") has been "TTIA" regulated.¹ It now appears that such regulatory relationship might continue for another six years.²

2. Consistent with the TTIA regime, on March 31, 2005, VZ-DE filed its Annual Price Index Report seeking Commission approval on how to implement adjustments to its regulated "basic service" rates.³ In its filing, VZ-DE reports that the "inflation factor minus productivity offset" formula reflects an assumed 0.2 per cent decrease in costs, which, in turn, translates into a drop in the Price Index from last year's value of 988 to a new figure of 986. Given that application of this new factor would not result in significant,

¹ See 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").

² PSC Order No. 6646 (June 7, 2005) (presumptively extending TTIA regime for VZ-DE until September, 2011).

³ TTIA Rules §§ 3.1, 3.4.

visible changes in rates to end users or other carriers, VZ-DE proposes to "aggregate" the called for decrease into a dollar amount and then "bank" that aggregated amount.⁴ By banking, 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.⁵

3. The Commission sought, but did not receive, any comments or objections to VZ-DE's proposal to aggregate and bank. The Public Advocate does not object to that result. After considering VZ-DE's proposal at its July 5, 2005 meeting, the Commission, based on Staff's recommendations, will accept VZ-DE's aggregate and bank proposal for the year 2005 Annual Price Index Report. As in the past, the Commission finds "good cause" for this proposal in light of the relatively minor changes in rates that would be produced by the current application of the Price Index cost decrease.

4 Finally, in VZ-DE's 2004 Price Index Filing this Commission allowed a negative credit of \$1.23 as the "targeted" rate decrease for VZ-DE's business customers.⁶ While allowing such credit to be

⁴ VZ-DE estimates that if the change - once "aggregated" into a "dollar" amount - would then be "targeted" to the rates for services "targeted" in its 2004 filing, the rate for residential touch-tone service would decline by a penny, the current business customer negative credit would increase by \$ 0.11, and the rate for switched access would drop by \$ 0.000038.

⁵ See TTIA Rules § 3.4.5 (1), (2). In past years, the Commission has allowed VZ-DE to aggregate and bank in one year. 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.

⁶ PSC Order No. 6443 at ¶ 3 (June 22, 004).

utilized, the Commission recognized that Staff had raised questions whether the TTIA and the implementing TTIA rules allowed adjustment by "credit" rather than a decrease in the rates for one or more specific services. Staff also was unsure what effects might arise in other areas from the use of such a general credit to implement "rate" decreases. As of yet, the Staff has not given the Commission the results of its investigation of those issues. Consequently, the business customer credit allowed last year will continue. The Commission expects Staff to provide a report on its investigation promptly so that the Commission can issue an Order on the "credit" issue within the near future.

NOW, therefore, **IT IS ORDERED:**

1. That the Commission hereby accepts the Annual Price Index Report for the year 2005 submitted by Verizon Delaware Inc. on March 31, 2005.

2. That, for the reasons set forth in the body of this Order, the Commission accepts the amount of \$105,000 as the aggregated negative rate change amount for Verizon Delaware Inc.'s "basic services" for the year 2005, as calculated pursuant to § 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 Inc.'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

