

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 2011) PSC DOCKET NO. 11-001
ANNUAL PRICE INDEX FILING ADJUSTMENT)
(FILED MARCH 31, 2011))

ORDER NO. 8000

This 26th day of July, 2011, the Commission determines and Orders the following:

1. This proceeding involves the 2011 Annual Price Index Report filed by Verizon Delaware LLC ("VZ-DE") for its regulated "basic" telecommunications services. VZ-DE has chosen to offer its telecommunications services under the alternative regulatory scheme set forth in the "TTIA."¹ In 2008 VZ-DE re-elected to operate under the TTIA regime. The list of regulated "basic" services was reduced and "benchmark" prices for such services reset at 2008 prices. During periods of low inflation, the change in the Price Index - as computed by VZ-DE - has been modest. Applying the Price Adjustment factor (0.981) to VZ-DE's prior year "above cost" basic service revenues² produces a Two Hundred Twenty-Two Thousand Dollar (\$222,000) downward rate adjustment.³

¹ Telecommunications Technology Investment Act, now codified with later revisions and amendments at 26 Del. C. §§704 to 708. See also "Regulations for Implementation of the Telecommunications Technology Investment Act," 26 Del. Admin. C. §4005 (the "TTIA Rules").

² TTIA Rules, §3.4.5.

³ The aggregated amounts appear to typically trend to smaller sums for two reasons. First, the historical practice has been to exclude from the basic

2. Per 26 *Del. Admin. C.* §6005-3.4.5, VZ-DE proposes to apply the interexchange reduction portion of this amount, Forty-Seven Thousand Dollars (\$47,000), to the local switching element rate of its intrastate switched access charges. This rate element would decrease from \$0.008959 to \$0.008610 per minute of use. VZ-DE also proposes to "bank" the residential and business customer portions, One Hundred Seventy-Five Thousand Dollars (\$175,000), and to combine them with similar adjustments in next year's Price Index filing.⁴ The local switching element for switched access is calculated to six decimal places and can better accommodate a rate decrease for a relatively small amount.

3. In an effort to give a detectable value to modest aggregated sums, banked amounts can be combined with successive years' adjustments so that the later total might have rate change significance to customers.

4. Two newspaper notices solicited comments regarding this application. No responses were received by the Commission. Staff recommends approval of the Report, the calculations, and VZ-DE's aggregation and banking proposals. The Public Advocate supports Staff's position.

services revenue "pool" those revenues collected for basic services that VZ-DE's reports as having been offered "below cost." See 26 *Del. C.* § 707(c)(5) & TTIA Rules, §2.4. Second, the contraction in the number of "basic" services by the 2008 statutory amendments necessarily reduced the total amount of "basic" service revenues pool.

⁴ TTIA Rules, §3.4.5(1) and (2).

5. The Commission accepts the 2011 Annual Price Cap Report submitted by VZ-DE on March 31, 2011, and finds good cause to allow the aggregation of the downward price adjustment. The Commission also will allow the interexchange portion to target the requested interexchange rate and defer the residential and business customer portions.

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF NOT FEWER THAN THREE COMMISSIONERS:

1. That the Commission hereby accepts the 2011 Annual Price Index Report (the "Report") submitted to the Commission by Verizon Delaware LLC on March 31, 2011. The price indexes and adjustments set forth in such Report are approved.

2. That, pursuant to §3.4.5 of the "Regulations for Implementation of the Telecommunications Technology Investment Act" (26 Del. Admin. C. §4005), the Commission approves the aggregation of the 2011 Price Adjustment factor to a sum of Two Hundred Twenty-Two Thousand Dollars (\$222,000).

3. That, pursuant to §3.4.5(1) of the "Regulations for Implementation of the Telecommunications Technology Investment Act" (26 Del. Admin. C. §4005), the Commission further approves the proposal to apply the interexchange portion of the aggregated sum, which is equal to Forty-Seven Thousand Dollars (\$47,000), to reduce the minutes of use local switched access rate element for Feature Groups B and D, Wide Area Telecommunications Service ("WATS"), and 900

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service under Verizon Delaware LLC's intrastate switched access tariff provisions. Such rate element shall be reduced to \$0.008610. The revisions as set forth in Verizon Delaware LLC's P.S.C. Del. No. 35 "Switched Access," Sixth Revised Sheet 194B tariff page, are approved, to be effective August 1, 2011.

4. That, pursuant to §3.4.5(2) of the "Regulations for Implementation of the Telecommunications Technology Investment Act" (26 Del. Admin. C. §4005), the Commission approves the proposal to defer application of the portions of the aggregated sum applicable to residential and business customer "basic" services. Such amount, which is equal to One Hundred Seventy-Five Thousand Dollars (\$175,000), shall be carried forward to a later year, with each class' proportion to be then applied as the Commission might later direct. Verizon Delaware LLC shall be liable for payment of interest calculated on the banked amount per 26 Del. Admin. C. §1003 - Interest on Commission Ordered Rate Refunds.

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

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/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

Commissioner

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary