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DOCKET# 32235
DOCUMENT# 191696

**Docket No. 32235**

In Re: Generic Proceeding to Implement House Bill 168

## ORDER ADJUSTING BENCHMARK LOCAL SERVICE RATE FOR INFLATION

In its November 23, 2010 Order Implementing House Bill 168, the Georgia Public Service Commission set the benchmark residential local service rate at $18.54. The benchmark rate was calculated by multiplying 110% times the statewide weighted average residential rate in accordance with 46-5-167(d)(2)(A). The law further requires that the Commission adjust the benchmark rate annually for inflation measured by the change in GDP-PI.

On September 9, 2011, the Commission found the rate of inflation for the period January 1, 2010 through December 31, 2010 to be 1.57%, and the benchmark rate was increased to $18.83. On October 10, 2012, the Commission found the rate of inflation for the period January 1, 2011 through December 31, 2011 to be 1.97%, and the benchmark rate was increased to $19.20. On October 17, 2013, the Commission found the rate of inflation for the period January 1, 2012 through December 31, 2012 to be 1.79%, and the benchmark rate was increased to $19.54. On October 24, 2014, the Commission found the rate of inflation for the period January 1, 2013 through December 31, 2013 to be 1.44%, and the benchmark rate was increased to $19.82. On October 7, 2015, the Commission found the rate of inflation for the period January 1, 2014 through December 31, 2014 to be 1.35%, and the benchmark rate was increased to $20.09. On October 5, 2016, the Commission found the rate of inflation for the period January 1, 2015 through December 31, 2015 to be 1.08%, and the benchmark rate was increased to $20.31. On October 23, 2017, the Commission found the rate of inflation for the period January 1, 2016 through December 31, 2016 to be 1.52%, and the benchmark rate was increased to $20.62. On October 4, 2018, the Commission found the rate of inflation for the period January 1, 2017 through December 31, 2017 to be 1.97%, and the benchmark rate was increased to $21.03. On September 26, 2019, the Commission found the rate of inflation for the period January 1, 2018 through December 31, 2018 to be 2.30%, and the benchmark rate was increased to $21.51.

In its December 18, 2018 Order on Generic Issues and Supplemental Scheduling Order in this docket, the Commission considered, *inter alia,* the following issue: "Whether the benchmark local service rate should continue to be updated for inflation beyond the ten year life of the access transition fund?" *Order on Generic Issues and Supplemental Scheduling Order, p. 7*

The Commission ruled as follows:

> The Commission finds that the benchmark local service rate should continue to be updated for inflation beyond the ten year life of the access transition fund for the reasons set forth in the Staff's position. As Staff and other parties recognized, a rationale for having a benchmark local service rate is so the customers in high cost areas will pay a reasonable price for telecommunications service. It naturally follows that in order to achieve this purpose the benchmark must be reasonable. If it is set too low, then a Tier II ILEC will be able to charge its customers an unreasonably low rate for service. A Tier II ILEC would then be able to seek to collect from the UAF those reasonable and actual costs that it did not collect from its customers. Updating the benchmark rate for inflation is a necessary part of ensuring that the benchmark remains reasonable. The benchmark local service rate is relevant to the high cost fund as well as the access transition fund. Because the high cost fund is scheduled to remain in place for ten years after the access transition fund expires, ceasing any updates to the benchmark rate for inflation after the access transition fund expires would mean failing to take a necessary step to ensure the reasonableness of the benchmark. Such an approach would expand the size of the UAF. For these reasons, the Commission finds that it is reasonable to continue to update the benchmark local service rate for inflation after the access transition fund goes away.
>
> The Commission declines to adopt PSTC/Ringgold's recommendation to adopt the FCC's local rate floor of $18.00. The benchmark local service rate has been derived and updated for inflation consistent with O.C.G.A. § 46-5-167(d)(2)(A). The FCC's rate floor is below the current benchmark rate employed by the Commission. (Duval Direct, p. 17). Therefore, the Commission's benchmark rate does not conflict with the FCC's floor. Use of the FCC's local rate floor would risk expanding the size of the fund. Also, in accordance with the statute, the benchmark local service rate was derived based on Georgia-specific data. See O.C.G.A. § 46-5-167(d)(2)(A).
>
> *Id., p. 8*

On September 17, 2020, the Commission found the rate of inflation for the period January 1, 2019 through December 31, 2019 to be 1.65%, and the benchmark rate was increased to $21.86. On September 30, 2021, the Commission found the rate of inflation for the period January 1, 2020 through December 31, 2020 to be 1.47%, and the benchmark rate was increased to $22.18.

The rate of inflation for the period January 1, 2021 through December 31, 2021 was found to be 5.86%. Therefore, the Staff recommended that the benchmark rate increase to $23.48.

The Commission adopts the Staff's recommendation.

*  *  *  *  *

**WHEREFORE, it is**

**ORDERED**, that the benchmark rate shall be increased to $23.48.

**ORDERED FURTHER**, that a motion for reconsideration, rehearing, oral argument, or any other motion shall not stay the effective date of this Order, unless otherwise ordered by the Commission.

**ORDERED FURTHER**, that jurisdiction over this matter is expressly retained for the purpose of entering such further Order(s) as this Commission may deem just and proper.

The above by action of the Commission in Administrative Session on the 4th day of October 2022.

Sallie Tanner
Executive Secretary

10-4-22
DATE

Tricia Pridemore
Chairman

10/4/22
DATE