

DT 00-294

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**WILTON TELEPHONE COMPANY  
HOLLIS TELEPHONE COMPANY**

**Show Cause Order Directing Wilton and Hollis Telephone  
Companies  
to Appear Before the Commission to Answer:**

1. Why the Companies Should Not Be Required to Replace Their Auditors; and
2. Why the Companies, Their Officers and Agents Should Not be Fined and/or Penalized Pursuant to RSA 365:41, RSA 365:42 and RSA 374:17 for Failure to Comply with Order No. 23,190; and
3. Why the Companies' Authority to Engage in Business in New Hampshire Should Not be Withdrawn Pursuant to RSA 374:28; and
4. Why the Commission Should Not Open a Separate Proceeding to Investigate the Companies' Rates

**O R D E R N O. 23,630**

**January 29, 2001**

**I. BACKGROUND**

On December 22, 2000, the Staff (Staff) of the New Hampshire Public Utilities Commission (Commission) filed a report with the Commission (Report) with respect to compliance issues for Wilton and Hollis Telephone Companies (Wilton and Hollis, or the Companies). The Report results from follow-up audits of both Companies resulting from Commission Dockets DE 98-058 and DE 98-059. Those dockets were initially opened as investigations into earnings, and a Stipulation and Comprehensive Settlement Agreement (the Agreement) was approved by the Commission in Order No. 23,190. *Re: Wilton Telephone Company, Inc.*, 84 NH PUC 232 (1999). In the

Agreement, Wilton and Hollis agreed that their financial reporting has been inaccurate and misleading, and that their earnings had been understated. The Companies agreed to pay cash penalties and to take a number of steps to achieve full compliance with Commission rules and reporting procedures.

Staff's Report of December 22, 2000 provides substantial detail as to the follow-up audit work completed with respect to the compliance of both Wilton and Hollis with the Agreement as approved by the Commission. Staff believes that the Companies are not in full compliance with the Agreement with respect to a number of areas. These include changes in operations and personnel, both internal and with respect to the Companies' CPA firm, matters with respect to affiliated contracts, and treatment of rate case expenses, temporary rate refunds and customer credits.

In addition to compliance issues resulting from Order No. 23,190, Staff's memorandum also indicated that its latest analysis shows that both Wilton and Hollis are earning in excess of their last found cost of capital. Staff recommends that the Commission include within this pending proceeding notice that earnings of both companies will be reviewed as well.

On January 10, 2001, the Commission issued Order No. 23,615 requiring the Companies to show cause why the Companies should not be required to replace their auditors; why the Companies, their officers and agents should not be fined and/or penalized for failure to comply with Order No. 23,190; why the Companies' authority to engage in business in New Hampshire should not be withdrawn; and why the Commission should not open a separate proceeding to investigate the Companies' rates. On January 12, 2001, the Companies' counsel requested additional time to publish the Order so that the Company could meet with Staff to discuss the issues raised in the Report. As one of the issues before the Commission is Staff's allegations that both Wilton and Hollis are overearning, Staff and the Company agreed to recommend that the Commission reschedule the hearing and associated procedural dates and establish current rates as temporary rates as of January 30, 2001- the originally scheduled hearing date, pursuant to RSA 378:27.

## **II. COMMISSION ANALYSIS**

The Commission accepts the recommendations of Staff to reschedule the hearing and associated procedural dates. Pursuant to RSA 378:27, temporary rates may only be established by the Commission after notice and hearing.

Therefore, we will not adopt the recommendation that temporary rates be set pursuant to agreement of the parties without benefit of a hearing. The issue of temporary rates will, however, be on the agenda for the rescheduled prehearing conference. In addition, given the Companies' alleged past practices, the potential need for cash to refund temporary rates, and the potential need for cash to pay significant fines we remain concerned about dividend payments at this time. To the extent that the Companies intend to make any dividend payments, we direct them to first obtain approval from this Commission. We also require the Companies to immediately report to the Commission the date and amount of any dividend payments that have been made since the date of the Report.

**Based upon the foregoing, it is hereby**

**ORDERED,** that Order No. 23,615 (January 10, 2001) is hereby superseded by this Order; and it is

**FURTHER ORDERED,** that, pursuant to RSA 365:41, RSA 365:42, RSA 374:17, RSA 374:28 and RSA 374:7, Wilton Telephone Company and Hollis Telephone Company shall appear at a Prehearing Conference before the Commission located at 8 Old Suncook Road, Concord, New Hampshire on February 28, 2001 at

10:00 a.m., at which each party and Staff will provide a preliminary statement of its position with regard to the Report and any of the issues set forth in N.H. Admin Rule Puc 203.05(c) shall be considered; and it is

**FURTHER ORDERED,** that during the prehearing conference the Commission will consider whether the current rates of Wilton Telephone Company and Hollis Telephone Company shall be fixed as temporary rates in accordance with RSA 378:27, and, therefore, subject to refund or recoupment pursuant to subsequent orders of this Commission; and it is

**FURTHER ORDERED,** that to the extent the Companies have the means and determination to make dividend payments, we direct the Companies to first obtain approval from this Commission before any dividends are paid; and it is

**FURTHER ORDERED,** that pursuant to N.H. Admin. Rules Puc 203.01, the Companies shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order no later than February 14, 2001, in a newspaper with statewide circulation or of general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before February 28, 2001; and it is

**FURTHER ORDERED**, that pursuant to N.H. Admin. Rules Puc 203.02, an party seeking to intervene in the proceeding shall submit to the Commission an original and eight copies of a Petition to Intervene with copies sent to the Companies and the Office of the Consumer Advocate on or before February 23, 2001, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, or that the petitioner qualifies as an intervenor under any provision of law, as required by N.H. Admin. Rule Puc 203.02 and RSA 541-A:32, I(b); and it is

**FURTHER ORDERED**, that any party objecting to a Petition to Intervene make said objection on or before February 28, 2001.

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By order of the Public Utilities Commission of New  
Hampshire this twenty-ninth day of January, 2001.

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Douglas L. Patch  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Thomas B. Getz  
Executive Director and Secretary