

DT 01-149

UNION TELEPHONE COMPANY

Investigation into Overearnings

Prehearing Conference Order

O R D E R N O. 23,771

September 7, 2001

APPEARANCES: Preti, Flaherty, Beliveau, Pachios, & Haley, Joseph G. Donahue, Esq., for Union Telephone Co.; Office of Consumer Advocate on behalf of Residential Ratepayers, Anne Ross, Esq., and for the Staff of the New Hampshire Public Utilities Commission, Lynmarie Cusack, Esq.

I. BACKGROUND

On July 26, 2001, the New Hampshire Public Utilities Commission (Commission) issued an Order of Notice opening an inquiry concerning Union Telephone Company's earnings. The facts leading to the opening of the investigation show that in August 2000, Commission Finance Staff completed a desk audit of Union Telephone Company's (Union) 1999 Annual Report. The audit concluded that Union was earning in excess of its authorized rate of return. Based on this conclusion, Union's accounting firm, Berry, Dunn, McNeil & Parker, submitted to Staff a letter and schedules, dated September 28, 2000, indicating a normalizing adjustment with an overearnings of \$315,610, using a return on equity of 11.18%.

The Order of Notice noted that the investigation would inquire into how to eliminate Union's excess earnings, which would include issues involving revenue requirement and rate design. The Commission also noted it was necessary to set temporary rates during the pendency of the investigation.

The prehearing conference was held on August 13, 2001; a Hearings Examiner presided and a report was filed on August 14, 2001. The issue of a temporary rate settlement was discussed during the hearing, as well as the Parties' and Staff's positions regarding the merits of the case. No requests for intervention were filed and no additional parties appeared.

After the prehearing conference, Union, the OCA and Staff met in a technical session at which time they reached an agreement on a proposed procedural schedule and temporary rates. Staff submitted a written Stipulation and Agreement on Temporary Rates along with the proposed procedural schedule.

The Stipulation stated that Staff and the Parties agreed to establish temporary rates at current permanent rate levels as of July 26, 2001; that the administration of any refund or recoupment should be addressed in any final settlement or by the Commission following a hearing if no settlement were reached; and that calendar year 1999 (with adjustments for known and measurable year 2000 changes) would be used as the test year for this earnings investigation. The Staff and Parties also agreed

to the following procedural schedule for the earnings investigation:

August 20, 2001	Settlement Conference
August 24, 2001	Settlement Discussion (if needed)
August 31, 2001	Submission of Settlement to Commission
October 1, 2001	Submission by Co. of 1999 schedules with year end 2000 adjustments
October 15, 2001	Data Requests by Staff and OCA
November 2, 2001	Co. Responses
November 19, 2001	Staff Testimony
December 3, 2001	Data Requests by Co and OCA
December 21, 2001	Staff Responses
January 18, 2002	Company and OCA Testimony
February 1, 2002	Data Requests by any party
February 18, 2002	Responses
March 8, 2002	Rebuttal Testimony
March 15, 2002	Settlement Conference (if needed)
March 25-27, 2002	Hearings

However, on August 30, 2001, Staff of the Commission submitted a letter to the Commission indicating that the Parties and Staff had reached a comprehensive agreement for the docket obviating the agreement on a procedural schedule and temporary rates. The letter also indicated that the involved participants would file the comprehensive written agreement in the near future and would request a hearing date on the comprehensive agreement for sometime in October.

II. COMMISSION ANALYSIS

Given Staff's notification that all involved in the docket have reached a comprehensive agreement for the proper outcome of the case superceding the previous agreement, we need

not address the temporary rate issue and procedural schedule. Instead, we will await the filing of the comprehensive agreement and request for a hearing. We expect the written agreement to be filed no later than September 10, 2001.

Based upon the foregoing, it is hereby

ORDERED, that the parties file, by September 10, 2001, the comprehensive settlement agreement noted in Staff's letter of August 30, 2001.

By order of the Public Utilities Commission of New Hampshire this seventh day of September, 2001.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary