

DT 05-133

GRANITE STATE TELEPHONE, INC.

Notice of Intent to File Rate Schedules

Order Setting Procedural Schedule

ORDER NO. 24,549

November 28, 2005

APPEARANCES: Devine, Millimet & Branch P.A. by Frederick J. Coolbroth, Esq. for Granite State Telephone, Inc.; Orr & Reno P.A. by Susan S. Geiger, Esq. for Union Communications; F. Anne Ross for the Office of Consumer Advocate; Lynn Fabrizio, Esq. for Staff.

I. BACKGROUND AND PROCEDURAL HISTORY

On August 15, 2005, Granite State Telephone, Inc. (GST) filed with the New Hampshire Public Utilities Commission (Commission) a Notice of Intent to file rate schedules in accordance with RSA 378:3 and N.H. Code Admin. Rules Puc 1604.05. On October 5, 2005, GST filed a revised tariff representing a general increase in rates pursuant to the Puc 1600 rules. In support of its filing, GST provided pre-filed direct testimony of William R. Stafford, Chief Operations Officer of GST; Otto M. Nielsen, a consultant to GST; and Douglas D. Meredith of John Staurulakis, Inc. (JSI), a telecommunications consulting firm. GST seeks to increase its annual intrastate revenues by \$860,000 through the proposed permanent rate increases.

Concurrently with its rate schedule filing, GST filed a petition for an order prescribing temporary rates, accompanied by direct testimony on temporary rates from Mr. Nielsen and Mr. Stafford. GST seeks to achieve half of the requested annual revenue increase through temporary rates. In its petition, GST requested that, in the event the

Commission decides to suspend GST's permanent rate request pursuant to RSA 378:6,I(a), it schedule a hearing with regard to the petition for temporary rates and enter an order finding that GST is entitled to temporary rates in accordance with RSA 378:27.

On August 22, 2005, the Office of Consumer Advocate (OCA) notified the Commission that it would be participating in this docket on behalf of residential ratepayers. On October 14, 2005, the Commission issued an Order of Notice suspending GST's revised general rate schedule for the duration of the Commission's investigation, but not to exceed 12 months from the proposed effective date of November 4, 2005. The Order of Notice also scheduled a Prehearing Conference for November 9, 2005, to be followed by a Technical Session, and required intervention requests to be filed by November 4, 2005. On November 4, 2005, Union Telephone Company d/b/a Union Communications (Union) filed a petition for intervention. On November 8, 2005, GST filed an objection to Union's petition. GST and Union came to agreement prior to the Prehearing Conference that Union's participation in this proceeding would be limited to being on the service list for public documents and being able to make an unsworn statement as a member of the public; that Union would not be deemed a party or permitted to present witnesses, propound data requests, or cross-examine witnesses; and that Union would not attend or participate in any settlement discussions or agreement that may result from this proceeding. No objections were made to that agreement. The Prehearing Conference and a Technical Session including GST, Staff and the OCA were held as scheduled.

II. PRELIMINARY POSITIONS OF THE PARTIES AND STAFF

A. Granite State Telephone

GST contends that its rate schedule filings and supporting documentation demonstrate that the company is not earning a reasonable return on rate base after expenses. According to GST, it is entitled to a temporary increase in rates pursuant to RSA 378:27 to avoid confiscation of its property during the pendency of any investigation of its permanent rate request. GST further notes that the requested temporary rate increase is less than the full amount that would be permissible based upon the reports GST has filed with the Commission, the hypothetical capital structure prescribed in the stipulation approved in Docket No. DT 04-180, and the last allowed rate of return on common equity of 10.07%.

B. Office of the Consumer Advocate

Although the OCA did not put forward a preliminary position at the time of the Prehearing Conference, it expressed concern for the amount of rate increases proposed for residential and business customers.

C. Commission Staff

Staff views GST's application for a rate increase as a fairly standard one requiring a balancing of the interests of the ratepayers and those of the company. Staff noted that it will scrutinize the details of the filing with a focus on the rate of return, the methodology proposed by GST, and pro forma adjustments. Staff further stated that it will assess the appropriateness of the rate increases with a view toward developing an appropriate rate design with potential for the phasing-in of any temporary or permanent rate increases.

III. PROPOSED PROCEDURAL SCHEDULE

Following the Prehearing Conference, GST, Staff and OCA met in a Technical Session to discuss a procedural schedule for completing this docket. The following schedule was agreed upon and recommended to the Commission by letter from Staff dated November 15, 2005.

November 18, 2005	Staff and OCA data requests re temporary rates
November 29, 2005	GST responses to data requests re temporary rates
December 1, 2005	Technical session re temporary rates
December 8, 2005	Staff and OCA testimony re temporary rates
December 14, 2005	Hearing re temporary rates
December 16, 2005	Staff and OCA data requests re permanent rates - Set 1
January 5, 2006	GST responses to Set 1 data requests
January 9, 2006	Begin audit
January 10, 2006	Settlement discussion re cost of capital
February 15, 2006	Draft audit report
February 22, 2006	Settlement discussion re permanent rates - Day 1, and final audit report
February 24, 2006	Settlement discussion re permanent rates – Day 2
March 3, 2006	File settlement agreement re permanent rates
March 14, 2006	Hearing re settlement agreement. If no settlement, the schedule proceeds as follows:
March 17, 2006	Staff and OCA data requests re permanent rates - Set 2
March 31, 2006	GST responses to Set 2 data requests
April 21, 2006	Staff and OCA testimony
April 28, 2006	GST data requests to Staff and OCA - Set 1
May 12, 2006	Staff and OCA responses to data requests - Set 1
May 19, 2006	GST data requests to Staff and OCA - Set 2
June 2, 2006	Staff and OCA responses to data requests - Set 2
June 6, 2006	Settlement discussion re permanent rates
June 8, 2006	Settlement discussion re permanent rates, if necessary
June 14, 2006	File settlement agreement or, if no settlement, GST files rebuttal testimony
June 21, 2006	Staff and OCA data request re rebuttal testimony
June 28, 2006	GST responses to data requests re rebuttal testimony
July 11, 2006	Hearing on permanent rates
July 12, 2006	Hearing on permanent rates

IV. COMMISSION ANALYSIS

GST's filing raises, *inter alia*, issues related to the level of current earnings; whether current rates are just and reasonable; whether temporary rates should be implemented and, if so, at what level; and the appropriate level of permanent rates. The standards for approval require us to find that the rates charged by the utility are not unduly discriminatory, are just and reasonable, and provide the company with the opportunity to earn a reasonable rate of return on its investment. The schedule proposed by GST, Staff and the OCA accommodates an adequate plan for the development of information required for our determinations. We find the schedule as proposed is reasonable to accomplish the goals of the proceeding and, therefore, adopt it.

Based upon the foregoing, it is hereby

ORDERED, that the procedural schedule as proposed herein is reasonable and is hereby adopted; and it is

FURTHERED ORDERED, that Union Communications' participation in this docket will be limited to monitoring only, as agreed by GST and Union.

By order of the Public Utilities Commission of New Hampshire this
twenty-eighth day of November, 2005.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Michael D. Harrington
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary