

DT 05-133

GRANITE STATE TELEPHONE

Notice of Intent to File Rate Schedules

Order Approving Stipulation Agreement

ORDER NO. 24,565

December 15, 2005

I. PROCEDURAL HISTORY

On October 5, 2005, Granite State Telephone, Inc. (GST) filed with the New Hampshire Public Utilities Commission (Commission) revised tariff pages, financial schedules and supporting testimony for an increase in permanent rates. GST is an independent local exchange company serving approximately 11,000 customers in Chester, Hillsborough Upper Village, Washington and Weare. The permanent rate petition was docketed by the Commission as DT 05-133 and is scheduled for hearing July 11 and 12, 2006.

GST included with its permanent rate filing a Petition for an Order Prescribing Temporary Rates pending the decision to be made in the case herein. Accompanying that Petition was the testimony of William R. Stafford, Chief Operating Officer of GST, and Otto M. Nielsen, consultant and former Controller of the company. On October 14, 2005, the Commission issued an Order of Notice (Order No. 24,528) suspending the proposed permanent rate increase pending investigation and scheduling a pre-hearing conference for this docket for November 9, 2005. On November 4, 2005, Union Telephone Company d/b/a Union Communications (Union) filed a petition to intervene. GST filed an objection to the Union intervention petition on November 8, 2005. Prior to the pre-hearing conference, GST and Union reached agreement on Union's participation such that Union would be on the service list and able

to make an unsworn statement to the Commission but would not be a party to the proceeding or permitted to present witnesses, propound data requests or cross examine witnesses. Union also would not participate in settlement discussions or any settlement agreement in the proceeding.

Pursuant to N.H. Admin. Rule Puc 203.05, a pre-hearing conference to address procedural matters governing the course of this proceeding was held as scheduled, followed by a technical session among GST, the Office of the Consumer Advocate (OCA) and Commission Staff (Staff), at which a procedural schedule was developed for submission to the Commission. On November 18, 2005, OCA and Staff issued data requests, and GST provided its responses on November 29, 2005. On November 28, 2005, the Commission issued Order No. 24,549 approving the recommended procedural schedule and the agreement regarding Union's participation in the Docket.

In accordance with the procedural schedule, GST, OCA and Staff held a technical session and settlement conference with regard to temporary rates on December 1, 2005. At that meeting, the positions of the parties regarding temporary rates were discussed at length, and the parties and Staff reached a compromise agreement, stipulating to temporary rates below the level requested by GST. The Stipulation was filed with the Commission on December 9, 2005. A hearing on the temporary rate Stipulation was held on December 14, 2005. At the hearing, the Commission reserved an exhibit for calculation of the earned return under the proposed temporary rates, which GST developed and filed the afternoon of December 14, 2005.

II. GST's TEMPORARY RATE PROPOSAL AND STIPULATED AGREEMENT

In its October 5, 2005 petition, GST requested temporary rates that would generate an estimated increase in annual revenues of approximately \$430,000, based on its calculated under-

earning of approximately \$860,000, using GST's last found rate of return of 10.07%. The temporary rate proposal also eliminated two-party service.¹ Following discovery and settlement discussions regarding both the overall amount of the increase and the proposed rate structure, GST, OCA and Staff (the Signatories) agreed to recommend to the Commission that 1) the amount of the annual revenue increase from the temporary rates would be reduced to \$300,000, 2) the proposed elimination of two-party service would be moved to a separate tariff filing with notice to two-party service subscribers, and 3) a revised rate structure for temporary rates would be used.

The proposed temporary rates were the product of a two-step process. First, single-party residential rates were raised to Verizon's current rates for the comparable rate group, of which there are two in GST's exchange. Single-party business rates were set at twice that residential rate. Two-party service rates were raised by the same dollar amount as the single-party rate in the same exchange. This initial step would have resulted in a revenue increase of \$559,274. The second step was to lower all rates on a pro-rata basis to arrive at an approximate \$300,000 overall increase, while keeping the two-party increase to the same dollar amount as the single-party increase.

The Signatories also agreed that the temporary rates would be made effective for service rendered as of January 1, 2006, and that customers shall receive notice of the temporary rate

¹ GST currently serves 54 two-party customers, all but one of which are residential. GST anticipates a filing to eliminate two-party service within two months of this order.

increase, in accordance with N.H. Code Admin. Rules Puc 412.07, prior to that date. GST will mail the notice no later than December 28, 2005.

Staff and OCA reviewed the calculations of the temporary rates based on this methodology and concluded that the increase was justified, based on the books and records on file with the Commission, pursuant to RSA 378:27. The terms of the Stipulation extend only to the temporary rate phase of the proceeding and do not constitute agreement for the permanent rate issues in this docket. Full details of the current and proposed temporary rates for each rate group are set forth in Attachment A to the Stipulation. The late-filed exhibit, calculating the earned return under the temporary rate proposal, demonstrates a rate of return of 3.27%.

III. COMMISSION ANALYSIS

We have reviewed the prefiled testimony of Mr. Stafford and Mr. Neilsen, as well as the Stipulation and record of the December 14, 2005 hearing. We find that, based on the books and records on file with the Commission, GST is entitled to temporary rate increase, subject to reconciliation, pursuant to RSA 378:27. In addition, we find that the temporary rates are “sufficient to yield not less than a reasonable return on the cost of the property of the utility used and useful in the public service less accrued depreciation”. RSA 378:27.

The temporary rate design and resulting temporary rates set forth in the Stipulation appear just and reasonable. We will approve the Stipulation in its entirety, for effect January 1, 2006, on a service rendered basis.

Based upon the foregoing, it is hereby

ORDERED, that the Stipulation on temporary rates for Granite State Telephone, Inc. is APPROVED.

By order of the Public Utilities Commission of New Hampshire this fifteenth day of December, 2005.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary