STATE OF MAINE
PUBLIC UTILITIES COMMISSION

November 13, 2003

NORTHLAND TELEPHONE COMPANY OF MAINE, Proposed Rate Increase	Docket No. 2002-747 ORDER APPROVING STIPULATION
SIDNEY TELEPHONE COMPANY, Complaint Requesting Commission Action Into Sidney Telephone Company's Rates for Local Exchange Service	Docket No. 2003-34 ORDER APPROVING STIPULATION
MAINE TELEPHONE COMPANY, Complaint Requesting Commission Action Into Maine Telephone Company's Rates for Local Exchange Service	Docket No. 2003-35 ORDER APPROVING STIPULATION
CHINA TELEPHONE COMPANY, Complaint Requesting Commission Action Into China Telephone Company's Rates for Local Exchange Service	Docket No. 2003-36 ORDER APPROVING STIPULATION
STANDISH TELEPHONE COMPANY, Complaint Requesting Commission Action Into Standish Telephone Company's Rates for Local Exchange Service	Docket No. 2003-37 ORDER APPROVING STIPULATION

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

In this Order we approve a Stipulation between the telephone companies named above (all of which are Fairpoint of New England telephone companies: "Fairpoint companies" or "Companies") and the Public Advocate (OPA). The Stipulation establishes the revenue requirement in the pending rate cases for those companies and a schedule for compliance with 35-A M.R.S.A. § 7101-B.

II. BACKGROUND

On January 16, 2003 the Fairpoint Companies filed proposed rate changes for each of the Companies. The Companies claimed increases in their costs of service. The cases also sought to address the needs of the companies to reduce their intrastate access rates to comply with the requirements of 35-A M.R.S.A. § 7101-B, as amended effective May 2, 2003. The cases did not seek to address rate increases that might be

necessary to implement expansions of basic service calling areas (BSCAs) required by November 2002 amendments to Chapter 204 of the Commission's Rules.

The Commission received two petitions to intervene, from the Public Advocate and from Stephen Holmes, a customer of Standish Telephone Company. The Hearing Examiner granted both petitions.

The Public Advocate conducted extensive written discovery. Both the Companies and the Public Advocate provided prefiled direct, rebuttal and surrebuttal testimony that described in detail their positions concerning the Companies' revenue requirements. The Companies and OPA, along with the Commission's advisors, met on two occasions to discuss issues in the case and possible settlement. Mr. Holmes was notified of these meetings but did not participate.

On October 28, 2003, the Companies and the Public Advocate filed a Stipulation containing an agreement that resolved the revenue requirement issues in the rate proceeding and an agreement for future revenue-neutral changes in rates for the purpose of offsetting access rate reductions required under 35-A M.R.S.A. § 7101-B. Mr. Holmes was provided with copies of the various drafts of the Stipulation. He did not sign the final Stipulation or provide any other communication to the Commission concerning his views about the Stipulation. We considered the Stipulation at our deliberations on November 3, 2003.

III. STANDARD FOR APPROVAL OF STIPULATIONS

In approving a stipulation, we consider whether the parties joining the stipulation represent a sufficiently broad spectrum of interests, whether the process leading to the stipulation was fair and whether the stipulated result is reasonable and not contrary to legislative mandate. *See e.g., Consumers Maine Water Company, Proposed General Rate Increase of Rockland and Hartland Divisions,* Docket No. 96-739 (July 3, 1997) at 2. The Public Advocate represents the using and consuming public of the five Fairpoint Companies. The OPA negotiated and joined in the Stipulation. Although Mr. Holmes did not sign the Stipulation, prefiled testimony by witnesses for the Public Advocate addressed the issue (affiliated interest charges) that Mr. Holmes's petition to intervene had raised.

We find that the process was fair and that all interested parties had a reasonable opportunity to participate.

IV. DECISION

We are satisfied that the Stipulation results are reasonable. We find that the proposed Stipulation adequately resolves the revenue requirement issues in this case. The combined revenue requirement increase for all the Companies is $604,000 or 3.0 percent of test year intrastate revenues. Rates for local service on average will increase by 8.7 percent because of the change in revenue requirement. The Companies have attempted to implement a rate structure that is more nearly uniform across all Companies and customer classes. Rate increases range from $.02 to $1.90 for residential Economy; $0.53 to $3.10 for residential Premium (most are $1.85 or less); $1.25 to $2.50 for business Economy; and $.10 to $3.40 for business Premium

(most are $2.60 or less). A table showing all existing rates, rate changes and approved new rates is attached to the Stipulation as Attachment A.

The Stipulation also requires access rate reductions in two steps, on September 1, 2004 and May 31, 2005. The total amount of access revenue loss will be $2,672,902, which will be split evenly between the two dates. On the same dates, the Companies will implement offsetting revenue-neutral increases of rates for local service, except that, if local rates would need to be higher than Verizon's rates, the Companies needing those higher rates will receive universal service funding. We find that this rate plan is consistent with the requirements of 35-A M.R.S.A. § 7101-B, as amended. We therefore will allow the Fairpoint Companies to implement the rates contained in the Stipulation.

Although the Stipulation addresses revenue requirement and future access rate reductions, it expressly does not address the implementation of changes in the Companies' BSCAs or rate changes that are necessary for that implementation. Those changes are addressed in a separate proceeding in Docket No. 2003-485. An order in that case will issue shortly.

Accordingly, we

1. APPROVE the Stipulation (attached to this Order) filed in Docket Numbers 2002-747, 2003-34, 2003-35, 2003-36, and 2003-37 on October 28, 2003 and INCORPORATE it into this Order; rates for the increase in revenue requirement ($604,000) shall become effective on November 10, 2003;

2. APPROVE the signed tariff pages filed with the Commission on November 13, 2003, for effect on November 15, 2003;

3. APPROVE the rate plan contained in the Stipulation and described above for decreases in access rates and offsetting increases in local rates or in local rates in combination with funding from the Maine Universal Service Fund.

Dated at Augusta, Maine, this 13th day of November, 2003.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Diamond
Reishus

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.

2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.

3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.