

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

In re Petition of the REGULATORY OPERATIONS)
STAFF requesting the Commission to open an investigatory) Docket No. 03-8042
docket into the rates and charges of Rural Telephone)
Company.)
_____)

At a general session of the Public Utilities
Commission of Nevada, held at its offices on
October 1, 2003.

PRESENT: Chairman Donald L. Soderberg
Commissioner Adriana Escobar Chanos
Commission Secretary Crystal Jackson

ORDER

The Public Utilities Commission of Nevada (“Commission”) makes the following findings of fact and conclusion of law:

I. Procedural History

1. On August 29, 2003, the Regulatory Operations Staff (“Staff”) of the Commission filed a Petition requesting that the Commission open an investigatory docket into the rates and charges of Rural Telephone Company (“Rural”). This Petition has been designated by the Commission as Docket No. 03-8042.

2. Staff stated that, in the summer of 2002, Staff’s attention was drawn to Rural’s accounting practices when the Fiscal Division of the Commission indicated a difficulty in reconciling Rural’s Annual Revenue and Assessment Report¹ and Rural’s Annual Report (collectively, “Reports”).² The Fiscal Division requested that Staff look at the two Reports. Staff noticed that there were negative entries in the Annual Revenue and Assessment Report for Directory Revenues and Miscellaneous Revenues. An explanation was sought from Rural

¹ Required under Nevada Revised Statutes 704.035.

regarding the negative entries. The explanation given indicated to Staff that Rural was employing improper accounting procedures. Staff alleged that Rural's accounting methods understate the true and correct earned rate of return.³ If this is the case, Staff concludes that Rural's rates and charges may be excessive and should be reduced. Further, Staff stated that Rural has refused to answer some data requests. Finally, Staff stated that Rural has marked some of the information given to Staff as "confidential" when no such confidentiality can or needs to be maintained.

3. This Petition comes within the purview of the Commission's jurisdiction pursuant to the Nevada Revised Statutes and the Nevada Administrative Code ("NAC"), including but not limited to, NAC 703.540.

4. The Commission issued a public notice of this Petition in accordance with State law and the Commission's Rules of Practice and Procedure. Rural filed comments in this matter.

II. Rural's Comments

5. On September 19, 2003, Rural argued that the scope and extent of Staff's investigation, conducted over the last year for a utility of Rural's size, did not make regulatory or economic sense. According to Rural, it has approximately 1,000 customers in Nevada and 25 employees, including 2 full time employees in Nevada. Additionally, Rural argued that following its corrections to the two negative entries on its Mill Assessment Report, Rural actually owed less money than previously indicated to the Commission.⁴

² Required under Nevada Revised Statutes 703.191.

³ See Staff's Petition, pg. 2.

⁴ Before the corrections, Rural stated that it owed \$697 for its Mill Assessment. After the corrections, Rural owed \$636.

6. Further, Rural argued that Staff refused to sign a confidentiality agreement, and that Rural would have provided access to portions of the information Staff wanted if Staff would sign the agreement.

III. Commission Decision

7. Staff has alleged that Rural’s accounting procedures are faulty, resulting in over charges to consumers served by Rural. Rural has provided general conclusions only in response to Staff’s Petition.⁵ It appears that two (2) negative entries existed in Rural’s Mill Assessment Report. It is the opinion of General Counsel that given the cross-allegations, the matter of Rural’s accounting practices and its earnings rate of return deserve further investigation and proceedings before the Commission. For this reason, General Counsel’s Office recommends that the Commission set this matter for further proceedings.

8. The Commission finds that it is in the public interest to accept General Counsel’s recommendation, grant Staff’s Petition and set this matter for further proceedings.

THEREFORE, based upon the foregoing findings and conclusions, it is hereby ORDERED that:

1. The Petition, filed by the Regulatory Operations Staff, is GRANTED.

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2. The Commission retains jurisdiction for the purpose of correcting any errors which may have occurred in the drafting or issuance of this Order.

By the Commission,

DONALD L. SODERBERG, Chairman

ADRIANA ESCOBAR CHANOS, Commissioner

Attest: _____
CRYSTAL JACKSON, Commission Secretary

Dated: Carson City, Nevada

10-10-03
(SEAL)

⁵ See Affidavit of Mark R. Martell, pg. 3, where Mr. Martell states that Rural posted negative entries in its revenue column because it was instructed to do so by its Controller at that time; and pg. 4, where Mr. Martell states that Rural can't over earn on its rate of return since the Commission has not set its rate of return.