



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

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In the Matter of the Application of Foresthill Telephone Company (U-1009-C), dba Sebastian, to Review Intrastate Rates and Charges and Rate of Return For Telephone Services Furnished Within the State of California, and Increase Selected Rates

Application No. 10-12-012  
(Filed December 22, 2010)

**OPENING COMMENTS OF  
FORESTHILL TELEPHONE COMPANY (U 1009 C) AND  
THE DIVISION OF RATEPAYER ADVOCATES OF  
THE CALIFORNIA PUBLIC UTILITIES COMMISSION  
ON PROPOSED DECISION OF ALJ MATTSON  
(Mailed on 10/28/2011)**

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November 17, 2011

1 **I. INTRODUCTION.**

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3 Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, Foresthill  
4 Telephone Company dba Sebastian (U 1009 C) ("Foresthill") and the Division of Ratepayer  
5 Advocates of the California Public Utilities Commission ("DRA") (collectively, the "Parties")  
6 hereby submit these Joint Opening Comments on the Proposed Decision of ALJ Mattson  
7 ("Proposed Decision") adopting the proposed Settlement Agreement between Foresthill and DRA  
8 that resolves all issues raised by Foresthill's Application and DRA's Protest thereto.

9 The Proposed Decision approves and adopts the Settlement Agreement as reasonable in all  
10 material respects. Both Foresthill and DRA support this result. However, the Parties submit the  
11 following comments seeking certain limited clarifications to the text of the decision and correcting  
12 minor errors therein. In addition, the Parties hereby submit an updated version of the Comparison  
13 Exhibits that were attached to their Settlement Agreement as Attachments B and C. The correct  
14 computations of the stipulated Test Year 2012 Intrastate Results of Operation, including the  
15 updated interstate Universal Service Fund ("USF") figure, are reflected in Exhibit A hereto.

16 The Parties' suggested clarifications and corrections to the Proposed Decision are set forth  
17 below.

18 **II. AMOUNT OF REVENUE INCREASE REQUESTED.**

19 The Proposed Decision recites at page 1 and page 4 that Foresthill, in the Application,  
20 sought a test year revenue increase of ". . . \$3,914,838 (150.9%) effective January 1, 2012 . . . ."  
21 This statement is a correct characterization of the total CHCF-A funding that Foresthill requested  
22 for the test year; Foresthill did not request an increase of \$3,914,838 over the CHCF-A that it  
23 received in previous years. To clarify this statement, a footnote should be added on page 1 stating  
24 as follows: "This revenue number and the associated percentage reflect a hypothetical zero dollar  
25 draw from the CHCF-A for 2011, not actual company revenues for 2011." A similar notation  
26 should be made in connection with the statement on page 4. These edits will avoid the perception  
27 that Foresthill had requested a \$3,914,838 increase over 2011 CHCF-A levels.

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1 **II. DRA's PROPOSED TEST YEAR REVENUES.**

2 At page 3, the seventh bullet point states that the Parties reached "Agreement with DRA's  
3 proposed test year revenues at present rates." To correctly reflect the Parties' Settlement  
4 Agreement, the word "local" should be inserted before "test year" in that bullet point. The Parties  
5 agreed to DRA's "proposed local test year revenues at present rates," not to DRA's originally-  
6 proposed overall test year revenues.

7 **III. MINOR LANGUAGE CHANGES.**

8 The Parties suggest three minor language changes to the text of the Proposed Decision:

- 9 • At page 3 of the Proposed Decision, in the third bullet point, there is a reference to  
10 "net operating revenues." For accuracy, the Parties believe that the word "revenues"  
11 should be replaced with the word "income." This bullet point should refer to "net  
12 operating income."
- 13 • At page 4, line 1 of the 2012 Intrastate Results of Operation Table, column one should  
14 read \$4,606,304 rather than \$5,606,304.
- 15 • At page 6, in line 7, the word "that" should be replaced with the word "than."
- 16 • At page 7, line 7 of the second paragraph of paragraph no. 4, the first use of the "or"  
17 should be replaced with the word "of."

18 **IV. UPDATED ATTACHMENTS TO SETTLEMENT AGREEMENT.**

19 As discussed in the Proposed Decision, the USF amounts that Foresthill will be receiving  
20 for test year 2012 are different from those that have been incorporated into the Settlement  
21 Agreement. The Parties support the CHCF-A adjustments described in the Proposed Decision that  
22 account for this difference. To memorialize the updated USF amounts and corresponding  
23 reduction in CHCF-A, the Parties hereby attach revised versions of Attachment B and Attachment  
24 C to the Settlement Agreement. Both of those modified attachments are provided in Exhibit A  
25 hereto.  
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1 V. CONCLUSION.

2 Based on the foregoing and consistent with the Parties' Settlement Agreement, the Parties  
3 respectfully request that the Commission adopt the Proposed Decision as its final decision in this  
4 matter, with the clarifications and minor corrections identified in these Opening Comments.

5 Dated this 17<sup>th</sup> day of November, 2011, at San Francisco, California.

6 By:                   /s/                    
7 Hien Vo

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# **EXHIBIT A**

## Attachment B

**Comparison Exhibit**  
**Foresthill Telephone Company Rate Case**  
**A. 10-12-012**

**Test Year 2012**

**Stipulated Settlement Amounts - Total Company**

	Total Company Foresthill Proposed	Total Company DRA Proposed	FTC Proposed Exceeds DRA Proposed	Total Company DRA/Foresthill Stipulated Amounts
<b>OPERATING REVENUES:</b>				
1 Local Network Services	831,444	823,063	1.02%	815,722
2 Local Services - CHCF-A	3,906,699	1,261,561	209.67%	2,566,164
3 Interstate USF	1,722,265	1,722,265	0.00%	1,838,246
4 Long Distance Network				
Network Access Svces:				
5 Intrastate	301,030	327,789	-8.16%	301,030
6 Interstate	3,136,982	3,136,982	0.00%	3,006,982
7 Miscellaneous	143,947	204,820	-29.72%	143,363
8 LESS: Uncollectible Rev.	(14,163)	(14,606)	-3.03%	(14,163)
9 Total Oper. Revenues	10,028,204	7,461,874	34.39%	8,657,344
<b>OPERATING EXPENSES:</b>				
10 Plant Specific	1,581,345	1,242,935	27.23%	1,387,204
11 Plant Non-Specific (less depr.)	511,766	391,917	30.58%	434,455
12 Depreciation & Amortization	1,909,351	1,330,987	43.45%	1,767,567
13 Customer Operations	889,261	687,915	29.27%	667,630
14 Corporate Operations	2,091,345	1,459,366	43.31%	1,733,146
15 Total Oper. Expenses	6,983,068	5,113,120	36.57%	5,990,002
<b>OPERATING TAXES:</b>				
16 Operating Fed Inc. Taxes	721,643	539,015	33.88%	605,334
17 Operating State Income Taxes	205,822	153,734	33.88%	172,651
18 Taxes Other Than operating	242,281	226,863	6.80%	246,300
19 Total Operating Taxes	1,169,746	919,612	27.20%	1,024,285
20 Net Operating Income	1,875,390	1,429,142	31.22%	1,643,057
<b>AVERAGE RATE BASE</b>				
21 Telephone Plant-in-Service	26,066,707	23,500,704	10.92%	25,313,005
22 Tel. Plt Held for Future Use	-	-		-
23 Tel. Plt Under Construction	900,000	789,600	13.98%	501,600
24 Mat & Supplies	80,480	76,000	5.89%	76,000
25 Working Cash	706,600	526,725	34.15%	589,300
26 Less: Deprec. Res.	(9,553,613)	(9,035,095)	5.74%	(9,327,554)
27 Def. Taxes	(1,779,979)	(1,552,280)	14.67%	(1,552,280)
28 Customer Deposit	-	-		-
29 Total Rate Base	16,420,195	14,305,654	14.78%	15,600,071
30 Rate of Return	11.42%	9.99%		10.53%

Attachment C

Comparison Exhibit  
 Foresthill Telephone Company Rate Case  
 A. 10-12-012  
 Test Year 2012

Stipulated Settlement Amounts - Intrastate Results of Operation

	Intrastate Foresthill Proposed	Intrastate DRA Proposed	FTC Proposed Exceeds DRA Proposed	Intrastate DRA/Foresthill Stipulated Amounts
<b>OPERATING REVENUES:</b>				
1 Local Network Services	831,444	823,063	1.02%	815,722
2 Local Services - CHCF-A	3,906,699	1,261,561	209.67%	2,566,164
3 Interstate USF	1,722,265	1,722,265	0.00%	1,838,246
4 Long Distance Network Network Access Svces:				
5 Intrastate	301,030	327,789	-8.16%	301,030
6 Interstate	-	-		-
7 Miscellaneous	135,798	193,225	-29.72%	135,298
8 LESS: Uncollectible Rev.	(14,163)	(14,606)	-3.03%	(14,163)
9 Total Oper. Revenues	6,883,073	4,313,297	59.58%	5,642,297
<b>OPERATING EXPENSES:</b>				
10 Plant Specific	1,027,705	807,775	27.23%	901,534
11 Plant Non-Specific (less depr.)	325,847	249,538	30.58%	276,622
12 Depreciation & Amortization	1,235,849	861,496	43.45%	1,144,078
13 Customer Operations	624,822	483,350	29.27%	469,097
14 Corporate Operations	1,392,081	971,411	43.31%	1,153,650
15 Total Oper. Expenses	4,606,304	3,373,570	36.54%	3,944,981
<b>OPERATING TAXES:</b>				
16 Operating Fed Inc. Taxes	556,172	164,141	238.84%	377,110
17 Operating State Income Taxes	158,628	46,815	238.84%	107,559
18 Taxes Other Than operating	162,286	151,959	6.80%	164,978
19 Total Operating Taxes	877,086	362,915	141.68%	649,647
20 Net Operating Income	1,399,683	576,812	142.66%	1,047,669
<b>AVERAGE RATE BASE</b>				
21 Telephone Plant-in-Service	17,460,184	15,741,477	10.92%	16,955,334
22 Tel. Plt Held for Future Use	-	-		-
23 Tel. Plt Under Construction	602,845	528,898	13.98%	335,986
24 Mat & Supplies	55,820	52,713	5.89%	52,713
25 Working Cash	422,700	315,096	34.15%	352,400
26 Less: Deprec. Res.	(6,341,497)	(5,997,315)	5.74%	(6,191,444)
27 Def. Taxes	(1,178,035)	(1,027,338)	14.67%	(1,027,338)
28 Customer Deposit	-	-		-
29 Total Rate Base	11,022,017	9,613,531	14.65%	10,477,651
30 Rate of Return	12.70%	6.00%		10.00%