APPENDIX A

SETTLEMENT AGREEMENT

(Eight Pages)

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the matter of the Application of The Siskiyou Telephone Company (U-1017-C) to Review Intrastate Rates and Charges and Rate of Return For Telephone Services Furnished Within the State of California.	Application No. 09-10-004 (Filed October 1, 2009)

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into as of June 21, 2010, by and among Applicant The Siskiyou Telephone Co. ("Siskiyou") and the Division of Ratepayer Advocates of the California Public Utilities Commission("DRA") in accordance with Article 12 of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure. Siskiyou and DRA are sometimes referred collectively herein as the "Parties."

RECITALS

WHEREAS, on October 1, 2009, Siskiyou filed a general rate case application ("Application") seeking an increase of intrastate revenues; and

WHEREAS, on October 7, 2009, the California Public Utilities Commission ("CPUC" or "Commission") published in its Daily Calendar public notice of the filing of the Application, and

WHEREAS, on December 4, 2009 DRA filed a response to the Application identifying issues with which it might oppose Siskiyou's request for relief stated in the Application; and

WHEREAS, Siskiyou and DRA have submitted extensive testimony and exhibits concerning the issues identified in the Commission's Scoping Ruling dated December 22, 2009 and have reviewed the submissions of each other; and

WHEREAS, Siskiyou and DRA have arrived at an agreement resolving all issues which is reasonable in light of the whole record, is consistent with the law of the State of California, and is in the public interest.

AGREEMENT

NOW, THEREFORE, based upon the mutual agreement reflected in this Settlement Agreement, Siskiyou and DRA agree to resolution of Siskiyou's general rate case application as follows:

1. Total company results of operation for Siskiyou in test year 2011 should be adopted by the Commission as reflected in Attachment A to this Settlement Agreement.

2. Separated, intrastate results of operation for Siskiyou in test year 2011 should be adopted by the Commission as reflected in Attachment B to this Settlement Agreement.

3. The Commission should adopt the rate design for Siskiyou as proposed in Siskiyou's Application, as modified by Siskiyou in revised testimony submitted by Siskiyou on March 2, 2010 and March 26, 2010, and which was the subject of revised customer notice provided to the Commission, the details of which are provided as Attachment C to this Settlement Agreement.

4. While not reflected in the attached exhibits, with respect to plant additions, DRA agrees to accept Siskiyou's annual Eligible Telecommunications Carrier (ETC) filing as adequate notice of plant additions.

5. The parties agree that Siskiyou's test year 2011 plant additions, net of plant retirements, be limited to the approximate amount of its annual depreciation expense, which is approximately $4 million per year.

6. The provisions of this Settlement Agreement are not severable and shall only become effective after the Commission has entered an order approving this Settlement Agreement without modification. In the event this Settlement Agreement is not accepted in its entirety by the Commission, it shall be deemed to be withdrawn, without prejudice to any claims, positions or contentions which may have been made or are made in this proceeding by any party and shall not be admissible in evidence or in any way described in any proceedings hereinafter. Siskiyou and DRA agree to the admission of pre-served testimony into the record of this proceeding without waiving the right to object to such testimony or to cross-examine witnesses sponsoring such testimony in the event the Commission rejects or modifies the terms of this Settlement Agreement. The provisions of this Settlement Agreement shall not be construed as or deemed to be a precedent by any party or the Commission with respect to any issue, principle, or interpretation or application of law and regulations, for any purpose or in connection with any proceeding before a court of law or any state or federal government regulatory body.

7. The Commission shall have exclusive jurisdiction over any issues related to this Settlement Agreement and no other court, regulatory agency or other governing body will have jurisdiction over any issue related to the interpretation of this Settlement Agreement, or the rights of the Parties in this Settlement Agreement, with the except of any court that may now or in the future, by statute or otherwise, have jurisdiction to review Commission decisions.

8. This Settlement Agreement was jointly prepared by the Parties and any uncertainty or ambiguity existing in the document will not be interpreted against any party on the basis that such party drafted or prepared the Settlement Agreement.

9. Each of the undersigned Parties agrees to abide by the terms of this Settlement Agreement.

10. The Settlement Agreement may be executed in counterparts.

11. This Settlement Agreement constitutes and represents the entire agreement between the Parties and supersedes all prior and contemporaneous agreements, negotiations, representations, warranties and understanding of the Parties with respect to the subject matter set forth herein.

12. This Settlement Agreement may be amended or changed only by a written amendment signed by both Parties and approved by the Commission.

13. The Parties will file a Joint Motion seeking Commission approval of the Settlement Agreement in its entirety and without change.

14. By signing below, each signatory represents and warrants that he/she is authorized to sign this Settlement Agreement on such Party's behalf and thereby binds such Party to the terms of this Settlement Agreement.

DIVISION OF RATEPAYER ADVOCATES

Dated: 6/21/2010 By:

Dana Appling
Director of the Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2430
Fax: (415) 703-2057

THE SISKIYOU TELEPHONE COMPANY

Dated: 6/18/10 By:

E. Garth Black
Counsel to The Siskiyou Telephone Company

636895.1

Attachment 1

COMPARISON EXHIBIT
SISKIYOU TELEPHONE CO. RATE CASE
A.09-10-004
TEST YEAR 2011
STIPULATED SETTLEMENT AMOUNTS - INTRASTATE RESULTS OF OPERATIONS

		Intrastate Siskiyou Proposed (Dollars)	Intrastate DRA Proposed (Dollars)	Intrastate DRA/Siskiyou Stipulated Amounts (Dollars)
OPERATING REVENUES:				
1	Local Network Services	1,207,737	1,207,737	1,207,737
2	Local Services - CHCF-A	6,095,330	3,482,271	4,158,094
3	Interstate USF	4,185,573	4,185,573	4,185,573
4	Long Distance Network	55,534	55,534	55,534
	Network Access Svces:	-	-	-
5	Intrastate	723,523	723,523	723,523
6	Interstate	-	-	-
7	Miscellaneous	221,126	221,126	221,126
8	LESS: Uncollectible Rev.	(29,397)	(29,397)	(29,397)
9	Total Oper. Revenues	12,459,426	9,846,367	10,522,190
OPERATING EXPENSES:				
10	Plant Specific	1,571,222	1,435,235	1,435,235
10.1	Plant Specific New (Temp.) Staff	Included above in Item 10	28,266	28,266
11	Plant Non-Specific (less depr.)	644,890	544,694	544,694
11.1	Plant Non-Sepcific New (Temp.) Staff	Included above in Item 11	25,800	25,800
12	Depreciation & Amortization	2,318,109	2,318,109	2,318,109
13	Customer Operations	465,190	441,077	441,077
14	Corporate Operations	1,684,240	1,194,496	1,194,496
14.1	Rate Case Expenses (Amort. Over 3 yr)	100,000	47,874	65,000
15	Total Oper. Expenses	6,783,651	6,035,551	6,052,677
OPERATING TAXES:				
16	Operating State Inc. Taxes	483,218	269,553	376,323
17	Operating Fed Income Taxes	1,694,237	945,095	1,319,447
18	Taxes Other Than Inc.(AFUDC)	212,465	212,465	212,465
19	Total Operating Taxes	2,389,920	1,427,113	1,908,235
20	Net Operating Revenue	3,285,855	2,383,703	2,561,279
AVERAGE RATE BASE				
21	Telephone Plant-in-Service	45,280,502	43,048,094	44,823,878
22	Tel. Plt Under Construction	586,292	586,292	586,292
23	Mat & Supplies	1,131,140	701,684	701,684
24	Working Cash	303,686	303,686	303,686
25	Less: Deprec. Res.	(20,316,561)	(20,316,561)	(20,316,561)
26	Def. Taxes	(485,914)	(485,914)	(485,914)
27	Customer Deposit	(251)	(251)	(251)
28	RTB Stock	-	-	-
29	Total Rate Base	26,498,894	23,837,030	25,612,814
30	Rate of Return	**12.40%**	**10.00%**	**10.00%**

Attachment 2

COMPARISON EXHIBIT
SISKIYOU TELEPHONE CO. RATE CASE
A.09-10-004

STIPULATED SETTLEMENT AMOUNTS - TOTAL COMPANY

		Total Company Siskiyou (a)	Total Company DRA (b)	Total Company DRA/Siskiyou Stipulated Amounts
OPERATING REVENUES:				
1	Local Network Services	1,207,737	1,207,737	1,207,737
2	Local Services - CHCF-A	6,095,330	3,482,271	4,158,094
3	Interstate USF	4,185,573	4,185,573	4,185,573
4	Long Distance Network	55,534	55,534	55,534
	Network Access Svces:			
5	Intrastate	723,523	723,523	723,523
6	Interstate	7,135,329	7,135,329	7,135,329
7	Miscellaneous	227,039	227,039	227,039
8	LESS: Uncollectible Rev.	(29,397)	(29,397)	(29,397)
9	Total Oper. Revenues	19,600,668	16,987,609	17,663,432
OPERATING EXPENSES:				
10	Plant Specific	2,605,697	2,427,053	2,427,053
11	Plant NSpecific (less depr.)	1,171,700	1,036,531	1,036,531
12	Depreciation & Amortization	3,942,510	3,942,510	3,942,510
13	Customer Operations	607,178	575,705	575,705
14	Corporate Operations	2,700,838	1,915,487	1,915,487
15	Rate Case Expense Recovery	100,000	47,874	65,000
16	Total Oper. Expenses	11,127,923	9,945,160	9,962,286
OPERATING TAXES:				
17	Operating State Inc. Taxes	717,479	506,543	648,822
18	Operating Fed Income Taxes	2,515,590	1,776,018	2,274,870
19	Taxes Other Than Inc.(AFUDC)	361,528	361,528	361,528
20	Total Operating Taxes	3,594,597	2,644,089	3,285,220
21	Net Operating Revenue	4,878,148	4,398,360	4,415,926
RATE BASE (Beginning + End of Year Average)				
22	Telephone Plant-in-Service	77,231,866	73,424,200	76,453,033
23	Tel. Plt Under Construction	1,000,000	1,000,000	1,000,000
24	Mat & Supplies	1,986,191	1,232,101	1,232,101
25	Working Cash	891,286	891,286	891,286
26	Less: Deprec. Res.	(34,590,859)	(34,590,859)	(34,590,859)
27	Def. Taxes	(775,232)	(775,232)	(775,232)
28	Customer Deposit	(400)	(400)	(400)
29	RTB Stock	-	-	-
30	Total Rate Base	45,742,852	41,181,096	44,209,929
31	Rate of Return	10.66%	10.68%	9.99%

SISKIYOU TELEPHONE COMPANY [DATA MONTH = DECEMBER, 2009]

TOTAL COMPANY RECURRING CHARGES

TARIFF	RC CODE	T	RC ITEM DESCRIPTION	DEC.,'09 QUANTITY	CURRENT UNIT PRICE	CURRENT BILLED AMOUNT	DEC.,'11 QUANTITY	DEC,'11 UNIT PRICE	DEC,'11 BILLED AMOUNT
A-1			NETWORK ACCESS LINE SERVICE						
A-01.A.1.a	B1AT		BUS INDIVIDUAL LINE TONE	854	18.85	16,097.90	854	22.25	19,001.50
A-01.A.2.a	R1AT		RES ONE PARTY LINE TONE	2,229	16.85	37,558.65	1,939	20.25	39,264.75
A-01.A.3	PTLT		PBX TRUNK LINE TONE	11	18.85	207.35	11	22.25	244.75
A-01.A.4	KB1T		KTS LINE BUSINESS TONE	38	18.85	716.30	38	22.25	845.50
A-2			UNIVERSAL LIFELINE TEL. SVC						
A-02.A.1	UR1		UNIVERSAL SERVICE RES 1P	955	5.47	5,223.85	955	5.47	5,223.85
A-02.A.1	URCV		UNIVERSAL SERVICE CECILVIL	16	5.47	87.52	16	5.47	87.52
A-02.A.2	UR1T		UNIVERSAL SERVICE TRIBAL	10	1.00	10.00	10	1.00	10.00
A-4			PUBLIC ACCESS LINE SERVICE						
A-04.A	PALC		PUBLIC ACCESS LINE COIN	3	18.85	56.55	3	22.25	66.75
A-04.A	PALCL		PUBLIC ACCESS LINE COINLES	48	18.85	904.80	48	22.25	1,068.00
A-6			CENTREX SERVICE						
A-06.B.1	CXIAL		CENTREX LINE	19	18.85	358.15	19	22.25	422.75
A-06.B.2	CXIIG		CENTREX INTRAGROUP	0	8.00	0.00	0	8.00	0.00
	TOTALS			4,183	149.89	61,221.07	3,893	173.69	66,235.37
						X 12			X 12
						734,653.00			794,824.00
			+E-RATE DISCOUNTS RECOVERED			21,897.94			21,897.94
			Lifeline Trueups			138,342.00			178,367.00
			ADJUST TO BAL. TO YEAR END*			38,622.17			38,622.17
						$933,515.11			$1,033,711.11

ACTUAL 2009 YEAR END ACCESS LINES	4,183
LESS: 2010 NORMAL ACCESS LINE ATTRITION	-125
EQUALS: BUDGETED 2010 YEAR END ACCESS LINES	4,058
LESS: 2011 NORMAL ACCESS LINE ATTRITION	-125
LESS: 1% RATE ELASTICITY ADJUSTMENT	-40
EQUALS: BUDGETED 2011 YEAR END ACCESS LINES	3,893

YEAR END 2011 LOCAL REVENUE adjusted for rate increase and elasticity. $1,033,711.11

* This adjustment accounts for higher line quantities in every month except December as well as part month charges and credits, customer refunds

(END OF APPENDIX A)