



FILED

12-28-11
04:59 PM

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE PUBLIC UTILITIES COMMISSION^{A1112011}
OF THE STATE OF CALIFORNIA

In the Matter of Application of Kerman Telephone Co. (U 1012 C) d/b/a Sebastian, to Review Intrastate Rates and Charges and Rate of Return for Telephone Service Furnished Within the State of California, and to Modify Selected Rates

A. _____

GENERAL RATE CASE APPLICATION
OF KERMAN TELEPHONE CO. (U 1012 C) d/b/a SEBASTIAN

E. Garth Black
Mark P. Schreiber
Patrick M. Rosvall
COOPER, WHITE & COOPER LLP
201 California Street, Seventeenth Floor
San Francisco, California 94111
Telephone: (415) 433-1900
Telecopier: (415) 433-5530
Email: prosvall@cwclaw.com

Attorneys for
Kerman Telephone Co. d/b/a Sebastian

December 28, 2011

1 **I. INTRODUCTION.**

2 Applicant Kerman Telephone Co. (U 1012 C) d/b/a Sebastian ("KTC") hereby respectfully
3 submits this General Rate Case Application ("Application") for review of its intrastate rates and
4 charges for regulated telecommunications services. KTC requests an increase in its net intrastate
5 revenues of \$2,957,321 based on an authorized rate of return on intrastate rate base of 12.69%.
6 This equates to a proposed CHCF-A draw for test year 2013 of \$6,490,463.

7 **II. STATUTORY AND PROCEDURAL REQUIREMENTS.**

8 **A. Statutory Authority.**

9 This Application is made pursuant to Public Utilities Code Sections 454, 701, and 728, the
10 California Public Utilities Commission's ("Commission")) Rules of Practice and Procedure
11 ("Rules"), and relevant decisions, orders, and resolutions of the Commission.

12 **B. Corporate Information and Correspondence (Rules 2.1(a) and 2.1(b)).**

13 KTC is a California corporation whose principal place of business is 811 South Madera
14 Avenue, Kerman, California 93630. KTC's telephone number is (559) 846-6277 and its fax
15 number is (559) 846-7516. KTC consents to service in this proceeding via email.
16 Correspondence and other communications regarding this Application should be sent to counsel
17 for KTC as follows:

18 E. Garth Black
19 Mark P. Schreiber
20 Patrick M. Rosvall
21 COOPER, WHITE & COOPER LLP
22 201 California Street
23 Seventeenth Floor
24 San Francisco, CA 94111
25 Tel: (415) 433-1900
26 Fax: (415) 433-5530
27 email: prosvall@cwclaw.com

28 with email copies to David Clark of KTC at dclark@sebastiancorp.com.

C. Organization and Qualification to Transact Business in California (Rule 2.2).

A copy of KTC's certified Articles of Incorporation from the California Secretary of State
is attached as Exhibit 1 hereto.

1 **D. Financial Statements (Rules 2.3 and 3.2(a)(1)).**

2 KTC's October 2011 balance sheet and income statements as of October of 2011 are
3 attached hereto as Exhibit 2.

4 **E. Description of KTC's Facilities, Equipment, and Other Property, the**
5 **Original Cost and Depreciation Reserve Applicable to the Property, the**
6 **Character of Business Performed, and the Territory Served (Rule 3.2(a)(4)).**

7 KTC owns and operates a telephone system that provides local exchange telephone service
8 in the city of Kerman and surrounding areas of Fresno County. KTC's system consists mainly of a
9 local exchange telephone network and related interconnection facilities, including underground
10 and aerial cable and lines, radio equipment, central office equipment, land, buildings, and
11 miscellaneous other property. Further details regarding KTC's property are provided in the
12 testimony of Mitch Drake, William S. Barcus, Fred Lofy, David Clark, Larry Thompson, and
13 Michael Burke that is being served in connection with this Application.

14 The original cost of KTC's property and equipment and the depreciation reserve applicable
15 thereto are shown on the balance sheet included in Exhibit 2 to this Application. Depreciation is
16 calculated on a remaining-life basis established through KTC's last general rate proceeding, and
17 updated by a recent depreciation study described in the testimony of Fred Lofy to be served on the
18 parties hereto.

19 **F. Present and Proposed Rates (Rules 3.2(a)(2) and 3.2(a)(3)).**

20 KTC's current rate for basic residential local exchange telephone service is \$20.25. KTC
21 does not propose any change to this rate. KTC proposes to change the following local service
22 rates or charges:

- 23 • EAS charges from:
 - 24 ○ Residence from \$0.63 to \$0.00.
 - 25 ○ Business from \$4.60 to \$0.00.
- 26 • Premises Visit Charges from \$65.25 to \$95.00, and Premium Time increment from \$12.00
27 to \$47.50.
- 28 • Inside Wire/Premise Work Charge
 - (First hour or fraction thereof) from \$45.00 (per first 15 min) to \$95.00 (per hour or

- 1 fraction thereof). Changes the first 15 minutes to first hour (one hour is the minimum).
- 2 ○ Additional 15 minutes from \$7.50 to \$23.75 monthly.
- 3 ○ Charges for Inside Wire/Premises Work done after regular hours to be charged at 1.5
- 4 times normal business hour rates, and Sunday/holiday work to be charged at 2.0 times
- 5 normal hour rates.
- 6 • Intra-building Network Cable Charges from:
- 7 ○ \$70.00 to \$95.00 for the first hour during normal business hours.
- 8 ○ \$15.00 to \$23.75 for each additional quarter-hour.
- 9 ○ Charges for Intra-building Network Cable work done after regular hours charged at 1.5
- 10 times normal business hour rates, and Sunday/holiday work will be charged at 2.0
- 11 times normal hour rates.
- 12 • Visit charges from \$35.00 to \$95.00
- 13 • Returned Check Charge from \$11.30 to \$25.00.

14 Proposed tariff changes are provided on the proposed customer notice, attached hereto as Exhibit

15 3. These proposed rate modifications, if adopted, will result in an estimated annual customer

16 revenue decrease of approximately \$90,106.

17 **G. Summary of Earnings (Rules 3.2(a)(5), 3.2(a)(9)).**

18 KTC selects calendar year 2013 as the test period for this rate case. A summary of

19 estimated earnings on a depreciated rate base for the test period is attached as Exhibit 4 hereto.

20 The schedule in Exhibit 4 shows KTC's total intrastate operations, as well as interstate and total

21 company operations.

22 **H. Federal Income Tax Depreciation Deduction (Rule 3.2(a)(7)).**

23 In computing its federal income tax, KTC utilizes accelerated depreciation when available.

24 For ratemaking purposes, KTC proposes to calculate federal income tax expense using straight-

25 line depreciation including the full normalization method of accounting for accelerated

26 depreciation.

27

28

1 **I. Proposed Increase Is Not Only a Cost "Pass Through" (Rule 3.2(a)(10)).**

2 KTC's requested revenue increase does not relate only to a "pass through" of costs.

3 **J. Financial Interest in Transactions (Rule 3.2(a)(8)).**

4 In accordance with Rule 3.2(a)(8), KTC confirms that its capital stock is not listed on a
5 "national securities exchange" and that its capital stock is not registered with the Securities and
6 Exchange Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934. Since
7 the filing of its last annual report with the Commission, there have been no transactions of the type
8 described in General Order 104-A, nor have any such transactions been proposed since the filing
9 of KTC's last annual report.

10 **K. Notices (Rules 3.2(b), 3.2(c), 3.2(d)).**

11 Pursuant to Rule 3.2(b), within 20 days of the filing of this Application, KTC will mail a
12 notice describing the proposed rate restructure sought in this Application to: (1) the State of
13 California, by serving the Attorney General and the Department of General Services; and (2) the
14 County Counsel and County Clerk of Fresno County. KTC will also publish a notice in a
15 newspaper of general circulation in Fresno County within 20 days after the filing date of this
16 Application, as required by Rule 3.2(c). This notice has been approved by the Commission's
17 Public Advisor. A copy of the proposed customer notice is attached hereto as Exhibit 5.

18 Further, KTC will send a notice to customers regarding proposed rate adjustments
19 requested and matters to be addressed in this rate case. KTC uses a 30-day billing cycle, so it will
20 mail a notice to subscribers within 45 days, in compliance with Rule 3.2(d). A form of the notice
21 to be provided is attached as Exhibit 6 hereto. This notice has not yet been approved by the
22 Commission's Public Advisor, so the notice may be modified based on input from the
23 Commission.

24 A full copy of the Application, including all exhibits, will be furnished upon written
25 request from these or any parties. A proof of compliance with the customer notice requirement
26 will be filed within 65 days of the submission of this Application.

27 **L. Service.**

28 This Application has been served on each of the individuals listed on KTC's list for service

1 of advice letters. KTC maintains this list in compliance with Rule 4.3 of General Order 96-B.
 2 This Application has also been served on the Commission's Executive Director, the Chief
 3 Administrative Law Judge, the Director of the Communications Division, and the Director of the
 4 Division of Ratepayer Advocates. The service list for this Application is attached as Exhibit 7.

5 **III. PROPOSED CATEGORIZATION, STATEMENT OF ISSUES, AND PROPOSED**
 6 **SCHEDULE (RULES 2.1(c) and 6.1).**

7 In accordance with Rule 6.1, KTC proposes that this proceeding be classified as a
 8 ratesetting proceeding. The issues to be considered are: (a) a determination of the revenue
 9 requirement of KTC utilizing a 2013 test year; and (b) the appropriate review of KTC's rates and
 10 charges and sources of supplemental intrastate funding required to afford KTC with the
 11 opportunity to earn the rate of return specified in its adopted 2013 test year results of operations.
 12 The revenue requirement and rate design/CHCF-A funding issues involved in this case will
 13 require a hearing.

14 KTC proposes the following schedule for the proceeding:

15	December 28, 2011	Application Filed
16	January 3, 2012	Notice of Filing in Commission's Daily Calendar
17	February 2, 2012	Protests Due
18	February 16, 2012	Prehearing Conference
19	March 2012	DRA and Other Party Testimony Filed
20	April 2012	Rebuttal Testimony Filed
21	May 2012	Evidentiary Hearings
22	June-July 2012	Opening and Reply Briefs
23	September 2012	Proposed Decision
24	November 2012	Final Commission Decision
25	January 1, 2013	New Rates, CHCF-A Draw/Revenue Requirement in Effect
26		
27		
28		

1 This schedule will allow for the issues in this case to be considered in a thoughtful and orderly
2 manner, taking into account the need for possible discovery to inform the relevant testimony.

3 The schedule outlined above should be modified as necessary to account for further
4 developments regarding implementation of the FCC's Connect America Fund Order (FCC 11-161,
5 released November 18, 2011) and the associated subsequent Notice of Proposed Rule Making
6 (NPRM). The Connect America Fund Order has major impacts on KTC's overall rate design, and
7 some of the reforms to federal funding mechanisms discussed therein will not be fully revealed
8 until at least June or July of 2012. The Commission should adjust the procedural schedule to
9 allow for additional briefing to address any impacts of the Connect America Fund Order or
10 subsequent FCC orders in Wireline Competition Docket No. 10-90 that become known prior to the
11 conclusion of this rate case. The results of this rate case should be adjusted accordingly to reflect
12 the consequences of federal funding or separations adjustments that influence state revenue
13 requirement. Impacts that occur following the conclusion of this case should be accounted for
14 through the CHCF-A annual funding adjustment process, as outlined in D.91-09-042.
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

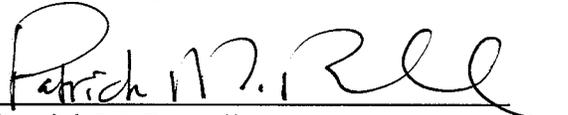
PRAYER FOR RELIEF

WHEREFORE, KTC respectfully prays that this Commission issue an order or orders:

- 1) Setting this Application for hearing;
- 2) Authorizing KTC to modify selected present intrastate rates and to place in effect the rates and charges proposed herein and establish a draw from the California High Cost Fund A in the amount of \$6,490,463 per year; and
- 3) Providing such other relief as may be necessary and proper.

Executed at San Francisco, California on this 28th day of December, 2011.

E. Garth Black
Mark P. Schreiber
Patrick M. Rosvall
COOPER, WHITE & COOPER LLP
201 California Street, 17th Floor
San Francisco, California 94111
Telephone: (415) 433-1900
Telecopier: (415) 433-5530
Email: prosvall@cwclaw.com

By: 
Patrick M. Rosvall

Attorneys for Applicant
Kerman Telephone Co. d/b/a Sebastian

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

VERIFICATION

I, William S. Barcus, declare under penalty of perjury that the following is true and correct:

I am employed by applicant Kerman Telephone Co., dba Sebastian, as its President. I make this verification on behalf of Kerman Telephone Co., and am authorized to make this verification on its behalf. I have read the foregoing Application, and know the contents thereof, both from my own knowledge and from discussing its contents with other knowledgeable employees of Kerman Telephone Co. The matters stated therein are true of my own knowledge or I am informed and believe that they are true, and on that basis, I allege that the matters stated therein are true.

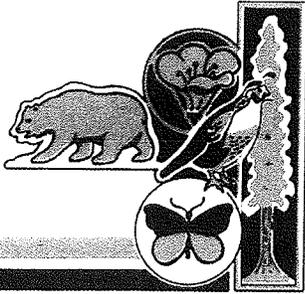
Executed this 28th day of December, 2011 at Kerman, California.



William S. Barcus

EXHIBIT 1

Articles of Incorporation



State of California
OFFICE OF THE SECRETARY OF STATE

D-0001418

I, MARCH FONG EU, *Secretary of State of the State of California,*
hereby certify:

That on the 9th day of October, 1911,

KERMAN TELEPHONE CO.

became incorporated under the laws of the State of California by filing its Articles of Incorporation in this office.

That all documents amendatory and/or supplementary thereto (including agreements of merger, restated articles of incorporation and certificates of determination of preferences, if any), of record in this office for said corporation, are as follows:

DOCUMENT

FILED

- Certificate of Amendment.....September 17, 1948
Term made perpetual
- Certificate of AmendmentJanuary 25, 1954
Article VI amended
- Restated Articles of Incorporation.....May 25, 1979

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this 16th day of April, 1985.

March Fong Eu

Secretary of State



RESTATED

ARTICLES OF INCORPORATION

WILLIAM G. SEBASTIAN AND KATHLEEN SEBASTIAN certify that:

1. They are the president and the secretary, respectively, of KERMEN TELEPHONE CO., a California corporation.
2. The articles of incorporation of this corporation are amended and restated to read as follows;

I

That the name of said corporation shall be Kerman Telephone Co.

II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

This corporation elects to be governed by all of the provisions of the General Corporation Law effective January 1, 1977 not otherwise applicable to it under Chapter 23 thereof.

IV

The corporation is authorized to issue two (2) classes of shares of stock to be designated, respectively, 'Cumulative Preferred Stock', consisting of 3,000 shares; and 'Common Stock', consisting of 500,000 shares. The total number of shares which the corporation shall have authority to issue is 503,000. Upon the amendment of this Article to read as hereinabove set forth, each outstanding common share is split up and converted into three and one-half shares. The shares of Cumulative Preferred Stock may be issued and outstanding from time to time in one or more series. The first such series shall be designated 'Cumulative Preferred Stock, Series A', and the authorized number of shares of said first series shall be 1,000.

A statement of the preferences, privileges and restrictions granted to or imposed upon respective classes and series of shares and/or upon the holders thereof is as follows:

(a) The shares of Cumulative Preferred Stock, of all series shall be of equal rank and priority and no distinction shall exist between any of the shares of Cumulative Preferred Stock or any series thereof, except as stated in this Article Fourth or as to the particulars that may be fixed by the Board of Directors of the corporation as hereinafter provided in Paragraph (b) of this Article Fourth.

(b) The shares of Cumulative Preferred Stock, Series A, shall (1) be entitled to dividends as provided in Paragraph (b) of this Article Fourth at the rate per share per annum of SIX and no/100 DOLLARS (\$6.00), (2) be redeemable in the manner and otherwise upon the conditions and notice provided in Paragraph (e) of this Article Fourth by payment for each such share to be redeemed, a redemption

price of \$100.00, together with all unpaid dividends accrued on the redeemed share to the date of redemption, (3) in the event of liquidation, dissolution or winding up of the corporation, be entitled to receive out of the assets of the corporation, whether such assets are capital or surplus, the sum of \$100.00 per share and in addition thereto an amount equal to all unpaid dividends accrued on such shares to the date when such payment shall be made available to the holders thereof, and (4) be entitled to and shall represent full and unrestricted voting rights on the basis of one vote per share, with the right to cumulative voting in an election of directors. The Board of Directors of the corporation is authorized by appropriate resolution or resolutions to fix the name or designation of each series (other than said first series) of Cumulative Preferred Stock, (which shall include the words 'Cumulative Preferred Stock), the number of shares constituting each said series and dividend rate, conversion rights, if any, voting rights, redemption price and liquidation preference of the shares of each such series, which shall not, however, be superior to the 1,000 shares of Cumulative Preferred Stock, Series A hereinabove provided for.

(c) The holders of the outstanding shares of the several and respective series of Cumulative Preferred Stock, shall be entitled to receive, out of any funds of the corporation at the time legally available for the declaration thereof, dividends at the respective rates for shares of said series as stated in this Article Fourth or as fixed by the Board of Directors by resolutions adopted pursuant to the foregoing Paragraph (b). Such dividends shall be payable on the shares of each said series, when and as declared by the Board of Directors, on January 1, April 1, July 1, and October 1, in each year (each said date being hereinafter called

'Dividend Date'). Such Dividends shall accrue on each such share from the dividend date last preceding the date of original issue of such share, except that if such share shall be issued on a dividend date, then such dividend on such share shall accrue from its date of issue.

Such dividends on all shares of Cumulative Preferred Stock, of all series, shall be cumulative and shall be payable before any dividends shall be declared or paid upon or set apart for the common shares, so that if in any year or years dividends upon the outstanding preferred shares as provided for in this article, and any resolution or resolutions of the Board of Directors as to any series subsequent to the cumulative preferred stock, Series A, shall not have been paid thereon or declared and set apart therefor, the amount of the deficiency shall be fully paid or declared and set apart for payment, but without interest, before, any distribution, whether by way of dividend or otherwise, shall be declared or paid upon, or set apart for, the common shares.

(d) All preferential amounts, determined, as provided in paragraph (b) of this Article Fourth which in the event of any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary, are payable on the shares of Cumulative Preferred Stock, then outstanding, shall be paid in full before any distribution on any such liquidation, dissolution or winding up is paid upon, or set apart for, the shares of Common Stock.

(e) The corporation at any time or from time to time, upon the authority of its Board of Directors, shall have the right to redeem and retire all or any part of the shares of Cumulative Preferred Stock, of any one or more series at the time outstanding by paying to or setting aside for the benefit of the stockholder thereof with respect to each share redeemed the amount payable thereon by reason of such redemption thereof. If a part only of said shares is called for

redemption, then the particular shares to be redeemed shall be selected by lots in such manner as the Board of Directors shall approve. Provided further, that if on or prior to the redemption date, the corporation shall deposit with a bank or trust company (which shall have a capital and surplus of at least \$1,000.000) in California as a trust fund, a sum sufficient to redeem the shares called for redemption with irrevocable instructions and authority to such bank or trust company to publish the notice of redemption thereof and to pay on or after the redemption date, to the respective holders of such shares, the redemption price thereof upon surrender of their certificate for the shares to be redeemed, then from and after the date, of such deposit (although prior to the date of redemption) such shares shall be deemed to be redeemed, and redemption thereof shall be deemed to have been effected, and dividends thereon shall cease to accrue after said redemption date and said shares shall no longer be deemed to be outstanding and the holders thereof shall cease to be shareholders with respect to said shares and shall have no rights with respect thereto except only the right to receive from said bank or trust company payment of the redemption price of such shares, without interest, upon surrender of their certificates therefore, and any right to convert said shares which may exist and then continue for any period fixed by resolution of the Board of Directors pursuant to Paragraph (b) of this Article Fourth.

(f) The corporation shall have no power to purchase any share or shares of Cumulative Preferred Stock while any quarterly dividend or dividends are in arrears on any such stock, unless the policy of purchasing shares of such stock under such circumstances shall first have been approved or authorized by the holders of at least two-thirds of the outstanding shares of such stock, either in writing or by vote at a stockholders' meeting, and after any such approval or authorization, the corporation shall be empowered, subject to any applicable provision of law

then in effect, to purchase shares of such stock to the extent and for the period provided in such approval or authorization.

(g) Each holder of shares of common stock of this corporation shall be entitled to full preemptive or preferential rights, as such rights have been heretofore defined in common law, to purchase and/or subscribe for his proportionate part of any shares which may be issued at any time by this corporation. Subject to said preemptive right and privilege of the holders of shares of Common Stocks, no holder of shares of stock of any class of the corporation shall have any preemptive right or preferential right of subscription of purchase with respect to any unissued shares of any class of stock, whether now or hereafter authorized, of the corporation, but, subject to said preemptive right and privilege of the holders of shares of Common Stock, any and all shares of Capital Stock of any class, whether now or hereafter authorized, may be issued and disposed of from time to time in such manner and to such persons, whether stockholders or not, as may be determined by the Board of Directors, without first being offered to stockholders.

(h) Every share of common stock shall be entitled to the same rights as any other shares of common stock in all distributions of earnings and assets of the corporation distributable to holders of common stock, and shall be entitled to and shall represent full and unrestricted voting rights on the basis of one vote per share, with the right to cumulative voting in an election of directors. Subject to all of the rights of the preferred shares, dividends may be paid on the common shares, as and when declared by the Board of Directors, out of any funds of this corporation legally available for the payment of such dividends."

3. The foregoing amendment and restatement of articles of incorporation has been duly approved by the board of directors.

4. The foregoing amendment and restatement of articles of incorporation has been duly approved by the required vote of shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding shares of the corporation is 6055.0. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50%.


WILLIAM G. SEBASTIAN, President


KATHLEEN SEBASTIAN, Secretary

The undersigned declare under penalty of perjury that the matters set forth in the foregoing certificate are true of their own knowledge. Executed at Kerman, California on MARCH 7, 1979.


WILLIAM G. SEBASTIAN


KATHLEEN SEBASTIAN

CERTIFICATE OF AMENDMENT
RESTATED ARTICLES OF INCORPORATION

William G. Sebastian and Kathleen Sebastian certify
that:

They are the President and Secretary, respectively,
of KERMAN TELEPHONE CO., a California corporation.

The Restated Articles of Incorporation of this corpor-
ation is amended to add the following article:

V(a) the liability of the directors of the corpora-
tion for monetary damages shall be eliminated to the fullest
extent permissible under California law.

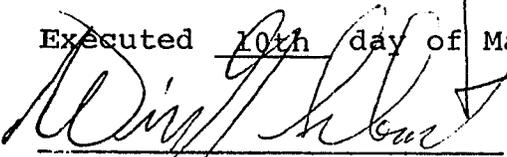
(b) the corporation is authorized to provide indemni-
fication of agents (as defined in Section 317 of the Corpora-
tions Code) for breach of duty to the corporation and its
stockholders through bylaw provisions, through agreements with
the agents or otherwise in excess of its indemnification
otherwise permitted by Section 317 of the Corporations Code,
subject to the limits on such excess indemnification set
forth in Section 204 of the Corporations Code.

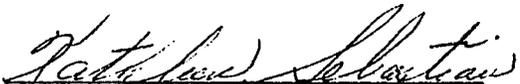
The foregoing Amendment of Restated Articles of Incorp-
oration has been duly approved by the board of directors.

The foregoing amendment of Restated Articles of Incorp-
oration has been duly approved by the required vote of shareholders
in accordance with Section 902 of the Corporations Code. The total
number of outstanding shares of the corporation is 84,770. The
number of shares voting in favor of the amendment equalled or
exceeded the vote required. The percentage vote required was more
than fifty percent (50%).

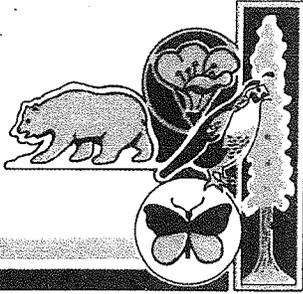
We further declare under penalty of perjury under the
laws of the state of California that this matter set forth in this
certificate are true and correct of our own knowledge.

Executed 10th day of May, 1988, at Kerman, California.


WILLIAM G. SEBASTIAN
President


KATHLEEN SEBASTIAN
Secretary

A390799



State
of
California
OFFICE OF THE SECRETARY OF STATE

CORPORATION DIVISION

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute
this certificate and affix the Great
Seal of the State of California this

AUG - 6 1990



March Fong Eu

Secretary of State

1418
A390799

FILED
In the office of the Secretary of State
of the State of California

JUL 23 1990

CERTIFICATE OF AMENDMENT

OF

March Fong Eu
MARCH FONG EU, Secretary of State

RESTATED ARTICLES OF INCORPORATION

William G. Sebastian and Kathleen Sebastian certify that:

1. They are the President and Secretary, respectively, of KERMAN TELEPHONE CO., a California corporation.

2. The Restated Articles of Incorporation of this corporation is amended to add the following article:

VII (a) The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

(b) The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the Corporations Code) for breach of duty to the corporation and its stockholders through bylaw provisions, through agreements with the agents or otherwise in excess of its indemnification otherwise permitted by Section 317 of the Corporations Code, subject to the limits on such excess indemnification set forth in Section 204 of the Corporations Code.

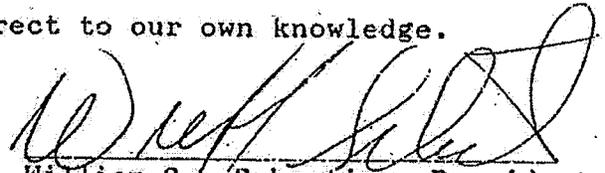
3. The foregoing Amendment of Restated Articles of Incorporation has been duly approved by the board of directors.

4. The foregoing Amendment of Restated Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding common shares of the Corporation is 84,770. The number of shares voting in favor of the amendment equalled or exceeded the vote required. The percentage vote required was more than fifty percent (50%).

We further declare, under penalty of perjury under the laws

of the State of California, that the matters set forth in this certificate are true and correct to our own knowledge.

Dated: 7-16-90


William G. Sebastian, President

Dated: 7-16-90

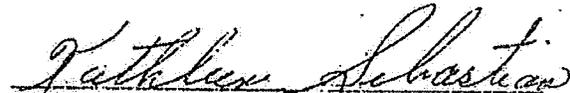

Kathleen Sebastian, Secretary



EXHIBIT 2

Most Recent Financial Information



SEBASTIAN

Kerman Telephone Co. Balance Sheet

October-2011

ASSETS

CURRENT ASSETS

Cash and Equivalents	\$2,081,681
Telecommunications Accounts Receivable	1,395,989
Affiliate Accounts Receivable	662,333
Other Current Assets	831,095

TOTAL CURRENT ASSETS \$4,971,098

NONCURRENT ASSETS

Lease Deposit	\$488,689
Non-Operating Plant Net	6,177

TOTAL NONCURRENT ASSETS \$494,866

REGULATED PLANT

Regulated Plant Under Construction	\$1,396,494
Regulated Plant In Service	38,251,660
Regulated Accumulated Depreciation	(19,688,149)

TOTAL REGULATED PLANT \$19,960,004

TOTAL ASSETS \$25,425,967

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	\$840,997
Affiliate Accounts Payable	0
Other Current Liabilities	1,212,982
Curr Mature-Long Term Debt	1,040,950

TOTAL CURRENT LIABILITIES \$3,094,929

TOTAL LONG/SHORT TERM DEBT \$9,121,378

TOTAL DEFERRED INCOME TAXES \$2,774,149

SHAREHOLDERS' EQUITY

Capital	\$1,886,712
Retained Earnings	8,065,805
Dividends Declared	(412,500)
Current Year Net Income	895,493

TOTAL SHAREHOLDERS' EQUITY \$10,435,511

TOTAL LIABILITIES & SHAREHOLDERS' EQUITY \$25,425,967



SEBASTIAN

Kerman Telephone Co.
Income Statement
For the Month Ending October 31, 2011

	<u>ACTUAL</u>
OPERATING REVENUES	
Local Service	1,799,360
Local Service-CHCF	2,999,945
Network Access Service	4,185,405
Network Access-FUSF	1,538,088
Miscellaneous	<u>248,966</u>
Total Operating Revenues	<u><u>10,771,764</u></u>
OPERATING EXPENSES	
Plant Operations	3,228,635
Depreciation	1,837,769
Customer Operations	1,240,893
Corporate Operations	2,165,132
Interest	320,596
Property Taxes	<u>210,558</u>
Total Operating Expenses	<u><u>9,003,582</u></u>
OPERATING INCOME BEFORE TAX	<u><u>1,768,181</u></u>
Total Operating Income Taxes	721,060
OPERATING INCOME AFTER TAX	1,047,122
Non-Operating Income After Tax	(151,628)
NET INCOME	<u><u>895,493</u></u>

Kerman Telephone Company
Consolidated Statements of Cash Flows
For the Period October 31, 2011

January 1, 2011 -
October 31, 2011

Cash Flows from Operating Activities:	
Net (loss) income	\$ 895,493
<i>Adjustments to reconcile net (loss) income to net cash</i>	
Depreciation and amortization	1,837,769
Deferred income taxes	197,980
Allowance for funds used during construction	(17,335)
<i>Increase (decrease) in cash due to changes in assets and liabilities:</i>	
<i>Subscriber accounts receivable</i>	53,394
<i>Settlement and access receivables</i>	483,499
<i>Other accounts receivable</i>	8,847
<i>Parent and affiliates receivables</i>	(552,610)
<i>Materials and supplies</i>	(87,685)
<i>Prepaid expenses</i>	(392,558)
<i>Accounts payable</i>	(240,376)
<i>Advance billings and deferred revenue</i>	(5,167)
<i>Accrued compensated absences</i>	306,628
<i>Accrued pension</i>	258,617
<i>Other accrued liabilities</i>	(35,979)
<i>Accrued income taxes</i>	27,546
	2,738,063
 Net Cash from Operating Activities	 \$ 2,738,063
 Cash Flows from Investing Activities:	
<i>Net acquisitions of property, plant, and equipment</i>	(2,178,549)
	(2,178,549)
Net Cash from Investing Activities	(2,178,549)
 Cash Flows from Financing Activities:	
<i>Proceeds from line of credit</i>	-
<i>Proceeds from long-term debt and capital leases</i>	1,592,594
<i>Repayment of line of credit</i>	-
<i>Repayment of long-term debt and capital leases</i>	(591,394)
<i>Dividends paid</i>	(412,500)
	588,700
Net Cash Provided from Financing Activities	588,700
 Net Change in Cash and Cash Equivalents	 1,148,214
 Cash and Cash equivalents, beginning of period	 -
Cash and Cash equivalents, end of period	2,081,681

EXHIBIT 3

Proposed Tariff Changes

Schedule No. A-1

INDIVIDUAL LINE SERVICE

APPLICABILITY

Applicable to individual line business and residence flat rate service.

TERRITORY

Within the base rate areas of the Utility, as said areas are defined on maps filed as part of the tariff schedules.

<u>Rate Per Month</u>	
<u>Residence Service</u>	<u>Business Service</u>

RATES

EXTENDED SERVICE:

(1) Each Individual Line Service	\$ 20.25	\$ 30.20
--	----------	----------

(D)
(D)

SPECIAL CONDITIONS

- Individual line business and residence service will be furnished outside the base rate areas and within the exchange area at the above rates.
- Rates above are for access lines only and include touch calling as the standard signaling arrangement.
- Extended service comprehends calling without additional charge to all stations served by the exchange of the Utility and Pacific Bell's exchange in the following expanded local calling areas:

From Stations Receiving
 Service from the
Exchanges Designated As

Kerman

To Stations Receiving
 Service from the
Exchanges Designated As

Fresno

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. _____

William S. Barcus

Date Filed December 28, 2011

Decision No. _____

NAME

President

Effective January 1, 2013

long

TITLE

Resolution No. _____

Schedule No. A-24

MULTI-ELEMENT SERVICE CHARGES

APPLICABILITY

Applicable to Multi-Element Service Charges as they apply to all residential and business exchange service and facilities, except where otherwise indicated.

TERRITORY

Within the Kerman exchange area, as said area is defined on a map filed as part of the tariff schedules.

RATES

	<u>RATE</u>	
(1) Elements for new and additional service, move and changes, and in-place connections:		
a. Service ordering: (See Special Conditions 2 & 4)		
1. For connecting new or additional service, each line or trunk	\$ 18.75	
2. For moving or changing existing service or adding new or additional service other than central office lines (including record changes), each service order	9.37	
b. Central office connection work, per line (See Special Conditions 2 & 5)	28.00	
c.* Premises visit charge (See Special Conditions 2)	95.00	(1)
d. Restoral charge for service temporarily suspended or partially or temporarily disconnected, each line	37.25	

* Applicable only when a premises visit is required.

(Continued)

(To be inserted by the utility)
 Advice Letter No. _____

Decision No. _____

Issued by

William S. Barcus

NAME
 President

TITLE

(To be inserted by Cal. P.U.C.)

Date Filed December 28, 2011

Effective January 1, 2013

Resolution No. _____

Schedule No. A-24

MULTI-ELEMENT SERVICE CHARGES
 (Continued)

RATES - (Continued)

APPLICATION OF MULTI-ELEMENT SERVICE CHARGES

Rates (please refer to Rates shown on first page of this Schedule)	RATE ELEMENTS			(C) (C)
	Order	Line	Visit	
	(1)a.1.	(1)a.2.	(1)b.	(1)c.
(1) New and Additional Service: (See Special Conditions 3 & 11)				
a. Individual line service, first line, centrex line, or PBX trunk.....	X	-	X	X*
b. Additional individual line service on the same order, each line, centrex line, or PBX trunk	X	-	X	-
c. In-place connection of individual line service, each line, centrex line, or PBX trunk (See Special Conditions 9)	X	-	X	-
d. Off-Premises Extension Service: (Each address visited)#				
Noncontinuous property	X	-	X	X**

* Premises visit charge applies only if Utility enters the premises. It does not apply to work performed at the demarcation point.

Includes station lines of a PBX, key telephone system, or telephone answering service.

** Applies to each group of 4 extension lines installed.

(Continued)

(To be inserted by the utility)
 Advice Letter No. _____

Decision No. _____

Issued by

William S. Barcus

NAME

President

TITLE

(To be inserted by Cal P.U.C.)

Date Filed December 28, 2011

Effective January 1, 2013

Resolution No. _____

Schedule No. A-24

MULTI-ELEMENT SERVICE CHARGES
 (Continued)

RATES - (Continued)

APPLICATION OF MULTI-ELEMENT SERVICE CHARGES - (Continued)

Rates (please refer to Rates shown on first page of this Schedule)	RATE ELEMENTS				(C) (C)
	Order	Line	Visit		
	(1)a.1.	(1)a.2.	(1)b.	(1)c.	
(1) New and Additional Services:- (Continued)					
e. Add Custom Calling Service feature, each line.....	-	X	-	-	
f. Supersedure, each account.....	X	-	-	-	
g. Secretarial line.....	-	X	X	-	
h. Business answering line.....	X	-	X	X**	
i. Voice Mail Service.....	-	X	-	-	
(2) Subsequent Changes: (See Special Conditions 3)					
a. Change class, type, or grade of service.....	-	X	X	-	
b. Change telephone number.....	-	X	X	-	
c. Change in centrex features.....	-	X	-	-	
d. Change in voice mail features.....	-	X	-	-	
e. Change in custom calling features, each line.....	-	X	-	-	

** Premises visit charge applies only if Utility enters the premises. It does not apply to work performed at the demarcation point.

(Continued)

(To be inserted by the utility)
Advice Letter No. _____

Decision No. _____

Issued by

 William S. Barcus
 NAME
 President
 TITLE

(To be inserted by Cal. P.U.C.)

Date Filed December 28, 2011

Effective January 1, 2013

Resolution No. _____

Schedule No. A-24

MULTI-ELEMENT SERVICE CHARGES
 (Continued)

RATES - (Continued)

APPLICATION OF MULTI-ELEMENT SERVICE CHARGES - (Continued)

	<u>RATE ELEMENTS</u>				
	<u>Order</u>	<u>Line</u>	<u>Visit</u>		
Rates (please refer to Rates shown on first page of this Schedule)	(1)a.1.	(1)a.2.	(1)b.	(1)c.	(C) (C)
(2) Subsequent Changes: - (Continued)					
f. Other changes of line.....	-	X	X	X*	

* Premises visit charge applies only if Utility enters the premises. It does not apply to work performed at the demarcation point.

(Continued)

(To be inserted by the utility)
 Advice Letter No. _____

Decision No. _____

Issued by

 William S. Barcus
NAME
 President
TITLE

(To be inserted by Cal. P.U.C.)

Date Filed December 28, 2011

Effective January 1, 2013

Resolution No. _____

Schedule No. A-24

MULTI-ELEMENT SERVICE CHARGES
(Continued)

RATES - (Continued)

(3) Out of Hour - Premium Time Appointments

CHARGE

Customer requested premium time appointment for
premises visit work -

Premium time charge per hour, each visit..... \$ 47.50 (I)

Regular working hours, between 8:00 a.m. and 4:30 p.m., Monday through Friday, and Sundays
and holidays observed by the Utility are excluded from this offering.

In addition to Rates (1). c. on the first page of this Schedule. (N)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. _____

Date Filed December 28, 2011

Decision No. _____

William S. Barcus

Effective January 1, 2013

NAME

President

Resolution No. _____

TITLE

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE

APPLICABILITY

Applicable to eligible residence customers for Universal LifeLine Telephone Service (ULTS) a.k.a. California LifeLine Program or LifeLine furnished pursuant to the Moore Universal Telephone Service Act and in accordance with General Order 153. The Utility as listed throughout this Schedule is identified as the California LifeLine Service Provider in GO 153.

TERRITORY

Within the exchange areas, as said areas are defined on maps filed as part of the tariff schedules.

RATES AND CHARGES*

	<u>Rate per Month</u>	
(1) Access Line Service:		
Extended Area Service:		
a. Individual access line		
1. Local Flat Rate Service	\$20.25	(D)
2. Federal Lifeline Credit	3.50	(T)
3. California Specific Support Credit	<u>10.64</u>	(T)
4. California LifeLine Flat Rate Service	\$6.11	(R)
	<u>Service Charge</u>	
(2) Service Connection Charges: (See Special Conditions 5)		
a. Each New Service Order for Initial Install:		
1. New Service Order Charge	\$18.75	
2. Central Office Connection Work Charge	<u>28.00</u>	
	46.75	
3. Federal Link Up Credit	23.38	
4. California LifeLine Credit	<u>14.00</u>	
5. California LifeLine Service Connection Charge	\$9.37	

* The difference between the rates and charges in this Schedule and the regular tariffed rates and charges is recovered from the California ULTS Fund, federal Lifeline program, and/or federal Link Up program.

(Continued)

(To be inserted by the utility)	Issued by	(To be inserted by Cal. P.U.C.)
Advice Letter No. _____	_____	Date Filed <u>December 28, 2011</u>
Decision No. _____	William S. Barcus	Effective <u>January 1, 2013</u>
	NAME	
	President	Resolution No. _____
	TITLE	

Schedule No. A-32

INSIDE WIRING MAINTENANCE SERVICE

APPLICABILITY

Applicable to customer's requesting simple Inside Wiring Maintenance (IWM) on wire running between the demarcation point and the jack.

TERRITORY

Within the exchange rate areas, as said areas are defined on maps filed as part of the tariff schedules.

RATES

	<u>Labor Charge</u>			
	<u>Schedule 1</u>	<u>Schedule 2</u>	<u>Schedule 3</u>	
(1) Simple Inside Wire Repair Service:				
a. Initial premises work charge to dispatch employee, locate trouble, and complete repair:				
First hour or fraction thereof	\$ 95.00	\$ 142.50	\$ 190.00	(1)
b. Additional premises work to locate trouble and complete repair:				
Each additional quarter hour or fraction thereof	23.75	35.62	47.50	(1)
<u>Rate per Month</u>				
	<u>Business</u>	<u>Residence</u>		
(2) Maintenance Plan, each line	\$ 1.50	\$ 1.10		

Schedule 1 is applicable to work performed Monday through Friday, between 8:00 a.m. and 5:00 p.m., except holidays.

Schedule 2 is applicable to work performed Monday through Friday at hours other than Schedule 1 and all day Saturday, except holidays.

Schedule 3 is applicable to work performed on Sundays and holidays observed by the Utility.

The Utility may perform work on the customer's side of the local loop demarcation point at the customer's request and expense.

(Continued)

<small>(To be inserted by the utility)</small>	Issued by	<small>(To be inserted by Cal. P.U.C.)</small>
Advice Letter No. _____	William S. Barcus _____	Date Filed <u>December 28, 2011</u>
Decision No. _____	NAME President _____	Effective <u>January 1, 2013</u>
	TITLE	Resolution No. _____

Schedule No. A-34

INTRABUILDING NETWORK CABLE

APPLICABILITY

Applicable to the consultation, design, installation, rearrangement, repair, and maintenance of Intrabuilding Network Cable (INC).

TERRITORY

Within the exchange rate areas, as said areas are defined on maps filed as part of the tariff schedules.

RATES

		<u>Labor Charge*</u>			
		<u>Schedule 1</u>	<u>Schedule 2</u>	<u>Schedule 3</u>	
(1)	Intrabuilding Network Cable (INC):				
a.	Initial premises work charge to dispatch employee, locate trouble, complete repair, install, or rearrange:				
	First hour or fraction thereof	\$ 95.00	\$ 142.50	\$ 190.00	(1)
b.	Additional premises work to locate trouble, complete repair, install, or rearrange:				
	Each additional quarter hour or fraction thereof	23.75	35.62	47.50	(1)
c.	Utility-Provided Material Prices	Include but not limited to cost of material, taxes, freight charges.			

Schedule 1 is applicable to work performed Monday through Friday, between 8:00 a.m. and 4:30 p.m., except holidays.

Schedule 2 is applicable to work performed Monday through Friday at hours other than Schedule 1 and all day Saturday, except holidays.

Schedule 3 is applicable to work performed on Sundays and holidays observed by the Utility.

The above labor charge begins upon arrival at or on the customer's premises.

* If a professional engineer is consulted, then the Utility will include those charges in addition to the labor and/or material charges.

(Continued)

<p>(To be inserted by the utility)</p> <p>Advice Letter No. _____</p> <p>Decision No. _____</p>	<p>Issued by</p> <p><u>William S. Barcus</u></p> <p>NAME</p> <p><u>President</u></p> <p>TITLE</p>	<p>(To be inserted by Cal. P.U.C.)</p> <p>Date Filed <u>December 28, 2011</u></p> <p>Effective <u>January 1, 2013</u></p> <p>Resolution No. _____</p>
---	--	---

Rule No. 9

RENDERING AND PAYMENT OF BILLS
(Continued)

B. Payment of Bills

1. Payment of bills for telephone service should be made at the office of the Utility or to a duly authorized collector of the Utility. All charges are payable in lawful money of the United States only. The customer may pay in person at the business office. For the customer's convenience, payments made after regular business hours may be left in a drop box. Customers have the option of paying their bill by checks and/or authorized credit cards and/or debit cards that are accepted by the Utility and the online bill payment option (See Rule No. 9, E. Alternative Methods of Payment). Both options are provided at no charge to the customer; however, the bank and/or credit card vendor and/or debit card vendor may charge a fee.
2. Regular bills, closing bills, special bills, bills rendered on vacation of premises, bills rendered to persons discontinuing exchange service, and bills for miscellaneous services are payable upon presentation. Service connection, installation and line extension charges, and deposits and advance payments for the establishment or re-establishment of credit or in conjunction with temporary service or service to speculative projects, and other advance payments are payable before service is installed or restored. Charges for moves and changes are payable upon completion of the work.
3. If a check or an Alternate Method of Payment for telephone service is returned unpaid or refused for any reason, a charge of \$25.00 will apply for each returned check or refused payment. This charge will apply on a per refused payment or check returned basis only, regardless of the number of accounts to which payment was applied. (1)

If telephone service is disconnected for non-payment as a result of a returned check or payment was refused for any reason, the returned check charge in addition to the reconnection charge per line (as shown in Schedule No. A-24 "Multi-element Service Charges") will apply. All charges must be paid before service will be reconnected.

If a check received as payment to establish service is returned, establishment of service will be denied until amount of the returned check is paid.

If a check for payment of a discontinued account is returned, a returned check charge will be applied to the closing statement.

4. A Utility shall credit payments effective the business day payments are received by the Utility or its agent.
5. Any payment made by a customer shall be applied first against the balance due on that customer's basic service unless the customer directs otherwise.
6. When a customer is offered and agrees to an alternative payment plan, the Utility must provide confirmation of the terms in writing if the customer so requests.
7. Customers have the option of paying their telephone bill electronically by accessing the Utility's website at <https://ebill.sebastiancorp.com>.

(Continued)

(To be inserted by the utility)
Advice Letter No. _____

Decision No. _____

Issued by

William S. Barcus

NAME

President

TITLE

(To be inserted by Cal. P.U.C.)

Date Filed December 28, 2011

Effective January 1, 2013

Resolution No. _____

Schedule No. V-1

VISIT CHARGE

APPLICABILITY

Applicable to the Utility repairman's visit to a customer's premises when a service difficulty is caused by customer-provided facilities.

TERRITORY

Within the Kerman exchange area, as said area is defined on a map filed as part of the tariff schedules.

RATES

	<u>Charge Per Visit</u>	
Each visit by the Utility's personnel to a customer's premises when a service difficulty or trouble report results from customer-provided equipment and/or facilities -----	\$95.00	(1)

SPECIAL CONDITIONS

1. Visit charges provided for herein are in addition to the regular schedule of rates.
2. The Utility will not repair, adjust or perform other work on the customer-provided equipment and/or facilities.
3. At the request of the Utility, the customer is responsible for disconnecting customer-provided facilities in order that the Utility can determine the location of a trouble condition.
4. When the customer has reported a service difficulty or trouble to the Utility which requires a visit to the customer's premises, the visit charge will be applied only if the Utility determines the problem results from customer-provided equipment or inside wiring terminating on a Standard Network Interface. There will be no charge if the problem results from the customer's inside wiring without a Standard Network Interface or the Utilities facilities.
- 5.

(Continued)

(To be inserted by the utility)	Issued by	(To be inserted by Cal. P.U.C.)
Advice Letter No. _____	William S. Barcus	Date Filed <u>December 28, 2011</u>
Decision No. _____	NAME President	Effective <u>January 1, 2013</u>
	TITLE	Resolution No. _____

EXHIBIT 4

Summary of Estimated Earnings of Test Year Rate Base

SEPARATED RESULTS OF OPERATIONS

ESTIMATED YEAR:

ITEMS	TOTAL	INTERSTATE	INTRASTATE
	COMPANY		TOTAL
	(a)	(b)	(c)=(a-b)
OPERATING REVENUES:			
1 Local Network Service	1,988,110	0	1,988,110
2 Federal USF	2,075,023	0	2,075,023
3 State CHCF-A	3,443,036	0	3,443,036
4 Network Access Svces:			
5 Intrastate	257,316	0	257,316
6 Interstate	5,231,680	5,231,680	0
7 Miscellaneous Revenues	329,937	26,261	303,676
8 Less:Uncollectible Revenues	(28,156)	0	(28,156)
9 Total Operating Revenue	13,296,946	5,257,941	8,039,005
OPERATING EXPENSES:			
10 Plant Specific	3,430,146	1,274,817	2,155,329
11 Plant Non Specific	770,645	311,434	459,210
12 Depreciation & Amortization	3,807,638	1,556,193	2,251,445
13 Customer Operations	1,652,264	366,894	1,285,371
14 Corporate Operations	2,960,724	871,655	2,089,069
15 NBP Affects	0	(208,690)	208,690
16 Total Operating Expenses	12,621,417	4,172,303	8,449,114
OPERATING TAXES:			
17 Operating Fed Income Taxes	(62,567)	243,486	(306,053)
18 Operating State Inc. Taxes	(17,845)	69,445	(87,290)
19 Taxes other than operating	276,666	96,951	179,715
20 Deferred Oper Income Taxes	0	0	0
21 Total Operating Taxes	196,254	409,882	(213,628)
22 NET OPERATING INCOME	479,275	675,755	(196,481)
RATE BASE			
23 Telephone Plant-In-Service	43,607,478	15,281,150	28,326,328
24 Tel Plt held for future use	0	0	0
25 Tel Plt under construction	744,547	260,908	483,639
26 Mat & Supplies	202,901	59,004	143,897
27 Working Cash	941,100	436,000	505,100
28 Less:Depr Reserve	(23,926,573)	(8,475,103)	(15,451,470)
29 Def. Taxes	(2,561,960)	(1,027,354)	(1,534,606)
30 Customer deposit	0	0	0
31 Total Rate Base	19,007,493	6,534,606	12,472,888
32 Rate of Return	2.52%	10.34%	-1.58%

EXHIBIT 5

Newspaper Notice

**KERMAN TELEPHONE CO. dba SEBASTIAN
NOTICE OF APPLICATION TO REVIEW INTRASTATE RATES AND
INCREASE RATE OF RETURN**

On December 28, 2011, Kerman Telephone Company dba Sebastian (Sebastian) filed an application with the California Public Utilities Commission (CPUC) to review its intrastate rates and increase its rate of return and CHCF-A support. This application was filed in compliance with CPUC Decision No. 94-09-065.

The CPUC staff will review Sebastian's filing and may propose changes greater or less than those proposed by the Company. **Sebastian proposed changes to rates or charges for certain features and services are necessary to adequately cover their costs.** Additionally, Sebastian proposed to reduce to zero the current charge for Extended Area Service, which allows for calling to Fresno at no additional charge. Increases in rates are proposed for non-recurring or one-time charges for the Premises Visit Charge, Inside Wire Maintenance and Intrabuilding Network Cable hourly work charges, Visit Charges, and Returned Check Charges. When the CPUC acts on this application, it may adopt all or part of Sebastian's request, amend or modify it, or deny the application. The CPUC's final decision may be different from Sebastian's proposed application.

A copy of the company's application is available to review at Sebastian's office, 811 S. Madera Avenue, Kerman or at the CPUC office, 505 Van Ness Avenue, in San Francisco.

EXHIBIT 6

Customer Notice

**KERMAN TELEPHONE CO. dba SEBASTIAN
NOTICE OF APPLICATION TO REVIEW INTRASTATE RATES AND
INCREASE RATE OF RETURN
IMPORTANT INFORMATION ABOUT SEBASTIAN'S
PROPOSED RATE CHANGES**

Application (A.) 11-12-XXX

On December 28, 2011, Kerman Telephone Company dba Sebastian (Sebastian) filed an application with the California Public Utilities Commission (CPUC) to review its intrastate rates and increase its rate of return and CHCF-A support. This application was filed in compliance with CPUC Decision No. 94-09-065. Sebastian requested an annual net revenue decrease in customer billings totaling approximately \$90,000.

KEY CHANGES TO SERVICES AND RATES

Sebastian proposed changes to rates or charges for certain features and services to cover their costs. Proposed rate changes fall into two categories; 1) monthly rates and 2) one-time charges. While monthly rates will appear on the bills for those customers every month, one-time charges will be applied only to the extent they are used. Only customers initially establishing phone service or those requiring these one-time services will be billed these charges.

ESTIMATED IMPACT OF THIS REQUEST ON RATES

<u>1) Description of Monthly Feature/Service</u>	<u>Present Monthly Rate</u>	<u>Proposed Monthly Rate</u>	<u>Percent Change</u>
Extended Area Service Additive-Residence	\$ 0.63	\$ 0.00	(100.0%)
Extended Area Service Additive-Business	\$ 4.60	\$ 0.00	(100.0%)
<u>2) Description of One-Time Feature/Service</u>	<u>Present Charge</u>	<u>Proposed Charge</u>	<u>Percent Change</u>
Multi-Element Service Charges:			
Premises Visit Charge	\$ 65.25	\$ 95.00	45.6%
Premises Visit Charge – Out of Hour – Premium Time Appointments	\$ 12.00	\$ 47.50	295.8%
Inside Wire Maintenance:			
Premises Work, normal work hours – first 15 minutes (changing to first hour or fraction thereof)	\$ 45.00	\$ 95.00	40.7-111.1%
Premises Work, normal work hours – additional 15 minutes, each	\$ 7.50	\$ 23.75	216.7%
After hours work is billed at 1.5 times normal work hour charges and Sunday/holiday work is billed at 2.0 times normal work hour charges			

<u>2) Description of One-Time Feature/Service (Continued)</u>	<u>Present Charge</u>	<u>Proposed Charge</u>	<u>Percent Change</u>
Intra-building Network Cable:			
Premises Work, normal work hours – first hour or fraction thereof)	\$ 70.00	\$ 95.00	35.7%
Premises Work, normal work hours – additional 15 minutes, each	\$ 15.00	\$ 23.75	58.3%
After hours work is billed at 1.5 times normal work hour charges and Sunday/holiday work is billed at 2.0 times normal work hour charges			
Visit Charge:			
Visit Charge	\$ 35.00	\$ 95.00	171.4%
Returned Check Charge	\$ 11.30	\$ 25.00	121.2%

REVIEWING A COPY OF THE APPLICATION

You may review a copy of Sebastian's application at the CPUC office, 505 Van Ness Avenue in San Francisco or at the following address:

Sebastian
811 S. Madera Avenue
Kerman, CA 93630

Public Participation Hearings (PPHs)

The CPUC may schedule PPHs to provide an opportunity for the public to express their views before a CPUC Administrative Law Judge (ALJ). Notification of these hearings will be sent to you, either by a separate mailing or included as a bill insert. The notice will identify all locations where PPHs are being held, for your convenience and planning. Customers who cannot attend a hearing may submit written comments to the CPUC at the address listed below.

THE CPUC PROCESS

The CPUC's Division of Ratepayer Advocates (DRA) will review this application. The DRA is an independent arm of the CPUC, created by the Legislature to represent the interests of all utility customers throughout the state and obtain the lowest possible rate for service consistent with reliable and safe service levels. The DRA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. The DRA's views do not necessarily reflect those of the CPUC. Other parties of record will also participate.

The CPUC may hold evidentiary hearings whereby parties of record present their proposals in testimony and are subject to cross-examination before a CPUC Administrative Law Judge (ALJ). These hearings are open to the public, but only those who are parties of record may present evidence or cross-examine witnesses during evidentiary hearings. Members of the public may attend, but may not participate in these hearings.

After considering all proposals and evidence presented during the hearing process, the ALJ will issue a draft decision. When the CPUC acts on this application, it may adopt all or part of Sebastian's request, amend or modify it, or deny the application. The CPUC's final decision may be different from Sebastian's proposed application.

PUBLIC COMMENTS AND OPINIONS ARE IMPORTANT TO THE CPUC

As part of its decision-making process, the CPUC is interested in your public comments or opinions on any aspect of the company's operations, including proposed rates, service quality or any other issue of concern. All comments will be circulated to the Commissioners, the assigned ALJ, and other line Divisions working on this application.

You may comment on Sebastian's filing within 15 days of the date of this notice. If you are writing a letter to the CPUC, please include the number of the Application (A.11-12-XXX) to which you are referring. All written correspondence and e-mails are distributed to the assigned Administrative Law Judge, Commissioners, and other appropriate CPUC staff. All public comments are also provided to the CPUC's Central Files Office as part of the formal public comment file for this proceeding.

Please send all e-mails or written correspondence regarding your comments and opinions to the address listed below:

The Public Advisor's Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Toll Free: 1-866-849-8390 or 415-703-2074
E-Mail: Public.Advisor@cpuc.ca.gov

For information about the proposed rate changes that may affect your account, please contact the business office at (800) 841-9311 or (559) 846-9311 for local calls.

Dated: February XX, 2012

EXHIBIT 7

Service List

SERVICE LIST

December 28, 2011

Kerman Telephone Co. (U 1012 C) General Rate Case Application

Paul Clanon
Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
pac@cpuc.ca.gov

Karen Clopton
Chief Administrative Law Judge
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
kvc@cpuc.ca.gov

John M. Leutza
Director - Communications Division
California Public Utilities Commission
505 Van Ness Avenue, Room 3210
San Francisco, CA 94102
jml@cpuc.ca.gov

Joe Como, Acting Director
Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
joc@cpuc.ca.gov

Denise Mann
Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
man@cpuc.ca.gov

Natalie Billingsley
Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
nxb@cpuc.ca.gov

AT&T California
Attn: Tariff Library
525 Market Street, Room 1944
San Francisco, CA 94105
regtss@att.com

Jim Falvey
PacWest Telecommunications
420 Chinquapin Round Road
Suite 2-I
Annapolis, MD 21401
jfalvey@pacwest.com