



**FILED**

2-18-16

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of Application of Volcano Telephone Company (U 1019 C) to Review Intrastate Rates and Charges, Establish a New Intrastate Revenue Requirement and Rate Design, and Modify Selected Rates.

Application 15-12-002  
(Filed December 1, 2015)

### **ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING**

Pursuant to Public Utilities Code § 1701.1 and Rule 7.3 of the California Public Utilities Commission's Rules of Practice and Procedure (Rules),<sup>1</sup> this Ruling and Scoping Memo sets forth the category, issues, need for hearing, schedule, and other matters necessary to scope this proceeding.

#### **1. Background**

On December 1, 2015, Volcano Telephone Company ("Volcano" or "Applicant") filed a request for a general rate increase. A prehearing conference (PHC) was noticed on January 12, 2016, and parties were directed to meet and confer and file PHC statements in a ruling issued on January 27, 2016. Both Volcano and the Commission's Office of Ratepayer Advocates (ORA) timely filed their respective PHC statements on February 3, 2016.

On February 5, 2016, a PHC was held to discuss and establish the permanent service list for this proceeding, determine the scope of the proceeding and identify the issues for the proceeding, discuss the categorization of this proceeding and need for hearing, set the schedule for the remainder of proceeding, and discuss other procedural matters relevant to this proceeding. Each of these areas is discussed further below.

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<sup>1</sup> All references to Rules are to the Commission's Rules of Practice and Procedure.

## **2. Category**

In its application, applicant requested that this matter be categorized as ratesetting. The Commission has preliminarily categorized this proceeding as ratesetting and no party has objected to the categorization. This proceeding shall remain categorized as a ratesetting proceeding. This ruling may be appealed. Appeals must be filed and served within 10 days. (Rule 7.6.)

## **3. Issues**

Applicant and ORA agree that the issues in this proceeding broadly involve revenue requirement, rates, and sources of supplemental funding. Thus, as listed below, both parties agree that Issues 1 and 2, are the main issues that must be addressed to reach a final disposition in this general rate case proceeding. Further, ORA believes, pursuant to its January 4, 2016 protest, and Volcano concedes, that Issues 3 through 6 should be evaluated and discussed in order to reach the right outcomes on Issues 1 and 2. In addition, the ALJ raised two additional issues for the parties' to consider and evaluate, and has asked both parties to discuss Issues 7 and 8 as they may be relevant to this proceeding.

Therefore, pursuant to Volcano's application, ORA's protest, parties' PHC statements, subsequent discussion between the parties and discussion with the ALJ at the PHC, the scope of this proceeding shall consist of the following issues only:

1. What level of revenue requirement is necessary for Volcano to operate in a manner that allows it to deliver safe, reliable, high-quality service, fulfill its "carrier of Last Resort" (COLR) obligations and afford Volcano a fair opportunity to earn a reasonable rate of return utilizing a 2017 test year?
2. How should Volcano's rate design be structured?

3. Is the rate increase for all residential customers proposed in Volcano's proposed rate design reasonable?
4. Is Volcano's plan to draw a subsidy of \$6,960,937 from the California High Cost Fund A (CHCF-A) for test year 2017 reasonable and supported by the record?
5. Is Volcano's plan to establish revenue requirements for test year 2017 using forecasted corporate expenses that exceed the Federal Communications Commission's limits adopted in Decision 14-12-084 reasonable and supported by the record?
6. Is Volcano's overall quality of service and compliance with General Orders pertaining to safety and reliability appropriate?
7. Has Volcano complied with the Commission's affiliate transaction reporting rules as established in General Order (GO) 104-A and Decision (D.) 93-02-019?
8. To what extent is the issue of affiliate transactions relevant to this proceeding?

Applicant objects to proposed Issues 4 and 5 in ORA's protest (originally listed as Issues 2 and 3 in ORA's protest), first, arguing that its CHCF-A should not be looked at in isolation but as an integral part of its revenue requirement and rate design, and second, that ORA misunderstands Volcano's position on its forecasted corporate expenses, as it has complied with the Commission's requirements as set forth in D.14-12-084. These issues and objections thereto will be evaluated as needed to resolve this general rate case.

#### **4. Need for Hearing**

Applicant states that hearing is required, in particular for the issues of revenue requirement, rate design, and CHCF-A funding and ORA agrees.

The Commission has also determined that hearing is necessary, and I find that hearing is necessary.

## 5. Schedule

Applicant and ORA propose reasonably similar schedules. The adopted schedule is included herein below, and notice of the schedule (dates and time, as applicable) in this proceeding is hereby provided to all parties to this proceeding as follows:

EVENT	DATE
PHC	February 5, 2016
PPH	April 11, 2016, 5:00 p.m. Jackson Rancheria Casino Resort <b>Ballroom B</b> 12222 New York Ranch Road Jackson, CA 95642
ORA/Intervenor Testimony Due	Thursday, April 25, 2016
Rebuttal Testimony Filed	Monday, May 23, 2016
Evidentiary Hearings	Tuesday, June 28-30, 2016, 9:30 a.m. Commission Courtroom State Office Building 505 Van Ness Avenue San Francisco, CA 94102
Opening Briefs	Friday, July 22, 2016
Reply Briefs and Submission	Friday, August 12, 2016
ALJ Closes Record	Friday, August 12, 2016
Proposed Decision	November 2016
Commission Meeting/Decision	<b>December 2016</b>

The case will be submitted upon the filing of reply briefs, unless the Assigned Commissioner or Administrative Law Judge directs further evidence or argument.

The assigned Commissioner or Presiding Officer may adjust this schedule as necessary for efficient management of this proceeding. It is the Commission's intent to complete this proceeding within the timeframe set forth in the rate case plan for small telecommunications carriers, Decision 15-06-048 and within 18 months from the date of this scoping memo.

## **6. Ex Parte Communications**

*Ex parte* communications are governed by the Public Utilities Code and Commission Rules. In general, *ex parte* communications are prohibited, with limited exceptions subject to reporting requirements. (See § 1701.3(c); Rules 8.2(c) and 8.3)

## **7. Final Oral Argument**

A party in a ratesetting proceeding in which hearing is held has the right to make Final Oral Argument (FOA) before the Commission, if the FOA is requested within the time and manner specified in the Scoping Memo or later ruling. (Rule 13.13) Parties shall use the following procedure to request FOA.

Any party seeking to present FOA shall file and serve a motion at any time that is reasonable, but no later than the filing of reply briefs. The motion shall state the request, the subject(s) to be addressed, the amount of time requested, recommended procedure and order of presentations, and anything else relevant to the motion. The motion shall contain all the information necessary for the Commission to make an informed ruling on the motion, providing for an efficient, fair, equitable, and reasonable FOA. If more than one

party plans to move for FOA, parties shall use their best efforts to present a joint motion, including a joint recommendation on subjects, procedure, order of presentations, and anything else relevant to the motion. A response to the motion may be filed within two days of the date of the motion. If a final determination is subsequently made that no hearing is required, Rule 13.13 shall cease to apply, along with a party's right to an FOA.

**8. Service List**

The service list is on the Commission's web page. Parties are responsible for ensuring that the correct information is contained on the service list, and notifying the Commission's Process Office and other parties of corrections or ministerial changes. Substantive changes (e.g., to be added or removed as a party) must be made by motion or at hearing.

**9. Presiding Officer**

Administrative Law Judge Adeniyi A. Ayoade is the Presiding Officer.

**IT IS RULED** that the items addressed in the body of this ruling are adopted. In particular:

1. The category of this proceeding is ratesetting. Appeals, if any, must be filed and served within 10 days.

2. The issues are as stated in the body of this ruling.

3. Hearing is necessary.

4. The schedule stated in the ruling is adopted. The assigned Commissioner or Presiding Officer may adjust this schedule as necessary for efficient management of this proceeding.

5. With limited exceptions that are subject to reporting requirements, *ex parte* communications are prohibited. (See § 1701.3(c); Rules 8.2(c) and 8.3)

6. A party shall follow the procedures stated in this ruling to request Final Oral Argument, but the right to Final Oral Argument ceases to exist if there is a subsequent final determination that hearing is not needed.

7. The Presiding Officer is Administrative Law Judge Adeniyi A. Ayoade.

Dated February 18, 2016, at San Francisco, California.

/s/ LIANE M. RANDOLPH

Liane M. Randolph  
Assigned Commissioner