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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of Application of The Siskiyou Telephone Company (U 1017 C) to Review Intrastate Rates and Charges, Establish a New Intrastate Revenue Requirement and Rate Design, and Modify Selected Rates	A.15-12-001 (filed December 1, 2015)

JOINT MOTION FOR ADOPTION OF ALL-PARTY SETTLEMENT AGREEMENT

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June 16, 2016

I. INTRODUCTION.

Pursuant to Rule 12.1 of the Commission's Rules of Practice and Procedure ("Rules"), The Siskiyou Telephone Company ("Siskiyou") and the Office of Ratepayer Advocates of the California Public Utilities Commission ("ORA") (collectively, the "Parties") request that the Commission approve the settlement agreement fully executed on June 14, 2016 between Siskiyou and ORA that resolves Siskiyou's rate case in its entirety ("Settlement Agreement"). Siskiyou and ORA are the only parties to this proceeding. A copy of the Settlement Agreement is attached hereto as Exhibit 1.

The Settlement Agreement reflects the agreed-upon resolution of Siskiyou's rate case. Siskiyou and ORA submit that the attached Settlement Agreement is reasonable in light of the whole record, consistent with the law and in the public interest. This Settlement Agreement therefore meets the standard under Rule 12.1(d), and should be adopted by the Commission as a full resolution of the issues in this proceeding.

II. PROCEDURAL BACKGROUND.

On October 1, 2015, Siskiyou submitted a Notice of Intent to initiate this rate case, in keeping with D.15-06-048. On October 9, 2015, Siskiyou responded timely and fully to each of the "Minimum Data Requests" issued by ORA. On December 1, 2015, Siskiyou filed its formal general rate case application ("Application") seeking an increase to its intrastate revenue requirement and corresponding modifications to its California High Cost Fund A ("CHCF-A") draw, as well as adjustments to selected rates. Contemporaneous with the Application, Siskiyou served direct testimony from five separate witnesses supporting the relief sought in the Application. The Application first appeared on the Commission's Daily Calendar on December 3, 2015. Siskiyou provided customers with timely public notice of the Application pursuant to Rule 3.2(c) and Rule 3.2(d). Siskiyou also provided notice to the Attorney General and appropriate municipal representatives, as required by Rule 3.2(b). On December 17, 2015, in Resolution ALJ 176-3369, the Commission preliminarily designated this proceeding as ratesetting and concluded that hearings would be necessary.

On January 5, 2016 ORA filed its Protest to the Application. ORA's Protest identified several substantive areas of dispute and potential dispute in Siskiyou's Application, with a principal focus on the following: (1) Siskiyou's proposed rate design; (2) Siskiyou's proposed CHCF-A draw; (3) Siskiyou's proposed revenue requirement; (4) Siskiyou's service quality and compliance. Siskiyou addressed the subject of ORA's protest in a reply submitted on January 15, 2016.

On February 5, 2016, an initial Pre-Hearing Conference ("PHC") took place. Based on discussions during the PHC, an Assigned Commissioner's and Administrative Law Judge's Scoping Memo and Ruling ("Scoping Ruling") was issued on February 11, 2016. The Scoping Ruling confirmed the categorization of the proceeding as ratesetting and adopted a procedural schedule for the proceeding, which would include hearings. On May 17, 2016, an Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge ("Amended Scoping Ruling") was issued, which added the issue of affiliate transactions and relationships to the existing scope of the proceeding.

In preparing its testimony, ORA issued – and Siskiyou responded to – more than sixteen sets of detailed data requests, not including the "Minimum Data Requests" issued before the Application was submitted. ORA also requested additional materials through email correspondence with Siskiyou as well as during conference calls and in connection with ORA's site visit to Siskiyou, which took place on March 2, 2016. ORA served its responsive testimony on May 9, 2016, and that testimony was endorsed by three witnesses.

On June 1, 2016, ORA and Siskiyou held a duly-noticed all-party settlement conference in compliance with Rule 12.1(b). On June 6, 2016, the Parties informed the assigned Administrative Law Judge ("ALJ") that they had reached a settlement, and the Parties asked that the remaining testimony and hearing dates be taken off calendar. ALJ Wildgrube then moved the rebuttal testimony date to June 22, 2016, but asked the Parties to leave the hearing dates open. This motion and the associated Settlement Agreement are being brought to seek Commission adoption of the Settlement Agreement as a final resolution of this matter.

III. SUMMARY OF SETTLEMENT AGREEMENT.

As a result of their negotiations, Siskiyou and ORA have agreed upon terms that would settle all outstanding issues raised by their dispute in this proceeding.

1. Rate of return: For purposes of calculating revenue requirement based on the assumptions in Siskiyou's application, the Parties agree to an assumed 14.6% rate of return in presenting their revenue requirement figures. The Parties further agree, however, that the revenue requirement to be adopted for the 2017 test year should reflect the results of the cost of capital adopted in A.15-09-005.

2. Revenue requirement: Based on the assumed 14.6% rate of return, the Parties agree to a revenue requirement in the amount of $15,524,581. The parties have agreed to an overall revenue requirement, without specifying the individual components of that revenue requirement. The revenue requirement will be updated based on the results of the cost of capital adopted in A.15-09-005 according to the following formula:

Revenue requirement = $15,524,581 - [($5,031,607 {current return} x 1.66208)] – ($34,463,072 {rate base} x *new cost of capital percentage* x 1.66208)].

A simplified version of this same equation is as follows:

Revenue requirement = $15,524,581 - [$8,362,933– ($57,280,383 x *new cost of capital percentage*)].

Within 30 days of the issuance of a final decision in A.15-09-005, Siskiyou will submit a Tier 2 advice letter recalculating its revenue requirement pursuant to the above formula. The resulting revenue requirement will be implemented as of January 1, 2017.

3. End user rates and rate design:

(i) Siskiyou's tariffed basic, residential rates will be modified to $24.00, exclusive of any surcharges, fees, or taxes, effective January 1, 2017.

(ii) Siskiyou's tariffed business rates will be modified to $26.00, exclusive of any surcharges, fees, or taxes, effective January 1, 2017.

(iii) Siskiyou's rate design will be comprised of the following forecasted revenues:

(1) $1,256,633 in Local Network Services revenues.

(2) $5,977,977 in Interstate Universal Service Fund support for intrastate revenue requirement.

(3) $56,416 in Long Distance Network revenues.

(4) $412,415 in intrastate access and intercarrier compensation revenues.

(5) $173,493 in miscellaneous and uncollectible revenues.

(6) The remainder necessary to fulfill revenue requirement from the CHCF-A, based on the revenue requirement established pursuant to the formula in subpart (b), above. Under the current assumption of 14.6% cost of capital, this would be a CHCF-A draw of $7,647,647, but this figure will be updated to reflect the cost of capital established in A.15-09-005.

4. Siskiyou will abide by the following requirements relative to its affiliates:

(a) Siskiyou's ISP operations shall be held in a separate legal entity from its regulated local exchange operations.

(b) Siskiyou's regulated local exchange operations shall maintain separate books from its ISP affiliate as to all transactions.

(c) Siskiyou's regulated local exchange operations shall maintain separate bank accounts for all transactions from its ISP affiliate.

(d) Siskiyou shall have no joint advertising or marketing with any affiliates or unregulated operations.

(e) Siskiyou shall have no joint events, sponsorships, fundraisers, or charitable donations with its affiliates.

(f) Siskiyou shall not transfer any physical assets that are used and useful without first obtaining necessary approvals from the Commission.

(g) Siskiyou shall conduct financial transactions with its affiliates at "arms-length."

(h) Siskiyou will ensure that affiliate transactions are conducted at rates and upon terms no less advantageous than those otherwise available to Siskiyou from unaffiliated third parties for similar transactions.

IV. THE SETTLEMENT AGREEMENT IS REASONABLE, LAWFUL, AND IN THE PUBLIC INTEREST.

To obtain Commission approval of a settlement, parties must demonstrate that the settlement is reasonable in light of the whole record, consistent with law, and in the public interest. *See* Rule 12.1(d). In evaluating settlements, the Commission has consistently recognized a strong public policy in California favoring settlements and avoiding litigation. *See* D. 14-08-009, at 16; D.12-11-043, at 7; D.15-07-014, at 14-15, 21. The Settlement Agreement satisfies all three requirements of Rule 12.1(d), and it should be adopted.

A. The Settlement Agreement Is Reasonable In Light of the Whole Record.

The terms of the Settlement Agreement are reasonable in light of the whole record. The Settlement Agreement is a mutually-agreeable compromise between two parties with divergent positions, each of whom has zealously advocated for its positions. The Parties agreed to the Settlement Agreement at an advanced stage in this rate case proceeding and only after testimony, extensive discovery, and the Parties' thorough examination of key issues were completed. This has ensured that a significant record exists upon which to base the settlement and recommended resolution of the proceeding.

ORA tested the validity of Siskiyou's Application and testimony with sixteen detailed sets of data requests, including more than 90 specific questions, many with multiple subparts. ORA also requested additional materials via email correspondence as well as during conference calls and in the course of ORA's site visit with Siskiyou. Siskiyou responded to each formal and informal request for information with substantial responsive information. In sum, the experience and knowledge of the Parties, in addition to, the breadth and thoroughness of discovery in this case, facilitated well-informed settlement discussions and resulted in a reasonable Settlement Agreement. The Parties' mutual endorsement of the Settlement Agreement, in spite of the significant differences in the Parties' positions at the outset, further attest to its reasonableness.

The specific terms of the Settlement Agreement are also reasonable in light of the record. First, the overall revenue requirement is approximately $800,000 lower than the revenue requirement that Siskiyou had proposed, and is within $40,000 of ORA's proposal, using 14.6% rate of return as the input for deriving the return portion of the revenue requirement. *See* document entitled "Comparison of Parties' Positions and Settlement Terms," attached as Exhibit 2. Second, the parties reasonably have agreed to defer an ultimate determination on cost of capital to the ongoing proceeding, consistent with the Commission's intent in D.15-06-048. The parties have agreed upon a reasonable formula to adjust revenue requirement when the new cost of capital is released. Third, the end user rate proposals are in between the parties' positions, and will result in more local service revenue while keeping end user rates within the Commission's range of reasonableness, as determined in D.14-12-084. Fourth, the resulting CHCF-A draw is $852,065 lower than what Siskiyou had proposed, and substantially similar to what ORA had proposed. Fifth, the list of affiliate restrictions that ORA had proposed have been refined based on the parties' discussions so that they can be reasonably operationalized. As a whole, the substance of the affiliate proposals has been retained, but the verbiage surrounding the proposals has been modified to make them more precise and avoid misunderstandings regarding their implementation.

B. The Settlement Agreement is Consistent with Applicable Law.

The Settlement Agreement is also consistent with applicable law. It is well-established that in resolving rate cases, the Commission must apply rate-of-return regulation to provide utilities the opportunity to earn a reasonable rate of return. *Duquesne Light Co. v. Barasch*, 488 U.S. 299 (1989); Pub. Util. Code §275.6(b). Specifically, the Commission must:

> Employ rate-of-return regulation to determine a small independent telephone corporation's revenue requirement in a manner that provides revenues and earnings sufficient to allow the telephone corporation to deliver safe, reliable, high-quality voice communication service and fulfill its obligations as a carrier of last resort in its service territory, and to afford the telephone corporation a fair opportunity to earn a reasonable return on its investments, attract capital for investment on reasonable terms, and ensure the financial integrity of the telephone corporation.

Pub. Util. Code §275.6(c)(2).

As such, ratesetting for small independent telephone companies begins with the determination of a reasonable "revenue requirement." "Revenue requirement" is defined as "the amount that is necessary for a telephone corporation to recover its reasonable expenses and tax liabilities and earn a reasonable rate of return on its rate base." Pub. Util. Code §275.6(b)(5). The revenue requirement agreed upon in the Settlement Agreement incorporates each of these cost factors to yield a total intrastate revenue requirement of $15,524,581.

Once "revenue requirement" is established, the Commission "then fashions a rate design to provide the company a fair opportunity to meet the revenue requirement." Pub. Util. Code §275.6(b)(4). Under the Public Utilities Code, "rate design" means "the mix of end user rates, high-cost support, and other revenue sources that are targeted to provide an opportunity to meet the revenue requirement of the telephone corporation." Pub. Util. Code §275.6(b)(3). The Settlement Agreement rate design includes approximately $1,256,633 in local network service revenues derived from end users; $5,977,977 in Interstate Universal Service Fund support for intrastate revenue requirement; $56,416 in long distance network revenues; $412,415 in intrastate access and intercarrier compensation revenues; and $173,493 in other miscellaneous and uncollectable revenues.

In addition, the rate design in the Settlement Agreement includes a CHCF-A draw amount of $7,647,647. The $7,647,647 amount is the remainder necessary to fulfill Siskiyou's revenue requirement based on an assumed 14.6% cost of capital, pending the outcome of A.15-09-005, after which the parties agree the overall revenue requirement and resulting CHCF-A draw will be adjusted. CHCF-A support must be supplied "in an amount sufficient to supply the portion of the revenue requirement that cannot reasonably be provided by the customers of each small independent telephone corporation after receipt of federal universal service rate support." Pub. Util. Code §275.6(c)(4). The Parties agree that the end user rates and resulting revenue projections from those rates are reasonable, and that higher rates should not be adopted at this time. The CHCF-A draw amount agreed upon in the Settlement Agreement is sufficient and not excessive because it is no greater than necessary to fulfill the portion of Siskiyou's reasonable revenue requirement that cannot reasonably be fulfilled by end users. Pub. Util. Code §275.6(c)(7).

The Settlement Agreement also complies with other relevant state and federal policy objectives that inform how the Commission should establish a revenue requirement for a small, rate-of-return telephone company. The California Legislature has directed the Commission to "[promote] customer access to advanced services and deployment of broadband-capable facilities in rural areas that is reasonably comparable to that in urban areas…." Pub. Util. Code §275.6(c)(5). The agreed-upon revenue requirement and rate base are crafted to ensure that customers have access to advanced services of their choice over a safe, reliable, high-quality broadband-enabled network.

Siskiyou's end user rates as agreed upon in the Settlement Agreement are "just and reasonable" and are "reasonably comparable to rates charged to customers of urban telephone corporations," pursuant to Public Utilities Code 275.6(c)(3). The decision resolving Phase 1 of the CHCF-A proceeding, D.14-12-084, found that small incumbent local exchange carriers' residential basic rates must be set within the range of \$30.00 to \$37.00, inclusive of federal and state fees and surcharges. D.14-12-084 at p. 102 (O.P. 9). The Settlement Agreement agrees to residential basic rates of \$32.57 inclusive of fees and surcharges—a rate amount that falls squarely inside the "range of reasonableness."

C. The Settlement Agreement is in the Public Interest.

The public interest supports adoption of the Settlement Agreement. To the Parties' knowledge, no customer has contacted Siskiyou, ORA or the Commission's Public Advisor in response to the Application to object to the relief sought in Siskiyou's application. As discussed above, the Commission office charged with protecting consumer interests, ORA, has conducted extensive discovery concerning the Application, and has agreed to the settlement terms. The Parties agree that under the Settlement Agreement, Siskiyou will be able to generate revenues sufficient for it to maintain a reasonable level of plant investment and service quality, and also service its debt and provide a reasonable return for its shareholders.

In further support of adoption of the Settlement Agreement as consistent with the public interest, the record demonstrates that Siskiyou has an excellent service quality record. Siskiyou serves seven exchanges in a remote, mountainous area slightly larger than the state of Delaware. The size of Siskiyou's territory combined with its low customer density can present service quality challenges. Moreover, much of Siskiyou's older outside plant is aerial cable, which is highly susceptible to damage from lightning, inclement winter weather and forest fires. Despite these unique challenges, Siskiyou has a track record of efficiently repairing damage and keeping service outages to a minimum.

In particular, Siskiyou's ("G.O.") 133-C service quality reports for the years 2010-2014 reveal that the company's service installation time for those years rarely exceeded one day and never exceeded two days on average. For installation commitments, Siskiyou missed only four commitments in five years and has never been below the 95% standard. Also, Siskiyou's customer trouble reports levels run well below 1% company-wide on a monthly basis. *See Opening Testimony of Tim Edwards*; *Id.* at Exhibit E. To allow the company to continue to meet and exceed its service quality commitments to customers, Siskiyou is upgrading old, undersized aerial copper cables with new buried cable. Finally, Siskiyou upholds accurate and timely customer service outcomes by routing all customer service calls to live customer service representatives, rather than relying on automated call routing systems.

For all of these reasons, the Settlement Agreement will promote public welfare by helping ensure that Siskiyou can provide high-quality service over a safe, reliable, modern network. It is in the public interest and should be adopted.

V. CONCLUSION.

Based on the foregoing, the Parties respectfully request that the Commission grant this Joint Motion and adopt the Settlement Agreement in its entirety as the final resolution of Siskiyou's rate case filing for 2017 test year. The Settlement Agreement is reasonable considering the advanced stage of litigation the Parties completed, the extensive and in-depth quality of discovery, and the fact that the Parties overcame significant differences to arrive at this mutually-agreeable result.

The Settlement Agreement is also consistent with the law and in the public interest, and it should be adopted.

Dated this 16th day of June, 2016, at San Francisco, California.

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of the California Public Utilities Commission

EXHIBIT 1

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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of Application of The Siskiyou Telephone Company (U 1017 C) to Review Intrastate Rates and Charges, Establish a New Intrastate Revenue Requirement and Rate Design, and Modify Selected Rates	A.15-12-001 (filed December 1, 2015)

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into as of June 13, 2016, by and between Applicant The Siskiyou Telephone Company ("Siskiyou") and the Office of Ratepayer Advocates of the California Public Utilities Commission ("ORA") in accordance with Article 12 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"). Siskiyou and ORA are identified herein collectively as the "Parties."

RECITALS

WHEREAS, on December 1, 2015, Siskiyou filed a general rate case application ("Application") seeking an increase in its revenue requirement, an increase to its draw from the California High Cost Fund A ("CHCF-A"), and modifications to selected rates;

WHEREAS, on December 3, 2015, the California Public Utilities Commission ("CPUC" or "Commission") published in its Daily Calendar public notice of the filing of the Application;

WHEREAS, on January 5, 2016, ORA filed its Protest to the Application opposing certain aspects of Siskiyou's application;

WHEREAS, Siskiyou submitted pre-filed testimony from five witnesses addressing the issues raised by the Application;

WHEREAS, ORA issued sixteen detailed sets of data requests, including more than 90 specific questions, many with numerous subparts, and requested additional materials via email correspondence as well as during conference calls and ORA's site visit with Siskiyou, to examine the issues raised by the Application and test the validity of Siskiyou's statements and conclusions, and Siskiyou responded to each of those data requests with substantial responsive information;

WHEREAS, a Pre-Hearing Conference in this proceeding took place on February 5, 2016;

WHEREAS, a Public Participation Hearing took place on April 19, 2016 in Etna, California;

WHEREAS, ORA submitted its opening testimony on May 9, 2016;

WHEREAS, the Parties engaged in substantive settlement discussions starting shortly after ORA submitted its opening testimony on May 9, 2016, and leading up until execution of this agreement;

WHEREAS, on June 1, 2016, the Parties held a duly-noticed all-party formal settlement conference in compliance with Rule 12.1(b);

WHEREAS, Siskiyou and ORA have arrived at an agreement resolving all issues that 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 ORA agree to resolution of Siskiyou's general rate case Application as follows:

a. Rate of return: For purposes of calculating revenue requirement, the parties agree to an assumed 14.6% rate of return. The parties further agree, however, that the revenue requirement to be adopted for the 2017 test year should reflect the results of the cost of capital adopted in A.15-09-005.

b. Revenue requirement: Based on the assumed 14.6% rate of return, the parties agree to a revenue requirement in the amount of $15,524,581. The revenue requirement will be updated based on the results of the cost of capital adopted in A.15-09-005 according to the following formula:

> Revenue requirement = $15,524,581 - [($5,031,607 {current return} x 1.66208)] – ($34,463,072 {rate base} x *new cost of capital percentage* x 1.66208)].

Within 30 days of the issuance of a final decision in A.15-09-005, Siskiyou will submit a Tier 2 advice letter recalculating its revenue requirement pursuant to the above formula. The resulting revenue requirement will be implemented as of January 1, 2017.

c. End user rates and rate design:

i. Siskiyou's tariffed basic, residential rates will be modified to $24.00, exclusive of any surcharges, fees, or taxes, effective January 1, 2017.

ii. Siskiyou's tariffed business rates will be modified to $26.00, exclusive of any surcharges, fees, or taxes, effective January 1, 2017.

iii. Siskiyou's rate design will be comprised of the following forecasted revenues:

1. $1,256,633 in Local Network Services revenues.

2. $5,977,977 in Interstate Universal Service Fund support for intrastate revenue requirement.

3. $56,416 in Long Distance Network revenues.

4. $412,415 in intrastate access and intercarrier compensation revenues.

5. $173,493 in miscellaneous and uncollectible revenues.

6. The remainder necessary to fulfill revenue requirement from the CHCF-A, based on the revenue requirement established pursuant to the formula in subpart (b), above. Under the current assumption of 14.6% cost of capital, a CHCF-A draw of $7,647,647.

d. Affiliates: Siskiyou will abide by the following requirements relative to its affiliates:

1. Siskiyou's ISP operations shall be held in a separate legal entity from its regulated local exchange operations.

2. Siskiyou's regulated local exchange operations shall maintain separate books from its ISP affiliate as to all transactions.

3. Siskiyou's regulated local exchange operations shall maintain separate bank accounts for all transactions from its ISP affiliate.

4. Siskiyou shall have no joint advertising or marketing with any affiliates or unregulated operations.

5. Siskiyou shall have no joint events, sponsorships, fundraisers, or charitable donations with its affiliates.

6. Siskiyou shall not transfer any physical assets that are used and useful without first obtaining necessary approvals from the Commission.

7. Siskiyou shall conduct financial transactions with its affiliates at "arms-length."

8. Siskiyou will ensure that affiliate transactions are conducted at rates and upon terms no less advantageous than those otherwise available to Siskiyou from unaffiliated third parties for similar transactions.

e. 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 that 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 ORA agree to admit into the record of this proceeding testimony already served 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.

f. 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 exception of any court that may now or in the future, by statute or otherwise, have jurisdiction to review Commission decisions.

g. 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.

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

i. The Settlement Agreement may be executed in counterparts.

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

k. This Settlement Agreement resolves all outstanding issues in this proceeding.

l. This Settlement Agreement cannot be amended or changed except by a written amendment signed by both Parties and approved by the Commission.

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

n. 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.

OFFICE OF RATEPAYER ADVOCATES
OF THE CALIFORNIA PUBLIC UTILITIES
COMMISSION

Dated: 6-13-16 By: Elizabeth Echols

Elizabeth Echols
Director of the Office of Ratepayer Advocates
California Public Utilities Commission

THE SISKIYOU TELEPHONE COMPANY

Dated: 6-14-16 By: James T. Lowers

James T. Lowers
President, CEO and Controller
The Siskiyou Telephone Company

EXHIBIT 2

Comparison of Parties' Positions and Settlement Terms

Issue	Siskiyou's Proposal	ORA's Recommendations	Settlement Terms
Revenue Requirement	$16,287,664	$15,484,884	$15,524,581 based on an assumed rate of return of 14.6%. Revenue requirement will be updated using an agreed-upon formula within 30 days of the issuance of a final decision in A.15-09-005.
End User Rates	Residential: $21.63	Residential: $23.17 for Test Year 2017 and increasing 4.91% annually beginning in 2018.	Residential: $24.00
	Business: $24.14	Business: $25.33 for Test Year 2017 and increasing 4.91% annually beginning in 2018.	Business: $26.00
CHCF-A Draw	$8,498,290	$7,646,225	$7,647,647 (under the current assumption of 14.6% cost of capital)
Affiliate Rules	None	Siskiyou and its affiliates shall accomplish the following: • Be held in separate legal entities. • Maintain separate books for all transactions. • Maintain separate bank accounts for all transactions. • Have no joint advertising or marketing. • Have no overlapping of employees or responsibilities. • Have no joint events, sponsorships, fundraisers, or charitable donations. • Not transfer any physical assets without	Siskiyou will abide by the following requirements relative to its affiliates: • Siskiyou's ISP operations shall be held in a separate legal entity from its regulated local exchange operations. • Siskiyou's regulated local exchange operations shall maintain separate books from its ISP affiliate as to all transactions. • Siskiyou's regulated local exchange operations shall maintain separate bank accounts for all transactions from its ISP affiliate. • Siskiyou shall have no joint advertising or

		first obtaining the necessary approvals from the Commission. • Conduct financial transactions with each other at "arms-length." • Ensure that affiliate transactions are conducted at rates and upon terms no less advantageous than those otherwise available to Siskiyou from unaffiliated third parties for similar transactions.	marketing with any affiliates or unregulated operations. • Siskiyou shall have no joint events, sponsorships, fundraisers, or charitable donations with its affiliates. • Siskiyou shall not transfer any physical assets that are used and useful without first obtaining necessary approvals from the Commission. • Siskiyou shall conduct financial transactions with its affiliates at "arms-length." • Siskiyou will ensure that affiliate transactions are conducted at rates and upon terms no less advantageous than those otherwise available to Siskiyou from unaffiliated third parties for similar transactions.