

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



**FILED**  
11-02-16  
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In the Matter of the Application of the Cal-Ore Telephone Co. (U 1014 C) to Review Intrastate Rates and Charges, Establish a New Intrastate Revenue Requirement and Rate Design, and Modify Selected Rates.

A.16-10-004  
(Filed October 3, 2016)

**PROTEST OF THE OFFICE OF RATEPAYER ADVOCATES**

**1. INTRODUCTION**

Pursuant to Rule 2.6 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the Office of Ratepayer Advocates ("ORA") files this timely protest to Application ("A.") 16-10-004 of the Cal-Ore Telephone Company ("Cal-Ore"). Cal-Ore's Application seeks authorization to establish a new intrastate revenue requirement and rate design.

Cal-Ore filed its Application on October 3, 2016. This protest is timely filed pursuant to the schedule set forth in the Rate Case Plan, D.15-06-048.

In its Application, Cal-Ore requests to draw from the California High Cost Fund-A ("CHCF-A"). The CHCF-A was implemented in accordance with Public Utilities Code § 275.6 to provide universal service rate support to small independent telephone corporations that could then provide their customers telephone service in rural areas that is reasonably comparable to that in urban areas, and to facilitate deployment of broadband service. The California High Cost Fund-A program is a corporate subsidy program supported from surcharges applied to voice services only and the program currently has a surcharge rate of 0.35%.<sup>1</sup> As of August 25, 2016, the 2016-2017 CHCF-A program budget is \$43.4 million with a statewide average subsidy per CHCF-A

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<sup>1</sup> <http://www.cpuc.ca.gov/General.aspx?id=1124>

line of approximately \$815 per year,<sup>2</sup> which is more than five-times higher than the CHCF-B fund subsidy of \$145.<sup>3</sup>

## **I. APPLICATION**

In its Application, Cal-Ore requests that the Commission adopt an intrastate revenue requirement of \$3,846,927 for test year 2018 based on \$2,578,662 in anticipated regulated expenses and property taxes, a return on rate base of \$763,059 at a 14.60% rate of return, and forecasted tax liabilities of \$505,206. Cal-Ore's proposed 2018 revenue requirement and forecasted revenues results in a CHCF-A draw for test year 2018 of \$2,257,256, which is 361% higher than the approved 2009 draw of \$489,682.<sup>4</sup>

## **II. GENERAL ISSUES**

ORA is conducting the necessary examination of the testimony and work papers that Cal-Ore has provided to support the requests in its Application, consistent with the statutory requirement that "all charges demanded or received by any public utility...shall be just and reasonable."<sup>5</sup> ORA will also be issuing discovery to obtain clarification and supporting documentation for underlying assumptions and calculations to ensure that the company's requests are in the public interest.

The following provides a non-exhaustive identification of issues ORA intends to examine and address in its testimony before the Commission:

1. Cal-Ore's proposal for a 6.81%<sup>6</sup> increase in rates for Individual Access Line-Residential customers and a 7.69%<sup>7</sup> increase for Individual Access Line-Business customers.
2. Cal-Ore's proposed increase in the A-Fund subsidy/draw is almost 361% higher than its draw established in its last general rate case.

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<sup>2</sup> CHCF-A Fact Sheet at <http://www.cpuc.ca.gov/General.aspx?id=991>.

<sup>3</sup> CHCF-B Fact Sheet at <http://www.cpuc.ca.gov/General.aspx?id=989>.

<sup>4</sup> Per D.11-05-033, Appendix D.

<sup>5</sup> Public Utilities Code Section 451.

<sup>6</sup> Current rate for A-1 Access Line Service (Residential) is \$20.25; proposed rate for 2018 is \$23.00.

<sup>7</sup> Current rate for A-4 Public Access Line Service (Business) is \$30.05; proposed rate for 2018 is \$34.15.

3. Cal-Ore's subsidy is approximately over \$1,100 per line per year, based on projected 2018 data.
4. Cal-Ore's Total Company Corporate Expenses for test year 2018 is \$1.26 million. In ORA's initial review this amount exceeds the Federal Communications Commission's limits adopted in Commission decision D.14-12-084 by more than \$380,000.
5. Cal-Ore's overall service quality for voice and broadband service pertaining to safety and reliability.

The above items represent a general summary of the issues ORA has preliminarily identified within the Application. As discovery proceeds, other issues may arise and ORA reserves the right to address such issues in its testimony.

### **III. PUBLIC PARTICIPATION HEARINGS**

ORA opposes Cal-Ore's proposed schedule to move public participation hearing (PPH) dates to day 200 from the date of the filing. Public participation hearings are an essential way for ORA to gather information as input for its testimony on issues ranging from rates to quality of service, public safety, and other concerns that ratepayers may have. To address Cal-Ore's concern that those attending the PPH will not have ORA's testimony proposing rates that may be different from the utility's, ORA suggests that Cal-Ore include in its customer notices for the PPH a statement indicating that the Commission has established \$30 to \$37 as the reasonable range for an all-inclusive rate for telephone service.<sup>8</sup> Customers would then be properly noticed that rates can go as high as \$37 and they can provide input during the PPH as to the reasonableness of potential rates.

### **IV. CATEGORIZATION AND PROPOSED SCHEDULE**

ORA agrees with Cal-Ore's categorization of this proceeding as ratesetting and that the revenue requirement and rate design issues involved in this case may require evidentiary hearings.

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<sup>8</sup> Ordering Paragraph 9, D.14-15-084.

Below, ORA’s proposed schedule adjusts for weekends and holidays. ORA would like to request a staggered schedule between the four Group B general rate cases filed on October 3, 2016. ORA has one team of analysts working on three different rate cases – Cal-Ore, Ponderosa (A.16-10-001), and Calaveras (A.16-10-002). Therefore, a staggered schedule will allow the team time to properly prepare its filings in each case.

**ORA Proposed Schedule - Cal-Ore**

<b>Benchmark/Timeline</b>	<b>Day-Rate Case Plan</b>	<b>Proposed Date</b>
Utility Application Testimony Filed	0	10/03/2016
Protests Filed	30	11/02/2016
Utility Response to Protest	40	11/14/2016
Prehearing Conference	60	12/5/2016*
Public Participation Hearing (PPH)	0-150	Week of Jan 30
ORA/Intervenor Testimony	150	3/16/2017
Utility Rebuttal Testimony	180	4/17/2017
Evidentiary Hearings (week of)	210	5/22/2017
Opening Brief	250	6/30/2017
Reply Brief	271	7/21/2017
PD Mailed	331	9/19/2017
Comments on PD	351	10/9/2017
Commission Meeting	361-390	Oct- Nov

\* ORA is proposing prehearing conferences for Calaveras and Cal-Ore Telephone Company on December 5, 2016, wherein one company can hold its prehearing conference in the morning, followed by the second prehearing conference for the other company in the afternoon. In doing so ORA would like to effectively use its resources that are shared across these cases.

## V. CONCLUSION

Cal-Ore's Application includes numerous requests with direct impacts upon rates, charges, and A-Fund subsidies. The reasonableness of the assumptions and the accuracy of the calculations underlying the requests must be reviewed to ensure that the requested relief is just and reasonable. Although ORA is hopeful that resolution of any disputed issues can be achieved through the settlement process, evidentiary hearings may be required, and a schedule should be established to accommodate thorough examination of the Application.

Respectfully submitted,

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November 2, 2016