

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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In the Matter of Application of Sierra Telephone Company, Inc. (U1016C) to Review Intrastate Rates and Charges, Establish a New Intrastate Revenue Requirement and Rate Design, and Modify Selected Rates.

A.16-10-003
(Filed October 3, 2016)

PROTEST OF THE OFFICE OF RATEPAYER ADVOCATES

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November 2, 2016

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I. 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.) 16-10-003 of Sierra Telephone Company, Inc. (Sierra). In A.16-10-003, Sierra seeks authorization to establish a new intrastate revenue requirement and rate design.

Sierra filed its General Rate Case Application on October 3, 2016, and the Application appeared on the Commission's Daily Calendar on October 7, 2016. In its Application, Sierra seeks Commission approval for updates to its intrastate revenue requirement and rate design. As part of its rate design, Sierra is requesting a 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. It is important to note that the monies that support the California High Cost Fund-A program are derived from surcharges applied to voice

services only. Currently, the CHCF-A program has a surcharge rate of 0.35%.¹ As of August 25, 2016, the 2016-2017 CHCF-A program budget is \$43.4 million with a statewide average subsidy per CHCF-A line of \$815 per year,² which is more than five times higher than the CHCF-B fund subsidy of \$145.³

II. APPLICATION

In its Application, Sierra requests the Commission adopt an intrastate revenue requirement of \$28,937,006 for test year 2018 based on \$23,473,820 in anticipated regulated expenses and property taxes, a return on rate base of \$3,400,359 at 14.60 percent rate of return, and forecasted tax liabilities of \$2,062,827. Sierra's proposed 2018 revenue requirement and forecasted revenues results in a CHCF-A draw for test year 2018 of \$18,557,514 compared to the company's prior approved 2008 draw of \$12,014,767 per Commission Resolution T-17082. Sierra's proposed 2018 revenue requirement equates to an estimated subsidy per line of over \$1,000.

III. GENERAL ISSUES

Consistent with the statutory requirement that "all charges demanded or received by any public utility...shall be just and reasonable,"⁴ ORA is conducting the necessary examination of the testimony and work papers that Sierra has provided to support the requests in its Application. 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 See <http://www.cpuc.ca.gov/General.aspx?id=1124>.

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

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

⁴ Public Utilities Code Section 451.

1. Sierra's proposed rate design increases the "all inclusive" rate for residential basic service and single-line business service.
2. Analysis of Sierra's workpapers and supporting documentation for the Application requires ongoing confirmation to match the Company's testimony and submission of various versions of the company's workpapers, as certain data points presented in the various documents are inconsistent.
3. Sierra proposes an increase in the CHCF-A Fund subsidy/draw that is 54% higher than its draw established in its last general rate case.
4. Sierra requests corporate expenses that exceed the Federal Communications Commission's limits adopted in Commission decision D.14-12-084.
5. Sierra seeks to treat rate case expenses outside the Commission's adopted FCC corporate cap.
6. Sierra's overall service quality for voice and broadband services pertaining to safety and reliability.
7. Sierra proposes a new depreciation study.

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.

In addition, ORA opposes Sierra's proposed schedule to move public participation hearing (PPH) dates to day 200 from the date of the filing. Having PPHs prior to the issuance of ORA's testimony is important because the PPHs allow ORA to hear the concerns of the ratepayers that it represents, and gather information as input for its testimony on issues ranging from service rates, service quality, public safety, and other concerns that ratepayers may have. To address Sierra's concern that those attending the PPH will not have ORA's testimony proposing rates that may differ from Sierra's, ORA suggests that Sierra include in its customer notices for the PPH a statement indicating that the CPUC has established \$30 to \$37 as the reasonable range for an all-inclusive rate for

telephone service.⁵ Customers would then be properly noticed that rates can go as high as \$37 and can provide input during the PPH as to what rate they believe is more reasonable and why.

IV. CATEGORIZATION AND PROPOSED SCHEDULE

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

ORA proposes the below schedule for this proceeding:

ORA Proposed Schedule - Sierra

Benchmark/Timeline	Day	Date
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	12/02/2016
Public Participation Hearing (PPH)	0-149	Week of January 23
ORA/Intervenor Testimony	150	3/02/2017
Utility Rebuttal Testimony	180	4/03/2017
Evidentiary Hearings	210	5/15/2017 – 5/19/2017
Opening Brief	254	6/16/2017
Reply Brief	275	7/07/2017
Proposed Decision (PD) Mailed	331	8/30/2017
Opening Comments on PD	351	9/19/2017
Reply Comments	356	09/25/2017
Commission Meeting		End of September/Early October

⁵ Ordering Paragraph 9, D.14-15-084.

V. CONCLUSION

Sierra'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 a settlement process, evidentiary hearings may be required, and a schedule should be established to accommodate thorough examination of the Application.

Respectfully submitted,

/s/ KERRIANN SHEPPARD

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