

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Carrier Oversight and Programs Branch**

**RESOLUTION T- 17616
November 8, 2018**

R E S O L U T I O N

RESOLUTION T-17616, Six Small Incumbent Local Exchange Carriers. Order Authorizing a Prorated Reduction totaling \$1,291,652, in Adopted Revenue Requirement for Calendar Year 2018 and a Corresponding Reduction in California High Cost Fund-A Support for Six Small Incumbent Local Exchange Carriers from April 1, 2018 through December 31, 2018, to flow through changes resulting from the Tax Cuts and Jobs Act of 2017.

SUMMARY

This Resolution flows through revenue requirement and resulting California High Cost Fund-A changes from the Tax Cuts and Jobs Act of 2017 for six Small Incumbent Local Exchange Carriers. Specifically, this resolution adopts a reduction in California High Cost Fund-A support of \$1,291,652 to \$18,228,176, for the period April 1, 2018 through December 31 during Calendar Year 2018, for six Small Incumbent Local Exchange Carriers 2018.

BACKGROUND

The California High Cost Fund-A (CHCF-A) program operates in accordance with Public Utilities (P.U.) Code § 275.6. This statute requires the Commission to implement a program to reduce any rate disparity between rural and urban areas charged by Small Incumbent Local Exchange Carriers (hereafter referred to as Small ILECs) that are subject to rate-of-return regulation.

The Tax Cut and Jobs Act of 2017 (TCJA) was signed into law on December 22, 2017 and became effective January 1, 2018. Among other things, the TCJA reduced the top corporate income tax rate from 35% to 21%.¹

The Commission adopted Resolution T-17585 on January 11, 2018, authorizing CHCF-A support for calendar year (CY) 2018 for Ducor Telephone Company (Ducor), Foresthill Telephone Company (Foresthill), Kerman Telephone Company (Kerman), Pinnacles Telephone Company (Pinnacles), Siskiyou Telephone Company (Siskiyou) and Volcano Telephone Company (Volcano).

After enactment of the TCJA, the Communications Division's Director sent a letter on March 16, 2018, to the following ten Small ILECs that receive CHCF-A support: Calaveras Telephone Company (Calaveras), Cal-Ore Telephone Company (Cal-Ore), Ducor, Foresthill, Kerman, Pinnacles, The Ponderosa Telephone Company (Ponderosa), and Sierra Telephone Company (Sierra), Siskiyou and Volcano.

1. This letter acknowledged that Calaveras, Cal-Ore, Ponderosa and Sierra had recent General Rate Cases (GRCs) for Test Year (TY) 2018 and had already filed Tier 2 Advice Letters (AL) to account for any changes to the federal tax laws from TCJA. The resulting revenue requirement and CHCF-A support adjustments for these companies have been addressed in separate resolutions.²
2. This letter directed Ducor, Foresthill, Kerman, Pinnacles, Siskiyou and Volcano to file separate Tier 1 ALs to establish a Tax Accounting Memorandum Account, effective April 1, 2018, to track the impact of the TCJA tax changes on Commission-jurisdictional revenue requirements. The letter noted that the Office of Ratepayer Advocates (ORA)³ had filed a Petition to Modify Resolution T-17585 on February 20, 2018, requesting the Commission to flow-through to ratepayers any tax benefits earned by these companies via the CHCF-A fund. It also noted that the 2018 impact of the TCJA could be lost without regulatory action. Staff indicated in this letter that establishing the memorandum accounts as an interim step would be prudent to capture the realized tax savings and to flow through the resulting savings to ratepayers. This resolution addresses these tax savings for ratepayers.

¹ The Small Incumbent Local Exchange Carriers' GRC-adopted revenue requirement are based on a 34% federal income tax rate.

² The Commission adopted Calaveras resolution T-17626 on August 23, 2018. The resolutions for Cal-Ore T-17617, Ponderosa T-17618 and Sierra T-17619 were all adopted on August 9, 2018.

³ ORA is now known as The Public Advocates Office.

Table 1 shows the AL filings establishing tax savings memorandum accounts by these six Small ILECs.

Table 1		
Small Incumbent Local Exchange Carrier	Advice Letter Number	Date Filed
Ducor	375	03/30/18
Foresthill	339	03/30/18
Kerman	421	03/30/18
Pinnacles	280	03/30/18
Siskiyou	417	03/23/18
Volcano	403	03/30/18

These six Small ILECs’ AL filings uniformly assert their objections to ORA’s Petition to Modify Resolution T-17585, and to ORA’s assertion that the tax savings is addressed in the CHCF-A annual adjustment process.

Notice/Protest

The Commission received Siskiyou’s AL 417 on March 23, 2018, which appeared in the Daily Calendar on March 30, 2018. The Commission also received Ducor’s AL 375, Foresthill’s AL 339, Kerman’s AL 421, Pinnacles’ AL 280 and Volcano’s AL 403 on March 30, 2018, which collectively appeared in the Commission’s Daily Calendar on April 6, 2018. No protests were received.

DISCUSSION

To reflect the changes in Federal Income Tax Rate (FITR) from 34% to 21%, Staff used this methodology to arrive at the revenue requirement and corresponding CHCF-A support reduction for the Calendar Year (CY) 2018:

1. For each of the six Small ILECs, Staff first recalculated each company’s last GRC Test Year results of operations from the 34% FITR to the 21% FITR to establish revised revenue requirements and corresponding CHCF-A amounts at 21% FITR.
2. Staff then subtracted the revised revenue requirement and CHCF-A support amount from each company’s respective last GRC revenue requirement and CHCF-A support amount to establish annual revenue requirement and CHCF-A support reduction amounts.

3. Then, to reflect the effective date of the proposed reductions to April 1, 2018, Staff prorated the annual reduction amounts established in item 2 above to nine months (April 1 through December 31, 2018) and subtracted the prorated reduction amounts from the CHCF-A amounts which were approved per Resolution T-17585 for CY 2018 at 34% FITR to arrive at the total revised CHCF-A amounts for CY 2018.

Staff considers this methodology (determining the TY-adopted revenue and CHCF-A reduction amount and applying that amount to the currently-authorized CHCF-A amount) reasonable, since any post-TY Commission-authorized annual CHCF-A adjustment is based on the last GRC Test Year adopted amount and “Mean Test”. The purpose of the “Means Test” is to assure that by allowing the CHCF-A adjustment to the TY amount, the company does not exceed the authorized rate of return adopted in its last GRC TY.

Appendices B1 through B6 show each Small ILEC’s Results of Operations at their last GRC Test Year with a 34% FITR (column A); recalculated results of operations at a 21% FITR (column B); and the resulting annual reduction amounts in revenue requirement and CHCF-A support determined by this resolution (column C). Appendix A summarizes and provides the breakdown of the recommended CHCF-A amounts for the January through March (column D) and April through December 2018 periods (column E).

Table 2 shows the annualized reduction in CHCF-A support from the last GRC for each of the six Small ILECs due to the FITR change to 21% in column A, which totals a cumulative \$1,722,202. Column B shows the cumulative prorated reduction in CHCF-A support for nine months from April 1, 2018, through December 31, 2018, for the six Small ILECs calculated by dividing Column A by 12 and multiplying by 9 totaling \$1,291,652.

Table 2		
Small ILEC	(A) Reduction in CHCF-A Support From Last GRC Due to Federal Income Tax Rate Change to 21%	(B)=(A)/12*9 Prorated Reduction in CHCF-A Support for Nine Months April- December 2018
Ducor	\$ 149,756	\$ 112,317
Foresthill	\$ 177,897	\$ 133,423
Kerman	\$ 180,168	\$ 135,126
Pinnacles	\$ 21,246	\$ 15,934
Siskiyou	\$ 841,225	\$ 630,919
Volcano	\$ 351,910	\$ 263,933
Total	\$ 1,722,202	\$ 1,291,652

While Staff has calculated the tax expense impact of the TCJA for operating expenses, it is not reflecting the additional savings impact of the TCJA on the deferred income tax reserve (which is a rate base component) due to the problematic nature of determining and applying the remaining life of depreciable assets prior to CY 2018 for normalization (disposal) of excess deferred income tax, created as a result of the new lower income tax rate. Staff recommends that such consideration be deferred until each company’s next GRC proceeding, at which time an equitable amount of excess deferred tax and a reasonable method for their normalization (disposal) can be determined.

While we postpone action on consideration of deferred income taxes, Staff’s proposal will still allow ratepayers to benefit from the tax expense adjustment proposed by this resolution.

Table 3 shows: each Small ILEC’s last GRC Test Year (column A); CY 2018 CHCF-A support amount per Resolution T-17585 (column B); proposed prorated reductions in CHCF-A for nine months, April through December 2018 (column C); and the total proposed revised CHCF-A amount for CY 2018 (column D).

Table 3				
	(A)	(B)	(C)	(D)=(B)-(C)
Small Incumbent Local Exchange Carrier	Test Year	CY 2018 CHCF-A Support Per T-17585 at 34% Federal Income Tax Rate	Prorated Reduction in CHCF-A Support for Nine Months April-December 2018	Revised CHCF-A Support for CY 2018
Ducor	2009	\$ 2,355,043	\$ 112,317	\$ 2,242,726
Foresthill	2012	\$ 2,831,025	\$ 133,423	\$ 2,697,602
Kerman	2016	\$ 3,914,396	\$ 135,126	\$ 3,779,270
Pinnacles	2009	\$ 357,274	\$ 15,934	\$ 341,340
Siskiyou	2017	\$ 5,192,301	\$ 630,919	\$ 4,561,382
Volcano	2017	\$ 4,869,789	\$ 263,933	\$ 4,605,856
Total		\$ 19,519,828	\$ 1,291,652	\$ 18,228,176

Table 4 provides a breakdown of each company’s revised CHCF-A support for CY 2018 for two periods: January through March at 34% FITR (column A); the prorated April through December at 21% FITR (column B); and the total revised CHCF-A support for CY 2018 (column C).

Table 4			
	(A)	(B)	(C)=(A)+(B)
Small ILEC	CHCF-A Support January through March 2018 at 34% Federal Income Tax Rate	CHCF-A Prospective Support for April through December 2018 at 21% Federal Income Tax Rate	Revised CHCF-A Support for CY 2018
Ducor	\$ 588,761	\$ 1,653,965	\$ 2,242,726
Foresthill	\$ 707,756	\$ 1,989,846	\$ 2,697,602
Kerman	\$ 978,599	\$ 2,800,671	\$ 3,779,270
Pinnacles	\$ 89,319	\$ 252,021	\$ 341,340
Siskiyou	\$ 1,298,075	\$ 3,263,307	\$ 4,561,382
Volcano	\$ 1,217,447	\$ 3,388,409	\$ 4,605,856
Total	\$ 4,879,957	\$ 13,348,219	\$ 18,228,176

Conclusion

By this resolution, Staff proposes to flow tax savings realized from the TCJA tax rate reduction of 34% to 21% as discussed above, and shown in Appendix A, prospective from the establishment of memorandum accounts effective April 1, 2018. The flow through adjustment will reduce CHCF-A support for CY 2018 by \$1,291,652 to \$18,228,176.

The revised CHCF-A support for Ducor, Foresthill, Kerman, Pinnacles, Siskiyou and Volcano as shown in Appendix A is reasonable and should be adopted.

COMMENTS

In compliance with P.U. Code § 311(g), the Commission emailed a notice letter on October 4, 2018, informing the advice letter service list of the availability of this Resolution for public comments at the Commission's website www.cpuc.ca.gov. Comments are due within twenty (20) days of Daily Calendar notification. The notice letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at the same website.

FINDINGS

1. The Tax Cuts and Jobs Act (TCJA) of 2017 enacted on December 22, 2017, lowered the corporate federal income tax rate from 35% to 21% effective January 1, 2018.
2. On March 16, 2018, the Communications Division's Director sent a letter to the ten Small Incumbent Local Exchange Carriers (ILECs) that receive California High Cost Fund-A (CHCF-A) support: Calaveras Telephone Company (Calaveras), Cal-Ore Telephone Company (Cal-Ore), Ducor Telephone Company (Ducor), Foresthill Telephone Company (Foresthill), Kerman Telephone Company (Kerman), Pinnacles Telephone Company (Pinnacles), The Ponderosa Telephone Company (Ponderosa), and Sierra Telephone Company (Sierra), Siskiyou Telephone Company (Siskiyou) and Volcano Telephone Company (Volcano).
3. The March 16, 2018, letter stated that Calaveras, Cal-Ore, Ponderosa and Sierra had recent General Rate Cases (GRCs) for Test Year 2018 and had already filed Tier 2 Advice Letters (AL) to account for any changes to the federal tax laws. The adjustments for these companies has been addressed in separate resolutions.
4. The March 16, 2018, letter also directed Ducor, Foresthill, Kerman, Pinnacles, Siskiyou and Volcano to file Tier 1 ALs to establish a Tax Accounting Memorandum Account, effective April 1, 2018, to track the impact of the TCJA tax changes on Commission-jurisdictional revenue requirements.
5. The March 16, 2018, letter acknowledges that Office of Ratepayer Advocates (ORA) filed a Petition to Modify Resolution T-17585 on February 20, 2018, which requests the Commission to flow-through to ratepayers any tax benefits earned by these companies via the CHCF-A fund.
6. Commission Resolution T-17585 adopted on January 11, 2018, authorized CHCF-A support for Calendar Year (CY) 2018 for Ducor, Foresthill, Kerman, Pinnacles, Siskiyou and Volcano.

7. On March 23, 2018, Siskiyou filed its Tier 1 advice letter. On March 30, 2018, Ducor, Foresthill, Kerman, Pinnacles and Volcano filed its Tier 1 advice letter.
8. The six Small ILECs' advice letter filings assert their objections to ORA's Petition to Modify Resolution T-17585 and ORA's assertion that the tax savings is addressed in the CHCF-A annual adjustment process.
9. The cumulative prorated reduction in CHCF-A support for the six Small ILECs for nine months from April 1, 2018, through December 31, 2018 totals \$1,291,652.
10. Staff recommends that consideration of the additional savings impact of the TCJA on the deferred income tax reserve be deferred until each company's next GRC proceeding, at which time an equitable amount of excess deferred tax and a reasonable method for their normalization (disposal) can be determined.
11. The CHCF-A support from Resolution T-17585 for January through March 2018 based on the 34% federal income tax rate for Ducor, Foresthill, Kerman, Pinnacles, Siskiyou and Volcano is \$4,879,957.
12. The CHCF-A prospective support for April 2018 through December 2018 based on the 21% federal income tax rate for Ducor, Foresthill, Kerman, Pinnacles, Siskiyou and Volcano is \$13,348,219.
13. The total revised CHCF-A support for CY 2018 for Ducor, Foresthill, Kerman, Pinnacles, Siskiyou and Volcano is \$18,228,176.
14. Appendices B1 through B6 show that Staff calculated annual reductions at the 21% federal income tax rate for each Small ILECs revenue requirement and corresponding CHCF-A support for Calendar Year 2018 based on each of the six Small ILECs' last GRC Test Year.
15. Appendix A summarizes the Staff calculated CHCF-A support for the first three months of 2018 (January through March), the remaining nine months of 2018 (April through December), and the total revised CHCF-A budget support for the six Small ILECs.
16. The revised CHCF-A support for Ducor, Foresthill, Kerman, Pinnacles, Siskiyou and Volcano as shown in Appendix A is reasonable and should be adopted.

THEREFORE, IT IS ORDERED that:

1. To reflect the cumulative reduction of California High Cost Fund-A support of \$1,291,652, prospective from April 1, 2018, through December 31, 2018, the Small

Incumbent Local Exchange Carriers named in Table 1 shall receive the revised amount of \$18,228,176, for Calendar Year 2018, as shown in the Table below.

	(A)	(B)	(C)=(A)+(B)
Small Incumbent Local Exchange Carrier	CHCF-A Support January through March 2018 at 34% Federal Income Tax Rate	CHCF-A Support for April through December 2018 21% Federal Income Tax Rate	Revised CHCF-A Support for CY 2018
Ducor Telephone Company	\$ 588,761	\$ 1,653,965	\$ 2,242,726
Foresthill Telephone Company	\$ 707,756	\$ 1,989,846	\$ 2,697,602
Kerman Telephone Company	\$ 978,599	\$ 2,800,671	\$ 3,779,270
Pinnacles Telephone Company	\$ 89,319	\$ 252,021	\$ 341,340
Siskiyou Telephone Company	\$ 1,298,075	\$ 3,263,307	\$ 4,561,382
Volcano Telephone Company	\$ 1,217,447	\$ 3,388,409	\$ 4,605,856
Total	\$ 4,879,957	\$ 13,348,219	\$ 18,228,176

2. Staff shall revise the remaining monthly California High Cost Fund-A support payments to the company's in Table 1 so that total Calendar Year 2018 support payments total \$18,228,176, and as shown in Appendix A.
3. The revised revenue requirement for each of the six Small Incumbent Local Exchange Carrier's respective Test Years shall be as shown in Column (B) of Appendices B1 through B6.

This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on _____, the following Commissioners voting favorable thereon:

ALICE STEBBINS
Executive Director

APPENDIX

APPENDIX A								
ADOPTED CHCF-A SUPPORT FOR CALENDAR YEAR 2018								
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Small ILEC	Adopted CHCF-A Support for Calendar Year 2018 at 34% Federal Income Tax Rate	Reduction in CHCF-A Support Due to Federal Income Tax Rate Change to 21% ¹	CHCF-A Support for Calendar Year 2018 due to Federal Income Tax Rate Change to 21%. (A)-(B)	CHCF-A Support January through March 2018 at 34% Federal Income Tax Rate ((A)/12)*3	CHCF-A Prospective Support for Calendar Year 2018 April through December 2018. ((C)/12)*9	Revised CHCF-A Support for CY 2018 (D)+(E)	Prorated Reduction in CY 2018 CHCF-A Support from Resolution T-17585 (A) - (F)	Appendix B Detail Calculations
Ducor	\$ 2,355,043	\$ 149,756	\$ 2,205,287	\$ 588,761	\$ 1,653,965	\$ 2,242,726	\$ 112,317	B1
Foresthill	\$ 2,831,025	\$ 177,897	\$ 2,653,128	\$ 707,756	\$ 1,989,846	\$ 2,697,602	\$ 133,423	B2
Kerman	\$ 3,914,396	\$ 180,168	\$ 3,734,228	\$ 978,599	\$ 2,800,671	\$ 3,779,270	\$ 135,126	B3
Pinnacles	\$ 357,274	\$ 21,246	\$ 336,028	\$ 89,319	\$ 252,021	\$ 341,340	\$ 15,934	B4
Siskiyou	\$ 5,192,301	\$ 841,225	\$ 4,351,076	\$ 1,298,075	\$ 3,263,307	\$ 4,561,382	\$ 630,919	B5
Volcano	\$ 4,869,789	\$ 351,910	\$ 4,517,879	\$ 1,217,447	\$ 3,388,409	\$ 4,605,856	\$ 263,933	B6
	\$ 19,519,828	\$ 1,722,202	\$ 17,797,626	\$ 4,879,957	\$ 13,348,219	\$ 18,228,176	\$ 1,291,652	
Note:	¹ Latest test year adopted revenue requirement at 34% federal tax rate (Column A) and that is calculated at 21% federal tax rate (Column B) and the difference between Column A and B is Column C. See line 6 of Appendix B.							

		Appendix B1		
		Ducor Telephone Company		
		Results of Operations		
		Test Year 2009		
		(A)	(B)	(C)=(A)-(B)
		T-17312	21% Federal Income Tax Rate	Annual Reduction
Operating Revenues:				
1	Local Rev.	\$ 386,017	\$ 386,017	
	Intrastate:			
2	Access Rev.	230,760	230,760	
3	Toll Rev.			
4	Interstate USF	922,918	922,918	
5	Miscellaneous Rev. & Uncollect	(472)	(472)	
6	CHCF-A	2,561,408	2,411,652	\$ 149,756
7	Total	\$ 4,100,631	\$ 3,950,875	\$ 149,756
Operating Expenses:				
8	Plant Specific	\$ 869,191	\$ 869,191	
9	Plt. Non-Spec.(less Depr.)	146,526	146,526	
10	Customer Operations	189,896	189,896	
11	Corporate Operations	793,512	793,512	
12	Subtotal	\$ 1,999,125	\$ 1,999,125	
13	Depr. & Amort.	966,798	966,798	
14	Other Taxes	74,021	74,021	
15	State and Federal Income Tax	373,703	223,947	
16	Total	\$ 3,413,647	\$ 3,263,891	
17	Net Operating Income	\$ 686,984	\$ 686,984	
Rate Base:				
18	2001 - TPIS	\$ 14,101,642	\$ 14,101,642	
19	2003 - TPUC	211,525	211,525	
20	1220 - Mat. and Sup.	176,490	176,490	
21	Working Cash	186,048	186,048	
22	Less: Accum. Depr.	(7,138,780)	(7,138,780)	
23	Less: Deferred Inc Tax	(666,975)	(666,975)	
24	Less: Cust Dep.	(81)	(81)	
25	Total Rate Base	\$ 6,869,869	\$ 6,869,869	
26	Rate of Return	10.00%	10.00%	

Appendix B2				
Foresthill Telephone Company				
Results of Operations				
Test Year 2012				
		(A)	(B)	(C)=(A)-(B)
		D.11-12-001	21% Federal Income Tax Rate	Annual Reduction
Operating Revenues:				
1	Local Rev.	\$ 815,722	\$ 815,722	
	Intrastate:			
2	Access Rev.	301,030	301,030	
3	Toll Rev.			
4	Interstate USF	1,838,246	1,838,246	
5	Miscellaneous Rev. & Uncollect	121,135	121,135	
6	CHCF-A	2,566,164	2,388,267	\$ 177,897
7	Total	\$ 5,642,297	\$ 5,464,400	\$ 177,897
Operating Expenses:				
8	Plant Specific	\$ 901,534	\$ 901,534	
9	Plt. Non-Spec.(less Depr.)	276,622	276,622	
10	Customer Operations	469,097	469,097	
11	Corporate Operations	1,153,650	1,153,650	
12	Subtotal	\$ 2,800,903	\$ 2,800,903	
13	Depr. & Amort.	1,144,078	1,144,078	
14	Other Taxes	164,978	164,978	
15	State and Federal Income Tax	484,669	306,772	
16	Total	\$ 4,594,628	\$ 4,416,731	
17	Net Operating Income	\$ 1,047,669	\$ 1,047,669	
Rate Base:				
18	2001 - TPIS	\$ 16,955,334	\$ 16,955,334	
19	2003 - TPUC	335,986	335,986	
20	1220 - Mat. and Sup.	52,713	52,713	
21	Working Cash	352,400	352,400	
22	Less: Accum. Depr.	(6,191,444)	(6,191,444)	
23	Less: Deferred Inc Tax	(1,027,338)	(1,027,338)	
24	Less: Cust Dep.		-	
25	Total Rate Base	\$ 10,477,651	\$ 10,477,651	
26	Rate of Return	10.00%	10.00%	

Appendix B3				
Kerman Telephone Company				
Results of Operations				
Test Year 2016				
		(A)	(B)	(C)=(A)-(B)
		D.16-06-053 and Cost of Capital D.16-12-035	21% Federal Income Tax Rate	Annual Reduction
Operating Revenues:				
1	Local Rev.	\$ 2,036,922	\$ 2,036,922	
Intrastate:				
2	Access Rev.	252,299	252,299	
3	Toll Rev.			
4	Interstate USF	2,032,176	2,032,176	
5	Miscellaneous Rev. & Uncollect	296,582	296,582	
6	CHCF-A	3,888,605	3,708,437	\$ 180,168
7	Total	\$ 8,506,584	\$ 8,326,416	\$ 180,168
Operating Expenses:				
8	Plant Specific	\$ 1,931,739	\$ 1,931,739	
9	Plt. Non-Spec.(less Depr.)	351,901	351,901	
10	Customer Operations	1,006,072	1,006,072	
11	Corporate Operations	1,541,031	1,541,031	
12	Subtotal	\$ 4,830,743	\$ 4,830,743	
13	Depr. & Amort.	1,837,621	1,837,621	
14	Other Taxes	205,028	205,028	
15	State and Federal Income Tax	511,393	331,225	
16	Total	\$ 7,384,785	\$ 7,204,617	
17	Net Operating Income	\$ 1,121,799	\$ 1,121,799	
Rate Base:				
18	2001 - TPIS	\$ 32,585,754	\$ 32,585,754	
19	2003 - TPUC	546,738	\$ 546,738	
20	1220 - Mat. and Sup.	194,333	\$ 194,333	
21	Working Cash	439,800	\$ 439,800	
22	Less: Accum. Depr.	(18,160,016)	\$ (18,160,016)	
23	Less: Deferred Inc Tax	(2,652,814)	\$ (2,652,814)	
24	Less: Cust Dep.			
25	Total Rate Base	\$ 12,953,795	\$ 12,953,795	
26	Rate of Return	8.66%	8.66%	

Appendix B4				
Pinnacles Telephone Company				
Results of Operations				
Test Year 2009				
		(A)	(B)	(C)=(A)-(B)
		T-17158	21% Federal Income Tax Rate	Annual Reduction
Operating Revenues:				
1	Local Rev.	\$ 77,223	\$ 77,223	
	Intrastate:			
2	Access Rev.	39,042	39,042	
3	Toll Rev.			
4	Interstate USF	415,842	415,842	
5	Miscellaneous Rev. & Uncollect	(2,853)	(2,853)	
6	CHCF-A	234,490	213,244	\$ 21,246
7	Total	\$ 763,744	\$ 742,498	\$ 21,246
Operating Expenses:				
8	Plant Specific	\$ 151,231	\$ 151,231	
9	Plt. Non-Spec.(less Depr.)	94,149	94,149	
10	Customer Operations	35,510	35,510	
11	Corporate Operations	172,235	172,235	
12	Subtotal	\$ 453,125	\$ 453,125	
13	Depr. & Amort.	171,026	171,026	
14	Other Taxes	10,484	10,484	
15	State and Federal Income Tax	51,430	30,184	
16	Total	\$ 686,065	\$ 664,819	
17	Net Operating Income	\$ 77,679	\$ 77,679	
Rate Base:				
18	2001 - TPIS	\$ 2,714,142	\$ 2,714,142	
19	2003 - TPUC	10,042	10,042	
20	1220 - Mat. and Sup.	46,478	46,478	
21	Working Cash	55,328	55,328	
22	Less: Accum. Depr.	(1,958,546)	(1,958,546)	
23	Less: Deferred Inc Tax	(90,652)	(90,652)	
24	Less: Cust Dep.		-	
25	Total Rate Base	\$ 776,792	\$ 776,792	
26	Rate of Return	10.00%	10.00%	

		Appendix B5		
		Siskiyou Telephone Company		
		Results of Operations		
		Test Year 2017		
		(A)	(B)	(C)=(A)-(B)
		D.16-09-047 and		
		Cost of Capital	21% Federal	Annual
		D.16-12-035	Income Tax Rate	Reduction
Operating Revenues:				
1	Local Rev.	\$ 1,256,633	\$ 1,256,633	
	Intrastate:			
2	Access Rev.	412,415	412,415	
3	Toll Rev.	56,416	56,416	
4	Interstate USF	5,977,977	5,977,977	
5	Miscellaneous Rev. & Uncollect	173,493	173,493	
6	CHCF-A	4,394,122	3,552,897	\$ 841,225
7	Total	\$ 12,271,056	\$ 11,429,831	\$ 841,225
Operating Expenses:				
8	Plant Specific	\$ 1,518,883	\$ 1,518,883	
9	Plt. Non-Spec.(less Depr.)	758,172	758,172	
10	Customer Operations	634,030	634,030	
11	Corporate Operations	921,624	921,624	
12	Subtotal	\$ 3,832,709	\$ 3,832,709	
13	Depr. & Amort.	2,916,363	2,916,363	
14	Other Taxes	411,524	411,524	
15	State and Federal Income Tax	2,036,356	1,195,131	
16	Total	\$ 9,196,952	\$ 8,355,727	
17	Net Operating Income	\$ 3,074,104	\$ 3,074,104	
Rate Base:				
18	2001 - TPIS	\$ 66,455,219	\$ 66,455,219	
19	2003 - TPUC	655,498	\$ 655,498	
20	1220 - Mat. and Sup.	761,047	\$ 761,047	
21	Working Cash	152,723	\$ 152,723	
22	Less: Accum. Depr.	(29,950,651)	\$ (29,950,651)	
23	Less: Deferred Inc Tax	(3,609,760)	\$ (3,609,760)	
24	Less: Cust Dep.	(1,004)	(1,004)	
25	Total Rate Base	\$ 34,463,072	\$ 34,463,072	
26	Rate of Return	8.92%	8.92%	

Appendix B6				
Volcano Telephone Company				
Results of Operations				
Test Year 2017				
		(A)	(B)	(C)=(A)-(B)
		D.16-09-049 and Cost of Capital D.16-12-035	21% Federal Income Tax Rate	Annual Reduction
Operating Revenues:				
1	Local Rev.	\$ 3,433,414	\$ 3,433,414	
	Intrastate:			
2	Access Rev.	672,250	672,250	
3	Toll Rev.		-	
4	Interstate USF	759,475	759,475	
5	Miscellaneous Rev. & Uncollect	102,549	102,549	
6	CHCF-A	4,672,070	4,320,160	\$ 351,910
7	Total	\$ 9,639,758	\$ 9,287,848	\$ 351,910
Operating Expenses:				
8	Plant Specific	\$ 1,358,033	\$ 1,358,033	
9	Plt. Non-Spec.(less Depr.)	1,040,580	1,040,580	
10	Customer Operations	454,714	454,714	
11	Corporate Operations	1,301,326	1,301,326	
12	Subtotal	\$ 4,154,653	\$ 4,154,653	
13	Depr. & Amort.	2,882,962	2,882,962	
14	Other Taxes	214,214	214,214	
15	State and Federal Income Tax	851,868	499,958	
16	Total	\$ 8,103,697	\$ 7,751,787	
17	Net Operating Income	\$ 1,536,061	\$ 1,536,061	
Rate Base:				
18	2001 - TPIS	\$ 57,073,226	\$ 57,073,226	
19	1500 - Other Regulatory Asset	166,667	166,667	
20	1220 - Mat. and Sup.	1,425,607	1,425,607	
21	Working Cash	408,767	408,767	
22	Less: Accum. Depr.	(40,098,061)	(40,098,061)	
23	Less: Deferred Inc Tax	(2,130,603)	(2,130,603)	
24	Less: Cust Dep.	(2,826)	(2,826)	
25	Total Rate Base	\$ 16,842,777	\$ 16,842,777	
26	Rate of Return	9.12%	9.12%	