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

Application of Calaveras Telephone Company
(U 1004 C), Cal-Ore Telephone Co. (U 1006 C), Ducor
Telephone Company (U 1007 C), Happy Valley Telephone
Company (U 1010 C), Hornitos Telephone Company
(U 1011 C), Kerman Telephone Co. (U 1012 C), The Ponderosa
Telephone Co. (U 1014 C), Sierra Telephone Company, Inc.
(U 1016 C), The Siskiyou Telephone Company (U 1017 C),
Volcano Telephone Company (U 1019 C), Winterhaven
Telephone Company (U 1021 C) for Ratemaking Determination
Regarding Dissolution of Rural Telephone Bank

A. 07-12-026
(Filed December 20, 2007)

MOTION OF

**CALAVERAS TELEPHONE COMPANY (U 1004 C)
CAL-ORE TELEPHONE CO. (U 1006 C)
DUCOR TELEPHONE COMPANY (U 1007 C)
HAPPY VALLEY TELEPHONE COMPANY (U 1010 C)
HORNITOS TELEPHONE COMPANY (U 1011 C)
KERMAN TELEPHONE COMPANY (U 1012 C)
THE PONDEROSA TELEPHONE CO. (U 1014 C)
SIERRA TELEPHONE COMPANY, INC. (U 1016 C)
THE SISKIYOU TELEPHONE COMPANY (U 1017 C)
VOLCANO TELEPHONE COMPANY (U 1019 C)
WINTERHAVEN TELEPHONE COMPANY (U 1021 C)**

**TO REOPEN THE RECORD FOR SUBMISSION OF
ALTERNATE PROPOSAL TO SUPPORT BROADBAND INFRASTRUCTURE
INVESTMENT AND DEMAND GENERATION PROGRAMS**

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April 6, 2010
632026.1 / 7020-2900

1 **I. INTRODUCTION.**

2 Pursuant to Rule 11.1 of the California Public Utilities Commission's ("Commission") Rules
3 of Practice and Procedure ("Rules"), Calaveras Telephone Company (U 1004 C) ("Calaveras"), Cal-
4 Ore Telephone Co. (U 1006 C) ("Cal-Ore"), Ducor Telephone Company (U 1007 C) ("Ducor"),
5 Happy Valley Telephone Company (U 1010 C) ("Happy Valley"), Hornitos Telephone Company
6 (U 1011 C) ("Hornitos"), Kerman Telephone Co. (U 1012 C) ("Kerman"), The Ponderosa Telephone
7 Co. (U 1014 C) ("Ponderosa"), Sierra Telephone Company, Inc. (U 1016 C) ("Sierra"), The Siskiyou
8 Telephone Company (U 1017 C) ("Siskiyou"), Volcano Telephone Company (U 1019 C)
9 ("Volcano"), and Winterhaven Telephone Company (U 1021 C) ("Winterhaven") (collectively, the
10 "Applicants") hereby move for an order reopening the record in this proceeding to permit the
11 submission of an Alternate Proposal to Support Broadband Infrastructure Investment and Demand
12 Generation Programs ("Alternate Proposal").

13 Although Applicants still contend that the "gain on sale" rules apply to the distribution of
14 Rural Telephone Bank ("RTB") stock redemption proceeds, and that the Commission should allocate
15 the "gains" on the stock redemption as proposed in their Application, Applicants hereby seek to
16 reopen the record to submit an Alternate Proposal that would represent a reasonable resolution of this
17 proceeding. As set forth in Attachments A and B hereto, the Alternate Proposal would permit
18 Applicants to dedicate 50% of the net "income" from the RTB stock redemption – more than \$6
19 million – to broadband infrastructure investments and broadband adoption projects to benefit rural
20 and remote communities in California. Consistent with the Commission's broadband proliferation
21 goals, the Alternate Proposal would bring broadband infrastructure to areas that remain unserved,
22 augment "middle mile" and last mile facilities to bring second generation broadband speeds to some
23 extraordinarily rural areas, and take steps to encourage broadband adoption amongst rural, low-
24 income communities. The investments to support these projects would be made without any capital
25 recovery in Applicants' California-jurisdictional rates.

26 Applicants offer this proposal as a reasonable compromise of the disputed issues in the
27 proceeding that would do a lot of good for rural California. This Alternate Proposal was developed
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1 in coordination with representatives of the California Emerging Technologies Fund (“CETF”) based
2 on discussions between Applicants and CETF. Applicants understand that CETF supports the
3 Alternate Proposal, and, should it be adopted, Applicants will work with CETF to identify
4 partnerships and additional funding opportunities to help leverage the investments contemplated
5 under the Alternate Proposal.

6 Applicants hereby request that the Commission institute a process whereby the Alternate
7 Proposal can be formally considered and adopted. Applicants suggest that an Assigned
8 Commissioner Ruling, Administrative Law Judge’s Ruling, or other appropriate mechanism be issued
9 to allow the parties to comment on the Alternate Proposal on the record. Following such comments,
10 the Alternate Proposal should be introduced for formal adoption as the resolution of the proceeding.

11 As set forth herein, good cause supports the introduction of the Alternate Proposal into the
12 record. Applicants urge the Commission to create a formal vehicle for its consideration and adoption.
13 This will result in a win for California’s rural communities and ratepayers in those communities, for
14 the Applicant companies, and for the Commission’s broadband investment and adoption goals.

15 **II. GOOD CAUSE EXISTS FOR INTRODUCTION OF THE ALTERNATE PROPOSAL.**

16 The Alternate Proposal would effectuate a reasonable outcome of this proceeding, and would
17 direct more than \$6 million in broadband investments and adoption-oriented projects toward
18 communities in rural California. Good cause exists for the Alternate Proposal to be introduced into
19 the record.

20 **A. The Alternate Proposal Would Constitute a Reasonable Resolution to this**
21 **Proceeding.**

22 The Alternate Proposal would direct more than \$6 million to broadband investments and
23 demand projects. In doing so, the Alternate Proposal would resolve what has become a contentious
24 proceeding, in which Applicants continue to contend that the Commission’s “gain on sale” rules
25 compel the Commission to allocate the vast majority of RTB redemption proceeds to Applicants’
26 shareholders because the vast majority of RTB stock was held outside of rate base. Rather than
27 further litigate this matter, however, Applicants are willing to direct 50% of the net “income” on the
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1 RTB stock redemption proceeds to the types of projects identified in Attachment B.

2 Without burdening this Motion with a reiteration of the various issues in this matter, the
3 Applicants refer again to their briefs, testimony and filed comments to observe that the adoption of
4 the Revised Proposed Decision ("Revised PD") would constitute legal error and represent an
5 inappropriate policy decision, leading to prolonged litigation and likely reversals of such action by
6 appellate courts. Resolution of this matter through the adoption of a constructive alternative would
7 thus serve the interests of all parties concerned.

8 The amounts that would be committed to these projects and a distribution of the amounts on
9 an individual company basis are shown in Attachment A. As Applicants have emphasized in this
10 case, the RTB stock redemption did not generate \$31.2 million in "gains." Rather, to arrive at the
11 component of the RTB stock redemption proceeds that can reasonably be construed as "income,"
12 several adjustments must be made. First, the principal amounts of purchased Class B stock and
13 purchased Class C stock should be removed from the overall figure. This step is shown on rows 1
14 through 6 of Attachment A. The dividend income on the Class C shares should also be removed, as
15 acknowledged in the Revised PD. The resulting figure is approximately \$27.7 million in income on
16 the Class B shares.

17 From this \$27.7 million figure, several additional adjustments are required to arrive at the real
18 California jurisdictional "income" from the RTB stock redemption proceeds. An adjustment must be
19 made for taxes paid, as shown on rows 7 through 9 of Attachment A. Moreover, as the Revised PD
20 itself recognizes, the jurisdictional separations factor must be applied to the redemption funds to
21 arrive at the amount that is properly subject to California's authority as opposed to the FCC's
22 authority. This adjustment is shown on rows 10 through 12 of Attachment A. Following this
23 adjustment, a reasonable carrying charge should be applied to account for the time value of money
24 during the time between the receipt of the funds and the ultimate resolution of this proceeding. As
25 shown on rows 13 through 15, this calculation yields a total "income" figure of \$12.6 million.

26 Applicants propose to dedicate 50% of this "income" figure to broadband investments and
27 related projects to benefit communities and ratepayers in and around their service territories. Given
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1 that a large component of the funds comprising the \$12.6 million represents redeemed patronage
2 shares – which were never placed in rate base or otherwise paid for by ratepayers – a proposal to
3 “share” 50% of these funds in the form of broadband projects is quite reasonable. As previously
4 noted by Applicants, if the “gain on sale” rules were applied to these funds, all of these funds would
5 be returned to shareholders because the patronage shares were never placed in rate base and were not
6 “gains” at all. Since shareholders never earned a return on these funds during the time that they were
7 held, there is no Commission doctrine under which they should be distributed to ratepayers.
8 Nevertheless, adoption of the Applicants’ Alternate Proposal would avoid the need to further litigate
9 this issue, and in the process, rural infrastructure and broadband adoption in California would benefit.

10
11 **B. The Alternate Proposal Would Promote the Commission's Goals to Provide**
12 **Broadband Infrastructure and Service to California’s Unserved and**
13 **Underserved Communities.**

14 As shown more fully in Attachment B, the Alternate Proposal would help bring broadband
15 infrastructure to unserved and underserved areas, and would address “digital divide” issues by
16 dedicating funds toward the purchase of broadband devices or discounted broadband service. Under
17 the Alternate Proposal, the specific projects to be funded with RTB stock redemption funds would be
18 presented in Tier 2 advice letters under G.O. 96-B. Applicants would work with Commission Staff
19 through the advice letter process to clarify any projects submitted are consistent with the proposal.
20 Separately, Applicants would work with CETF to help identify synergies with community and
21 regional organizations to help promote adoption, and to direct investments to the areas where they are
22 most needed.

23 Although the specifics and implementation of each project would be left to a separate advice
24 letter process, the Applicants have already identified several categories of potential investments to
25 enhance broadband availability, demand, and/or speed in rural parts of California. Such projects can
26 (a) bring the first access to terrestrial broadband of any kind to some locations; (b) reduce barriers to
27 increased adoption of broadband among some rural residents whose take rates are relatively low; and
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1 (c) support substantial increases in speed for rural services that meet today's definition of broadband,
2 but which fall short of the increases in speed and capacity that national policy makers are urging for
3 the coming years. Examples of these projects are provided in Attachment B. Applicants would be
4 prepared to move forward with several of the ideas in Attachment B immediately after adoption of a
5 Decision endorsing the Alternate Proposal. Other projects will be ready for submission within
6 several weeks of such a Decision.
7

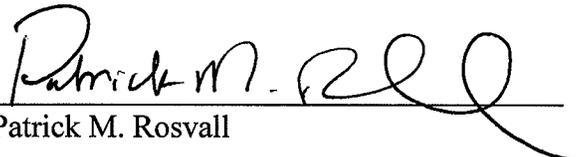
8 Section 3 of Attachment B also sets forth some recommended procedures for Commission
9 consideration of the Alternate Proposal. Applicants suggest that the Alternate Proposal be submitted
10 for formal comment, and that the Alternate Proposal be adopted as a full satisfaction of all issues in
11 the proceeding.
12

13 **III. CONCLUSION.**

14 As set forth above, good cause exists for the record to be reopened to permit the Alternate
15 Proposal to be formally introduced and considered as a final resolution to the issues in this
16 proceeding. Applicants urge that this motion be granted, and that a process be put in place that will
17 end this proceeding according to the terms of the Alternate Proposal.
18

19 Dated this 6th day of April, 2010, at San Francisco, California.

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ATTACHMENT A

Attachment A: Individual Company Detail Supporting Alternate Proposal

Note	Row	Description	Total of Applicants	Cataveras	Cal-Ore	Ducor	Happy Valley	Hornitos	Kerman
	1	Total RTB Class B and Class C stock proceeds	\$ 31,295,903	\$ 655,088	\$ 1,470,151	\$ 534,077	\$ 1,268,896	\$ 319,920	\$ 1,507,722
[A]	2	less: Purchased Class C stock principal	(18,126)	(5,000)	(8,877)				(1,126)
[A]	3	less: Dividends on purchased Class C stock	(23,159)						(778)
	4	Total RTB Class B related proceeds	\$ 31,254,622	\$ 655,088	\$ 1,456,274	\$ 534,077	\$ 1,268,896	\$ 319,920	\$ 1,505,818
[B]	5	less: Purchased Class B stock principal	(3,538,449)	(30,000)	(133,450)	(40,085)	(37,700)	(12,150)	(239,543)
[C]	6	"Income" related to RTB Class B shares	\$ 27,716,173	\$ 625,088	\$ 1,322,824	\$ 493,992	\$ 1,231,196	\$ 307,770	\$ 1,266,275
	7	Composite income tax rate (SIT and FIT)	40.16%	39.83%	39.83%	39.83%	40.75%	40.75%	39.83%
[D]	8	less: Income taxes paid on "Income" related to RTB Class B shares	(11,129,839)	(248,973)	(526,881)	(196,757)	(501,712)	(125,416)	(504,357)
	9	After-tax "Income" related to RTB Class B shares	\$ 16,586,334	\$ 376,115	\$ 795,943	\$ 297,235	\$ 729,484	\$ 182,354	\$ 761,918
	10	Interstate separations factor (from 2007 Cost Studies)	32.47%	27.27%	42.25%	29.26%	29.68%	30.61%	27.29%
[E]	11	less: Interstate after-tax "Income" related to RTB Class B shares	(5,385,001)	(102,567)	(336,286)	(86,971)	(216,511)	(55,819)	(207,927)
	12	Intrastate after-tax "Income" related to RTB Class B shares	\$ 11,201,333	\$ 273,548	\$ 459,657	\$ 210,264	\$ 512,973	\$ 126,535	\$ 553,991
	13	Approximate years subject to carrying charges (4/11/2006 - 06/30/2010)	4.22	4.22	4.22	4.22	4.22	4.22	4.22
	14	Weighted-average 90-day financial commercial paper rate	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
[F]	15	plus: Carrying charges	\$ 1,457,064	\$ 35,583	\$ 59,792	\$ 27,351	\$ 66,727	\$ 16,460	\$ 72,063
	16	Total intrastate amount subject to sharing allocation	\$ 12,658,397	\$ 309,131	\$ 519,449	\$ 237,615	\$ 579,700	\$ 142,995	\$ 626,054
		Sharing Allocation							
	17	50% Retained by Shareholders	\$ 6,329,196	\$ 154,565	\$ 259,724	\$ 118,807	\$ 289,850	\$ 71,497	\$ 313,027
	18	50% Broadband plant investments	\$ 6,329,201	\$ 154,566	\$ 259,725	\$ 118,808	\$ 289,850	\$ 71,498	\$ 313,027
Note	Row	Description		Ponderosa	Sierra	Siskiyou	Volcano	Winterhaven	
	1	Total RTB Class B and Class C stock proceeds	\$ 7,101,551	\$ 3,471,574	\$ 6,121,109	\$ 6,918,837	\$ 1,926,978		
[A]	2	less: Purchased Class C stock principal	(7,000)			(5,000)			
[A]	3	less: Dividends on purchased Class C stock	(12,205)						
	4	Total RTB Class B related proceeds	\$ 7,101,551	\$ 3,471,574	\$ 6,101,904	\$ 6,912,542	\$ 1,926,978		
[B]	5	less: Purchased Class B stock principal	(591,100)	(1,001,146)	(475,037)	(837,438)	(140,800)		
[C]	6	"Income" related to RTB Class B shares	\$ 6,510,451	\$ 2,470,428	\$ 5,626,867	\$ 6,075,104	\$ 1,786,178		
	7	Composite income tax rate (SIT and FIT)	40.75%	39.83%	39.83%	39.83%	40.75%		
[D]	8	less: Income taxes paid on "Income" related to RTB Class B shares	(2,653,009)	(983,971)	(2,241,181)	(2,419,714)	(727,868)		
	9	After-tax "Income" related to RTB Class B shares	\$ 3,857,442	\$ 1,486,457	\$ 3,385,686	\$ 3,655,390	\$ 1,058,310		
	10	Interstate separations factor (from 2007 Cost Studies)	29.40%	31.30%	40.64%	27.95%	36.10%		
[E]	11	less: Interstate after-tax "Income" related to RTB Class B shares	(1,134,088)	(485,191)	(1,375,909)	(1,021,682)	(382,050)		
	12	Intrastate after-tax "Income" related to RTB Class B shares	\$ 2,723,354	\$ 1,021,266	\$ 2,009,777	\$ 2,633,708	\$ 676,260		
	13	Approximate years subject to carrying charges (4/11/2006 - 06/30/2010)	4.22	4.22	4.22	4.22	4.22		
	14	Weighted-average 90-day financial commercial paper rate	2.90%	2.90%	2.90%	2.90%	2.90%		
[F]	15	plus: Carrying charges	\$ 354,252	\$ 132,846	\$ 261,431	\$ 342,591	\$ 87,968		
	16	Total intrastate amount subject to sharing allocation	\$ 3,077,606	\$ 1,154,112	\$ 2,271,208	\$ 2,976,299	\$ 764,228		
		Sharing Allocation							
	17	50% Retained by Shareholders	\$ 1,538,803	\$ 577,056	\$ 1,135,604	\$ 1,488,149	\$ 382,114		
	18	50% Broadband plant investments	\$ 1,538,803	\$ 577,056	\$ 1,135,604	\$ 1,488,150	\$ 382,114		

Notes:

[A] Applicants' Class C stock purchases and related dividends are due to shareholders and not subject to ratepayer sharing as currently recognized by the Revised Proposed Decision.

[B] Sharing allocations established in Rulemaking Proceeding 04-09-003 are applicable to only gains. Further, shareholders were in no way compensated by ratepayers for principal investments.

[C] "Income" includes patronage refunds, cash dividends on converted shares, and residual payments from RTB.

[D] Applicants paid state and federal taxes on Note C "Income" items, thereby reducing Applicants' available funds subject to carrying charges and funds immediately available for broadband investment.

[E] Use of 2007 jurisdictional separations factor is consistent with interstate treatment of same proceeds.

[F] The 2.90% carrying charge rate is a weighted-average 90-day commercial paper rate from 2006 to current (2009 rate used as proxy for 2010) compounded monthly from the initial RTB redemption.

ATTACHMENT B

Alternate Proposal to Support for Broadband Infrastructure Investment and
Demand Generation Programs

A.07-12-026

CALAVERAS TELEPHONE COMPANY (U 1004 C)
CAL-ORE TELEPHONE CO. (U 1006 C)
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April 6, 2010

1. Introduction

The eleven small independent telephone company Applicants in A.07-12-026 (Applicants) propose to dedicate approximately \$6.3 million to the promotion of broadband infrastructure and adoption in rural locations in and around their service areas in California. These amounts, which are specified by company in Attachment A, reflect half of the net proceeds that the Applicants received from their stock investments and participation in the federal Rural Telephone Bank, plus interest from the RTB's dissolution in 2006. These broadband investments will reflect a second major benefit to telephone company customers and their communities from the operation of the RTB and the funds shareholders put at risk through mandatory investments in RTB stock – the initial benefit having been access to substantial amounts of low-cost debt financing that the Applicants used over a 35-year period to build communications infrastructure in rural locations across California.

This proposal identifies how these funds would be used, and the process by which related investments would be identified, tracked, and reported to the California Public Utilities Commission (Commission). In developing this proposal, the Applicants were fortunate to have the benefit of consultations with executives and regional representatives of the California Emerging Technology Fund (CETF), an organization established by the Commission to promote broadband investments and adoption efforts. The proposal envisions a continuing role for CETF in providing expert advice to the Applicants about the best uses for these funds, including consultation with the Applicants about specific projects to be pursued, and how those efforts can best be coordinated with other grant, education, or investment efforts for maximum leverage in promoting broadband goals. The proposal also envisions providing an opportunity for Commission review of investment proposals prior to implementation.

A significant benefit of the proposal is the commitment by each of the Applicants that no capital costs covered by any of the \$6.3 million will be placed in intrastate rate base. No California jurisdictional revenue requirements (including high-cost fund draws) will include a rate of return on rate base for these investments, or any related depreciation expense.¹ The Applicants will track these investments so that the Commission can verify these exclusions. Any expensed amounts, such as for promotion and training to increase broadband adoption, will also be tracked and excluded.

This proposal also describes specified categories of broadband-related investments eligible for funding, including both facilities investment and demand stimulation efforts, and including potential participation in projects that may be partially funded with federal grants under the American Recovery and Reinvestment Act (ARRA) and the California Advanced Services Fund (CASF). The Applicants would

¹ Note that a portion of some investments may be eligible for inclusion in interstate rate base under the FCC's jurisdiction. Note also that the Applicants do not propose to segregate any increases or decreases in operating expenses that may occur due to broadband investments. Reasonable regulated utility operating expenses will continue to be recoverable as permitted by ratemaking methods the Commission may employ. Finally, customers who purchase broadband services will pay applicable prices for what they buy from the business units that sell those services. Discounts to broadband service fees, to promote adoption, may be supported by proposal funding as explained further in this proposal.

be provided up to two years to utilize the committed funds under this proposal, and interest would be applied to the funds until they are spent.

2. Uses of Proposal Funds

The Applicants have identified several categories of potential investments to enhance broadband availability, demand, and/or speed in rural parts of the state. Such projects can (a) bring the first access to terrestrial broadband of any kind to some locations; (b) reduce barriers to increased adoption of broadband and the costs associated with broadband among some rural residents whose take rates are relatively low; and (c) support substantial increases in speed for rural services that meet today's definition of broadband, but fall short of the increases in speed and capacity that national policy makers are urging should be attained in the coming years.

The Applicants are already aware of investment opportunities along these lines that could utilize the available funds, and believe that CETF is also positioned to help identify further opportunities and refine those of highest priority. Those projects fall generally into the following categories:

a. Extending broadband facilities to unserved areas

Although the Applicants have succeeded in reaching most customers in their service areas with access to broadband, there remain small pockets of extremely high-cost remote or rugged locations where no such facilities yet exist. RTB broadband funds could pay for the facilities needed to reach these pockets for some of the Applicants – which might involve wired, terrestrial wireless, or a combination of such solutions.

Several of the Applicant companies have areas either in or near their service territories that do not currently have broadband. These areas could be reached using RTB broadband funds. For example, Ponderosa Telephone could use funds to bring broadband service to the company's Cima exchange, a high desert area in northeastern San Bernardino County that includes the Mojave National Monument. Hornitos Telephone Company could reach unserved areas in Mariposa County near the McSwain Dam. This would bring service of up to 6 Mbs to at least 20 homes that have no broadband access today. Happy Valley Telephone Company could reach areas in Shasta and Tehama Counties that do not have any broadband service, including areas in Platina, Ono, and Wild Horse Ranch.

b. Contributions and other measures to encourage adoption

In some locations served by the Applicants, facilities are in place but take rates for broadband remain disappointingly low. The Applicants agree with CETF's experts that other barriers to adoption exist in these communities, particularly among customers in low-income or disadvantaged areas.

While such efforts will need to be targeted to make the best use of available funds, the Applicants believe that subsidies for computer purchases (or other similar devices) or community training opportunities could make the difference for some potential customers, including households with children whose education will benefit from broadband access at home. To help customers in

targeted areas gain experience with the service, some of the Applicants may use RTB broadband funds to provide initial discounts on charges for broadband service for new adopters. Such initiatives may also have the potential to be coordinated with other community outreach efforts.

For example, Winterhaven Telephone Company could use part of the RTB funds for adoption, education, and training purposes with the balance to be used to build the necessary infrastructure to provide DSL to many of the homes that are "unserved" today due to the very high costs of reaching them with facilities. Winterhaven's serving area covers approximately 72 square miles, almost all of which is on tribal lands. Although approximately 86% of households have DSL available, the rate of adoption is very low with only about 13% of the customers subscribing to DSL as of January 2010. During the discussions with the CETF on March 19, 2010, Winterhaven proposed that up to \$100,000 of the RTB-related dollars could be used for adoption-related efforts. Those efforts would include things such as training, discounted DSL services, and the provisioning of some hardware devices that would enable subscribers to learn how to use and benefit from the Internet. The CETF was very supportive of this concept and stated its willingness to work with Winterhaven to contact the appropriate agencies such as the Imperial County EDC to develop a plan and set it into motion. The involvement of experienced agencies will ensure that the maximum benefit is achieved.

Similar adoption efforts could be pursued in lower-income areas served by other Applicant companies. Applicants are actively exploring these adoption-focused possibilities with community organizations and with CETF's regional partners.

c. Investments to increase middle-mile and last-mile capacity and speeds to meet national broadband speed goals

Applicants could use RTB funds to invest in middle-mile and last-mile facilities that would increase broadband capacity and speeds in the rural areas in and around Applicants' service territories. These investments could leverage ARRA and/or CASF funds, and could bring tremendous benefits in terms of increased bandwidth and second generation broadband service to some remote areas at an affordable cost to the customer. Applicants would work with CETF to identify areas where monies might be best directed to increase speeds.

One possibility for increasing middle-mile connectivity would be to use RTB broadband funds to support a project between the Corporation for Education Network Initiatives in California (CENIC) and the Central Valley Independent Network (CVIN). CENIC is a non-profit organization that has a fiber backbone connecting several of the University of California and Cal State schools in California. CVIN is a partnership of eight independent companies that comprise a majority of the Applicants.

CENIC and CVIN have put together a technical project plan designed to improve the availability and capabilities of broadband networking infrastructure for 18 counties within the California Central Valley area: Amador, Calaveras, Colusa, El Dorado, Fresno, Kings, Kern, Mariposa, Merced, Madera, Nevada, Placer, Tuolumne, Tulare, San Joaquin, Stanislaus, Sutter, and Yuba counties. The plan is called the Central Valley Next Generation Broadband Infrastructure Plan. The implementation of this robust network infrastructure can significantly change the ways citizens in these 18 counties learn, work, and

live together. Such investments would also, in the short term, create jobs associated with network deployment and contribute to economic growth in the longer term.

The CENIC/CVIN plan encompasses a service area of 18 counties covering 39,530 square miles, 24 percent of the state’s geography and a population of 4,077,365 million, or over 11% of the state’s population. The project would reach over 1,973 communities within the proposed service area, most of which currently have access only to limited network speeds.

3. Recommended Commission Process and Procedures

As an initial matter, the Applicants have requested that the Assigned Administrative Law Judge or Assigned Commissioner reopen the record in A.07-12-026 so that this proposal can be filed and reviewed by the parties. Following comments and any other procedural matters appropriate to the circumstances, the Applicants recommend that the Commission adopt a decision acknowledging this proposal as a full satisfaction of the issue of allocating proceeds from the RTB. Such a decision should contain the following deadlines, findings, and requirements:

a. Applicants are ordered to commit the following amounts from their RTB stock redemption proceeds to broadband-related investments:

Calaveras Telephone Company:	\$154,566
Cal-Ore Telephone Co.:	\$259,725
Ducor Telephone Company:	\$118,808
Happy Valley Telephone Company:	\$289,850
Hornitos Telephone Company:	\$71,498
Kerman Telephone Company:	\$313,027
The Ponderosa Telephone Co.:	\$1,538,803
Sierra Telephone Company, Inc.:	\$577,056
The Siskiyou Telephone Company:	\$1,135,604
Volcano Telephone Company:	\$1,488,150
Winterhaven Telephone Company:	\$382,114

b. Within 24 months of the effective date of the decision adopting this proposal, each of the Applicants must submit a proposal or a series of proposals identifying broadband-related investments to be made using the RTB stock redemption funds.

c. Applicants' proposals should be submitted via Tier Two advice letters. Applicants may submit multiple advice letters within the 24-month window as necessary to dedicate all of the above-identified funds to broadband-related projects.

d. These Advice Letters shall go into effect automatically within 30 days unless a protest is filed. The Advice Letters will describe the investments to be undertaken, the timeframe within which the investments will be made, and the consultation process that the Applicant(s) have followed with CETF and any other knowledgeable parties about these investments. Once an Advice Letter has gone into effect or been approved by the Commission, the Applicant(s) will proceed with the investments within the time specified in Advice Letter or Advice Letters.

e. Interest will accrue at the current 90-day commercial paper rate on the remaining amount of each Applicant's investment obligation from the effective date of the Commission decision adopting this proposal, until the effective date of the Advice Letter by which particular funds will be committed to projects.

f. The Applicants will file an information-only Advice Letter every six months after the effective date of the Commission decision adopting this proposal, continuing until all of the funds have been invested. These Advice Letters will describe the investments that have taken place to date, and report on the amounts of funds remaining to be invested (including interest).

g. Applicants will maintain their books and records to show that neither the committed RTB broadband funds nor any plant, facilities, or other investments purchased with them are placed in rate base or depreciated in regulated revenue requirements for the purpose of setting California jurisdictional rates for regulated services, or for obtaining support payments through the California High Cost Fund A. Expensed items purchased with RTB broadband funds will likewise be excluded from CPUC-jurisdictional rate requests or calculations of support payments, although no segregation will be required for otherwise reasonable operating expenses associated with depreciable regulated facilities purchased with RTB broadband funds. Applicants will affirm that this segregation is in place as part of any application or other request for a general rate case or California High Cost Fund A support payment, and make the same information available to Commission staff on request.

1 CERTIFICATE OF SERVICE

2 I, Noel Gielegem, declare:

3 I am a resident of the State of California, over the age of eighteen years, and not a party to the
4 within action. My business address is COOPER, WHITE & COOPER LLP, 201 California Street,
5 17th Floor, San Francisco, CA 94111.

6 On April 6, 2010, I served a true copy of the

7 **MOTION OF**

8
9 **CALAVERAS TELEPHONE COMPANY (U 1004 C)**
10 **CAL-ORE TELEPHONE CO. (U 1006 C)**
11 **DUCOR TELEPHONE COMPANY (U 1007 C)**
12 **HAPPY VALLEY TELEPHONE COMPANY (U 1010 C)**
13 **HORNITOS TELEPHONE COMPANY (U 1011 C)**
14 **KERMAN TELEPHONE COMPANY (U 1012 C)**
15 **THE PONDEROSA TELEPHONE CO. (U 1014 C)**
16 **SIERRA TELEPHONE COMPANY, INC. (U 1016 C)**
17 **THE SISKIYOU TELEPHONE COMPANY (U 1017 C)**
18 **VOLCANO TELEPHONE COMPANY (U 1019 C)**
19 **WINTERHAVEN TELEPHONE COMPANY (U 1021 C)**

20 **TO REOPEN RECORD FOR SUBMISSION OF ALTERNATE PROPOSAL**
21 **TO SUPPORT BROADBAND INFRASTRUCTURE INVESTMENT**
22 **AND DEMAND GENERATION PROGRAMS**

23 by emailing a true and correct copy in searchable Adobe Acrobat PDF format to the parties on the
24 attached service list for this proceeding. A hard copy of this filing was also mailed to Assigned ALJ
25 Bushey.

26 I declare under penalty of perjury that the foregoing is true and correct.

27 Executed on April 6, 2010, at San Francisco, California.

28
29 
30 _____
31 Noel Gielegem

SERVICE LIST

Proceeding No. A. 07-12-026 (RTB) (CPUC February 26, 2010 List)

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