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

In the Matter of Application of Sierra
Telephone Company, Inc. (U 1016 C) to
Modify Intrastate Revenue Requirement and
Rate Design and Adjust Selected Rates.

A.21- _____

**GENERAL RATE CASE APPLICATION
OF SIERRA TELEPHONE COMPANY, INC. (U 1016 C)**

PUBLIC VERSION

**CONFIDENTIAL AFFILIATE INTERNET SERVICE PROVIDER DATA REDACTED
FROM APPLICATION, EXHIBIT B, EXHIBIT F**

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1 **I. INTRODUCTION**

2 Pursuant to Rules 2.1, 2.2, 2.3, and 3.2 of the California Public Utilities Commission’s
3 (“Commission”) Rules of Practice and Procedure (“Rules”), Applicant Sierra Telephone
4 Company, Inc. (U 1016 C) (“Sierra”) hereby submits this general rate case application
5 (“Application”), by which Sierra seeks modifications to its revenue requirement and rate design,
6 including updates to its annual costs of service and adjustments to its tariffed rates and California
7 High Cost Fund-A (“CHCF-A”) support.¹ This Application complies with Commission directives
8 applicable to small, independent telephone corporations, the Commission’s 2015 rate case plan
9 (“Rate Case Plan”), and all rules governing the CHCF-A program.²

10 Sierra has presented a reasonable proposal that advances important California policy
11 objectives, including efforts to bridge the “digital divide” and foster enhanced broadband
12 deployment in rural areas of California.³ Sierra’s revenue requirement and rate design were last
13 examined in 2016 and 2017 with reference to a test year of 2018.⁴ Since that time, numerous
14 events have underscored the critical importance of Sierra’s services to the rural communities who
15 depend on Sierra’s services. The annual threat of devastating wildfires provides a continued
16 reminder of the central role that reliable voice service plays in public safety, especially in Sierra’s
17 territory, which includes two Public Safety Answering Points (“PSAPs”) and where wireless
18 service is “spotty” and often does not work at customers’ premises. Likewise, the COVID-19

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20 ¹ On July 26, 2021, the Commission’s Executive Director granted a one-month extension on the deadline to
21 submit this rate case, setting the due date at November 1, 2021. *See July 26, 2021 Letter from Executive*
22 *Director Peterson Granting Rule 16.6 Extension Request*. The rate case deadline had previously been
23 extended by one year to move the filing deadline from 2020 to 2021. *See D.20-08-011 at 55 (Ordering*
24 *Paragraph (“OP”) 8 (confirming rate case filing date of October 1, 2021 for “Group A” companies,*
25 *including Sierra).*

26 ² *See* Pub. Util. Code § 275.6 (outlining the ratemaking standards for “small independent telephone
27 corporations” who receive CHCF-A support); D.15-06-048, Appendix A (establishing a rate case plan for
28 Sierra and other “small independent telephone corporations”); D.14-12-084 (enacting ratemaking
adjustments following Phase 1 of CHCF-A rulemaking); D.21-04-005 (adopting “broadband imputation”
for CHCF-A recipients); D.21-06-004 (enacting additional changes to ratemaking rules following Phase 2
of CHCF-A rulemaking).

³ *See* Newsom Executive Order N-73-20, OP 8 (directing the “CPUC . . . to seek opportunities to use
programs under its jurisdiction to accelerate broadband deployment and leverage utility infrastructure to
increase access to existing fiber and cost-effectively deploy new fiber.”); Pub. Util. Code § 281(b)(1)(A)
(confirming state goal of reaching 98% of households with broadband connectivity by the end of 2026).

⁴ *See* D.17-11-016 (concluding Sierra’s most recent rate case by adopting all-party settlement).

1 pandemic has highlighted the need for rural connectivity, since many essential services, social
2 necessities, and economic opportunities were not available “in person” during 2020 and “face-to-
3 face” interactions remain limited today.

4 Against this backdrop, federal and state regulators have confirmed that a robust broadband
5 connection is no longer a “luxury,”⁵ and Sierra is committed to advancing its broadband-capable
6 network that will provide the residents of Mariposa and Eastern Madera Counties with access to
7 an evolving level of broadband speed and bandwidth, consistent with the growing customer
8 demand for advanced services. While Sierra does not provide Internet access service itself, the
9 Legislature confirmed in 2012 that Sierra’s investments in “broadband-capable facilities” are
10 appropriate for inclusion in rate base and that the Commission must take steps in its ratemaking
11 processes to “promote customer access to advanced services.”⁶ Consistent with these imperatives,
12 Sierra is prepared to nearly \$100 million in additional investments in network upgrades from 2021
13 through 2023, with a goal of extending fiber to substantially all residential and business locations
14 as soon as reasonably possible.

15 Sierra cannot bring these benefits to its customers without continued access to sufficient
16 CHCF-A support, which makes a reasonable, efficient outcome in this rate case especially crucial.
17 To provide a viable financial platform for Sierra’s forward-looking operations, and to ensure that
18 Sierra can maintain its “financial integrity,” “attract capital . . . on reasonable terms” and “earn a
19 reasonable return on its investments,” the Commission must make adjustments to both Sierra’s
20 revenue requirement and its rate design.⁷ Unfortunately, the Commission has recently adopted
21 policies in the CHCF-A rulemaking that undercut Sierra’s ability to recover its costs of service and
22 earn its authorized rate of return, including the imposition of “broadband imputation” and the
23

24 ⁵ See *In the Matter of Connect America Fund*, WC Docket No. 10-90, *Report and Order*, FCC 18-176 (rel.
25 Dec. 13, 2018) (“*ETC Reform Order*”), at ¶ 3 (recognizing that “access to 25/3 Mbps broadband service is
26 not a luxury for urban areas, but important to Americans wherever they live.”); Newsom Executive Order
27 N-73-20, OP 1 (“California state agencies subject to my authority are directed to pursue a minimum
28 broadband speed goal of 100 megabits per second download speed to guide infrastructure investments and
program implementation to benefit all Californians.”).

⁶ Pub. Util. Code §§ 275.6(c)(6), 275.6(c)(5); see SB 379 (2012 Fuller).

⁷ Pub. Util. Code § 275.6(c)(2).

1 application of arbitrary expense caps to Sierra’s operations.⁸ These recent changes will ensure that
2 Sierra’s revenue requirement is lower than necessary to satisfy statutory and constitutional
3 standards and they produce systematic revenue shortfalls in Sierra’s rate design. Nevertheless,
4 Sierra has applied the Commission’s rules in presenting this Application, and it will abide by these
5 requirements unless and until they are annulled by a reviewing court or otherwise adjusted through
6 regulatory or statutory change.⁹

7 Based on current Commission rules, Sierra has computed a revenue requirement of
8 \$24,221,589 for its 2023 test year, comprised of expenses of \$18,746,428, a return on rate base of
9 \$4,365,575, and tax liabilities of \$1,109,585 including the amortization of excess deferred taxes.
10 The expense component of this revenue requirement reflects an 8.07% decrease from the expense
11 figure adopted in Sierra’s last rate case. This figure is not a reasonable estimate of Sierra’s actual
12 expenses from its regulated operations, as it results from the application of the corporate expense
13 cap and operating expense limitation, which produce an expense figure \$605,532 lower than
14 Sierra’s actual projected intrastate expenses for the test year. The “return on rate base” element of
15 revenue requirement is computed using the “cost of capital” figure of 9.22% from D.16-12-035,
16 applied to Sierra’s 2023 rate base of \$47,348,968.¹⁰ This rate base constitutes a 112.17% increase
17 over the rate base established in Sierra’s last rate case, driven by the critical need for additional
18 investment in the multi-use network to ensure long-term reliability and advance the broadband

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20 ⁸ D.21-04-005, at 23-24 (OP 1) (in Small LEC general rate cases, “all reasonable positive retail broadband-
21 related revenues of the Small ILEC and its Internet service provider (ISP) affiliate . . . net of all reasonable
22 broadband-related expenses of the Small ILEC and its ISP affiliate . . . for the calendar year immediately
23 preceding the filing of the GRC application shall be imputed in the determination of rate design and
24 California High Cost Fund-A support.”); D.21-06-004 at 43 (OPs 6-7) (requiring non-rebuttable corporate
25 and operating expenses in general rate cases).

26 ⁹ As part of the Independent Small LEC group, Sierra has filed an appellate challenge of D.21-04-005 and
27 D.21-08-042, the decisions adopting “broadband imputation.” The matter is pending before the Fifth
28 District Court of Appeal, docketed as *Calaveras, et al. v. Pub. Util. Comm’n*, Case No. F083339. Sierra
believes strongly that broadband imputation is unlawful, and if the decisions reflecting this policy are
annulled, Sierra reserves the right to modify its proposal to remove the imputed broadband revenue from
Sierra’s CHCF-A calculation. Sierra also notes that the Independent Small LECs have a pending
application for rehearing addressing ambiguities and inaccuracies in D.21-06-004, the CHCF-A Phase 2
“ratemaking” decision. See R.11-11-007, *Application for Rehearing of D.21-06-004* (July 7, 2021).

¹⁰ The tax component of Sierra’s revenue requirement is calculated using current federal and state income
tax rates, as applied to Sierra’s return on rate base of \$4,365,575.

1 capabilities of the network to meet current and foreseeable broadband speed requirements. Sierra
2 is pursuing plant additions to achieve a Fiber to the Premises (“FTTP”) architecture, which will be
3 required for Sierra to meet the Federal Communications Commission (“FCC”) speed standard of
4 25 Megabits per second (“Mbps”) download and 3 Mbps upload throughout its service territory,
5 and to position the company to meet anticipated 100 Mbps standards and beyond.

6 Sierra’s rate design includes the five categories of regulated revenue used in intrastate
7 ratemaking, consistent with Commission precedent over the past three decades: (1) \$5,595,998 in
8 local network services revenue from Sierra’s end user customers based on anticipated demand at
9 current rates;¹¹ (2) \$247,213 in intrastate switched and special access, intercarrier compensation,
10 and intrastate access replacement funding; (3) \$4,387,994 in High Cost Loop Support (“HCLS”),
11 forecasted by applying the FCC’s algorithm in 47 C.F.R. Section 54.1300, *et seq.* to the best
12 available information regarding the inputs to that formula; (4) \$727,001 in miscellaneous revenues
13 classified as intrastate; and (5) \$13,263,382 in CHCF-A, prior to applying broadband imputation.¹²
14 This CHCF-A figure is then reduced by a broadband imputation figure of <<START
15 **CONFIDENTIAL** [REDACTED] **END CONFIDENTIAL**>>.¹³ With this adjustment, Sierra’s

16 ¹¹ Sierra’s basic rates were increased by 23.5% in 2018, and Sierra does not believe that rates should be
17 further increased at this time. With all applicable taxes and surcharges included, Sierra’s current basic
18 residential rate already falls in the middle of the Commission’s “range of reasonableness,” and economic
19 conditions in Sierra’s service territory cannot justify further rate increases. Instead, the Commission should
20 authorize Sierra to give customers more calling features for the same price, which would augment the value
21 of basic service for all customers. As set forth in this Application, Sierra has made a proposal include
22 custom calling features and voicemail as part of basic service.

23 ¹² “Broadband imputation” involves a mandatory dollar-for-dollar reduction in CHCF-A in the amount of
24 “net revenues” produced by Sierra’s affiliate ISP related based on 2020 financial results from its operations
25 in Sierra’s territory using Sierra’s local loop facilities. D.21-04-005, at 23-24 (OP 1). The ISP’s revenues
26 are derived from unregulated operations that are beyond the Commission’s public utility authority and
27 subject to interstate jurisdictional determinations enunciated by the FCC. Therefore, they cannot be
28 counted as “intrastate revenue” and are not appropriate for inclusion in intrastate rate design. Nevertheless,
the Commission has directed that CHCF-A be reduced by the amount of these net revenues, and Sierra has
faithfully applied this methodology even though it is unlawful.

¹³ The broadband imputation figure presented in this Application is equal to the net income of the Sierra’s
affiliate, STI, derived from its provision of Internet access service using Sierra’s local loop facilities within
Sierra’s regulated service territory. This figure constitutes competitively-sensitive, confidential
information protected pursuant to the express protections of a statute. Pub. Util. Code § 275.6(e) (requiring
CHCF-A participants to identify “unregulated Internet access service by that corporation or its affiliate”
and directing that the Commission “shall treat as confidential any information provided pursuant to this
subdivision”). To avoid exposing this confidential figure, Sierra has marked the post-imputation CHCF-A
draw, the overall intrastate revenue figure, the revenue shortfall, and the anticipated rate of return as

1 intrastate operations are forecasted to produce total intrastate revenue of <<START
2 CONFIDENTIAL ██████████ END CONFIDENTIAL>> resulting in an annual shortfall of
3 <<START CONFIDENTIAL ██████████ END CONFIDENTIAL>> and an intrastate rate of
4 return of <<START CONFIDENTIAL ██████████ END CONFIDENTIAL>>, significantly lower
5 than Sierra’s authorized rate of return of 9.22%.¹⁴

6 This Application is backed by extensive documentation, straightforward calculations, and
7 the testimony of four company witnesses and three expert witnesses, as follows: (1) Ms. Huber,
8 Sierra’s President, provides an overview of the company and a summary of its proposed relief; (2)
9 Mr. Montgomery, Sierra’s Operations Manager, discusses the company’s rate base, anticipated
10 plant additions, overall network improvement plan, and safety protocols; (3) Mr. Griffin, Sierra’s
11 Vice President and General Manager, addresses Sierra’s expenses, cost allocations, and affiliate
12 transactions; (4) Mr. Rule, Sierra’s Business Development and Customer Care Manager, provides
13 support for maintaining Sierra’s current rates and documents Sierra’s strong service quality record;
14 (5) Mr. Duval, Sierra’s cost consultant and regulatory policy expert, provides the financial models
15 and supporting documentation underlying Sierra’s revenue requirement and rate design; (6) Dr.
16 Lehman, an economist and expert on the affordability of utility service, explains why Sierra’s
17 current rates are reasonable without the need for further rate increases; and (7) Mr. Thompson, an
18 engineer and network design expert, provides support for Sierra’s FTTP and network upgrade
19 plans. This testimony has been served contemporaneously with this Application on the
20 Commission’s Communications Division, Cal Advocates, and the Administrative Law Judge
21 (“ALJ”) Division.

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23 confidential. Without holding these figures as confidential, a current or prospective competitor could easily
24 reverse engineer the imputation figure. It is not reasonable or lawful to force Sierra or STI to disgorge this
25 categorically confidential ISP net revenue number—either directly or indirectly—to process this rate case.
26 A full discussion of the redactions in the public version of this Application is presented in the
27 accompanying Motion to Seal. That same Motion to Seal presents a fully-unredacted version of the
28 Application, a copy of which has also been served on Communications Division staff and the Public
Advocates Office (“Cal Advocates”).

¹⁴ D.16-12-035 at 58 (OP 1(h) (adopting cost of capital of 9.22% for Sierra). The shortfalls in rate design
and rate of return are the consequence of broadband imputation. As explained above, if the broadband
imputation policy is annulled by a reviewing Court or otherwise reversed, Sierra reserves the right to
request the full amount of CHCF-A necessary to allow its rate design to equal its revenue requirement.

1 **II. LEGAL REQUIREMENTS AND RATEMAKING STANDARDS.**

2 The ratemaking standards applicable to this Application are derived from three sources:
3 constitutional authorities, statutory requirements, and the Commission’s directives implementing
4 rate-of-return regulation and the CHCF-A program. Sierra believes that some of the
5 Commission’s regulations materially conflict with constitutional and statutory standards, but
6 Sierra has applied the Commission’s rules without adjustment in this Application.

7 **A. Constitutional Standards**

8 Constitutional requirements focus on ensuring that regulated utilities have a fair
9 opportunity to earn a reasonable return on their investments in property that they put to public use.
10 Where a state commission adopts a utility rate structure that fails to “afford sufficient
11 compensation,” it has illegally appropriated “the use of utility property without paying just
12 compensation and so violated the Fifth and Fourteenth Amendments.” *Duquesne Light Co. v.*
13 *Barasch*, 488 U.S. 299, 308 (1989); *see also Federal Power Commission v. Hope Natural Gas*
14 *Co.*, 320 U.S. 591, 603 (1944); *Bluefield Water Works & Improvement Co. v. Pub. Service*
15 *Comm’n of West Virginia*, 262 U.S. 679, 690-693 (1923); U.S. Const., amends. V, XIV; Cal.
16 Const., art. I, § 19. If a Commission-imposed rate structure leaves a company with “insufficient
17 operating capital or . . . impeded[es] [the] ability to raise future capital,” or if a rate would be
18 “inadequate to compensate current equity holders for the risks associated with their investments,”
19 the rate structure is unconstitutional. *Id.* at 312.

20 Separately, a *per se* taking results when a governmental agency physically takes possession
21 of an interest in property for some public purpose. *Brown v. Legal Foundation of Washington*,
22 538 U.S. 216, 233-234 (2003) (analyzing legal authority for *per se* takings); *Loretto v.*
23 *Teleprompter Manhattan CATV Corp.*, 458 U.S. 419 (1982). This occurs “regardless of whether
24 the interest that is taken constitutes an entire parcel or merely a part thereof.” *See Brown, supra*,
25 538 U.S. at 233-234; *see also Brooks-Scanlon Co. v. R.R. Comm’n of Louisiana*, 251 U.S. 396,
26 399–400 (1920) (“A carrier cannot be compelled to carry on even a branch of business at a loss,

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1 much less the whole business of carriage”); *Ponderosa v. Pub. Util. Comm’n*, 197 Cal.App.4th 48,
2 59-60 (2011) (seizure of returns on unregulated investments unconstitutional).

3 While these constitutional standards should govern this ratemaking matter, some of the
4 regulatory requirements adopted in Phase 2 of the CHCF-A rulemaking conflict with these
5 constitutional requirements, as they artificially understate Sierra’s revenue requirements and
6 institutionalize shortfalls in the revenue needed to fulfill Sierra’s revenue requirement. The
7 Commission’s current rules will deny Sierra of a reasonable opportunity to achieve earnings
8 needed to provide adequate service to its subscribers, cover its costs and tax liabilities, and fairly
9 compensate its investors.

10 **B. Statutory Standards**

11 Sierra’s Application applies the primary statutory direction governing the development of
12 ratemaking metrics and rate structures for “small independent telephone corporations,” Public
13 Utilities Code Section 275.6. By law, the Commission must:

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

21 Pub. Util. Code § 275.6(c)(2). The cornerstone of ratemaking for small independent telephone
22 companies is the computation of a reasonable “revenue requirement” that reflects a company’s
23 reasonable costs of service, including a reasonable return on the company’s investments. Once a
24 “revenue requirement” is established, the Commission must “then fashion[] a rate design to
25 provide the company a fair opportunity” to earn a reasonable rate of return on its rate base. Pub.
26 Util. Code § 275.6(b)(4)-(5).

27 In applying rate-of-return regulation to small independent telephone corporations, the
28 Commission must also ensure that customer rates are “just and reasonable” and “reasonably
comparable” to urban rates. Pub. Util. Code § 275.6(c)(3). It must “[p]romote customer access to
advanced services and deployment of broadband-capable facilities,” include “all reasonable

1 investments necessary to provide for the delivery of high-quality voice communication services
2 and the deployment of broadband-capable facilities in . . . rate base,” and provide sufficient
3 CHCF-A support to “supply the portion of the revenue requirement that cannot reasonably be
4 provided by the customers of each small independent telephone corporation after receipt of federal
5 universal service rate support.” Pub. Util. Code §§ 275.6(c)(4)-(6). These ratemaking features are
6 mandated by statute and non-waivable.

7 **C. Phase 1 and Phase 2 Decisions in CHCF-A Rulemaking**

8 The CHCF-A rulemaking, R.11-11-007, has been pending for more than a decade, and it
9 has resulted in three significant decisions impacting the substantive ratemaking standards for small
10 independent telephone corporations, including Sierra. First, the Commission issued the “Phase 1
11 Decision,” D.14-12-084, which provided the ratemaking foundation for Sierra’s last rate case.
12 Second, the Commission issued its Phase 2 “Broadband Imputation Decision,” D.21-04-005,
13 authorizing reductions in CHCF-A based on the net profits achieved by ISP affiliates of small
14 independent telephone corporations. Third, the Commission issued the “Phase 2 Ratemaking
15 Decision,” D.21-06-004, which implements additional changes to the treatment and calculations of
16 expenses, investments, and rates in the upcoming round of rate cases for small independent
17 telephone corporations.

18 Collectively, these three decisions enunciate four principal policy directives that are
19 relevant to this rate case:

20 **1. “Range of Reasonableness” for Customer Rates:** The Phase 1 Decision adopted
21 a “range of reasonableness” for end user rates of \$30 to \$37. D.14-12-084 at OP 9. The Phase 2
22 Ratemaking Decision modified the “range of reasonableness” to reflect a range of “all-inclusive”
23 basic residential rates of \$30 to \$40. D.21-06-004 at 42 (OP 3). This decision defines the “all-
24 inclusive” residential basic service rate in a general rate case to include “[a]ll telephone access
25 charges, including the Subscriber Line Charge,” all Commission-mandated public policy fund
26 surcharges, the 911 surcharge, and the CPUC user fee. D.21-06-004 at 41 (OP 1).

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1 **2. Operating Expense Caps:** The Phase 1 Decision applied the FCC’s corporate
2 expense cap to intrastate ratemaking, even though that mechanism was created strictly for federal
3 high-cost support purposes. Based on the Phase 1 Decision, corporate expenses were presumed to
4 be limited to the formulaic output of the cap, but the imposition of this limitation could be rebutted
5 with evidence showing that a level of expense above the cap would be reasonable. *See* D.14-12-
6 084 at 28-29. In the Phase 2 Ratemaking Decision, the Commission confirmed the corporate
7 expense cap, but removed the rebuttable presumption, making the cap “non-rebuttable.” D.21-04-
8 006 at 43 (OP 6). In addition, the Commission adopted another FCC expense limitation, the
9 “operating expense limitation,” as a restriction on overall intrastate operating expenses. *Id.* at 43
10 (OP 7). Again, the Commission foreclosed rebuttal of the operating expense limitation, except in
11 the narrow example of expenses caused by safety concerns, such as “wildfire dangers” and “public
12 safety power shutoffs.” *Id.* at 26. In adopting these rigid expense restrictions, the Commission
13 also foreclosed separate recovery of rate case expense, which means Sierra must adjudicate this
14 case without any support from its rate structure. *Id.* at 24 (“we clarify that rate case litigation
15 expense is subject to the corporate expense cap and must be recorded in FCC Account 6720”).¹⁵

16 **3. Rate Base Calculations Using NECA Cost Study:** The Phase 2 Ratemaking
17 Decision requires the use of the most recent National Exchange Carrier Association (“NECA”)
18 cost study as the “starting point” for its proposed rate base for its test year, subject to reasonable
19 adjustments for changes that have occurred since the year of the NECA cost study, including the
20 plant additions and retirements.¹⁶ *Id.* at 44 (OP 10), 40 (COLs 9-10). The NECA cost study is
21 also the source of the jurisdictional factors used in each company’s rate case. *Id.* at 43 (OP 8).

22
23 ¹⁵ The Commission’s treatment of rate case expense is at odds with constitutional requirements, as
24 articulated by the United States Supreme Court. As the Supreme Court has found, in a “proceeding by a
25 commission to determine [the] reasonableness” of regulated utility rates, “the utility should be allowed the
26 fair and proper expenses for presenting its side to the commission.” *Driscoll v. Edison Light & Power Co.*,
307 U.S. 104, 120-121 (1939); *see also West Ohio Gas Co. v. Public Utilities Comm'n of Ohio*, 294 U.S.
63, 73-74 (1935) (invalidating utility rate structure that did not provide recovery for rate case expense).

27 ¹⁶ NECA is an independent association that performs certain administrative, tariffing, and interstate
28 ratemaking functions on behalf of the FCC. *See* 47 C.F.R. § 69.601. Among other duties, NECA collects
cost information from rural telephone companies for use in computing interstate revenue requirements and
determining eligibility and the extent of companies’ needs for federal high-cost support.

1 **4. Broadband Imputation:** The Phase 2 Broadband Imputation Decision requires
2 the imputation of Internet access revenues as a dollar-for-dollar reduction to CHCF-A support.
3 The imputation mechanism encompasses “all reasonable positive retail broadband-related
4 revenues” of the small independent telephone corporation’s ISP affiliate “for the calendar year
5 immediately preceding the filing of the GRC application.” D.21-04-005 at 23-24 (OP 1). The
6 imputed broadband revenues shall not include “revenues derived from areas outside of the Small
7 ILEC’s telephone service territory and revenues resulting from alternative service platforms that
8 are not based upon the Small ILEC’s local exchange facilities.” *Id.*

9 The Commission’s decisions in the CHCF-A proceeding also address other ratemaking
10 issues, including confirming the treatment of license and lease revenue under NECA Reporting
11 Guideline 8.3, establishing the factors to evaluate investments in broadband-capable facilities, and
12 confirming the conditions under which reductions in federal funding can be recovered. *See* D.21-
13 04-006 at 42 (OP 4); D.14-12-084 at 62, 71. Sierra will discuss these additional standards to the
14 extent that they are relevant to its proposals.

15 **III. SIERRA’S RATEMAKING PROPOSAL.**

16 Sierra has prepared a ratemaking proposal in keeping with the Commission’s directives,
17 including the requirements outlined in Phases 1 and 2 of the CHCF-A proceeding. Although
18 Sierra believes that some of the Commission’s policies violate statutory and/or constitutional
19 requirements, and Sierra reserves all rights with respect to those issues, it has followed the
20 Commission’s directives in crafting its proposed revenue requirement and rate design. In the
21 event that the Commission’s CHCF-A Phase 2 requirements are annulled or modified in the
22 future, Sierra will seek an appropriate adjustment to the ratemaking calculations presented herein.

23 **A. Revenue Requirement.**

24 Consistent with statutory and constitutional ratemaking standards, Sierra’s revenue
25 requirement includes: (1) operating expenses, as limited by the corporate expense cap and
26 operating expense limitation; (2) return on rate base, with a rate of return computed using the
27 Commission’s prescribed cost of capital for Sierra of 9.22%; and (3) tax liabilities, using the
28

1 currently-applicable corporate tax rate.¹⁷ The following equation summarizes Sierra’s revenue
2 requirement:

$$\text{Revenue Requirement} = \text{Operating Expenses} + (\text{Cost of Capital} \times \text{Rate Base}) + \text{Tax}$$

3
4 Sierra’s revenue requirement is reasonable, prudent, and accurate as measurement of the
5 costs that Sierra is likely to experience in test year 2023—within the parameters of the
6 Commission’s restrictions on operating expense. The extensive testimonial and documentary
7 evidence supplied with this Application amply demonstrates the reasonableness of Sierra’s costs
8 for the test year. The composite result of these costs is Sierra’s intrastate revenue requirement of
9 \$24,221,588, which should be adopted as the revenue target for the rate design to be implemented
10 in January 2023. The following discussion addresses the components of the revenue requirement.

11
12 **1. Sierra’s Intrastate Operating Expenses Are Computed Using the**
13 **Expense Caps Adopted in Phase 2 of the CHCF-A Proceeding, With**
14 **Appropriate Inflationary Adjustments to Grow the Historical Caps**
15 **Into the 2023 Test Year.**

16 Based on constitutional and statutory ratemaking standards, Sierra is entitled to recover its
17 reasonable operating expenses in connection with providing regulated local exchange service.
18 Pub. Util. Code § 275.6(b)(5). However, rather than evaluating the reasonableness and prudence
19 of Sierra’s specific expenses, the Commission has chosen a formulaic approach to identifying
20 recoverable expenses. First, the Commission has directed small independent telephone
21 corporations to “adhere to the [FCC’s] standards for operating expense limits in their General Rate
22 Cases.” D.21-06-004 at 43 (OP 7). Second, the Commission requires that the companies apply
23 the FCC’s “corporate expense cap.” *Id.* at 43 (OP 6). Neither of these federal restrictions on

24 ¹⁷ See Pub. Util. Code § 275.6(b)(5) (“revenue requirement” means “amount that is necessary for a
25 telephone corporation to recover its reasonable expenses and tax liabilities and earn a reasonable rate of
26 return on its rate base.”); see also Pub. Util. Code § 275.6(c)(2) (summarizing the function of revenue
27 requirement, including ensuring “revenues and earnings sufficient to allow the telephone corporation to
28 deliver safe, reliable, high-quality voice communication service” and “afford the telephone corporation a
fair opportunity to earn a reasonable return on its investments.”); *Hope Natural Gas*, supra, 320 U.S. at 603
(emphasizing constitutional requirement to ensure “financial integrity” of the utility in ratemaking);
Calaveras Telephone Co. v. Pub. Util. Comm’n, 39 Cal.App.5th 972, 976 (2019) (“revenue requirement is
the amount a telephone corporation needs to recover its ‘reasonable expenses and tax liabilities and earn a
reasonable rate of return on its rate base,’ i.e., investments”).

1 recoverable expenses were designed to apply to intrastate operations, and their imposition on
2 intrastate expenses results in arbitrary exclusions of expenses that are necessary for Sierra to
3 provide regulated telephone service in California. These caps do not account for the high cost of
4 living in California or the intensive regulatory environment in which Sierra operates.
5 Nevertheless, the Commission has deemed these limitations to be “non-rebuttable” such that
6 “expenses above those limits will be considered unreasonable.” *Id.* (OPs 6-7).

7 Despite Sierra’s objections to the use of these arbitrary expense caps, Sierra has faithfully
8 applied them in the calculations of intrastate operating expenses and corporate expenses for test
9 year 2023. These limitations are calculated on a total company basis, which then flow into the
10 separations process, ensuring that only limited intrastate expenses are included in Sierra’s
11 ratemaking calculations. Sierra’s intrastate corporate expenses for 2023 are anticipated to be
12 \$2,136,348, whereas the corporate expense cap restricts the recoverable portion of those expenses
13 to \$1,558,268.¹⁸ *See Duval Opening Testimony* at 32. Sierra’s actual intrastate operating
14 expenses for 2023 are expected to be \$10,330,769, which is \$27,452 higher than the results of the
15 operating expense limitation, which produces a capped intrastate operating expense figure of
16 \$10,303,317. *See Duval Opening Testimony* at 37-38, Exhibit CD-1 (Operating Expenses (2021
17 through 2023)).

18 In computing the expense caps, Sierra has applied appropriate inflationary adjustments to
19 ensure that the outputs of the formula match the 2023 test year. Both the corporate expense cap
20 and the operating expense limitation are inherently backward-looking metrics, as both are applied
21 in the context of NECA cost studies, which rely on two-year-old expense data. *See* 47 C.F.R.
22 §§ 54.1305 (noting that NECA cost studies are submitted on July 31st and rely on data from the
23 previous calendar year), 54.1307 (NECA provides October 1 submission to establish federal

24 _____
25 ¹⁸ Sierra notes that these figures include an estimate of rate case expense, reflecting the reasonably-
26 anticipated cost of this regulatory process, amortized over a three-year period. *See Duval Opening*
27 *Testimony* at 33-36. By applying the expense caps without any adjustment, the Commission has
28 systematically excluded recovery of this critical expense, forcing Sierra to navigate this costly process
without support. This result is contrary to standard rate-of-return regulatory principles across utility
sectors, which recognize rate case expense as a reasonable expense. *See* D.96-12-074 at 12-13; D.14-12-
038 at 13-14; D.05-08-004 at 18-19; and D.16-07-003 at 50-51.

1 support for the upcoming year), 54.1308(a)(4) (applying corporate expense cap to historical cost
2 study data), 54.303 (applying operating expense limitation “for purposes of calculating universal
3 service support”). The Commission has recognized this disconnect, noting that “. . . to adjust the
4 operating expense cap with a future test year, NECA’s inflation factor should be added to the
5 FCC’s operating expense cap to true-up the historical data.” D.21-06-004 at 27; *see also* D.19-04-
6 017 at 74 (“Foresthill’s higher adjusted price per loop is appropriate for the test year as it accounts
7 for the two-year lag between when costs are reported to NECA for HCLS and a NECA-provided
8 inflation factor.”).

9 To ensure that the expense caps align with the test year, three years of inflationary figures
10 must be applied to the historical expense caps. As of the date of this filing, Sierra’s most recent
11 NECA cost study is the submission accepted by NECA in October 2021. This study relies on
12 expense data from 2020, consistent with FCC rules. *See* 47 C.F.R. § 54.1305. The NECA
13 inflationary factor, as released in its October 1 submission to the FCC, updates the expense caps to
14 match the 2020 data that Sierra submitted with its cost study. However, in order for this figure to
15 properly reflect 2023 expenses, it must be updated for three years of inflation to account for
16 increased expenses during 2021, 2022, and 2023. The details reflecting these adjustments are set
17 forth in Mr. Duval’s testimony. *See Duval Opening Testimony* at 37-38.

18 While Sierra does not agree with the use of these formulaic expense caps for the 2023 test
19 year, the Commission should ensure that the efficiency objectives underlying this approach are
20 realized in this case. Based on the characterization of these caps as “non-rebuttable” and the
21 Commission’s stated goal of using the expense caps to “streamline the GRC process,” there should
22 be no debate in this proceeding over the appropriate level of Sierra’s expenses. D.21-06-004 at
23 34. The Commission should simply apply the formulas and adopt the results, with appropriate
24 inflationary adjustments. Importantly, the Commission expressed an expectation that the use of
25 these caps would “eliminate or reduce the number of data requests that are generally provided
26 during a typical GRC.” *Id.* at 27. In Sierra’s last rate case, Cal Advocates propounded dozens of
27 data requests addressing expenses, greatly increasing Sierra’s rate case expense. The Commission
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1 should establish procedures to avoid this result here, consistent with its reasoning behind the caps.

2 **2. Sierra’s Depreciation Expense Is Backed by a Depreciation Study**
3 **Reflecting Established Methods for Measuring the Diminution in Value**
4 **of Sierra’s Plant Over Time.**

4 As part of the “reasonable expenses” included in Sierra’s revenue requirement, Sierra
5 expects to experience \$7,375,878 in intrastate depreciation expense during the test year. Pub. Util.
6 Code § 275.6(b)(5) (authorizing inclusion of all “reasonable expenses” in revenue requirement).
7 Consistent with federal regulations, this figure reflects the “loss not restored by current
8 maintenance, incurred in connection with the consumption or prospective retirement of
9 telecommunications plant in the course of service” 47 C.F.R. § 32.9000. The inevitable
10 diminution in the value of plant reduces a utility’s rate base and produces a corresponding
11 depreciation expense for the test year. Both of these impacts have been incorporated into Sierra’s
12 revenue requirement calculations.

13 Mr. Duval has performed a comprehensive depreciation study to determine the remaining
14 useful life of Sierra’s assets and the rate at which those assets are losing value. *Duval Opening*
15 *Testimony* at 38-45. Pursuant to FCC rules and Commission precedent, the study computes
16 depreciation “in conformity with a group plan of accounting.” 47 C.F.R. § 32.2000(g)(1). This
17 “group plan” is a “mass asset” depreciation method, by which assets with common characteristics
18 are evaluated to identify the rate at which each “class” of assets loses value. The “classes” of
19 assets used in the calculation are defined by the plant counts in the FCC’s Uniform System of
20 Accounts (“USOA”), which is codified at Part 32 of the FCC’s rules. *See* 47 C.F.R., Subpart C, §
21 32.2000, *et seq.* Mr. Duval has analyzed the useful life of Sierra’s assets in each of these
22 categories and has projected the effects of depreciation on the assets up to and including the test
23 year. The depreciation study also accounts for anticipated plant additions and retirements through
24 2022, the year prior to the test year in which the associated rates will be applied.

25 The depreciation rates and lives stemming from Mr. Duval’s study are set forth in Exhibit
26 CD-2 to his testimony. These same rates are replicated in Exhibit A to this Application for ease of
27 reference. Sierra asks that these modified rates be adopted in this proceeding and that the resulting
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1 depreciation expense of \$7,375,878 be included in its intrastate revenue requirement.

2
3 **3. Sierra’s Rate Base Reflects Historical Net Plant Figures Combined with**
4 **Critical Plant Additions Necessary to Satisfy Forward-Looking**
5 **Customer Demand, Comply with Regulatory Requirements, and Fulfill**
6 **State Universal Service Policy Objectives.**

7 Rate base consists of the net, depreciation-adjusted value of the assets that a company has
8 dedicated to public service combined with the reasonably foreseeable value of plant additions
9 needed during the test year. *Pacific Tel. & Tel. Co. v. Pub. Util. Comm’n*, 62 Cal.2d 634, 644-645
10 (1965) (rate base is the “value of property devoted to public use” less depreciation). In exercising
11 its ratemaking authority, the Commission must take steps to “[p]romote customer access to
12 advanced services and deployment of broadband-capable facilities in rural areas” Pub. Util.
13 Code § 275.6(c)(5). By law, the Commission must “[i]nclude all reasonable investments
14 necessary to provide for . . . the deployment of broadband-capable facilities in the rate base of
15 small independent telephone corporations.” Pub. Util. Code § 275.6(c)(6). In computing rate
16 base, the Commission must also approve investments that are “reasonably necessary to provide
17 regulated voice services and access to advanced services.” Pub. Util. Code § 275.6(b)(2); *see also*
18 Pub. Util. Code § 275.6(c)(2) (requiring the Commission to employ rate-of-return regulation to
19 provide for safe, reliable, high-quality voice service).

20 Consistent with this Legislative direction, Sierra is pursuing fiber-focused upgrades by
21 which its network will be equipped with enhanced resiliency, additional broadband capabilities,
22 and forward-looking scalability to enable safe, reliable voice service and an evolving level of
23 access to advanced services. These investments will focus on the deployment of FTTP facilities,
24 which are essential for meeting current and forward-looking customer needs and to comply with
25 current and forward-looking regulatory requirements. *See Montgomery Opening Testimony* at 17-
26 19, Exhibit MM-7 (outlining Sierra’s planned network improvements); *Thompson Opening*
27 *Testimony* at 6-7, 17-19, 29 (explaining that FTTP is necessary to both provide universal
28 broadband access with forward-looking speed capabilities and to reduce Sierra’s costs in
maintaining aging copper facilities); *see also* D.14-12-084 at 96 (COL 17) (permitting “reasonable

1 investments necessary to provide for the delivery of high-quality voice communication services
2 and the deployment of broadband-capable facilities in . . . rate base.”). Sierra’s proposed FTTP
3 investments will enhance broadband capabilities and provide for more reliable voice connections,
4 so they are appropriate for inclusion in rate base in accordance with statutory directives.

5 State and federal policy support Sierra’s planned broadband-capable investments as part of
6 an effort to bridge the “digital divide.” See Pub. Util. Code § 709(d) (expressing California policy
7 of bridging the “digital divide” by “encouraging expanded access to state-of-the-art technologies
8 for rural . . . Californians.”). As the FCC has explained, “access to 25/3 Mbps broadband service
9 is not a luxury for urban areas, but important to Americans wherever they live.”¹⁹ Sierra’s FTTP
10 expansion serves to further California’s and the FCC’s important policy objectives, anticipate
11 future broadband requirements, and address forward-looking customer needs. See *Montgomery*
12 *Opening Testimony* at 5-9; *Thompson Opening Testimony* at 17-20. Moreover, California has
13 recently directed state agencies “to pursue a minimum broadband speed goal of 100 megabits per
14 second download speed to guide infrastructure investments and program implementation to benefit
15 all Californians.” Newsom Executive Order N-73-20 (OP 1).

16 Currently, the FCC conditions federal high-cost funding upon the fulfillment of broadband
17 deployment objectives for “Eligible Telecommunications Carriers” like Sierra, including meeting
18 minimum broadband speed standards of 25 Mbps download and 3 Mbps upload (“25/3 Mbps”).
19 *ETC Reform Order* at ¶¶ 3, 101. Failing to make the FTTP investments would likely result in
20 reductions in federal support for non-compliance with Sierra’s ETC obligations. See 47 C.F.R. §
21 54.313(f)(1)(i) (summarizing certification that ETCs must make that they are “taking reasonable
22 steps” to fulfill requests for service at FCC-specified levels); see also 47 C.F.R. § 54.320
23 (imposing penalties for falling short of build-out milestones). Such reductions would put further
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25 ¹⁹ *ETC Reform Order* at ¶ 3; see also *In the Matter of Inquiry Concerning Deployment of Advanced*
26 *Telecommunications Capability to All Americans in a Reasonable and Timely Fashion*, GN Docket No. 20-
27 269, *Fourteenth Broadband Deployment Report*, FCC 21-18 (rel. Jan. 19, 2021) (“*2021 Broadband*
28 *Deployment Report*”) at ¶¶ 4, 9 (despite significant improvements, “it remains the case that rural and Tribal
areas continue to lag behind in broadband deployment” and “our work to close the digital divide is not
complete”).

1 strain on other intrastate revenue sources to fulfill Sierra’s revenue requirement, including end
2 user revenues and the CHCF-A. *See* Pub. Util. Code § 275.6(c)(4) (CHCF-A must “supply the
3 portion of the revenue requirement that cannot reasonably be provided by the customers . . . after
4 receipt of federal universal service rate support.”).

5 Sierra’s FTTP projects and network upgrades also address the factors set forth in the Phase
6 1 CHCF-A decision for evaluating broadband capable network investments—including regulatory
7 requirements, customer demand, network redundancy, public safety, service quality, and the
8 presence of anchor institutions. D.14-12-084 at 71, 102 (OP 10). FTTP will position Sierra to
9 meet forward-looking demand as speed requirements continue to advance. *See Montgomery*
10 *Opening Testimony* at 7-8 (identifying customer demand for higher speeds). As Sierra’s witnesses
11 explain, Sierra’s FTTP investments provide critical social, economic, educational, network
12 redundancy, public safety and enhanced service quality benefits. *See Montgomery Opening*
13 *Testimony* at 7; *Thompson Opening Testimony* at 11-13; *see also* Executive Order N-73-20
14 (“[D]eploying affordable and reliable broadband networks throughout California will accelerate
15 continuous improvements in economic and workforce development, infrastructure, public safety,
16 education, economy, and an engaged citizenry.”). These benefits are especially critical now as
17 many of Sierra’s customers need robust broadband services for distance learning, remote work and
18 telehealth; while many of Sierra’s customers already relied on reliable and high-speed broadband
19 connectivity prior to the pandemic given the rural and remote areas served by Sierra that are prone
20 to devastating wildfires; this reliance has been amplified post- pandemic. *Id.*; *see also* Executive
21 Order N-73-20 (noting that “the COVID-19 pandemic has amplified the extent to which
22 broadband is essential for public safety, public health, and economic resilience.”); *2021*
23 *Broadband Deployment Report* at ¶1 (“With many jobs, schools, and healthcare services shifting
24 to virtual environments in the wake of the ongoing COVID-19 pandemic, the need to deliver
25 broadband connectivity across America has never been greater.”).

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1 **4. Sierra’s Revenue Requirement Includes a Return on Rate Base Using**
2 **The Current Commission-Adopted Cost of Capital for Sierra.**

3 The “return on rate base” component of Sierra’s revenue requirement is computed by
4 multiplying Sierra’s rate base by the overall cost of capital percentage established for Sierra in
5 D.16-12-035, the most recent decision in which the Commission addressed the cost of capital for
6 small, rural telephone companies. *See* Pub. Util. Code § 275.6(b)(5) (recognizing “return on rate
7 base” as a revenue requirement element). Pursuant to D.16-12-035, the Commission assigned a
8 9.22% cost of capital to Sierra. D.16-12-035 at 58 (OP 1(h)). Sierra reserves the right to seek an
9 adjustment to this cost of capital in future proceedings or through a separate application, but, in
10 this proceeding, Sierra has computed its return on rate base using this previously-adopted cost of
11 capital to streamline the calculations and narrow the issues for the Commission’s consideration.

12 Sierra notes that the investment component of its revenue requirement includes only a
13 “return on rate base,” as authorized by the governing statute. *See* Pub. Util. Code § 275.6(b)(5).
14 Neither Sierra’s overall revenue requirement nor any of the individual components of the revenue
15 requirement “pay for” investments. Rather, investment capital is supplied by the company either
16 from retained earnings or from loans. Revenue requirement includes only a return on rate base, not
17 capital contributions themselves.

18 **5. Sierra’s Tax Liabilities Are Computed Based on Its Anticipated Return**
19 **on Rate Base Using an Established Tax Gross-Up Methodology Based**
20 **on Commission Precedent.**

21 Sierra’s revenue requirement must include a reasonable forecast of the tax liabilities that it
22 expects to experience during the test year. Pub. Util. Code § 275.6(b)(5) (revenue requirement
23 must include “reasonable . . . tax liabilities”). Unlike operating expenses, tax liabilities are not
24 subject to any overall cap, and they are computed as a straightforward function of the net income
25 reflected in the company’s intrastate results of operations. Based on its intrastate rate base of
26 \$47,348,968 and the Commission-approved cost of capital of 9.22%, Sierra would generate
27 \$4,365,575 in intrastate net income during 2023 under its proposal. Using the current federal
28 corporate tax rate of 21%, the California corporate tax of 8.84%, and accounting for appropriate

1 tax deductions, Sierra’s 2023 intrastate tax liabilities are anticipated to be \$1,109,585, including
2 the amortization of excess deferred income taxes. *See* 26 U.S.C. § 11 (21% federal corporate tax
3 rate); Rev. & Tax Code § 23151(e) (8.84% California corporate tax rate).

4 Consistent with Commission precedent, Sierra has implemented the tax component of its
5 revenue requirement by applying a “tax gross up” to its return on rate base. This “gross up”
6 applies a composite income tax factor of 27.98%, which equates to a “Net to Gross Multiplier” of
7 1.3886, to Sierra’s anticipated 2023 pre-tax net income to determine the amount by which this
8 income would have to increase to pay the taxes attendant to this level of income. The same
9 approach was approved in each of Sierra’s previous rate cases and is shown in Exhibit CD-1 to
10 Mr. Duval’s testimony.

11 While Sierra’s proposal uses the current federal and California tax rates of 21% and 8.84%,
12 respectively, Sierra notes that there is a significant possibility that these rates will increase during
13 the pendency of this rate case. With the advent of the Biden administration, a Democratic
14 majority in Congress, and a wide range of fiscal pressures facing the federal government, upward
15 adjustments to tax rates are a strong possibility. As of the date of this Application, the federal
16 Infrastructure Investment and Jobs Act (HR 3684) remains pending, and that legislation or other
17 federal legislation could result in increases in the federal corporate tax rate. Parallel adjustments
18 could happen in California as well. Sierra has not attempted to quantify the effects of any tax
19 increases, but the Commission should be vigilant regarding potential changes to these rates.

20 If material changes to either federal or state taxes occur, appropriate adjustments to
21 revenue requirement should be made as part of this rate case and/or another expeditious vehicle.
22 When the corporate tax rate was reduced from 34% to 21% in the *Tax Cuts and Jobs Act*, effective
23 January 1, 2018, the Commission acted quickly to reduce Sierra’s revenue requirement for this
24 new impact. *See* Res. T-17619 at 7 (OP 1-2) (reducing Sierra’s revenue requirement and CHCF-A
25 draws by \$752,854 from the originally-adopted figures in its rate case to account for the reduction
26 in taxes from the *Tax Cuts and Jobs Act*). The same approach is required if the tax rates move in
27
28

1 the other direction.²⁰ Sierra will bring information to the Commission’s attention as soon as
2 reasonably possible if it learns of an imminent change to a tax rate that would impact the
3 calculations presented in this rate case.

4 **B. Rate Design**

5 **1. No Rate Increases for Sierra’s Customers are Required or Warranted.**

6 Sierra does not propose any changes to its basic service residential rates or business rates
7 for test year 2023 because its customers already pay some of the highest rates in the country and
8 further increases would greatly harm its residential customers and small businesses who are
9 struggling to survive in poor economic conditions in the resurgent pandemic. *See Lehman*
10 *Opening Testimony* at 8-9, 17; *Rule Opening Testimony* at 15-16. Sierra’s current “all-inclusive”
11 residential rate of \$35.77 already falls above the midpoint of the modified “range of
12 reasonableness” in D.21-06-004. The rate should not be higher in light of the price sensitives of
13 its low to middle-income customers. As described more in the Opening Testimony of Mr. Rule,
14 Sierra’s customer base has middle income and low-income demographics, and the local economy
15 is not strong and still struggling to recover from the COVID-19 pandemic. *Rule Opening*
16 *Testimony* at 15-16. Sierra’s local businesses are also having a difficult time surviving in Sierra’s
17 rural service area. *Id.* at 16. Any rates higher than Sierra’s current all-inclusive rate would likely
18 drive significant numbers of customers off the network, thereby putting further rate pressure on
19 the customers who remain and on other funding sources like the CHCF-A. *See Lehman Opening*
20 *Testimony* at 3, 4, 8, 15; *Rule Opening Testimony* at 14.

21 Rather than increasing customer rates, Sierra seeks Commission approval to modernize its
22 basic rate structure to give customers more value for their money. As explained in Mr. Rule’s

23

24 ²⁰ Sierra notes that it has already been ordered to normalize its deferred tax liabilities in response to the *Tax*
25 *Cuts and Jobs Act*, so no additional impacts of that tax changes are relevant to this rate case. However, the
26 continued amortization of the “excess deferred income tax credit” of \$316,449 identified in Resolution T-
27 17619 is shown in Sierra’s calculations presented with this rate case. That amortization began in 2018 and
28 will continue until early 2024, at which point the credit will be fully amortized. *See Res. T-17619* at 8 (OP
4-5). However, if the tax rates change before that amortization is complete, the Commission should make
immediate adjustments to those calculations to ensure that they accurately reflect the treatment of deferred
tax liabilities under the forward-looking tax framework that may be adopted in the coming years.

1 testimony, Sierra proposes to cease offering its custom calling features and voicemail as
2 standalone services and instead include them within the basic residential and business rates, giving
3 customers the choice to activate them free of charge. *Rule Opening Testimony* at 17-20. This
4 change will help Sierra attract and retain customers by restructuring Sierra’s rates to align more
5 closely with wireless and Voice over Internet Protocol (“VoIP”) providers, who generally offer
6 custom calling features and voicemail at no additional charge. This structure will also give
7 customers important flexibility to enable the calling functions that best meet their evolving needs,
8 without the burden of having to separately subscribe to these services.

9 Sierra’s proposal will also promote public safety and customer welfare by making these
10 features more accessible to customers who need them in response to emergencies or personal
11 difficulties. For example, as the Commission has recognized, call forwarding may be very
12 important to customers who are displaced by wildfires or who have had to change their living
13 arrangements in response to COVID-19. *See, e.g., D.19-08-025* at 66 (requiring waivers of call
14 forwarding installation and one month of call forwarding service in response to declaration of state
15 of emergency). Likewise, victims of domestic violence or others who may place a premium on
16 privacy will benefit significantly from Caller-ID service. Sierra’s rate proposal is discussed in
17 further detail in Section IV(E), below.

18
19 **2. Sierra’s Intrastate Access Intercarrier Compensation Calculations**
20 **Reflect Reasonable Forecasts of Demand and Anticipated Reductions**
21 **in Revenue Based on Federal Law.**

22 The second component of rate design is intercarrier compensation revenue. Intercarrier
23 compensation encompasses three principal types of revenue: (1) terminating switched access and
24 access replacement revenue; (2) originating switched access revenue; and (3) special access
25 revenue. Sierra has separately calculated each of these elements and included the combined total
26 in the “Intrastate Access Revenues” category in the rate design.

27 Terminating switched access and the corresponding replacement revenue are fixed inputs
28 determined according to formulas in FCC regulations. As part of the sweeping intercarrier

1 compensation reforms in 2011, the FCC prescribed the amount of interstate and intrastate revenue
2 that carriers will derive from terminating access services. *See In the Matter of Connect America*
3 *Fund*, WC Docket No. 10-90, *Report an Order and Further Notice of Proposed Rulemaking*, FCC
4 11-161 (rel. Nov. 18, 2011) (“*USF/ICC Transformation Order*”) at ¶ 899. Starting in 2012, the
5 FCC began an annual phase-down in terminating access revenue, moving rates to “bill and keep”
6 as of July 1, 2020. *Id.* at ¶ 801. To mitigate the effects of these reductions in rates, the FCC
7 instituted two access replacement mechanisms: (a) the Access Recovery Charge (“ARC”), which
8 is charged to residential customers provided that their overall rates are lower than \$30.00
9 “inclusive” of specified taxes, fees, and surcharges;²¹ and (b) Connect America Fund Inter-carrier
10 Compensation (“CAF-ICC”), a federal funding source. *See* 47 C.F.R. §§ 51.917(b)(2) (defining
11 “expected revenues”); 51.917(d) (defining “eligible recovery”); 51.917(e) (explaining ARC
12 mechanics); 51.917(f) (identifying CAF-ICC eligibility and calculations).

13 While these terminating access revenues are provided by a mix of funding sources, they
14 are subject to an overall calculation that obviates the need to separately compute them. As a
15 matter of law, the FCC has imposed a 5% annual phase-down on the collective total of ARC and
16 CAF-ICC, such that the most accurate way to calculate the “terminating access” revenue is to start
17 with the “eligible recovery” from the most recent year and apply a 5% reduction in funding for
18 each subsequent year. 47 C.F.R. § 51.917(d) (outlining annual phase-down in “eligible
19 recovery”). The FCC uses a fiscal year for those calculations, so the impacts must be calculated
20 separately for the first six months of the test year and the second six months of the test year. The
21 most recent historical “eligible recovery” figure is for the 2020-2021 fiscal year, ending on June
22 30, 2021. To compute the terminating access figure for the test year, Sierra has multiplied the
23 2020-2021 figure by 95% and then multiplied it again by 95% to arrive at the figure for 2022-
24 2023. Sierra has then multiplied the resulting figure by 95% a third time to derive the 2023-2024
25 figure. The final step is to average the two fiscal year figures, resulting in \$75,214 in terminating
26 access for the 2023 test year and is shown in Mr. Duval’s opening testimony.

27

28 ²¹ Business customers may be charged an ARC regardless of the level of the “inclusive” rate.

1 The originating access and special access components of the revenue are calculated
2 separately from terminating access and the access replacement mechanisms. These elements are
3 based on the demand for those services. Sierra has measured the current demand for those
4 services over a five-year period, and projected the result into the test year, for a total of \$138,476
5 for originating access and \$33,523 in intrastate special access. The combination of these two
6 figures with the terminating access figure results in an overall intercarrier compensation/access
7 figure of \$247,213.

8 **3. Sierra's HCLS Revenues for 2023 Have Been Computed Using the Best**
9 **Available Information, Subject to Adjustment Using the NECA Figures**
10 **Released in October 2022.**

11 Sierra's rate design includes a forecasted HCLS figure for test year 2023 in accordance
12 with federal regulations and longstanding Commission precedent. HCLS is a federal funding
13 source, but it supports intrastate operations, so it is appropriate for inclusion in intrastate rate
14 design. As explained in 47 C.F.R. § 54.1301, HCLS is "deducted from state expenses" and
15 "added to interstate expenses." 47 C.F.R. § 54.1301(a). This shift effectuates a dollar-for-dollar
16 recovery of intrastate costs that would otherwise have to be supported by end user rates or CHCF-
17 A.²² The Commission has consistently recognized this effect and has incorporated HCLS in the
18 revenue section of "Results of Operations" tables in dozens of rate cases over the past three
19 decades, including Sierra's past three rate cases.²³

20 HCLS funding for any given year is based on a comparison between the company's
21 average local "loop" costs for *two years prior* and a "national average cost per loop" for that same
22 timeframe. *See* 47 C.F.R. §§ 54.1310(a) (explaining "loop cost" comparison), 54.1305 (noting
23 vintage of loop cost data as "the calendar year preceding each July 31st filing" with NECA). In
24 administering the HCLS calculations, NECA also makes certain adjustments to fit within the

25 ²² No other federal high-cost support mechanism supports intrastate expenses. For carriers who have
26 selected Alternative Connect America Cost Model ("A-CAM") support, which replaces HCLS and parallel
27 interstate funding sources, a different calculation is required. Sierra does not receive A-CAM and is not
28 eligible to receive A-CAM support, so HCLS is the only federal high-cost support fund that contributes to
Sierra's intrastate rate design.

²³ Res. T-16711 (as modified by Res. T-16734), Appendix C, Line 6; Res. T-17082, Appendix C, Line 3;
Res. T-17619, Appendix A, Line 4.

1 FCC’s budgetary parameters, resulting in funding reductions through the “pro rata adjustment”
2 and “budget control mechanism.” *See* 47 C.F.R. §§ 54.1310(b), 54.1310(d).

3 Sierra’s HCLS calculation applies FCC regulations to the anticipated loop costs used in
4 setting the 2023 HCLS figure. Because the HCLS algorithm relies on data that is two years prior
5 to the year in which HCLS is to be received, Sierra has projected its 2021 loop costs based on
6 forecasted data for 2021. The result is then compared to the frozen “national average cost per
7 loop” and Sierra applied the anticipated “pro rata” and “budget control” features to the resulting
8 figure to produce a comprehensive forecast of Sierra’s HCLS for 2023. *See Duval Opening*
9 *Testimony* at 55-56, 59-62.

10 Based on the best available information as of the date of this filing, HCLS for the 2023 test
11 year will be \$4,387,994. However, a more precise figure for 2023 will be released on or about
12 October 1, 2022, when NECA provides its calculation of HCLS based on its review of the 2021
13 cost study and its determination of the final inflationary factor to be applied to corporate
14 operations expenses. To ensure that the rate design is accurate for the test year, the Commission
15 should substitute the October 2022 NECA figure for the number presented with this Application
16 and make corresponding adjustments to CHCF-A. The Commission relies on these NECA figures
17 annually to set CHCF-A support amounts for Sierra and other small independent telephone
18 corporations, and the NECA figures are not subject to reasonable dispute. Therefore, they should
19 be incorporated into the rate design with appropriate downward or upward adjustments to CHCF-
20 A depending on whether NECA’s HCLS figure is higher or lower than anticipated. To the extent
21 that HCLS fluctuates in the test year, those adjustments should be addressed as non-recurring
22 impacts in Sierra’s 2023 CHCF-A filing, consistent with established rules under D.91-09-042.

23
24 **4. Sierra’s Miscellaneous Revenue Calculations Reflect NECA Guidance,
Recent Commission, and Longstanding Commission Precedent.**

25 “Miscellaneous revenues” refer to a category of regulated revenues that are not covered by
26 other categories, but which are assigned to the intrastate jurisdiction. These revenues include
27 amounts from licenses or leases of regulated facilities, billing and collection services, directory
28

1 listings, uncollectibles, and other activities specifically identified in Sections 32.5200, 32.5230, or
 2 32.5300 of the FCC’s rules. *See* 47 C.F.R. §§ 32.5200, 32.5230, 32.5300. A summary of Sierra’s
 3 intrastate regulated miscellaneous revenues for the test year and the activities from which they are
 4 derived as follows:

5 Sierra Telephone Company, Inc.
 6 Miscellaneous & Uncollectible Revenues

7 Description	8 2023
9 Directory Revenues	541,650
10 Late Payment Fees / Returned Checks	5,718
11 Lease and License Revenue	-
12 Billing & Collection	197,427
13 Uncollectibles	<u>(14,423)</u>
14 Total Miscellaneous & Uncollectible Revenues	<u>730,372</u>

15 These figures are derived from 2021 annualized revenues in each of these categories, subject only
 16 to limited adjustments where it is apparent that certain revenues will no longer be available in
 17 2023. *See Duval Opening Testimony* at 8, Exhibit CD-1 (Miscellaneous Revenues Forecast)

18 Sierra is aware of the Commission’s recent interest in license and lease revenue, as
 19 reflected in the Phase 2 ratemaking decision in the CHCF-A proceeding. *See* D.21-06-004 at 42-
 20 43 (OP 5). During 2021, Sierra had only one business arrangement by which it provided access to
 21 its facilities—a license providing the Oakhurst Community Fund, Inc. (“Oakhurst Community
 22 Fund”) with access to a vacant plot of land for use as a community park. This parcel has not been
 23 in Sierra’s rate base since 2019 and it is in the process of being sold to the Oakhurst Community
 24 Fund to provide for its continued use on behalf of the local community. In light of these facts,
 25 Sierra does not expect to have any license or lease revenue during the 2023 test year.
 26 Nevertheless, Sierra has populated the Commission’s requested spreadsheet addressing licenses
 27 and leases, as discussed below in Section IV(N).
 28

1 **5. CHCF-A Fulfills a Residual Role in Rate Design, Supplying the**
2 **Additional Revenue Necessary to Meet Sierra's Revenue Requirement.**

3 CHCF-A provides the final component of the rate design, reflecting the final step in the
4 Commission's implementation of rate-of-return regulation. It is computed on a residual basis,
5 after all other intrastate funding sources have been measured for the test year. As a matter of law,
6 CHCF-A must be supplied in an amount necessary to recover "the portion of the revenue
7 requirement that cannot reasonably be provided by the customers of each small independent
8 telephone corporation after receipt of federal universal service rate support." Pub. Util. Code §
9 275.6(c)(4). The CHCF-A's residual ratemaking function reflects the Legislature's judgment that:

10 The commission shall exercise its regulatory authority to maintain the California
11 High-Cost Fund-A Administrative Committee Fund program (CHCF-A program)
12 to provide universal service rate support to small independent telephone
13 corporations in amounts sufficient to meet the revenue requirements established by
14 the commission through rate-of-return regulation in furtherance of the state's
15 universal service commitment to the continued affordability and widespread
16 availability of safe, reliable, high-quality communications services in rural areas of
17 the state.

18 Pub. Util. Code § 275.6(a). In this context, CHCF-A is not subject to a source-specific
19 "reasonableness" review; by definition, it is reasonable and "not excessive" as long as it equals the
20 difference between a small independent telephone corporation's revenue requirement and the
21 combined value of all other regulated intrastate funding sources. *See* Pub. Util. Code § 275.6(c).

22 Sierra's CHCF-A computation is straightforward and properly effectuates statutory
23 guidance and longstanding Commission precedent in implementing the CHCF-A program.
24 Sierra's revenue requirement is \$24,221,588, and the combined total of end user revenue, HCLS,
25 intercarrier compensation, and intrastate miscellaneous revenue for the test year is \$10,958,206.
26 The difference is \$13,263,382, which is the CHCF-A to which Sierra should be entitled for the test
27 year, prior to the application of broadband imputation.

28 Sierra acknowledges that the Commission has ordered a further adjustment to CHCF-A
through broadband imputation. Neither Public Utilities Code Section 275.6 nor any other statute
authorizes this additional adjustment, and its effect is to create a revenue shortfall of <<START
CONFIDENTIAL [REDACTED] **END CONFIDENTIAL**>> for Sierra, contrary to express

1 statutory directives that a “small independent telephone corporation’s” rate design must equal its
2 revenue requirement. Pub. Util. Code §§ 275.6(c)(2), 275.6(c)(4). This makes the overall rate
3 design unlawful, as Sierra pointed out in the CHCF-A proceeding. As noted above, Sierra is
4 challenging the legality of broadband imputation, and if that challenge is successful, the CHCF-A
5 for the test year should be \$13,263,382. However, because broadband imputation is the
6 Commission’s current policy, a further broadband imputation adjustment to Sierra’s CHCF-A
7 draw has been incorporated into its ratemaking calculations in this Application, as set forth below.

8 **C. Broadband Imputation.**

9 Pursuant to Ordering Paragraph 1 of D.21-04-005, “all reasonable positive retail
10 broadband-related revenues” of Sierra and Sierra Tel Internet (“STI”) “net of all reasonable
11 broadband-related expenses” for the calendar year immediately preceding the filing of this
12 application “shall be imputed in the determination of rate design and California High Cost Fund-A
13 support.” D.21-04-004 at 24 (OP 1). This imputation requirement does not apply to “revenues
14 derived from areas outside of” Sierra’s service territory and “revenues resulting from alternative
15 service platforms that are not based upon” Sierra’s local exchange facilities. *Id.* STI does not
16 serve outside of Sierra’s service territory and does not use other alternative service platforms.
17 Therefore, no adjustment is needed to its net retail broadband revenues, which are based on STI’s
18 2020 financial results from its Internet access service operations in Sierra’s territory using Sierra’s
19 local loop facilities.²⁴

20 Prior to imputation, Sierra’s rate design under Public Utilities Code section 275.6 produces
21 total intrastate revenue of \$10,958,206, resulting in an annual revenue shortfall of \$13,263,382,
22 prior to considering the CHCF-A draw. The required imputation calculation results in a reduction
23 to Sierra’s intrastate revenues in the amount of <<START CONFIDENTIAL ██████████ END
24 CONFIDENTIAL>> and a corresponding dollar-for-dollar reduction in its CHCF-A support.
25 Because STI does not actually pay this amount of its net retail broadband revenues to Sierra,

26 _____
27 ²⁴ STI does provide other functions that are not Internet access service, such as web hosting and
28 collocation. Revenues and costs from these other service lines are removed from the financial figures that
inform broadband imputation.

1 imputation causes a CHCF-A shortfall of <<START CONFIDENTIAL [REDACTED] END
2 CONFIDENTIAL>>.

3 As directed by the Phase 2 Broadband Imputation Decision, the Communications Division
4 staff has prepared a template to implement the broadband imputation calculation. Sierra has
5 populated this template, and it is provided herewith as Exhibit B. The template contains highly-
6 granular confidential information about Sierra's affiliated ISP, STI, so it is provided subject to an
7 expectation that the confidential elements will be held under seal in the Commission's records, as
8 required by Public Utilities Code Sections 275.6(e) and 583 and G.O. 66-D. The template also
9 contains employee compensation information, which are subject to legal protections to ensure
10 employee privacy under California law. The detailed justification for confidential treatment of
11 this information is provided in the contemporaneously-filed Motion to Seal.

12 **IV. COMPLIANCE WITH PROCEDURAL RULES, APPLICATION FORMALITIES,
13 AND NOTICE REQUIREMENTS.**

14 **A. Corporate Information and Correspondence (Rules 2.1(a) and 2.1(b))**

15 The full name of the applicant is Sierra Telephone Company, Inc. Sierra is a corporation
16 organized under the laws of the State of California. The address of its principal place of business
17 is 49150 Road 426 Oakhurst, California 93644, and its business telephone number is (559) 683-
18 4611. Sierra consents to service by email in connection with this proceeding. Correspondence
19 and other communications regarding this Application should be sent to counsel for Sierra as
20 follows:

21 Patrick M. Rosvall
22 BRB Law LLP
23 436 14th Street, Suite 1205
24 Oakland, California 94612
(mobile) 415-518-4813
(email) patrick@brblawgroup.com

25 with copies to Cynthia A. Huber at cindyh@stcg.net.

26 **B. Organization and Qualification to Transact Business in California (Rule 2.2)**

27 Sierra's Articles of Incorporation as certified by the Secretary of State of the State of
28

1 California were previously submitted with Application 15-09-005 (filed September 1, 2015) and
2 they remain in the Commission’s files in connection with that proceeding. In accordance with
3 Rule 2.2, specific reference is hereby made to this prior filing in lieu of its re-submission with this
4 Application.

5 **C. Financial Statements (Rules 2.3 and 3.2(a)(1))**

6 Attached as Exhibit C are Sierra's financial statements as of the “latest available date,”
7 reflecting financial results through the month of September 2021. Pursuant to the Commission's
8 rules, the financials consist of Sierra’s most recent balance sheet and an income statement
9 covering the period from the close of 2020, the last year for which an annual report was filed with
10 the Commission, through September 2021.

11 **D. Description of Sierra's Facilities, Equipment, and Other Property, the Cost
12 and Depreciation Reserve Applicable to the Property, the Character of
13 Business Performed, and the Territory Served (Rule 3.2(a)(4))**

14 Sierra owns and operates a telephone system over which it provides local exchange
15 telephone service in Mariposa and Eastern Madera Counties. Sierra services approximately
16 15,300 access lines in its three telephone exchanges: Coarsegold, Mariposa, and Raymond. Its
17 system consists mainly of a system of cables and wires facilitating connections to customer
18 locations and interconnection to the public switched telephone network. Sierra’s infrastructure
19 includes underground and aerial cable and lines, radio equipment, central office equipment, land,
20 buildings, and miscellaneous other equipment. Sierra's network is described in detail in the
21 testimony from Ms. Huber and Mr. Montgomery submitted contemporaneously herewith.

22 The cost to the Applicant of its property and equipment and the depreciation reserve
23 applicable thereto are shown on the balance sheet included as Exhibit D to this Application.
24 Depreciation expense is calculated on a remaining-life basis using the rates from Sierra’s last rate
25 case, with updates through a new depreciation study described in Mr. Duval’s testimony.

26 **E. Present and Proposed Rates (Rules 3.2(a)(2) and 3.2(a)(3))**

27 Sierra's current rate for single-line residential local exchange telephone service is \$25.00 in
28 its three exchanges and its single-line business rate is \$39.32. Sierra is not proposing increases to

1 these rates or any other rates. However, Sierra notes that its LifeLine rates fluctuate based on a
2 formula reflecting the application of available state and federal Lifeline support to Sierra’s basic
3 rates. *See* G.O. 153 § 9.2.1, Appendix C;²⁵ 47 C.F.R. § 54.403. The full formula and variables
4 reflecting the calculation of Sierra’s LifeLine rates are set forth in Sierra’s local exchange tariff in
5 Schedule A4, Section 4.2((A)(1). Currently, Sierra’s LifeLine rate is \$7.40 per month for
6 customers who have a qualifying broadband connection meeting federal minimum standards. *See*
7 47 C.F.R. § 54.408. For customers who only subscribe to voice service or who choose a lower
8 broadband speed than the minimum standard, the LifeLine rate is \$9.40 per month. For customers
9 living on tribal land, the LifeLine rate is \$0.00. These rates could change in the 2023 test year if
10 the California Set Support Amount (“SSA”) is revised, if the amount of federal funding changes,
11 or if Sierra’s basic residential rate is altered. The Commission should continue to apply the
12 established formula for calculating Sierra’s LifeLine rate based on these inputs, once they are
13 known for the test year.

14 Sierra proposes to make two changes to its service offerings through this rate case. First,
15 Sierra proposes to eliminate “party line” service. This is an antiquated service by which customers
16 share telephone service. Sierra currently has 50 residential and 4 business subscribers on this
17 service, all of which can and should be transitioned to basic flat-rate residential or business service
18 following appropriate notice. For public safety reasons and to allow for consistency amongst
19 Sierra’s service offerings, party lines should be eliminated. Sierra proposed this outcome in its
20 last rate case, but the issue was overlooked in the final settlement that was ultimately adopted to
21 resolve the proceeding. Sierra is not aware of any party that opposes this outcome, and it should
22 take place by the test year, paralleling the phase-out of this service in the industry as a whole.

23 Second, Sierra proposes to modernize its rates by incorporating the following calling
24 features into its basic residential and basic business rates: Call Forwarding, Call Waiting, Three-
25 Way Calling, Speed Dialing, Distinctive Ring, Toll Restriction, Call Blocking, Caller ID,
26 Automatic Callback, Call Return, Anonymous Call Rejection, Selective Call Rejection, Calling

27 ²⁵ The current version of G.O. 153 is attached to a recent Commission decision, D.21-09-023, as
28 Attachment A.

1 Name and Number, Call Trace, Repeat Dialing, and Find Me Service. This reconfiguration will
2 allow Sierra to provide more value to customers for the same price as their current rates and make
3 Sierra's services more attractive to customers. Mr. Rule discusses this proposal in his testimony,
4 and explains the impacts and reasoning behind the proposal, which Sierra believes is important to
5 long-term customer retention. *Rule Opening Testimony* at 17-20.

6 Sierra's proposed changes to its service offerings are reflected in the proposed tariff sheets
7 included herewith as Exhibit E. Sierra's full tariff is available at this link:
8 <https://www.sierratel.com/telephone/tariffs/>.

9 **F. Summary of Earnings (Rules 3.2(a)(5), 3.2(a)(9))**

10 Consistent with longstanding Commission practice and as required in D.15-06-048 and
11 D.20-08-011, Sierra is using calendar year 2023 as the test period for this rate case. A summary of
12 estimated earnings on a depreciated rate base for the test period is attached as Exhibit F hereto.
13 This schedule shows Sierra's total intrastate operations, as well as interstate and total company
14 regulated operations.

15 **G. Federal Income Tax Depreciation Deduction (Rule 3.2(a)(7))**

16 In computing its federal income tax, Sierra utilizes the Modified Accelerated Cost
17 Recovery System ("MACRS") to depreciate property plant and equipment for federal income tax
18 purposes. For ratemaking purposes, Sierra calculated federal income tax expense using straight-
19 line depreciation.

20 **H. No "Pass Through" Costs (Rule 3.2(a)(10))**

21 Sierra's requested ratemaking adjustments do not involve a "pass through" of costs. The
22 future test year and prospective ratemaking methodology employed in small independent
23 telephone corporations' rate cases is based on forecasted future results of operations.
24 Accordingly, these rate cases do not incorporate elements of pass-through costs, which might be
25 more typically the subject of certain other utility company rate filings, such as those involving
26 energy resource recovery accounts.

27

28

1 **I. Financial Interest in Transactions (Rule 3.2(a)(8))**

2 In accordance with Rule 3.2(a)(8), Sierra confirms that its capital stock is not listed on a
3 "national securities exchange" and that its capital stock is not registered with the Securities and
4 Exchange Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934. Since
5 the filing of its last annual report with the Commission, there have been no transactions of the type
6 described in General Order 104-A, nor have any such transactions been proposed since the filing
7 of Sierra's last annual report, which was submitted on August 13, 2021 as a revision to the April
8 30, 2021 submission, reflecting 2020 calendar year results of operations.

9 **J. Service of Application and Local Government Notifications (Rules 3.2(b),**
10 **3.2(c), 3.2(d)).**

11 This Application has been served by email on each of the individuals listed on Sierra's
12 company-specific list for service of advice letters, consistent with Rule 4.3 of General Order 96-B.
13 This Application has also been served on the Commission's Executive Director, the Chief
14 Administrative Law Judge, the Director of the Communications Division, and the Director of Cal
15 Advocates. Specific members of Communications Division and Cal Advocates' staff who have
16 participated in the pre-Application events related to this filing are also included on the service list.
17 The service list for this Application is attached to the certificate of service.

18 In addition, pursuant to Rule 3.2(b), within 20 days of the filing of this Application, Sierra
19 will mail a notice describing the proposed ratemaking adjustments and customer rates sought in
20 this Application to: (1) the State of California, by serving the Attorney General and the
21 Department of General Services; and (2) the County Counsel and County Clerk of Mariposa and
22 Madera Counties. Sierra will also publish a notice in a newspaper of general circulation in
23 Madera and Mariposa Counties within 20 days after the filing date of this Application, as required
24 by Rule 3.2(c). A draft of the notice, which has not yet been approved by the Public Advisor's
25 Office, is attached hereto as Exhibit G.

26 Further, Sierra will send a notice to customers regarding proposed rate adjustments
27 requested and matters to be addressed in this rate case. Sierra uses a 30-day billing cycle, so it
28

1 will mail a notice to subscribers within 45 days, in compliance with Rule 3.2(d). A draft of the
2 notice to be provided is attached as Exhibit H hereto, prior to approval by the Commission's Public
3 Advisor's Office.

4 A full copy of the Application, including all exhibits, will be furnished upon written
5 request from these or any other parties. Proof of compliance with the customer notice requirement
6 will be filed in the docket of this proceeding within 65 days of the submission of this Application.

7 **K. Relevant Safety Considerations**

8 As explained in the testimony of Ms. Huber's, Mr. Rule's and Mr. Montgomery's
9 testimony submitted contemporaneously herewith, Sierra has a strong record of providing high-
10 quality, reliable, safe service to its rural service area. Sierra plays a critical role in eastern Madera
11 and Mariposa Counties, and, for many customer locations, Sierra provides the only reliable voice
12 connection. Sierra serves two PSAPs, which makes Sierra a vital part o public safety. Sierra has a
13 robust network resiliency plan, and a comprehensive emergency response plan tailored to its
14 operations and service territory. Sierra works closely with first responders and key stakeholders in
15 the area during emergencies, and has a membership in the California Utilities Emergency
16 Association ("CUEA") that provides emergency response and restoration support, mutual
17 assistance, planning, training and exercises, communications and partnerships. 24/7 emergency
18 assistance is provided to CUEA members, ensuring rapid access to both resources and government
19 agencies during emergencies. Sierra therefore contributes materially to advancing public safety in
20 the communities where it serves, and this proceeding is critical to ensure that Sierra has sufficient
21 financial resources and operational stability to continue fulfilling these functions.

22 **L. Section 275.6(e) Compliance.**

23 Pursuant to Public Utilities Code Section 275.6(e), Sierra must identify "revenues derived
24 from the provision of unregulated internet access service" by its ISP affiliate "within [Sierra]'s
25 telephone service territory."²⁶ In the Phase 2 Broadband Imputation Decision, the Commission
26 ordered Sierra to "submit with its GRC application a financial statement in a format to be provided

27

28 ²⁶ Pub. Util. Code § 275.6(e).

1 by . . . Communications Division staff detailing each category of revenue and expense” to be used
2 in the broadband imputation equation “for the calendar year immediately preceding the filing of
3 the GRC application.” D.21-04-005 at 24 (OP 2). Communications Division has supplied a
4 template with a form for this financial statement, and, as explained in Section III(C), above, Sierra
5 has populated the template with the pertinent data for calendar year 2020. This fulfills Sierra’s
6 obligations under Public Utilities Code Section 275.6(e) in connection with this Application.

7 **M. Compliance with the Rate Case Plan (D.15-06-048, D.20-08-011)**

8 Sierra has met all deadlines and procedural prerequisites to this filing under the 2015 Rate
9 Case Plan and the 2020 decision extending the filing dates for the “Group A” companies.
10 Consistent with D.20-08-011 and the Executive Director’s letter providing a one-month extension
11 on the deadline, Sierra’s Application is being submitted timely on November 1, 2021. Prior to
12 submitting the Application, Sierra also complied with each of the pre-Application requirements
13 under the Rate Case Plan, as follows:

14 **Notice of Intent:** Sierra submitted its Notice of Intent (“NOI”) to file a rate case on
15 September 2, 2021, which included its initial proposals and its basic ratemaking and summary
16 calculations.

17 **Minimum Data Requests:** The Rate Case Plan provides for Cal Advocates to submit
18 Minimum Data Requests (“MDRs”) fifty-five days before the application date, and for Sierra to
19 respond to the MDRs at least forty-one days before the application date. Cal Advocates provided
20 Sierra with its MDRs prior to the due date, on August 6, 2021, and Sierra timely responded to
21 those MDRs on September 21, 2021. Cal Advocates circulated a memorandum alleging a small
22 list of perceived deficiencies in the MDR responses on September 29, 2021. Sierra formally
23 responded to the alleged deficiencies in a letter dated October 4, 2021, and Sierra provided a
24 supplemental response to the MDRs on October 18, 2021.

25 Communications Division did not issue a deficiency letter in response to Cal Advocates’
26 memorandum, and no valid grounds for deficiency in Sierra’s MDR responses exist.
27 Nevertheless, there are some limited disputes between Sierra and Cal Advocates regarding the
28

1 scope of the MDRs, which Sierra understands will be addressed after the Application is submitted.
2 All pre-application requirements of D.14-12-084 are met and all contingencies to submitting this
3 Application are satisfied.

4 **N. Identification of License and Lease Revenue (D.21-06-004, Appendix A).**

5 The Phase 2 Ratemaking Decision requires each rate case applicant to “report all . . .
6 revenue from both licenses or leases” using a spreadsheet entitled “Reporting Template for Non-
7 Regulated Revenue.” See D.21-06-004, at 42-43 (OP 5), Appendix A. As explained in Section
8 III(B)(4), above, Sierra does not expect to have any license or lease revenue—whether regulated
9 or unregulated—during the test year. Nevertheless, Sierra understands the Appendix A reporting
10 requirement to seek information as of the date of the Application initiating the rate case. As
11 reflected in Exhibit I hereto, Sierra has populated the spreadsheet with information reflecting the
12 one license that it has in place as of the date of this filing.²⁷ The land identified in the spreadsheet
13 has been used as a community park for several years, and Sierra is in the process of selling this
14 parcel to the Oakhurst Community Fund so that it can continue to benefit the community in long
15 term. On October 29, 2021, Sierra filed an advice letter pursuant to G.O. 173 to seek approval for
16 this transaction. Since it is not in rate base and it is expected to be sold long before the test year,
17 neither this land nor the historical license of the property has any impact on Sierra’s ratemaking
18 calculations.

19 Although Sierra’s one license is irrelevant to the issues in this proceeding, Sierra has
20 populated Appendix A to D.21-06-004 to the best of its ability given the limitations of the
21 spreadsheet. Where necessary, additional clarifications or notations are added to the spreadsheet.
22 See Exhibit I. Sierra notes that Appendix A that presents material ambiguities and interpretive
23 problems, as highlighted in a pending application for rehearing filed by the Independent Small
24 LEC group on July 7, 2021. See R.11-11-007, *Independent Small LECs Application for Rehearing*
25 *of D.21-06-004*.²⁸ Sierra has provided responsive data in this spreadsheet based on its good faith

26 ²⁷ Sierra has no leases or any other arrangements by which access to its facilities is provided for a fee.
27 Therefore, Sierra has nothing to report other than the one item noted in the spreadsheet.

28 ²⁸ Specifically, Column [D] of Appendix A asks companies to identify the “percentage and amount” of
each “facility/utility property” that is “benefitting from state subsidies, [and/or] federal subsidies.” D.21-

1 understanding of the information requested. However, if the Commission modifies Appendix A
2 based on the pending rehearing request or for any other reason, Sierra reserves the right to adjust
3 the data in accordance with the Commission’s further direction.

4 **V. PROPOSED CATEGORIZATION, STATEMENT OF ISSUES, PROPOSED**
5 **SCHEDULE, AND GUIDELINES FOR DISCOVERY (RULES 2.1(c) and 1.3(e)).**

6 **A. Categorization.**

7 In accordance with Rules 2.1(c) and 1.3(e), Sierra proposes that this proceeding be
8 classified as a ratesetting proceeding. This proceeding squarely meets the criteria for designation
9 as ratesetting, as it is a proceeding in which the Commission will "set . . . rates for a specifically
10 named utility." Rule 1.3(e).

11 **B. Issues.**

12 This proceeding involves two straightforward ratemaking issues: (1) the determination of
13 the Sierra’s revenue requirement utilizing a 2023 test year; and (2) a review of Sierra’s rates and
14 other intrastate funding sources available during the 2023 test year to develop a rate design that
15 affords Sierra a reasonable opportunity to recover its costs of service and earn its Commission-
16 authorized rate-of-return of 9.22% on its investments. The revenue requirement and rate design
17 issues involve the application of existing rules and ratemaking standards to Sierra’s financial and
18 operational circumstances; this proceeding should not involve the development of any new
19 policies, the exploration of novel ratemaking theories, or the imposition of new regulations.

20 **C. Need for Hearings.**

21 If the issues are not resolved through settlement, an evidentiary hearing will be required to
22 establish Sierra’s revenue requirement and rate design.

23

24

25

26 06-004, Appendix A (Column [D]). No definition of the term “benefitting from” is provided, and no
27 specific instructions are provided regarding how to populate this field. To the extent that the term
28 “benefitting from” is intended to suggest that state or federal high-cost support pays for “facilities” or
“property,” that premise is incorrect because neither CHCF-A nor HCLS provide direct support for specific
investments.

1 **D. Schedule.**

2 **1. Timing of Public Participation Hearing.**

3 As permitted by Ordering Paragraph 5 of D.15-06-048, Sierra requests that the
4 Commission make a small—but important—adjustment to the sequence of events contemplated by
5 the Rate Case Plan, to ensure that customers will have a meaningful voice in the process by which
6 their telephone rates are set. D.15-06-048 at 28 (OP 5) (authorizing the assigned ALJ to modify
7 the rate case plan “if necessary for efficiency and the public interest.”) Specifically, the Public
8 Participation Hearing (“PPH”) in this proceeding should take place *after* all parties revealed their
9 proposals for end user rates. Since Cal Advocates has historically presented its rate proposals in
10 testimony, and Cal Advocates has consistently recommended higher rates than the companies,²⁹
11 customers should have the benefit of the full range of potential outcomes before they provide input
12 in this proceeding.

13 In four recent cases, the assigned ALJs appropriately scheduled the PPHs after the
14 submission of Cal Advocates’ testimony.³⁰ This timing promotes the Commission’s transparency
15 goals and the interests of rural ratepayers, who should have the right to provide informed
16 comments on how Cal Advocates’ rate proposals would impact them.³¹

17 **2. Additional Time for Rebuttal Testimony.**

18 Sierra also requests that the ALJ adopt a schedule that provides Sierra with an additional
19 30 days for rebuttal testimony. Pursuant to the milestones in the Rate Case Plan, Cal Advocates

20 ²⁹ *Lehman Opening Testimony*, at 3; R.11-11-007, LEC-12 (Lehman Reply) at 3:17-6:1 and Table 1.

21 ³⁰ A.17-10-004 (Foresthill), *Scoping Memo* at 6-7; A.16-10-004 (Cal-Ore), *Scoping Memo* at 5-6; A.16-10-
22 002 (Calaveras), *Scoping Memo* at 5-6; A.16-10-001 (Ponderosa), *Scoping Memo* at 4-5.

23 ³¹ See R.11-11-007, LEC-4 (Boos Opening) at 40:8-11 (“Based on my experience in the Ponderosa rate
24 case, where the PPH was held after Cal PA’s testimony had been released, customers appreciated the
25 opportunity to provide their input on all proposals, not just the company’s proposal. Ponderosa’s PPH was
26 very well attended, with approximately 40 customers present and several who provided comments.”); A.15-
27 12-002, *Motion for Second Public Participation Hearing* (May 6, 2016), Declaration of Lynn A. Morgan,
28 Supervisor for Amador County (“Based on my knowledge of the makeup of the residents of our
community, our local businesses, and their needs as well as my interactions with local residents and
businesses, I believe that our constituents would very much like to review ORA's proposal to significantly
increase residential and business rates and express their concerns to the Administrative Law Judge and
assigned Commissioner or her representative about how ORA's proposal would impact them. I am
particularly concerned that many of our local residents would not be able to afford basic telephone service
at the rates ORA proposes.”).

1 has 150 days from the date of an application to prepare its testimony, whereas the company has
2 only 30 days to prepare rebuttal testimony.³² Based on the rate cases processed to date under the
3 Rate Case Plan, numerous extensions of time have been needed on rebuttal testimony because of
4 the extensive volume and scope of Cal Advocates’ testimony, which has greatly exceeded the
5 scope of the companies’ applications.³³ Rather than waiting to address this problem on short
6 notice or assuming that the future will be different from the past, the Commission should
7 anticipate the issue and proactively provide a modest expansion of the timeframe for rebuttal
8 testimony. This adjustment is necessary to promote efficiency and to resolve what has turned out
9 to be an imbalanced and inequitable schedule. As reflected herein and as discussed below, this
10 adjustment can be accommodated without upsetting the overall timeframe for resolution of the
11 Application and without materially shortening Cal Advocates’ testimony deadlines.

12 3. Alternative Dispute Resolution.

13 The Commission should take reasonable steps to promote the use of alternative dispute
14 resolution in this proceeding, which should include a requirement of one day of mandatory
15 mediation, no later than 10 calendar days after all testimony is submitted, and prior to hearings.³⁴
16 This proposal should not be controversial, but it is necessary because Cal Advocates has refused to
17 participate in mediation in prior cases.³⁵ Sierra believes strongly that skilled mediators can push
18 parties to settle even where their initial positions are far apart and their views are passionately
19 held. The Commission has consistently promoted alternative dispute resolution for these

20 ³² D.15-06-048, App. A at 2-3.

21 ³³ See, e.g., R.11-11-007, LEC-7 (Votaw Opening) at 22:9-12 (“The breadth of Cal PA’s testimony in
22 Ducor’s case was overwhelming, as Cal PA addressed a number of issues that were not presented by
23 Ducor’s application and which I believe were beyond the scope of the proceeding. Nevertheless, Ducor had
24 to address them, and it did not have enough time.”); LEC-4 (Boos Opening) at 38:25-39:3 (Cal Advocates’
25 testimony exceeded scope of the proceeding and the issues in the application . . .); A.17-10-004, *Foresthill
26 Motion for Extension of Rebuttal Testimony Deadline* (July 6, 2018), *Email Ruling Granting Extension of
27 Rebuttal Testimony Deadline by Foresthill to July 18, 2018*; A.16-10-003, *Sierra Motion for Extension of
28 Time of Rebuttal Testimony* (March 21, 2017); *E-Mail Ruling Denying Extension of Time beyond April 10*
(April 6, 2017) (requiring Sierra to respond by April 10).

³⁴ This proposal aligns with the timing of the “meet and confer” requirement under the Commission’s new
Rule 13.9.

³⁵ See, e.g., R.11-11-007, LEC-7 (Votaw Opening) at 23:26-24:2 (in response to Ducor’s motion seeking
mediation, “Cal Advocates not only refused to participate, it sought sanctions against Ducor for asking that
the Commission force the parties to the table.”).

1 reasons.³⁶ Mandatory mediation is common in many contexts because of its proven role in
2 facilitating settlement, narrowing disputes, and conserving resources.³⁷

3 There is no foreseeable harm from requiring the parties to come to the table to try to
4 resolve their differences. Mediation is usually completed in one day and would not cause any
5 material delay, even if unsuccessful.

6 **4. Coordination with Other Rate Cases.**

7 As the Commission processes this rate case, it should be aware of the two parallel cases for
8 small independent telephone corporations, also filed as part of “Group A” under the Rate Case
9 Plan. The other Group A companies are The Siskiyou Telephone Company (“Siskiyou”) and
10 Volcano Telephone Company (“Volcano”). Sierra, Siskiyou, and Volcano have the same
11 attorneys and will be relying on some of the same expert witnesses. Based on previous experience
12 in similar cases and the pre-Application interactions with Cal Advocates, Sierra understands that
13 Cal Advocates will also have some common staffing on these three cases.

14 To avoid scheduling conflicts and unreasonable deadlines as a consequence of overlapping
15 and cumulative responsibilities for the attorneys, consultants, and analysts involved in these cases,
16 the Commission should take proactive steps to offset the key deadlines from one another. Sierra
17 has met and conferred with the other Group A companies, and the three companies are proposing a
18 common schedule to avoid conflicts and spread out the deadlines in a reasonable manner to allow
19 each company’s case to receive due attention without compromising an efficient resolution of
20 these matters. Sierra shared a copy of its proposed schedule with Cal Advocates on October 19,
21 2021 and the parties engaged in meet and confer discussions regarding the schedule in advance of
22 this Application. No consensus has been reached with Cal Advocates regarding a schedule,

23 _____
24 ³⁶ See Res. ALJ-185 at 2, 5; D.82-07-086 (“If the parties cannot resolve their differences . . . they are urged
25 to seek some form of relatively inexpensive and expeditious solution, such as mediation or arbitration by
one or more persons of appropriate experience. Such prompt action should benefit all users . . . and might
eliminate eventual costly litigation.”);

26 ³⁷ See S.D. Cal. Civil Local Rule 16.1(c) (requiring “early neutral evaluation” within 45 days of filing an
27 answer to discuss claims and attempt settlement); N.D. Cal. ADR Local Rules 1-2, 2-3; S.D. Cal. Civil
28 Local Rule 16.1(c) (requiring “early neutral evaluation” within 45 days of filing an answer to discuss
claims and attempt settlement); N.D. Cal. ADR Local Rules 1-2, 2-3; *see also* State Bar Guidelines of
Civility and Professionalism, § 13.

1 although both parties agree that the three “Group A” cases should be coordinated to minimize
 2 overlap and avoid logistical problems and unreasonable burdens.

3 The Group A Companies’ joint proposed schedule is attached hereto as Exhibit J. The
 4 proposed schedule includes common dates for the full range of pre-Application and initial
 5 procedural deadlines, including the Application date, the protest deadlines, and the Pre-Hearing
 6 Conference (“PHC”). After the PHC, some limited distance is proposed between deadlines,
 7 including minor adjustments impacting testimony, the PPH, evidentiary hearings, and briefs. As
 8 shown in Exhibit J, these adjustments can be made without harming any party’s interests or
 9 causing any delays in the overall completion timeframes for the Group A cases. By following this
 10 schedule, the Commission can still thoughtfully address each case and resolve all three
 11 proceedings by the start of the 2023 test year.

12 For ease of reference, Sierra’s specific proposed schedule, as reflected in Exhibit J, is
 13 pasted below, with a comparison to the dates that would be produced under the Rate Case Plan if
 14 its deadlines were adopted without adjustment:

Event	D.15-06-048 Schedule Without Adjustment (days after application)	Applicant’s Proposed Schedule (days after application)
Application Filed	Monday, 11/1/21 (0 days)	Monday, 11/1/21 (0 days)
Protest Deadline	Wednesday, 12/1/21 (30 days)	Wednesday, 12/1/21 (30 days)
Reply to Protest(s)	Monday, 12/13/21 (42 days)	Monday, 12/13/21 (42 days)
Prehearing Conference	Friday, 12/31/21 (60 days)	Monday, 12/20/21 (49 days)
Intervenor Testimony	Thursday, 3/31/22 (150 days)	Thursday 4/7/22 (157 days)
Rebuttal Testimony	Monday, 5/2/22 (180 days)	Monday, 6/6/22 (217 days)
Public Participation Hearing	Thursday, 3/31/22 (150 days)	Wednesday, 6/15/22 (226 days)
Hearings	Monday, 5/30/22 (210 days)	Tuesday, 7/18/22 (259 days)
Opening Briefs	Monday, 7/11/22 (250 days)	Thursday, 8/24/22 (296 days)
Reply Briefs	Monday, 8/1/22 (271 days)	Thursday, 9/8/22 (311 days)
Proposed Decision	Wednesday, 9/28/22 (331 days)	Friday, 10/28/22 (361 days)
PD Comments	Tuesday, 10/18/22 (351 days)	Thursday, 11/17/22 (381 days)
Voting Meeting	Saturday, 11/26/22 (390 days)	Thursday, 12/1/22 (395 days)
Implement New Rate Design	Monday, 12/26/22 (420 days)	Sunday, 1/1/23 (426 days)

24 Sierra will engage in further meet and confer efforts with Cal Advocates in advance of the Pre-
 25 Hearing Conference to pursue a consensus schedule, or, at a minimum, narrow differences
 26 between the parties.

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1 **E. Scope of Discovery.**

2 As the Commission has recently recognized, the formal “GRC process for the Small ILECs
3 can be described as lengthy, expensive, and burdensome.” D.21-06-004 at 27. One of the most
4 significant drivers of this rate case expense is the discovery process, and the record from the recent
5 rate case cycle shows that the number of data requests propounded is grossly disproportionate to
6 the size of these companies and the scope of their applications.³⁸ In Sierra’s most recent rate case,
7 the number of data requests greatly increased the burden and expense of the process. *Huber*
8 *Opening Testimony* at 19. Sierra is concerned that the new broadband imputation requirement will
9 result in excessive and overly burdensome data requests regarding its unregulated affiliate ISP’s
10 operations. Sierra is also concerned that Cal Advocates will conduct its same audit-style review of
11 Sierra’s operating expenses, even though the Commission has moved to a formula-based approach
12 to both corporate expense and overall operating expense.

13 To mitigate the burdens of the process and help conserve Sierra’s limited resources, the
14 Assigned Commissioner and the assigned ALJ should take three proactive steps to impose
15 reasonable limits on discovery. *First*, the Commission should restrict discovery regarding
16 “broadband imputation” to confirming the “completeness and accuracy” of the “broadband-related
17 revenues and expenses” of the 2020 ISP financials that have been supplied with this Application in
18 a “financial statement in a format . . . provided by . . . Communications Division.” D.21-04-005 at
19 24 (OP 2). Questions regarding other years and data requests seeking broader operational
20 information about the ISPs are not relevant to the Commission’s imputation directive, and the
21 Commission should take appropriate steps to circumscribe discovery on this subject to mitigate
22 disputes and avoid imposing regulatory expenses on Sierra for which it will have no reasonable

23 _____
24 ³⁸ *Huber Opening Testimony* at 19 (Sierra received over 850 data requests in its most recent test year 2018
25 rate case, including subparts, which imposed significant costs and burdens on the company). Sierra’s
26 experience was not unique. *See* R.11-11-007, LEC-7 (Votaw Opening) at 22:3-6 (“Ducor received more
27 than 540 data requests in its 2019 test year rate case, including sub-parts, which greatly increased the cost
28 of the rate case.”); *id.* at 22:20-4; LEC-4 (Boos Opening) at 38:1-14 (explaining that Ponderosa received
322 data requests in its last rate case, including sub-parts, and that “[t]he number of data requests received
has a direct impact on the expense of the process, and many of the data requests Ponderosa received in its
rate case sought information on subjects that exceeded the scope of the cost of service and rate design
issues . . . presented by the application.”)

1 means of recovery.³⁹

2 Second, the Commission should limit discovery regarding Sierra’s corporate expenses and
3 overall operating expenses because the Commission has adopted non-rebuttable formulas for
4 calculating these figures. These caps were intended to increase the efficiency of rate cases and
5 “eliminate or reduce the number of data requests that are generally provided during a typical
6 GRC.” D.21-06-004 at 20-26. Because these expenses are capped at a presumptively reasonable
7 overall level, data requests should not be permitted regarding reasonableness of the specific
8 underlying expenses. Discovery regarding expenses should be restricted to confirming the
9 accuracy of Sierra’s overall expenses and addressing the proper computation of the expense cap
10 formulas.

11 Third, the ALJ should impose a discovery cutoff 10 business days prior to the start of
12 evidentiary hearings so that parties may focus on preparing for evidentiary hearings without
13 responding to last-minute data requests. A discovery cutoff will avoid abuse of the discovery
14 process as parties prepare for hearings. It will also encourage parties to efficiently serve data
15 requests well in advance of hearings, which would help facilitate earlier resolution of disputed
16 issues. A discovery cutoff of 13 days before evidentiary hearings was imposed by the ALJ in
17 Foresthill's rate case, and a similar measure should be adopted here. A.17-10-004, *ALJ Ruling*
18 *Denying Cal PA Motion for Reconsideration* at 2 (Aug. 10, 2018).

19 The Commission has ample authority to impose reasonable restrictions on discovery, and it
20 has imposed certain limits in specific proceedings to promote efficiency.⁴⁰ Based on the past

22 ³⁹ As explained above, Sierra’s expenses are already above the corporate expense cap that the Commission
23 has adopted without the possibility of rebuttal, and rate case expense is not separately recoverable based on
24 the Commission’s decisions in Phase 2 of the CHCF-A rulemaking. *See* D.21-06-004 at 24 (denying
recovery of rate case expense outside the corporate expense cap); D.21-08-042 at 22-24 (denying recovery
of the additional rate case expense imposed by the addition of broadband imputation to rate cases).

25 ⁴⁰ *See* D.06-12-042 at 4-7 (finding discovery restrictions were justified to expedite a timely resolution and
26 avoid delay and denying applications for rehearing alleging that limitations imposed on discovery were
legal error); A.17-10-004 (Foresthill rate case), *ALJ Ruling Denying Cal Advocates’ Motion for*
27 *Reconsideration* at 2 (Aug. 13, 2018) (imposing discovery cutoff and assigning discovery referee); *see also*
28 Code of Civ. Proc. § 2017.020(a); *People v. Sarpas*, 225 Cal.App.4th 1539, 1552-54 (2014) (limiting the
number of interrogatories given that the “needs of the case did not warrant all of the interrogatories” and
the volume was “unwarrantedly” oppressive, unduly burdensome and expensive).

1 experiences of the parties, there are material risks of excessive discovery in this proceeding, and
2 Sierra's proposals for reasonable limitations are justified. Sierra reserves the right to propose
3 additional measures based on the scope and extent of data requests that may be propounded as this
4 proceeding moves forward.

5 **VI. SUMMARY OF TESTIMONY.**

6 In addition to the facts and authorities supplied with this Application, Sierra has served
7 comprehensive pre-filed testimony in support of its proposed relief, as follows:

8 **Cynthia A. Huber, President:** Ms. Huber provides an overview of Sierra's operations, its
9 customer base, and its service territory. She provides a summary of Sierra's proposed relief and
10 supplies additional background facts to contextualize Sierra's Application. Based on her long
11 history with the company spanning four decades and her deep understanding of Sierra's long-term
12 goals, she provides a strong foundation for Sierra's proposal.

13 **Chad Duval, Cost Consultant and Telecommunications Policy Expert:** Mr. Duval
14 provides the numerical foundation of Sierra's Application, summarizing Sierra's revenue
15 requirement, rate base, rate design, and all other relevant cost and revenue calculations necessary
16 to support Sierra's proposed ratemaking adjustments for the 2023 test year. Mr. Duval explains
17 each pertinent ratemaking calculation based on his extensive experience applying state and federal
18 ratemaking standards and telecommunications regulations. Mr. Duval also summarizes important
19 federal and state policy directives that should inform the Commission's examination of this
20 Application, including imperatives to support broadband-capable investments in rural areas and
21 the need to ensure that all reasonable costs of service are included in rate-of-return ratemaking
22 calculations. In addition, he summarizes Sierra's implementation of broadband imputation.

23 **Michael Montgomery, Operations Manager:** Mr. Montgomery provides the operational,
24 budgetary, and functional details to support Sierra's rate base calculations, with a focus on the
25 plant additions that are necessary to implement Sierra's FTTP network architecture. Mr.
26 Montgomery summarizes the current functionalities of Sierra's network, notes recent and ongoing
27 projects, and identifies the key investment priorities that are critical to advancing customer
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1 welfare, promoting universal service, and bridging the digital divide in the years to come. Mr.
2 Montgomery also identifies the projected costs of Sierra’s anticipated projects and explains how
3 they fit within Sierra’s long-term vision for network advancement and customer service. Further,
4 Mr. Montgomery discusses Sierra’s response to network outages and Public Safety Power Shutoff
5 (“PSPS”) events and he provides a summary of Sierra’s safety and emergency response protocols.

6 **Mr. Thompson, Engineering Consultant and Network Design Expert:** Mr. Thompson
7 presents expert testimony in support of Sierra’s network improvements and FTTP deployment
8 plan. Mr. Thompson summarizes the key advantages of a robust fiber network, highlighting
9 functionalities and applications that necessitate an FTTP architecture. He supplies details
10 regarding the scalability advantages, long-term cost savings, and regulatory imperatives militating
11 in favor of FTTP. He provides confirmation that Sierra’s FTTP plans are reasonable and prudent
12 given foreseeable customer need, regulatory requirements, and other factors affecting
13 infrastructure build-out priorities.

14 **Robert Griffin, Vice President and General Manager:** Mr. Griffin offers important
15 financial details in support of Sierra’s revenue requirement calculations, including background
16 regarding historical costs and Sierra’s forecasted costs for the test year. In addition, Mr. Griffin
17 discusses cost allocation methodologies and affiliate transactions, which further demonstrate the
18 comprehensiveness and transparency of Sierra’s application. His testimony also includes an
19 identification of the limited amount of license and lease revenue that Sierra currently derives from
20 use of its property.

21 **Daniel Rule, Business Development and Customer Care Manager:** Mr. Rule supports
22 the reasonableness of Sierra’s current rates and summarizes Sierra’s strong service quality record.
23 His testimony includes a discussion of customers’ resistance to further rate increases and an
24 accounting of Sierra’s compliance with General Order 133-D service quality requirements over the
25 past five years. He also presents Sierra’s proposal to reconfigure its basic rates to include custom
26 calling features and voicemail at no additional charge. In addition, he supports Sierra’s proposal
27 to eliminate “party line” service.

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1 **Dr. Lehman:** Dr. Lehman, a Ph.D economist with a telecommunications policy
2 background, provides support for the retention of Sierra’s current rates without a material increase.
3 Dr. Lehman summarizes economic metrics and market dynamics affecting affordability in Sierra’s
4 service territory and describes foreseeable customer behavior in response to material rate
5 increases. Dr. Lehman also supplies comparative data showing that Sierra’s rates are already
6 among the highest in the country amongst rural telephone companies, further militating against
7 rate increases.

8 **VII. LIST OF EXHIBITS**

- 9 Exhibit A Summary of Depreciation Rates, Balances
- 10 Exhibit B Broadband Imputation Calculation Template
- 11 Exhibit C Financial Statements
- 12 Exhibit D Depreciation Reserve and Expense
- 13 Exhibit E Tariff Changes
- 14 Exhibit F Summary of Earnings
- 15 Exhibit G Proposed Publication Notice
- 16 Exhibit H Proposed Customer Notice
- 17 Exhibit I Lease and License Revenue Template
- 18 Exhibit J Proposed Procedural Schedule

19 **VIII. PRAYER FOR RELIEF**

20 WHEREFORE, Sierra respectfully requests that this Commission issue a decision:

21 1. Adopting the revenue requirement of \$24,221,588 for test year 2023, to take effect
22 on January 1, 2023 and remain in place until it is modified in a subsequent rate case or through
23 another properly-scoped Commission proceeding;

24 2. Adopting the rate design proposed in this Application, including a CHCF-A draw
25 after broadband imputation of <<START CONFIDENTIAL ██████████ END

26 **CONFIDENTIAL**>> subject only to annual adjustments through the CHCF-A advice letter
27 process governed by D.91-09-042;

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3. Adopting the depreciation rates proposed herein;

4. Adopting the limited tariff changes and rate adjustments set forth herein, effective January 1, 2023;

5. Establishing a mechanism for reversing the effects of broadband imputation on the calculations in this rate case if Sierra’s pending appellate challenge addressing this policy is successful and the Commission’s Broadband Imputation Decision is annulled;

6. Providing such other relief as may be necessary and proper.

Executed at Oakland, California on this 1st day of November 2021.

Patrick M. Rosvall
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Sean P. Beatty
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Oakland, CA 94612
Phone: (415) 518-4813
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By: /s/ Patrick M. Rosvall
Patrick M. Rosvall

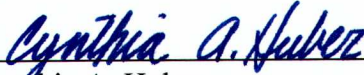
Attorneys for Sierra Telephone Company, Inc.

VERIFICATION

I, Cynthia A Huber, declare under penalty of perjury that the following is true and correct:

I am employed by applicant, Sierra Telephone Company, Inc. (Sierra), as its President. I make this verification on behalf of Sierra, and I am authorized to make this verification on its behalf. I have read the foregoing Application, and know the contents thereof, from my own knowledge and/or from discussing its contents with other knowledgeable employees and representatives of Sierra. The matters stated therein are true of my own knowledge or I am informed and believe that they are true, and on that basis, I allege that the matters stated therein are true.

Executed this 1st day of November, 2021 at Oakhurst, California.



Cynthia A. Huber
President
Sierra Telephone Company, Inc.

Exhibit A

Sierra Telephone Company
Current and Proposed Depreciation Rates and 2023 Expense
TY 2023

	Present			Proposed			Change			Percent Change		
	Rate	Depreciation Expense	Intrastate Allocation	Rate	Depreciation Expense	Intrastate Allocation	Rate	Depreciation Expense	Intrastate Allocation	Rate	Depreciation Expense	Intrastate Allocation
211200.00.00.000.0 Motor Vehicles	1.90%	130,178	68,582	10.30%	705,704	371,786	8.40%	575,526	303,204	442.11%	442.11%	442.11%
211500.00.00.000.0 Garage Work Equipment	4.74%	9,323	4,912	5.39%	10,601	5,585	0.65%	1,278	673	13.71%	13.71%	13.71%
211600.00.00.000.0 Other Work Equipment	4.98%	260,961	137,482	6.06%	317,555	167,298	1.08%	56,594	29,815	21.69%	21.69%	21.69%
211610.00.00.000.0 Misc Tools Equipment	4.98%	52,725	27,777	5.10%	53,995	28,446	0.12%	1,270	669	2.41%	2.41%	2.41%
212100.00.00.000.0 Buildings	3.26%	610,270	321,509	3.27%	612,142	322,495	0.01%	1,872	986	0.31%	0.31%	0.31%
212200.00.00.000.0 Furniture & Artwork	0.10%	164	86	9.34%	15,312	8,067	9.24%	15,148	7,980	9240.00%	9236.59%	9236.59%
212300.00.00.000.0 Office Equipment	3.00%	8,914	4,696	19.73%	58,623	30,884	16.73%	49,709	26,188	557.67%	557.65%	557.65%
212310.00.00.000.0 Office Equipment-Computer	20.00%	348,000	183,337	20.00%	348,000	183,337	0.00%	-	-	0.00%	0.00%	0.00%
212315.00.00.000.0 Computer Software	20.00%	-	-	20.00%	-	-	0.00%	-	-	0.00%	0.00%	0.00%
212320.00.00.000.0 Official Phones	14.79%	215	113	0.57%	191	101	-14.22%	(24)	(13)	-96.15%	-11.29%	-11.29%
221220.00.00.000.0 Switch Centrex	6.02%	-	-	14.29%	-	-	8.27%	-	-	137.38%	0.00%	0.00%
221230.00.00.000.0 Switch Digital Electronic-Power	6.02%	-	-	14.29%	-	-	8.27%	-	-	137.38%	0.00%	0.00%
221240.00.00.000.0 Switch Digital Electronic-Common	6.02%	-	-	14.29%	-	-	8.27%	-	-	137.38%	0.00%	0.00%
221250.00.00.000.0 Switch Voice Mail	6.02%	6,256	3,296	43.51%	22,607	11,910	37.49%	16,351	8,614	622.76%	261.37%	261.37%
221260.00.00.000.0 Switch Digital	6.02%	-	-	14.29%	-	-	8.27%	-	-	137.38%	0.00%	0.00%
222060.00.00.000.0 Operator System-Digital	10.57%	56,314	29,668	9.73%	51,839	27,310	-0.84%	(4,475)	(2,358)	-7.95%	-7.95%	-7.95%
223200.00.00.000.0 Transmission-Circuit Equipment	16.86%	3,996,695	2,105,579	5.09%	1,206,594	635,670	-11.77%	(2,790,101)	(1,469,909)	-69.81%	-69.81%	-69.81%
223210.00.00.000.0 Circuit Equipment-Subscriber 8.13	16.86%	4,380,316	2,307,682	8.00%	2,078,442	1,094,986	-8.86%	(2,301,874)	(1,212,696)	-52.55%	-52.55%	-52.55%
223220.00.00.000.0 Circuit Equipment - FTTH Electronics	0.00%	2,201,938	1,160,047	14.87%	1,942,041	1,023,125	14.87%	(259,897)	(136,922)	0.00%	-11.80%	-11.80%
223230.00.00.000.0 Transmission-Cir Equip-Power	16.86%	-	-	10.00%	-	-	-6.86%	-	-	-40.69%	0.00%	0.00%
241100.00.00.000.0 Poles	0.00%	-	-	3.33%	-	-	3.33%	-	-	0.00%	0.00%	0.00%
242100.00.00.000.0 Aerial Cable	5.88%	26,168	13,786	9.79%	43,569	22,953	3.91%	17,401	9,167	66.50%	66.50%	66.50%
242120.00.00.000.0 Aerial Cable - Fiber	5.88%	3,682	1,940	10.69%	6,695	3,527	4.81%	3,013	1,587	81.80%	81.83%	81.83%
242200.00.00.000.0 Underground Cable	10.00%	14,799	7,797	1.23%	14,799	7,797	-8.77%	-	-	-87.70%	0.00%	0.00%
242220.00.00.000.0 Underground Fiber Optic	4.00%	55,797	29,396	2.16%	30,130	15,873	-1.84%	(25,667)	(13,522)	-46.00%	-46.00%	-46.00%
242300.00.00.000.0 Direct Buried Cable	1.83%	1,995,156	1,051,108	4.09%	4,459,119	2,349,198	2.26%	2,463,963	1,298,090	123.50%	123.50%	123.50%
242320.00.00.000.0 Buried Fiber Optic	4.09%	2,021,335	1,064,900	3.97%	1,962,029	1,033,656	-0.12%	(59,306)	(31,244)	-2.93%	-2.93%	-2.93%
244100.00.00.000.0 Conduit/Manhole System	2.07%	145,630	76,722	0.86%	60,503	31,875	-1.21%	(85,127)	(44,847)	-58.45%	-58.45%	-58.45%
		<u>16,324,836</u>	<u>8,600,414</u>		<u>14,000,490</u>	<u>7,375,878</u>		<u>(2,324,346)</u>	<u>(1,224,535)</u>		<u>-14.24%</u>	<u>-14.24%</u>

Exhibit B
[Public]

Portions redacted

Question	Answer	Additional Information
1 Name of ILEC	Sierra Telephone Company, Inc.	
2 ILEC physical address	49150 Road 426, Oakhurst, CA 93644	
3 Name of Affiliate ISP Corp.	Sierra Tel Internet	
4 ISP physical address	49150 Road 426, Oakhurst, CA 93644	
5 Does this ISP affiliate provide Internet access throughout the ILEC territory?	Yes	
6 Does this ISP affiliate provide Internet access outside the ILEC's territory?	Yes	Sierra Tel Internet provides dial-up service for California numbers that are outside of the ILEC's territory. We have very few customers using dial-up.
7 Does this affiliate provide Internet access using alternate platform? If Yes, please describe.	No	
8 Does the ISP affiliate use any common building or facilities in providing internet access service to the ILEC territory and conducting other businesses? If yes, how are expenses allocated between internet service and other businesses?	Yes	Sierra Tel Internet uses office space for its operations that is owned by the ILEC in Oakhurst. It also has a backup/failover site in Mariposa and leases that from Sierra Tel Business Systems. It is charged an expense for using any shared facility owned by teh ILEC based on its percentage of overall space used.

Exhibit C

SIERRA TELEPHONE
Income Statement
For the Nine Months Ending September 30, 2021

	YTD ACTUAL
Local Services	12,895,740.94
Network Access	15,013,126.97
Other Services & Sales	633,403.48
Uncollectables	9,975.18
TOTAL REVENUES	28,552,246.57
Building & Minor Equipment	2,304,696.28
Central Office	1,952,287.15
Miscellaneous Repairs & Maint	15,787.93
Outside Plant	787,723.27
Total Plant Specific Operations	5,060,494.63
Plant Non-Specific Operations	2,285,574.59
Depreciation & Amortization	9,323,857.56
Customer Operations	2,488,279.92
Corporate Operations	2,117,731.60
Total Operating Costs & Expenses	16,215,443.67
Property Taxes	594,854.79
Other Operating Taxes	124,599.57
Income Taxes - Current	1,713,264.00
Income Taxes - Deferred	-
Total Operating Taxes	2,432,718.36
Nonoperating Income - Interest	1,078.01
Nonoperating Income - Other	1.00
Nonoperating Income Tax Expense	-
Nonoperating Income Tax Deferred	-
Nonoperating Expense	(96,661.33)
Total Nonoperating Income (Expense)	(95,582.32)
Fixed Charges - Interest Expense	283.12
Total Fixed Charges	283.12
TOTAL EXPENSES	23,804,522.10
NET (LOSS)/INCOME	4,747,724.47

Sierra Telephone
Balance Sheet
For the Nine Months Ending September 30, 2021

ASSETS

Current Assets	
Cash & Equivalents	9,927,357.59
Rec-Telecommunications	456,271.50
Connecting Companies	13,852.26
Receivables - Other	3,032,649.95
Allowance For Uncollectables	(25,000.00)
Inventories & Supplies	2,659,318.95
Prepaid Taxes & Expenses	802,508.63
Total Current Assets	16,866,958.88
Investments & Other Assets	
Other Investments	5,963,291.18
Total Investments & Other Assets	5,963,291.18
Property, Plant & Equipment	
Telecommunications Plant	212,888,796.04
Telecomm Plant Under Construction	9,079,559.45
Accumulated Depreciation	(148,002,150.97)
Total Property, Plant & Equipment	73,966,204.52
TOTAL ASSETS	96,796,454.58

LIABILITIES & STOCKHOLDERS EQUITY

Current Liabilities

Current Maturities Of Mortgage Notes	-
Accounts Payable	(212,911.10)
Affiliated Companies	384,769.19
Advance Billings	-
Accrued Compensation	435,998.28
Accrued Post-Retirement Expense	639,700.00
Accrued Vacation & Sick	641,605.15
Accrued Interest & Other	(134,924.38)
Accrued Income Taxes	2,689,372.00
Total Current Liabilities	4,443,609.14

Long-Term Debt and Other Liabilities

Note Payable - Long Term	-
Deferred Income Tax Liability	4,069,251.00
Other Deferred Credits	22,287,642.64
Total Long-Term Debt & Other Liabilities	26,356,893.64

Stockholders Equity

Common Stock	40,000.00
Additional Paid-In Capital	10,532.95
Retained Earnings	60,565,323.38
Other Comprehensive Income (Loss)	1,632,371.00
Net Income	4,747,724.47
Total Stockholders Equity	65,995,951.80

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	96,796,454.58
---	----------------------

Exhibit D

Sierra Telephone Company, Inc.
Telephone Plant in Service
2023

Acct. No.	Account	Balance 12-31-22	Additions	Retirements	Transfers	Balance 12-31-23
2111000	Land	1,009,473	-	-	-	1,009,473
2112000	Motor Vehicles	6,692,188	730,000	(411,387)	-	7,010,801
2115000	Garage Work Equipment	171,678	50,000	-	-	221,678
2116000	Other Work Equipment	4,998,411	665,000	(181,460)	-	5,481,951
2116100	Misc Tools Equipment	1,028,735	60,000	-	-	1,088,735
2121000	Buildings	18,356,295	727,282	-	-	19,083,577
2122000	Furniture & Artwork	163,935	-	-	-	163,935
2123000	Office Equipment	291,124	12,000	-	-	303,124
2123100	Office EQ-Computers/Printers	2,049,457	348,000	(370,000)	-	2,027,457
2123200	Company Communication Equipment	33,447	-	-	-	33,447
2123150	Software	2,940,331	-	-	-	2,940,331
2212000	CO Switching-Digital / Power & Common	2,266,544	-	(600,000)	-	1,666,544
2212200	CO Switching-Centrex	43,372	-	-	-	43,372
2212150	CO Switching-Voicemail	103,927	-	-	-	103,927
2220000	Operator Systems	532,773	-	-	-	532,773
2231000	Central Office - Radio	0	-	-	-	0
2232000	CO - Circuit Equipment	24,492,188	2,506,000	(4,080,000)	-	22,918,188
2232100	CO - Circuit Equipment - Subscriber	25,197,684	2,055,680	(490,000)	-	26,763,364
2232200	CO - Circuit Equipment - FTTH	7,241,130	11,638,000	-	-	18,879,130
2411000	Poles	201,517	-	-	-	201,517
2421000	Aerial Cable	445,031	-	-	-	445,031
2421200	Aerial Cable Fiber	62,626	-	-	-	62,626
2422000	Underground Cable	1,609,960	-	-	-	1,609,960
2422200	Underground Cable - FO	1,394,916	-	-	-	1,394,916
2423000	Buried Cable	107,187,256	3,675,334	-	-	110,862,590
2423200	Buried Fiber Optic Cable	38,535,039	21,772,690	-	-	60,307,729
2441000	Conduit Systems	7,035,267	-	-	-	7,035,267
2682000	Leasehold Improvements	-	-	-	-	-
2690000	Intangibles-Organization	861	-	-	-	861
Total Telephone Plant in Service		254,085,166	44,239,986	(6,132,847)	-	292,192,305
Check						

Sierra Telephone Company, Inc.
Accumulated Depreciation
2023

Depr. Rate	Account	Balance 12-31-22	Depreciation Accrual	Retirements	Other	Balance 12-31-23
10.30%	Motor Vehicles	(5,311,457)	(705,704)	411,387	-	(5,605,774)
5.39%	Garage Work Equipment	(98,053)	(10,601)	-	-	(108,654)
6.06%	Other Work Equipment	(2,547,958)	(317,555)	181,460	-	(2,684,053)
5.10%	Misc Tools Equipment	(695,389)	(53,995)	-	-	(749,384)
3.27%	Buildings	(7,345,868)	(612,142)	-	-	(7,958,010)
9.34%	Furniture & Artwork	(19,670)	(15,312)	-	-	(34,982)
19.73%	Office Equipment	(179,250)	(58,623)	-	-	(237,873)
20.00%	Office EQ-Computers/Printers	(2,049,457)	(348,000)	370,000	-	(2,027,457)
0.57%	Company Communication Equipment	(33,232)	(215)	-	-	(33,447)
20.00%	Software	(2,940,331)	-	-	-	(2,940,331)
14.29%	CO Switching-Digital / Power & Common	(2,266,544)	-	600,000	-	(1,666,544)
14.29%	CO Switching-Centrex	(43,372)	-	-	-	(43,372)
43.51%	CO Switching-Voicemail	(81,320)	(22,607)	-	-	(103,927)
9.73%	Operator Systems	(442,070)	(51,839)	-	-	(493,909)
0.00%	Central Office - Radio	(0)	-	-	-	(0)
5.09%	CO - Circuit Equipment	(18,814,719)	(1,206,594)	4,080,000	-	(15,941,313)
8.00%	CO - Circuit Equipment - Subscriber	(16,241,455)	(2,078,442)	490,000	-	(17,829,897)
14.87%	CO - Circuit Equipment - FTTH	(779,027)	(1,942,041)	-	-	(2,721,068)
3.33%	Poles	(201,517)	-	-	-	(201,517)
9.79%	Aerial Cable	(306,223)	(43,569)	-	-	(349,792)
10.69%	Aerial Cable Fiber	28,890	(6,695)	-	-	22,195
1.23%	Underground Cable	(1,595,161)	(14,799)	-	-	(1,609,960)
2.16%	Underground Cable - FO	(984,422)	(30,130)	-	-	(1,014,552)
4.09%	Buried Cable	(81,717,322)	(4,459,119)	-	-	(86,176,441)
3.97%	Buried Fiber Optic Cable	(10,414,201)	(1,962,029)	-	-	(12,376,230)
0.86%	Conduit Systems	(6,794,817)	(60,503)	-	-	(6,855,320)
2.80%	Leasehold Improvements	-	-	-	-	-
Total Accumulated Depreciation		(161,873,943)	(14,000,515)	6,132,847	-	(169,741,611)

Exhibit E

LIST OF EFFECTIVE SHEETS

Sheets listed below are effective as of the date shown on each sheet.

<u>Revision Number</u>	<u>Sheet</u>
10th Revised	CS A*
4th Revised	1*
2nd Revised	2*
1 st Revised	3
1 st Revised	3.1
2 nd Revised	4
3 rd Revised	5
4 th Revised	6

* New or revised Sheet.

(To be inserted by utility)

Advice Letter No. _____

Decision No. _____

Issued by

Cynthia A. Huber

NAME

President

TITLE

(To be inserted by Cal. P.U.C.)

Date Filed _____

Effective Jan 1, 2023

Resolution No. _____

A3. INDIVIDUAL AND PARTY LINE SERVICE

3.1 GENERAL INFORMATION

3.1.1 APPLICABILITY

Applicable to business and residence individual and party line flat rate exchange service.

3.1.2 TERRITORY

Within the exchange areas of all exchanges as said areas are defined on maps filed as part of the tariff schedules.

3.2 RATES*

	<u>S&E CODE</u>	<u>MONTHLY RATE</u>	
Within the Coarsegold, Mariposa, and Raymond Exchanges			
A. Residence Service			
Each one party primary service (All Zones)	1R	\$25.00**	(C)
	,		(D)
			(D)
B. Business Service			
Each one party primary service (All Zones)	1B	39.32**	(C)
			(D)
			(D)
C. Trunk Hunting Service			
Each primary line equipped	RTY CHG	1.50	

*In compliance with C.P.U.C. Resolution No. T-16117, Sierra Telephone Company, Inc.'s zone rate structure has been eliminated for residence and business one party primary service and residence and business one party primary service rates have been standardized throughout the service area.

**All voice mail services from Schedule A-8 and custom calling services from Schedule A-25 are included with the basic local service. (N)
 (N)
 (D)
 (D)

(Continued)

(To be inserted by utility)
 Advice Letter No. _____

Issued by

NAME

(To be inserted by Cal. P.U.C.)
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Decision No. _____

President

TITLE

Effective Jan 1, 2023
 Resolution No. _____

A3. INDIVIDUAL AND PARTY LINE SERVICE

3.3 SPECIAL CONDITIONS

A.

(D)

(D)

B. Description of Local Service Areas

The local service area is the calling area included in the customer's exchange rate. It is the area within which stations are located which customers may call at no additional charge.

The local service area may include the whole or a part of an exchange area, or parts or all of two or more exchange areas.

1. The local service area of the Coarsegold Exchange includes the Coarsegold, North Fork, O'Neals, and Raymond Exchanges.
2. The local service area of the Mariposa Exchange includes the Mariposa Exchange only.
3. The local service area of the Raymond Exchange includes the Raymond and Coarsegold Exchanges.

C. Trunk hunting service at the above rates is offered in connection with business one party line service only, and will be provided subject to the availability and physical limitations of central office switching equipment.

(D)

(D)

(Continued)

(To be inserted by utility)

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Issued by

Cynthia A. Huber

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(To be inserted by Cal. P.U.C.)

Date Filed _____

Effective Jan 1, 2023

Decision No. _____

President

TITLE

Resolution No. _____

A4. UNIVERSAL LIFELINE TELEPHONE SERVICE

4.1 GENERAL INFORMATION

4.1.1 APPLICABILITY

Applicable to eligible residence customers for Universal LifeLine Telephone Service (ULTS), also known as California LifeLine Service, furnished pursuant to the Moore Universal Telephone Service Act, the Federal Lifeline Program, and the Federal Enhanced Lifeline and Federal Tribal Link-Up Programs for eligible residents of Tribal lands. Eligible residents of Tribal lands consist of qualifying low-income consumers residing on Tribal lands, and in accordance with General Order 153.

4.1.2 TERRITORY

Within the exchange area of all exchanges as said areas are defined on maps filed as part of the tariff schedules.

4.2 RATES AND CHARGES*

<u>MONTHLY RATE</u>	
Full LL Support***	Reduced LL Support

A. Access Line Service

1. Local Flat Rate Service

a. Qualifying Residents of Individual Access Line:

(1) Federal Lifeline:

Individual Access Line #	\$25.00	\$25.00	(C)
F.C.C. Subscriber Line Charge**	6.50	6.50	
Federal Lifeline Credit	-9.25	-5.25	
California Makeup Support Credit	0.00	-2.00	
California Specific Support Credit	<u>-14.85</u>	<u>-14.85</u>	
California LifeLine One Party Flat Service	7.40	9.40	

(2) CA-Only Lifeline:

Individual Access Line #	\$25.00	\$25.00	(C)
F.C.C. Subscriber Line Charge**	6.50	6.50	
California Makeup Support Credit****	-9.25	-7.25	
California Specific Support Credit	<u>-14.85</u>	<u>-14.85</u>	
California LifeLine One Party Flat Service	7.40	9.40	

*The difference between the rates and charges in this schedule and the regular tariffed rates and charges is recovered from the California ULTS Fund, the Federal Lifeline Program, and the Federal Tribal Link-Up Program.

**The Subscriber Line Charge is located in National Exchange Carrier Association (NECA) Tariff FCC No. 5 Section 17.1.2.

*** Full Lifeline Support is provided if a customer also subscribes to a qualifying broadband package that meets or exceeds the FCC's applicable Lifeline minimum broadband standard or satisfies the exception in 47 C.F.R. Section 54.408 by which the customer subscribes to the "highest performing generally available residential fixed broadband service offering" that is at least 4 Megabits per second ("Mbps") download and 1 Mbps upload.

****If the customer qualifies for Lifeline service using a program not recognized under federal program-based eligibility standards or pursuant to the higher income eligibility standard in California, a "California Makeup Support Credit" will be applied in the same amount as would otherwise be applied if the customer established eligibility through a federally-recognized mechanism.

All voice mail services from Schedule A-8 and custom calling services from Schedule A-25 are included with the basic local service. (N)

(Continued)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. _____

Cynthia A. Huber

Date Filed _____

NAME

Effective Jan 1, 2023

Decision No. _____

President

Resolution No. _____

TITLE

A4. UNIVERSAL LIFELINE TELEPHONE SERVICE

4.2 RATES AND CHARGES* - Continued

<u>MONTHLY RATE</u>	
Full LL Support****	Reduced LL Support

A. Access Line Service

1. Local Flat Rate Service

b. Qualifying Residents of Tribal Lands:

(1) Federal Lifeline:

Individual Access Line #	\$25.00	\$25.00	(C)
F.C.C. Subscriber Line Charge**	6.50	6.50	
Federal Lifeline Credit	-31.50	-30.25	
California Makeup Support Credit	0.00	0.00	
California Specific Support Credit	<u>0.00</u>	<u>-1.25</u>	
California LifeLine One Party Flat Service	0.00***	0.00***	

(2) CA-Only Lifeline:

Individual Access Line #	\$25.00	\$25.00	(C)
F.C.C. Subscriber Line Charge**	6.50	6.50	
California Makeup Support Credit*****	-31.50	-30.25	
California Specific Support Credit	<u>0.00</u>	<u>-1.25</u>	
California LifeLine One Party Flat Service	0.00***	0.00***	

2. Toll Blocking/Toll Restriction

No Charge

*The difference between the rates and charges in this schedule and the regular tariffed rates and charges is recovered from the California ULTS Fund, the Federal Lifeline Program, and the Federal Tribal Link-Up Program.

**The Subscriber Line Charge is located in National Exchange Carrier Association (NECA) Tariff FCC No. 5 Section 17.1.2.

***Rates include changes required by the Federal Communications Commission Wireline Competition (WC) Docket No. 11-42, In the Matter of Lifeline and Link Up Reform and Modernization, as adopted by F.C.C. Order No. 12-11, effective May 1, 2012.

**** Full Lifeline Support is provided if a customer also subscribes to a qualifying broadband package that meets or exceeds the FCC's applicable Lifeline minimum broadband standard or satisfies the exception in 47 C.F.R. Section 54.408 by which the customer subscribes to the "highest performing generally available residential fixed broadband service offering" that is at least 4 Megabits per second ("Mbps") download and 1 Mbps upload.

*****If the customer qualifies for Lifeline service using a program not recognized under federal program-based eligibility standards or pursuant to the higher income eligibility standard in California, a "California Makeup Support Credit" will be applied in the same amount as would otherwise be applied if the customer established eligibility through a federally-recognized mechanism.

All voice mail services from Schedule A-8 and custom calling services from Schedule A-25 are included with the basic local service.

(N)
(N)

(Continued)

(To be inserted by utility)

Advice Letter No. _____

Issued by

Cynthia A. Huber

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(To be inserted by Cal. P.U.C.)

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Decision No. _____

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Effective Jan 1, 2023

Resolution No. _____

LIST OF EFFECTIVE SHEETS

Sheets listed below are effective as of the date shown on each sheet.

<u>Revision Number</u>	<u>Sheet</u>
27th Revised	CS A*
12th Revised	1*
9th Revised	1.1*
1 st Revised	2
Original	2.1
3 rd Revised	3
11 th Revised	4
3 rd Revised	5
4 th Revised	6
3 rd Revised	7
4 th Revised	8
2 nd Revised	9
2 nd Revised	10
2 nd Revised	11
2 nd Revised	12
Original	13
2 nd Revised	14
1 st Revised	15
1 st Revised	15.1
1 st Revised	15.2
3 rd Revised	16

*Revised or pending page.

(To be inserted by utility)

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Issued by

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Resolution No. _____

LIST OF EFFECTIVE SHEETS

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<u>Revision Number</u>	<u>Sheet</u>
3 rd Revised	CS A*
3 rd Revised	1*
1 st Revised	1.1*
2 nd Revised	2*
1 st Revised	2.1*
2 nd Revised	3*
1 st Revised	4
Original	4.1
1 st Revised	5
Original	5.1
1 st Revised	6
1 st Revised	7
Original	7.1
1 st Revised	8
1 st Revised	9

*New or revised page.

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. _____

Cynthia A. Huber _____

Date Filed _____

NAME

Decision No. _____

President _____

Effective Jan 1, 2023

TITLE

Resolution No. _____

A8. VOICE MAIL SERVICE

8.2 RATES - Continued

MONTHLY
RATE** (C)

D. Economy Plus Voice Mailbox
 Maximum message length - 2 minutes
 Message storage - 40 minutes
 Message retention - 40 days
 Maximum greeting length - 2 minutes

Includes the following features:

- Auto Login/Semi Auto Login
- Busy Greeting Option
- Callback
- Call Screening with Pick-up
- Caller Specific Greetings
- Daily Notification
- Distribution List
- e-Forward™*
- Internet Management
- Message Delivery Options
- Multiple Associated Numbers
- Multiple Greetings
- Multiple Number Notifications
- Out Dial and Out Dial Administration
- Pager Notification
- Sequential Paging
- Scheduling
- Sub Mailboxes (5)

\$ 0.00 (R)

*Includes Internet Management capability. See Special Condition 8.3.B.14., following.

**Voice mail service now included with basic local service. (N)

(Continued)

(To be inserted by utility)
 Advice Letter No. _____

Issued by
 Cynthia A. Huber
NAME

(To be inserted by Cal. P.U.C.)
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Effective Jan 1, 2023
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A8. VOICE MAIL SERVICE

8.2 RATES - Continued

MONTHLY
RATE** (C)

E. Select Voice Mailbox
 Maximum message length - 3 minutes

Message storage – 40 minutes
 Message retention - 40 days

Maximum greeting length – 3 minutes

Includes the following features:

- Auto Login/Semi Auto Login
- Busy Greeting Option
- Callback
- Call Screening with Pick-up
- Caller Specific Greetings
- Daily Notification
- Distribution List
- e-Forward™*
- Internet Management
- Message Delivery Options
- Multiple Associated Numbers
- Multiple Greetings
- Multiple Number Notifications
- Out Dial and Out Dial Administration
- Pager Notification
- Sequential Paging
- Scheduling
- Sub Mailboxes (9)

\$ 0.00 (R)

* Includes Internet Management capability. See Special Condition 8.3.B.14., following.

**Voice mail service now included with basic local service. (N)

(Continued)

(To be inserted by utility)

Advice Letter No. _____

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Effective Jan 1, 2023

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A8. VOICE MAIL SERVICE

8.2 RATES - Continued

MONTHLY
RATE** (C)

F. Optional Features

1. Individual Features

a. Multiple Greetings	\$ 0.00	(R)
b. Multiple Associated Numbers	0.00	
c. Multiple Number Notifications	0.00	
d. Daily Notification	0.00	
e. e-Forward™*	0.00	

2. Feature Packages

a. Plus Package Includes Individual Features 8.2.F.1.a. through F.1.d. preceding	0.00
b. Enhanced Paging Package Includes Pager Notification and Sequential Paging	0.00

G. Excess Message/Inquiry Usage

Message/inquiry volumes in excess of 500 per month	.00 per call	(R)
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* Includes Internet Management capability. See Special Condition 8.3.B.14., following.

**Voice mail service now included with basic local service. (N)

(Continued)

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President
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A8. VOICE MAIL SERVICE

8.2 RATES - Continued

	<u>NON-RECURRING CHARGE**</u>		<u>MONTHLY RATE **</u>	(C)
H. Auto Attendant				
- Without Call Forwarding			\$ 0.00	(R)
- With Call Forwarding			0.00	
1. Initial Set Up Fee	\$ 0.00	(R)	N/A	
2. Change Order Charge	0.00		N/A	
3. Alternate ID				
- With Call Forwarding	0.00		0.00	
- Without Call Forwarding	0.00	(R)	0.00	(R)

8.3 SPECIAL CONDITIONS

A. Voice Mail Service requires special central office equipment and will be provided where there is available central office equipment with proper program updates as determined by the Utility.

B. Explanation of Terms

1. **Alternate ID:** The customer's primary and/or secondary telephone number(s) that may be forwarded to an Auto Attendant. For the purposes of Auto Attendant, a Remote Call Forward number which points to an Auto Attendant will be considered as an Alternate ID Without Call Forwarding. Alternate ID numbers must be customer-specified in order to be included within the Auto Attendant.
2. **Auto Login:** This feature allows the customer to call the Voice Mail system from the telephone subscribed to Voice Mail and not be prompted for their mailbox number and password. The customer can enable or disable the feature.
3. **Auto Attendant:** An optional call processing system. The recorded greeting(s) act as a general menu-type message that directs callers to specific messages, directory numbers, or extensions.

**Voice mail service now included with basic local service. (N)

(Continued)

(To be inserted by utility)
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TITLE

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LIST OF EFFECTIVE SHEETS

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<u>Revision Number</u>	<u>Sheet</u>
4th Revised	CS A*
2nd Revised	1*
2nd Revised	2*
4th Revised	3*
2nd Revised	4*
2nd Revised	5*
2nd Revised	6*
Original	7
Original	8
Original	9
Original	10
Original	11
Original	12
2 nd Revised	13
Original	13.1
Original	14
Original	15
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1 st Revised	17

* New or revised page.

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TITLE

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Date Filed _____

Effective Jan 1, 2023

Resolution No. _____

A25. CUSTOM CALLING SERVICE

25.1 GENERAL INFORMATION

25.1.1 APPLICABILITY

Applicable to custom calling service furnished in connection with individual line business and residence service.

25.1.2 TERRITORY

Within the portion of exchanges where service is furnished from central offices equipped with digital equipment capable of providing custom calling services.

25.2 RATES

A. Custom Calling Service

		MONTHLY RATE** (C)	
		<u>Business</u>	<u>Residence</u>
1.	Custom Calling Service Individual Features, each line		
a.	Call Forwarding:		
	(1) Variable	\$ 0.00 (R)	\$ 0.00 (R)
	(2) Fixed	0.00	0.00
	(3) Busy	0.00	0.00
	(4) No Answer	0.00	0.00
	(5) Busy and No Answer	0.00	0.00
	(6) Remote Access*	0.00	0.00
b.	Call Waiting With Cancel Call Waiting	0.00	0.00
c.	Three-Way Calling	0.00	0.00
d.	Customer Changeable Speed Calling:		
	(1) Eight-Code Capacity	0.00	0.00
	(2) Thirty-Code Capacity	0.00	0.00
2.	Distinctive Ring	0.00 (R)	0.00 (R)

*Call Forwarding-Remote Access (25.2. A.1.a.(6)) is only available to customers subscribing to Call Forwarding-Variable (25.2. A.1.a.(1)). See Special Conditions 25.3. F.4., following.

**Custom calling service now included with basic local service. (N)

(Continued)

(To be inserted by utility)
 Advice Letter No. _____

Issued by
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NAME

(To be inserted by Cal. P.U.C.)
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A25. CUSTOM CALLING SERVICE

25.2 RATES – Continued

A. Custom Calling Service – Continued

	MONTHLY RATE**		(C)
	<u>Business</u>	<u>Residence</u>	
3. Custom Calling Service Four Feature Packages, each line			
Call Forwarding (Variable, Fixed, Busy, No Answer, or Busy and No Answer), Call Waiting, Three-Way Calling, and:			
a. Customer Changeable Speed Calling			
(1) Eight-Code Capacity	\$ 0.00	(R)	\$ 0.00 (R)
(2) Thirty-Code Capacity	0.00		0.00
b. Call Forwarding-Remote Access* with a Four Feature Package (A.3.a.(1) or A.3.a.(2) preceding)	0.00		0.00
c. Distinctive Ring with a Four Feature Package (A.3.a.(1) or A.3.a.(2) preceding)	0.00		0.00
4. Toll Restriction, each line	0.00		0.00
5. Subscriber Activated Call Blocking, each line	0.00	(R)	0.00 (R)

*Call Forwarding-Remote Access (25.2. A.1.a.(6)) is only available to customers subscribing to Call Forwarding-Variable (25.2. A.1.a.(1)). See Special Conditions 25.3. F.4., following.

**Custom calling service now included with basic local service. (N)

(Continued)

(To be inserted by utility)
 Advice Letter No. _____

Issued by
 Cynthia A. Huber
NAME

(To be inserted by Cal. P.U.C.)
 Date Filed _____

Decision No. _____

President
TITLE

Effective Jan 1, 2023
 Resolution No. _____

A25. CUSTOM CALLING SERVICE

25.2 RATES – Continued

B. Advanced Custom Calling Service

	MONTHLY RATE****		(C)
	<u>Business</u>	<u>Residence</u>	
1. Non-Usage Sensitive Advanced Custom Calling Service Individual Features, each line			
a. Caller ID* (Calling Number Delivery)	\$ 0.00 (R)	\$ 0.00	(R)
b. Repeat Dialing (Automatic Callback)	0.00	0.00	
c. Call Return (Automatic Recall)	0.00	0.00	
d. Anonymous Call Rejection	0.00	0.00	
e. Selective Call Rejection	0.00	0.00	
f. Calling Name and Number**	0.00	0.00	
g. Find Me/Single Number Service	0.00 (R)	0.00	(R)

Per
 Successful Activation Monthly
Business Residence Cap***

2. Usage Sensitive Advanced Custom Calling Service Individual Features, each line				
Call Trace (Customer Originated Trace)	\$0.00 (R)	\$0.00 (R)	\$0.00	(R)

*See Special Conditions 25.3. A.2.a., following.

**See Special Conditions 25.3. A.2.g., following.

***See Special Conditions 25.3. A.2.f., following.

**** Custom calling service now included with basic local service. (N)

(Continued)

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A25. CUSTOM CALLING SERVICE

25.2 RATES – Continued

B. Advanced Custom Calling Service - Continued

	MONTHLY RATE**		(C)
	<u>Business</u>	<u>Residence</u>	
3. Advanced Custom Calling Service Three Feature Package, each line			
a. Caller ID*, Call Return, and Repeat Dialing	\$0.00 (R)	\$0.00	(R)
4. Custom Calling Service and Advanced Custom Calling Service Combined Features Packages, each line			
a. Privacy Package Caller ID*, Call Waiting, Anonymous Call Rejection, and Selective Call Rejection	0.00 (R)	0.00	(R)
b. Four Custom Calling Features, with Three Advanced Custom Calling Features including: Call Forwarding (Variable, Fixed, Busy, No Answer, or Busy and No Answer), Call Waiting, Three-Way Calling, Customer Changeable Speed Calling Eight-Code Capacity, Caller ID*, Call Return, and Repeat Dialing	0.00 (R)	0.00	(R)
c. Four Custom Calling Features, with Three Advanced Custom Calling Features including: Call Forwarding (Variable, Fixed, Busy, No Answer, or Busy and No Answer), Call Waiting, Three-Way Calling, Customer Changeable Speed Calling Thirty-Code Capacity, Caller ID*, Call Return, and Repeat Dialing	0.00 (R)	0.00	(R)
*See Special Conditions 25.3. A.2.a., following.			
** Custom calling service now included with basic local service.			(N)

(Continued)

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A25. CUSTOM CALLING SERVICE

25.2 RATES – Continued

B. Advanced Custom Calling Service - Continued

	MONTHLY RATE**		(C)
	<u>Business</u>	<u>Residence</u>	
4. Custom Calling Service and Advanced Custom Calling Service Combined Features Packages, each line - Continued			
d. Privacy Plus Package Four Custom Calling Features, with Three Advanced Custom Calling Features including: Call Forwarding (Variable, Fixed, Busy, No Answer, or Busy and No Answer), Call Waiting, Three-Way Calling, Customer Changeable Speed Calling Eight-Code Capacity, Caller ID*, Anonymous Call Rejection, and Selective Call Rejection	\$ 0.00 (R)	\$ 0.00	(R)
e. Savings Plus Package Four Custom Calling Features, with Five Advanced Custom Calling Features including: Call Forwarding (Variable, Fixed, Busy, No Answer, or Busy and No Answer), Call Waiting, Three-Way Calling, Customer Changeable Speed Calling Eight-Code Capacity, Repeat Dialing, Call Return, Caller ID*, Anonymous Call Rejection, and Selective Call Rejection	0.00 (R)	0.00	(R)

*See Special Conditions 25.3. A.2.a., following.

**Custom calling service now included with basic local service. (N)

(Continued)

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A25. CUSTOM CALLING SERVICE

25.2 RATES – Continued

B. Advanced Custom Calling Service - Continued

	MONTHLY RATE**		(C)
	<u>Business</u>	<u>Residence</u>	

4. Custom Calling Service and Advanced Custom Calling Service Combined Features Packages, each line - Continued

f. Call Forwarding - Remote Access* with Combined Features Package (25.2.B.4.a. through B.4.e., preceding)	\$ 0.00 (R)	\$ 0.00	(R)
g. Distinctive Ring with Combined Features Package (25.2.B.4.a. through B.4.e., preceding)	0.00 (R)	0.00	(R)

C. Caller ID Selective or Complete Blocking Charges, each line

1. Each customer may change their blocking selection one time free of charge.	No Charge		
2. After the customer's one free change, the customer will be charged for each change in their blocking selection.	No Charge		(C) (C)

*Call Forwarding-Remote Access (25.2. A.1.a.(6)) is only available to customers subscribing to Call Forwarding-Variable (25.2. A.1.a.(1)). See Special Conditions 25.3. F.4., following.

**Custom calling service now included with basic local service. (N)

(Continued)

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Exhibit F
[Public]

Portions redacted

Sierra Telephone Company, Inc.
 Separated Results of Operations Forecast with Proposed Changes
 Test Year 2023

	Total Company	Total Intrastate	Proposed Changes	Broadband Imputation	Proposed Intrastate
Operating Revenues:					
1 Local Revenue	\$ 5,595,998	\$ 6,323,330	\$ (727,332)		\$ 5,595,998
Intrastate:					
2 Special Access Revenue	33,523	33,523			33,523
3 Switch Access Revenue	213,690	213,690			213,690
4 Interstate USF - HCLS	4,387,994	4,387,994			4,387,994
5 Interstate Settlement Revenue	16,926,247	-			-
6 Miscellaneous Revenue	744,795	731,990			731,990
7 CHCF - A	9,110,861	9,110,861	4,152,522		
8 Less: Uncollectibles	(14,423)	(5,643)	655		(4,988)
9 Total	36,998,685	20,795,744	3,425,844		
Operating Expenses:					
10 Plant Specific	7,322,970	4,314,789			4,314,789
11 Plant Non-Specific (less Depreciation)	3,495,735	1,864,170			1,864,170
12 Customer Operations	4,324,382	3,124,635			3,124,635
13 Corporate Operations	2,531,238	1,554,127			1,554,127
14 Subtotal	17,674,326	10,857,722	-	-	10,857,722
15 Depreciation & Amortization	14,000,490	7,375,878			7,375,878
16 Other Taxes	805,983	512,828			512,828
17 State Income Taxes	345,746	147,639			
18 Federal Income Taxes	748,735	319,721			
19 Amortized Excess Deferred Income Tax	(383,252)	(316,449)			(316,449)
20 Allowance for Funds Used During Construction	-	-			-
21 Total	33,192,028	18,897,339	958,675	-	19,856,014
22 Net Operating Income	3,806,656	1,898,405			
Rate Base:					
23 2001 - TPIS	273,138,735	176,743,705			176,743,705
24 2003 - TPUC	-	-			-
25 1220 - Materials and Supplies	2,961,863	2,143,707			2,143,707
26 1500 - Other Regulatory Asset	-	-			-
27 Working Cash	1,747,423	1,077,115			1,077,115
28 Less: Accumulated Depreciation	165,807,765	111,195,661			111,195,661
29 Less: Deferred Inc Tax	13,567,371	7,000,289			7,000,289
30 Less: UEDTB	1,818,889	221,517			221,517
31 Less: Customer Deposits	-	-			-
32 Less: Post Retirement	22,262,193	14,198,092			14,198,092
33 Total Rate Base	\$ 74,391,803	\$ 47,348,968	\$ -	\$ -	\$ 47,348,968
34 Sierra Rate of Return		<u>4.01%</u>			
35 Net Operating Income (From Above)					
36 Non-Regulated Broadband Imputation					
37 Net Operating Income w/ ISP Revenues					<u>4,365,575</u>
38 Sierra Rate of Return w/ ISP Revenues					<u>9.2200%</u>

Exhibit G

**SIERRA TELEPHONE COMPANY, INC.
NOTICE BY PUBLICATION OF APPLICATION TO ESTABLISH NEW
REGULATED REVENUE REQUIREMENT AND ADJUST RATES (A.21-11-____)**

On November 1, 2021, Sierra Telephone Company, Inc. (Sierra) filed an application with the California Public Utilities Commission (CPUC) requesting a review of its intrastate revenue requirement and rate design. This filing was submitted in accordance with the CPUC's rules, including those outlined in CPUC decision numbers D.94-09-065, D.14-12-084, D.21-04-005, D.21-06-004, and in the CPUC's Rules of Practice and Procedure. The application has been docketed at the CPUC as A.21-11-____. The application includes a proposal to modify Sierra's basic single-line residential and business rates to include the following custom calling features and voicemail for the same price as the current basic rates: Call Forwarding, Call Waiting, Three-Way Calling, Speed Dialing, Distinctive Ring, Toll Restriction, Call Blocking, Caller ID, Automatic Callback, Call Return, Anonymous Call Rejection, Selective Call Rejection, Calling Name and Number, Call Trace, Repeat Dialing, and Find Me Service. Sierra also proposes to eliminate Sierra's two-party line service effective January 1, 2023. In addition, Sierra proposes to implement a robocall mitigation service as part of basic rates, and at no additional charge to customers. Sierra has made this proposal to preserve its access to universal service support from state and federal sources and to ensure that it can continue to provide safe, reliable, modern telecommunications services to its customers, while covering its expenses and earning a reasonable rate of return on its investments.

Through the proceeding initiated by this application, the CPUC will review Sierra's filing and may propose changes that differ from those proposed by the company. The CPUC will hold public participation hearings on dates yet to be determined, which will provide customers an opportunity to express their views on this matter to the CPUC. Sierra has proposed that these hearings take place after all parties' proposals in connection with the application have been presented, including any proposals from the Commission's Public Advocates Office.

A copy of Sierra's application and its related exhibits may be examined at the office of the CPUC at 505 Van Ness Avenue, San Francisco, California, 94102, as well as the Sierra Telephone Business Office located at 49150 Road 462, Oakhurst, California 93644. A copy of the entire filing and related exhibits is also available by written request to:

Attn: Adminsitration
Sierra Telephone Company, Inc.
P.O. Box 219
Oakhurst, CA 93644

Inquiries related to the application, including a request to receive a notice of the date, time and place of any hearing on the filing, may be directed to the CPUC at the address noted above or at the e-mail address of the CPUC's Public Advisor: public.advisor@cpuc.ca.gov.

Exhibit H

SIERRA TELEPHONE COMPANY, INC.
NOTICE OF APPLICATION TO ESTABLISH NEW
REGULATED REVENUE REQUIREMENT AND ADJUST RATES

On November 1, 2021, Sierra Telephone Company, Inc. (Sierra) filed an application with the California Public Utilities Commission (CPUC) requesting a review of its intrastate revenue requirement and rate design. This filing was submitted in accordance with Commission rules, including those outlined in CPUC decision numbers D.94-09-065, D.14-12-084, D.21-04-005, D.21-06-004, and in the CPUC's Rules of Practice and Procedure. The application includes a proposal to modify Sierra's basic single-line residential and business rates to include the following custom calling features and voicemail for the same price as the current basic rates: Call Forwarding, Call Waiting, Three-Way Calling, Speed Dialing, Distinctive Ring, Toll Restriction, Call Blocking, Caller ID, Automatic Callback, Call Return, Anonymous Call Rejection, Selective Call Rejection, Calling Name and Number, Call Trace, Repeat Dialing, and Find Me Service. Sierra also proposes to eliminate Sierra's two-party line service effective January 1, 2023. In addition, Sierra proposes to implement a robocall mitigation service as part of basic rates, and at no additional charge to customers. Sierra has made this proposal to preserve its access to universal service support from state and federal sources and to ensure that it can continue to provide safe, reliable, modern telecommunications services to its customers, while covering its expenses and earning a reasonable rate of return on its investments.

Through the proceeding initiated by this application, the CPUC will review Sierra's filing and may propose changes that differ from those proposed by the company. The CPUC will hold public participation hearings on dates yet to be determined, which will provide customers an opportunity to express their views on this matter to the CPUC. Sierra has proposed that these hearings take place after all parties' proposals in connection with the application have been presented, including any proposals from the Commission's Public Advocates Office.

An electronic copy of Sierra's application and its related exhibits may be examined on the CPUC's website at www.cpuc.ca.gov. A copy of the application and its related exhibits may be examined at the CPUC's San Francisco office located at 505 Van Ness Avenue, San Francisco, California 94102, as well as the Sierra business office located at 49150 Road 426 Oakhurst, California 93644.

A copy of the entire filing and related exhibits is available by written request to:

Attn: Administration
Sierra Telephone Company, Inc.
PO Box 219 Oakhurst
Oakhurst, California 93644

Inquiries related to the application, including a request to receive a notice of the date, time and place of any hearing on the filing, may be directed to the CPUC at the address shown above or via e-mail to the CPUC's Public Advisor: public.advisor@cpuc.ca.gov.

Exhibit I

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
Agreement Type (License, Lease or Other)	Name of Company in Agreement With	Facility/Utility Property Type in Agreement	Facility/Utility Property benefitting from state subsidies, federal subsidies, subsidiary and/or affiliate in percentage and amount*	Is the Transaction with a subsidiary or affiliate? (Yes/No)	Is the Transaction Revocable?	Length of Agreement (Effective Date-End Date)	Dollar Amount Over Life of Agreement	Dollar Amount for GRC Year	Recording Policy
[1]	License	Oakhurst Community Fund, Inc.	Land (a) Purchased 100% with Sierra's company funds, not with grant funds or state/federal support; (b) not owned or purchased by affiliate or subsidiary; (c) no specific benefit to property from state/federal support; (d) not in current or proposed rate base.	No.	Yes.	Jan. 1, 2020-April 30, 2026	\$2.00 through the end of 2021	The licensee has prepaid the amount for the test year of \$1.00. The asset is not in rate base and has no effect on regulated revenue requirement. Therefore, the license revenue is not part of Sierra's rate design.	Account 716010 [Other Income-Miscellaneous]

*The term "benefitting" in Column [D] is vague, ambiguous and undefined such that it cannot reasonably be answered. If the question seeks information about specific benefits from state or federal support programs toward the purchase or maintenance of the property, the answer is \$0.00 and 0% because no government support programs in which Sierra participates fund acquisitions or maintenance of specific assets. Federal and state universal service funds do not provide direct contributions to capital. Likewise, the property is not currently in rate base and will not be included in rate base in the test year, so regulated rate design in 2023 will not include any return on rate base as to the asset.

Exhibit J

Benchmark/Timeline	D.15-06-048 as modified by D.20-08-011 and 7/26 Letter Granting Rule 16.6 Request			
	Siskiyou	Volcano	Sierra	
Applicant submits Notice of Intent to CD / Initial Proposals	Thursday, September 2, 2021	Thursday, September 2, 2021	Thursday, September 2, 2021	Thursday, September 2, 2021
ORA sends Minimum Data Request to Applicant	Tuesday, September 7, 2021	Tuesday, September 7, 2021	Tuesday, September 7, 2021	Tuesday, September 7, 2021
Applicant responds to ORA's Minimum Data Request (MDR)	Tuesday, September 21, 2021	Tuesday, September 21, 2021	Tuesday, September 21, 2021	Tuesday, September 21, 2021
CD provides deficiency or compliance letter to the Applicant any dispute between the Applicant and ORA on the MDRs is to be resolved by the Director of CD.	Monday, October 4, 2021	Monday, October 4, 2021	Monday, October 4, 2021	Monday, October 4, 2021
Applicant resolves deficiencies	Tuesday, October 12, 2021	Tuesday, October 12, 2021	Tuesday, October 12, 2021	Tuesday, October 12, 2021
At request of any party, CD convenes informal workshop for parties to meet and confer, and to address any potential application deficiencies/matters.	Wednesday, October 27, 2021	Wednesday, October 27, 2021	Wednesday, October 27, 2021	Wednesday, October 27, 2021
GRC Application Filed and Testimony served	Monday, November 1, 2021	Monday, November 1, 2021	Monday, November 1, 2021	Monday, November 1, 2021
Protest/Intervenor Deadline	Wednesday, December 1, 2021	Wednesday, December 1, 2021	Wednesday, December 1, 2021	Wednesday, December 1, 2021
Reply to protest	Monday, December 13, 2021	Monday, December 13, 2021	Monday, December 13, 2021	Monday, December 13, 2021
Prehearing Conference	Friday, December 31, 2021	Monday, December 20, 2021	Monday, December 20, 2021	Monday, December 20, 2021
Intervenor Testimony Due	Thursday, March 31, 2022	Thursday, March 31, 2022	Monday, April 4, 2022	Thursday, April 7, 2022
Rebuttal Testimony Due	Monday, May 2, 2022	Monday, May 30, 2022	Thursday, June 2, 2022	Monday, June 6, 2022
Public Participation Hearing	Thursday, March 31, 2022	Thursday, June 9, 2022	Monday, June 13, 2022	Wednesday, June 15, 2022
Evidentiary Hearings	Monday, May 30, 2022	Monday, June 20, 2022	Tuesday, July 5, 2022	Monday, July 18, 2022
Opening Briefs	Monday, July 11, 2022	Wednesday, July 27, 2022	Thursday, August 11, 2022	Wednesday, August 24, 2022
Reply Briefs/ALJ closes record	Monday, August 1, 2022	Wednesday, August 17, 2022	Friday, September 2, 2022	Thursday, September 8, 2022
Proposed Decision	Wednesday, September 28, 2022	Friday, October 28, 2022	Friday, October 28, 2022	Friday, October 28, 2022
Comments on PD	Tuesday, October 18, 2022	Thursday, November 17, 2022	Thursday, November 17, 2022	Thursday, November 17, 2022
Commission Meeting/Decision	Saturday, November 26, 2022	Thursday, December 1, 2022	Thursday, December 1, 2022	Thursday, December 1, 2022
Implement new GRC rate structure	Monday, December 26, 2022	Sunday, January 1, 2023	Sunday, January 1, 2023	Sunday, January 1, 2023