PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

FILED
07/11/25
02:59 PM
A2310008

July 11, 2025

Agenda ID #23628
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 23-10-008:

This is the proposed decision of Administrative Law Judge Margery Melvin Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's August 14, 2025, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC:sgu
Attachment

Decision **PROPOSED DECISION OF ALJ Melvin (Mailed 7/11/2025)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of Ducor Telephone Co. (U1007C) to Modify Intrastate Revenue Requirement and Rate Design and Adjust Selected Rates.	Application 23-10-008

DECISION APPROVING REVENUE REQUIREMENT, RATE DESIGN AND SELECTED RATES FOR DUCOR TELEPHONE COMPANY FOR TEST YEAR 2025

Contents

DECISION APPROVING REVENUE REQUIREMENT, RATE DESIGN AND SELECTED RATES FOR DUCOR TELEPHONE COMPANY FOR TEST YEAR 2025

Summary

This Decision authorizes a revenue requirement for Ducor Telephone Company (Ducor), as summarized in the following table, and as discussed in greater detail herein:

Rate Case Item	Ducor's Proposed Amount	Amount Adopted by this Decision
Operating Revenues	$2,674,620	$2,544,993
Operating Expenses	$2,233,627	$2,431,713
Total Rate Base	$6,159,136	$1,582,124
Authorized Rate of Return	7.16%	7.16%
Return on Rate Base	$440,994	$113,280
Revenue Requirement	$2,674,620	$2,544,993

This decision adopts an overall intrastate revenue requirement of $2,544,993 for Test Year 2025, including support of $1,661,087 from the California High-Cost Fund-A. Upon adoption of this decision, the basic monthly rates for Ducor's residential customers shall be set at $26.50 (exclusive of surcharges, fees, and taxes), and the rate for Ducor's business customers shall be set at $39.26 (exclusive of surcharges, fees, and taxes). The basic residential and business rates adopted here increased six percent from the rates adopted in its last general rate case. Even with the surcharges and fees included, the basic rate for Ducor's residential customers falls within the $30 to $40 range for small telephone corporations that the California Public Utilities Commission set in Decision 21-

06-004. The basic rate is deemed just and reasonable and is reasonably comparable to residential rates charged by urban telephone corporations.

Application 23-10-008 is closed.

1. Background of The Parties

1.1. Ducor Telephone Company

Ducor Telephone Company (Ducor) is a Small Incumbent Local Exchange Carrier (ILEC) which serves approximately 650 access lines in its three telephone exchanges: Ducor (Tulare County), Rancho Tehama (Tehama County), and Kennedy Meadows (Tulare County).[1] Its system consists primarily of cables and wires that connect to customer locations and interconnect with the public switched telephone network. Ducor's infrastructure includes underground and aerial cable and lines, radio equipment, central office equipment, land, buildings, power generators, backup batteries, and other miscellaneous equipment.[2]

1.2. Public Advocates Office

The Public Advocates Office (Cal Advocates) is an independent organization at the California Public Utilities Commission (Commission) that advocates on behalf of ratepayers statewide. Its statutory mission is to obtain the lowest possible utility rates for customers consistent with safe, reliable service and the state's environmental goals. Cal Advocates also strives to ensure that no one is left behind and that all communities have access to safe and affordable electric, gas, water, and communication services including broadband service.

---

[1] In addition to serving 650 access lines, Ducor's Internet Service Provider (ISP) affiliate, Varcomm Broadband, Inc. (Varcomm), provides retail broadband service throughout the small ILEC territory and other areas within California.

[2] *See* Application at 27.

2. Procedural History

On October 2, 2023, Ducor filed its Test Year (TY) 2025 General Rate Case (GRC) Application (A.) 23-10-008 (Application).[3] The Application requested that the Commission review Ducor's intrastate revenue requirement and rate design. Ducor proposed no adjustment to its monthly basic residential rates of $25.00 or to its basic business rates of $37.04.[4] Ducor proposed including all custom calling features into basic rates for both residential and business service.[5]

On November 1, 2023, Cal Advocates filed a timely protest to Ducor's Application contending that, among other things, the Commission should ensure that Ducor properly calculated its corporate and operating expenses; that Ducor correctly calculated its affiliate transactions and correctly allocated costs between regulated and non-regulated activities; that the proposed average service life of plant-in-service and Ducor's method of calculating depreciation rates for plant-in-service was reasonable; that Ducor's support received from the California High Cost Fund-A (CHCF-A) was reasonable; and that Ducor took all necessary measures to secure available state and federal funding for broadband deployment before requesting support for planned investments through the rate case process. On November 9, 2023, Ducor filed a reply to Cal Advocates' protest.

On January 19, 2024, the assigned Administrative Law Judge (ALJ) conducted a Prehearing Conference to address the scope of the GRC proceeding, including deliberating the issues of law and fact, determining the need for a

---

[3] The Commission approved Ducor's last rate case for Test Year 2019 in Decision (D.) 19-06-025.

[4] Application at 27.

[5] Application at 28.

hearing, and setting the proceeding schedule. On March 4, 2024, the assigned Commissioner issued a Scoping Memo and Ruling.

On April 18, 2024, the assigned Commissioner issued an Amended Scoping Memo and Ruling[6] applicable to Ducor, setting the following issues for hearing:

a. What level of revenue requirement (including, but not limited to: corporate and operating expenses, depreciation expenses, rate base and new plant additions, and tax liabilities) is necessary to provide Ducor with sufficient revenues and earnings to allow it to operate in a manner that allows it to deliver safe, reliable, high-quality voice communications services, which comply with Public Utilities Code (Pub. Util.) Section 451 and General Order 133-D

b. What are reasonable projections for the number of local network service end user customers, end user revenues, federal high-cost support revenues, intercarrier compensation/access revenues, miscellaneous revenues, uncollectible revenues, and CHCF-A support?

c. What amount of federal high-cost support has Ducor been awarded/expect to receive for TY 2025 from the Alternative Connect America Cost Model (A-CAM) or other program? To what extent does the anticipated federal high-cost support impact Ducor's intrastate revenue requirement and rate design?

d. What is a reasonable rate design? What end-user rates are just and reasonable for Ducor's customers and reasonably comparable to rates charged to customers of urban telephone corporations per Pub. Util. Code Section 275.6(c)(3)?

e. What are the projected retail broadband revenues and associated expenses of Ducor's affiliate Internet Service

[6] The Amended Scoping Memo and Ruling followed the initial Scoping Memo and Ruling issued on March 4, 2024.

Provider (ISP) and from what line items are the projected revenues and associated expenses derived?

f. What amount of the ISP's retail broadband revenues and expenses are subject to imputation as part of the determination of revenue requirement and CHCF-A support as required by D.21-04-005?

g. What is a reasonable quality of service for broadband services offered by Ducor's affiliate ISP?

h. Is Ducor's request for authorization for broadband infrastructure investment reasonable in light of the availability and affordability of access by low-income residents to the services delivered over infrastructure funded by the CHCF-A?

i. Is Ducor's proposed CHCF-A draw/subsidy for TY 2025 appropriate?

j. Are Ducor's proposed corporate and operating expenses within the Federal Communications Commission corporate and operating expense caps adopted in D.21-06-004?

k. Are the proposed plant improvements necessary for providing safe, reliable, and high-quality voice and broadband services?

l. Does the application raise issues pertinent to the Commission's Environmental Social Justice Action Plan (ESJAP), and if so, whether the objectives of the ESJAP are met?

On January 30, 2024, February 5, 2024, and February 23, 2024, the assigned ALJ issued various rulings, setting the public participation hearing (PPH) for March 12, 2024. On March 12, 2024, a PPH was conducted remotely to allow the public and Ducor customers to express their thoughts and concerns to the Commission regarding issues raised during the proceeding.

Ducor's representatives exchanged ample discovery with Cal Advocates in the form of detailed data requests. Notwithstanding the robust discovery exchange between the parties, the assigned ALJ issued rulings on several discovery motions. On April 4, 2024, the assigned ALJ issued a ruling compelling Ducor to submit additional information to assist the Commission in assessing the impact of Enhanced Connect America Fund Cost Model funding on Ducor's GRC application, to which Ducor provided a response on April 9, 2024.

On April 2, 2024, Cal Advocates filed a motion for an order compelling data responses from Ducor, to which Ducor filed its opposition on April 12, 2024. On April 22, 2024, and April 23, 2024, the assigned ALJ issued rulings on Cal Advocates' request submitted via electronic mail to provide a reply to Ducor's April 12, 2024, Opposition. On April 23, 2024, the assigned ALJ issued a ruling on Cal Advocates' April 2, 2024, motion to compel data responses from Ducor, to which Ducor provided an opposition on April 12, 2024.

On April 18, 2024, the assigned Commissioner issued an Amended Scoping Memo and Ruling, which included the issues set forth in the initial Scoping Memo of March 4, 2024, with an additional issue regarding the amount of federal high-cost support Ducor had been awarded for TY 2025.

On April 29, 2024, and May 14, 2024, the assigned ALJ issued rulings providing log-in information and instructions for remote evidentiary hearings (EH) scheduled for June 6-7, 10, 14, and 17, 2024. The parties attended and participated in the EH held on these dates. On June 10, 2024, the assigned ALJ issued a ruling amending the evidentiary hearing schedule to begin the evidentiary hearings one hour earlier than previously scheduled with all other aspects of the hearings remaining the same.

On May 16, 2024, the assigned ALJ issued a ruling granting Ducor's request to reply to Cal Advocates' Response to Ducor's motion to strike. On June 4, 2024, the assigned ALJ issued a ruling on Ducor's May 1, 2024, motion to strike the testimony of a Cal Advocates' witness. On June 5, 2024, the assigned ALJ issued a ruling on Ducor's May 31, 2024, motion to strike the testimony of another Cal Advocates' witness.

The parties filed opening briefs on July 26, 2024, and filed reply briefs on August 23, 2024.

On September 11, 2024, the assigned ALJ issued a ruling ordering the parties to meet and confer and jointly file an update on the intrastate portion of the federal high-cost support Ducor had been awarded for TY 2025 from the A-CAM or other programs and the supporting calculations for the support by October 8, 2024.

On October 2, 2024, the assigned ALJ issued a ruling ordering the parties to update their proposed Results of Operations Table to reflect the change in the authorized Cost of Capital from 9.09 percent to 7.16 percent and file an updated Results of Operations Table that reflects both the updated intrastate portion of the federal high-cost support and new Cost of Capital, as determined by D.24-09-021, by October 8, 2024. On October 8, 2024, the parties provided a joint response to the ALJ's ruling. On October 28, 2024, the assigned ALJ issued a ruling setting a telephonic status conference for November 7, 2024, to discuss the consideration of a Ducor study on the value of assets. A telephonic status conference was held on November 7, 2024.

On November 19, 2024, and December 10, 2024, the assigned ALJ issued rulings inviting comments regarding the admission of additional information into the record regarding Ducor's BDO USA, LLP reevaluation of its assets following the 2021 transfer of ownership of the company, to which both parties provided a response on December 2, 2025.

2.1. Submission Date

This matter was submitted on December 17, 2024, upon the five-day deadline for Ducor to provide information on the reevaluation of its assets following the 2021 transfer of control to the assigned ALJ, which the Commission sought and obtained for academic purposes only.

2.2. Customer Notice – Rule 3.2

As required by Rule 3.2,[7] Ducor complied with the Commission's customer notice requirements by timely notifying its customers on or before November 1, 2023 (by bill inserts) of the proposed increases to its services. Ducor also published notice of its Application. Such notice, duly approved by the Commission's Public Advisor's Office, was published in the *Porterville Recorder*, a newspaper of general circulation, on October 14, 2023. Ducor filed its Notice of Compliance with Rule 3.2 on November 2, 2023.

2.3. Legal Policy Authority for this GRC

Pub. Util. Code Section 451 provides that public utilities may demand and receive only just and reasonable charges, and must provide "adequate, efficient, just, and reasonable service" in a way that promotes the "safety, health, comfort, and convenience of [their] patrons, employees, and the public." Pub. Util. Code Section 454 prohibits public utilities from making rate changes until they have made a showing before the Commission, and the Commission has made a finding that the new rates are justified. Responsibility for fixing rates is placed with the Commission, as "the primary purpose of the Public Utilities Act . . . is to insure the public adequate service at [just and] reasonable rates without

[7] All references to Rules are to the Commission's Rules of Practice and Procedure.

discrimination."[8] Further, California has long recognized that "the commission has the power to prevent a utility from passing on to the ratepayers unreasonable costs for materials and services by disallowing expenditures that the commission finds unreasonable."[9] Accordingly, our task is to determine what is just and reasonable, and disallow costs that are found to be unjust or unreasonable.

2.4. Cost of Capital Decision

On September 16, 2024, the Commission issued Decision (D.)24-09-021. That decision established new Costs of Capital, also referred to as Rates of Return, that will be applied to the Small ILECs GRC applications for TYs 2023 through 2025. Prior to the issuance of this decision, Ducor's authorized Rate of Return was 9.09 percent,[10] which was originally used to calculate Ducor's revenue requirement in its application. D.24-09-021 reduced the Rates of Return for Ducor to 7.16 percent. The parties each filed new Separated Results of Operations tables, reflecting their own ratemaking calculations, to incorporate the new Rate of Return.[11] This decision will use 7.16 percent as the Rate of Return percentage to calculate Ducor's revenue requirement.

3. Components of Revenue Requirement

Revenue requirement is the amount that a telephone corporation requires in order "to recover its reasonable expenses and tax liabilities and earn a

---

[8] Pacific Tel. & Tel. Co. v. Public Utilities Com. (1950) 34 Cal.2d 822, 826 [215 P.2d 441] (citations omitted).

[9] Pacific Tel. & Tel. Co. v. Public Utilities Com. (1965) 62 Cal.2d 634, 647 [401 P.2d 353, 361]. (*See*, Pub. Util Code Section 728.)

[10] In D.16-12-025, the Commission set the rates of return for all ten Small ILECs.

[11] *See* A.23-10-008 Joint Response to ALJ Motion October 8, 2024.

reasonable rate of return on its rate base."[12] In the case of small telephone corporations such as Ducor, the Commission has stated that rate base means the value of plant and equipment that is reasonably necessary to provide regulated voice services and access to advanced services, with the small telephone company entitled to a fair opportunity to earn a reasonable rate of return on that value.[13] The Commission will evaluate the operating expenses, including taxes, and ensure that the company has an opportunity to earn a fair return on the its investments – which is determined by multiplying its authorized rate of return by the rate base.

Ducor's proposed rate design[14] includes the five categories of regulated revenue used in intrastate ratemaking, consistent with Commission precedent over the past three decades: (1) $194,481 in local network services revenue from Ducor's end user customers based on anticipated demand at proposed rates; (2) $79,603 in intrastate switched and special access, intercarrier compensation, and intrastate access replacement funding; (3) $594,137 in federal universal service support, forecasted by identifying the intrastate components of the Alternative Connect America Fund Cost Model II (A-CAM II) support Ducor will receive during the test year; (4) $13,804 in miscellaneous revenues classified as intrastate; and (5) $1,794,247 in CHCF-A funds.[15] In addition, this decision will address custom calling features, TY 2025 subscribership forecast, and broadband

[12] *See* Pub. Util. Code Section 275.6(b)(5) and (CONFIDENTIAL) Opening Brief of Ducor et al July 14, 2023 at 18, citing Calaveras Telephone Co. v. Pub. Util. Comm'n, 39 Cal.App.5th 972, 976 (2019).

[13] *See* Pub. Util. Code Section 275.6(b)(2).

[14] Uncollectible revenue is also considered in the rate design.

[15] *See* A.23-10-008 Joint Response to ALJ Motion October 8, 2024, Attachment C.

imputation, which were raised by the parties for the Commission's consideration in determining Ducor's revenue requirement for TY 2025.

3.1. Local Network Services/Operating Revenues and Basic Rates

Ducor proposed to maintain its current basic single-line residential tariffed[16] rate of $25.00 and business tariffed rate of $37.04 for TY 2025 in its application. Ducor did not propose any increases because it contended that its residential and business customers are struggling to survive in an environment marked by economic volatility and high inflation rates post-pandemic. Recognizing the low-income and small business demographic of its service territories, Ducor worries that imposing rate increases would drive significant numbers of customers to leave its network, thereby putting further rate pressure on customers who remain and requiring more funding support from CHCF-A.

Cal Advocates opposed Ducor's rates and proposed to increase basic residential rates by $2.50 (from $25.00 to $27.50), and to increase business rates by $3.70 (from $37.04 to $40.74). Cal Advocates proposed to include all custom calling features in basic residential and business rates at no additional charge.

The Commission finds it reasonable to approve a residential rate increase of $1.50 (a 6% increase), increasing basic residential rates from $25.00 to $26.50 per month. This rate increase balances the interests of Ducor's customers and California ratepayers who fund the CHCF-A. This is below the Commission's $30-$40 range of reasonableness as established in D.21-06-004. The Commission also approves a business rate increase of $2.22 (an 6% increase), increasing basic business rates from $37.04 to $39.26 per month, which is the same proposed

[16] "Tariffs" or "tariffed" sets forth the terms and conditions of the utility's services to its customers as directed by the Commission.

percentage increase for Ducor's basic residential service. A basic business rate of $39.26 complies with Pub. Util. Code Section 453(c) to not disproportionately burden one class of customers over another.

3.2. Custom Calling Features

Custom Calling features are not currently included in basic rates. Small ILECs have separate tariffed rates for each feature that are paid by the end user. Thus, when customers subscribe to Custom Calling features, it brings in local revenue to Ducor. Decisions in recent ILEC GRC proceedings[17] included select Custom Calling Features, such as Call Waiting, Call Forwarding and Caller ID, with basic service at no additional cost to customers. As noted in Section 3.1, we adopt a rate of $26.50 for basic residential service and $39.26 for basic business service. Ducor and Cal Advocates proposed that all Custom Calling services be offered at no additional charge to customers within the basic residential and business rate.

Ducor proposed that all Custom Calling features, such as Call Waiting, Call Forwarding, Caller ID, Three Way Calling, and Anonymous Call Reject, be included with basic local residential and business service to provide additional public benefits and improve public safety given the likelihood of events such as wildfires and Public Safety Power Shutoff events.[18] Ducor contended that incorporating all Customer Calling features in basic rates will make Ducor's services more marketable by paralleling the features that are available on many wireless and Voice over Internet Protocol (VoIP) platforms. Ducor also proposed

[17] *See* D.24-01-031 Foresthill Telephone Company (U1009C) and D.24-01-030 Kerman Telephone Company (U1012C).

[18] Ducor GRC – Huckaby Opening Testimony at 15 and 66.

removing extraneous references to voice mail, which Ducor is not positioned to offer.[19]

Cal Advocates proposed that Ducor offer Custom Calling features, such as Call Forwarding, Three Way Calling, Speed Dial, Caller ID, and Call Return[20] at no additional charge to customers at its proposed basic rates for residential and business service of $27.50 and $40.74, respectively. Cal Advocates contended that offering Custom Calling features at no additional charge to its customers will give more customers access to these services, which they state provides public safety and reliability benefit for Ducor customers.[21]

We agree partially with Ducor and Cal Advocates that some Custom Calling features have tangible public safety implications for customers. Custom Calling features such as Call Waiting, Call Forwarding (VariableTimed, No Answer, Busy-Line) and Caller ID are especially useful, if not essential, during emergencies, such as wildfires, when customers may receive or miss multiple calls from family or friends simultaneously. Therefore, Call Waiting, Call Forwarding and Caller ID should be included at no charge for its customers as part of its basic rates. Including these specific Custom Calling features in basic rates will benefit residential and business customers by making these services more streamlined and accessible and providing important public safety benefits in Ducor's largely rural service territory, which is prone to wildfires.

However, we disagree that **all** (*emphasis added*) Custom Calling features listed in Ducor's tariff should be included at no charge to Ducor's customers as

---

[19] Ducor GRC Application at 20.

[20] A.23-10-008 Public Advocates Office Opening Testimony (Chrystian Villareal) at 33.

[21] A.23-10-008Public Advocates Office Opening Testimony (Chrystian Villareal) at 33-34.

part of its basic rates. For example, Three-Way Calling, Call Rejection, Call Return, Customer Changeable Abbreviated Dialing, and Reverted Ring are non-essential Custom Calling features and no evidence was provided to demonstrate that these features add value to providing safe and reliable communication services to rural areas. Ducor may provide additional features to its customers beyond Call Waiting, Call Forwarding (VariableTimed, No Answer, Busy-Line) and Caller ID, however these should continue to be offered at an additional charge to customers who may desire them, according to the tariffed rates.

As part of the modest rate increase that we adopt here, Ducor should include only the following Custom Calling features as part of the basic rate for residential service and business service: Call Waiting, Call Forwarding (with Call Forwarding – Variable Timed, No Answer and Busy-Line), and Caller ID at no charge for its customers. All other Custom Calling features should not be included as part of basic rates. In addition, the Commission approves Ducor's proposal to remove references to voicemail in its tariffs.

3.3. Test Year 2025 Subscribership Forecast

Ducor forecasted 501 residential customers and 76 business customers for TY 2025. Ducor's forecasting methodology is based on the average annual growth factor from 2018 to 2022. and a projection of year end demand for 2023.[22]

Cal Advocates forecasted 449 residential customers and 84 business customers for TY 2025. Cal Advocates' forecasting methodology is based on the average of the annual growth in subscribers from 2019 to 2023.[23] Cal Advocates argues the most up-to-date, accurate subscription data should be used to forecast

[22] Ducor GRC Huckaby Opening Testimony at 65.

[23] Opening Testimony, Villareal at 37.

Ducor's subscribership. Cal Advocates' forecasts for residential customers were slightly lower than Ducor's.

The Commission agrees with Cal Advocates to use the average of five-years of annual subscribership change from 2019 to 2023 to forecast subscribers for 2024 and 2025 to project 449 residential customers and 84 business customers for 2025. The Commission also agrees with Cal Advocates to include the actual year-end data for 2023 as part of the average five-year subscribership data because it is the most up-to-date, accurate information.

3.4. Federal High-Cost Support

Since Ducor elected to participate in the A-CAM II program, Ducor no longer receives High-Cost Loop Support (HCLS). Instead of receiving separate federal intrastate and interstate high-cost support that changes annually, Ducor now receives a consistent, pre-determined amount of federal high-cost support in exchange for meeting defined broadband build-out obligations under A-CAM II.

Ducor and Cal Advocates agreed that Ducor will receive $1,322,303 in total A-CAM II support in TY 2025, which includes both federal funding that is designated as intrastate and interstate. Since the A-CAM II program does not allocate specific amounts for just intrastate operations, both parties proposed to calculate the amount of HCLS that Ducor would receive in TY 2025, if not for the A-CAM election, and allocate that amount of the A-CAM support to the intrastate jurisdiction. The remainder of the A-CAM support would be assigned to the interstate jurisdiction for ratemaking purposes. Both parties used similar methodologies to calculate Ducor's hypothetical 2025 HCLS amount but relied on different data as inputs.

In Ducor's opening testimony, Ducor proposed to calculate the amount of 2025 HCLS using 2023 projected costs. Cal Advocates argued in its Opening testimony that Ducor's projections are not as accurate and proposed to use the data from NECA 2023's annual report as the basis for identifying the intrastate component of A-CAM[24] until NECA 2024's annual report[25] is available, and in its rebuttal testimony, Ducor agreed[26] with Cal Advocates' proposal.

On October 8, 2024, in response to ALJ's Ruling, the parties provided a jointly endorsed calculation of the A-CAM jurisdictional allocation, using the NECA data published in September 2024 and the established HCLS algorithm as the basis for identifying the intrastate component of A-CAM support. The parties agreed that $594,137[27] of the total A-CAM support should be allocated to the intrastate jurisdiction for TY 2025.

The Commission agrees with the parties' consensus to use $594,137[28] as the A-CAM II amount allocated to intrastate jurisdiction for TY 2025.

3.5. Broadband Imputation and Consumer Broadband Only Loop

Ducor makes three types of service available to its customers and designates each loop as one of the following types: (1) a Voice Loopline that provides voice service only, with no data service; (2) a Voice Data Loopline that provides voice service and data service; and (3) a Consumer Broadband Only

---

[24] A.23-10-008 Public Advocates Office Opening Testimony on Ducor GRC (Villareal) at 38.

[25] The NECA report that determines the HCLS for 2025 was released in September 2024.

[26] A.23-10-008 Ducor (Huckaby) Rebuttal Testimony.

[27] A.23-10-008 Joint Response to ALJ Motion Attachment B.

[28] Thus, for TY 2025, the Commission designates 44.932% of the total A-CAM support as intrastate (44.932% x $1,322,303= $594,137).

Loop (CBOL) that provides only broadband service. The type of line loop is determined by the type of services to which the customer chooses to subscribe.

In D.21-04-005, the Commission mandated that, in any rate case filed by Small ILECs that draw support from the CHCF-A, positive net revenue associated with retail broadband service provided by the Small ILEC or an ISP affiliate of that Small ILEC (for the calendar year preceding the application filing) shall be imputed in the determination of CHCF-A support.[29] The Commission affirmed its broadband imputation mandate in D.21-08-042, after Small ILECs and parties to the CHCF-A rulemaking, including Ducor, filed an application for rehearing of D.21-04-005.[30]

D.21-08-042 cites D.21-04-005 to conclude that "to the extent that there are retail revenues associated with CBOL that are attributable to CHCF-A funded broadband-capable facilities, imputation of the net positive retail CBOL revenues earned by the ISP affiliate is consistent with the Decision's justification for imputation." Under these two Commission decisions, it is clear that imputation includes an ISP affiliates' net positive retail broadband-related revenues derived from broadband-capable facilities supported by the CHCF-A within the Small ILECs' service territories.[31]

Ducor acknowledges the Commission's requirement of imputing all net positive broadband revenues, including from CBOLs, into rate design. However,

---

[29]*See* D.21-04-005 and D.21-08-042 "the Broadband Imputation Decisions", which were adopted in Phase 2 of the California High-Cost Fund-A (CHCF-A) Rulemaking (R.) 11-11-007, and which included directives regarding the implementation of "broadband imputation" in this and all small LEC general rate cases (GRCs).

[30] On December 20, 2022, the Court of Appeal of the State of California denied the Small LEC's Petition for Writ of Review directing the Commission to nullify D.21-03-005 and D.21-08-042.

[31] *See*, *e.g.*, D.21-04-005 at 2, 7, 23-24, Ordering Paragraph 1.[32] Ducor Opening Brief, at 57; Cal Advocates Opening Brief at 33.

Ducor contends that its ISP affiliate, Varcomm, had net negative earnings from providing broadband internet access service in Ducor's service territory in 2022, after factoring in reasonable expenses and revenues. Accordingly, Ducor contends that there is no broadband revenue to impute into the rate design or CHCF-A support for TY 2025.

Ducor and Cal Advocates agree that Varcomm had "net negative broadband related revenues" for 2022,[32] so the broadband imputation figure must be $0.00. Parties, however, disagree on the negative amount of net broadband revenue.

The Commission adopts $0 in broadband imputation for TY 2025, which includes revenues from CBOL. Ducor's calculation of the non-regulated net income of Varcomm for broadband services utilizes Ducor's regulated local loop network,[33] with the assumption that loops include CBOL.[34] Broadband imputation only applies to net positive revenues, and therefore the dispute has no impact on rate design. The net negative retail broadband revenue includes figures from voice/data and CBOL-related revenues and expenses. Since net negative broadband revenues are not considered as a basis for CHCF-A support per D.21-04-005, Ducor and Cal Advocates' proposed broadband imputation amounts are $0.

[32] Ducor Opening Brief, at 57; Cal Advocates Opening Brief at 33.

[33] Ducor GRC - Huckaby Opening Testimony CONFIDENTIAL at 64.

[34] Ducor GRC - Huckaby Opening Testimony CONFIDENTIAL Exhibit NH-1 at 94.

4. Expenses

4.1. Intrastate Expenses: Operating Expense and Corporate Expense

Ducor proposed intrastate Operating Expenses of $1,482,329[35], which included a Corporate Expense of $604,385. In D.21-06-004, the Commission explained that it uses Federal Communications Commission's (FCC) operating expense caps as a rational mechanism for calculating and determining a reasonable amount of operating expenses for carriers drawing from the CHCF-A program. In the same decision, the Commission affirmed the use of the FCC's corporate expense cap mechanism for calculating and determining a reasonable level of corporate expenses for telecommunications carriers drawing from CHCF-A.[36] All corporate expenses under the FCC corporate expense cap are considered reasonable; however, expenses over the cap are considered unreasonable and not eligible for recovery.[37] Ducor contended that both expenses are below the applicable expense caps.[38] Ducor pointed out that Cal Advocates did not immediately object to Ducor's proposed Corporate Expense until the filing of Opening Briefs, when Cal Advocates proposed a reduction of Ducor's Corporate Expense in the amount of $17,679. Ducor argued "it is improper to reveal new ratemaking proposals in an opening brief" and for that reason, the Commission should reject Cal Advocates' proposal.[39]

---

[35] *See* A.23-10-008 Joint Response to ALJ Motion October 8, 2024. Ducor Opening Brief shows figure as $1,482,328 at 36.

[36] *See* D.21-06-004 at 23.

[37] *See* D.21-06-004 at 24, where the Commission eliminated the rebuttable presumption previously allowed in D.14-12-084 and clarified that rate case litigation expense is subject to the corporate expense cap and must be recorded in FCC Account 6720.

[38] Ducor Opening Brief at 36.

[39] Ducor Reply Brief at 14.

In its Opening Brief, Cal Advocates objected to Ducor's Intrastate Operating Expense and recommended an Operating Expense of $1,464,834[40] a reduction of $17,495 from Ducor's proposed amount. Amongst other expenses, the Operating Expense included a reduction of $16,679 in Corporate Expenses.[41]

The Commission agrees with Ducor that Cal Advocates should have presented its position on Ducor's expenses earlier in the proceeding, either through written testimony or in evidentiary hearings, which would have allowed Ducor an opportunity to rebut Cal Advocates' position on Ducor's expenses. Given that Cal Advocates' proposal on expense disallowances are not backed by testimony, the Commission rejects Cal Advocates' proposal of a reduction of $17,495 in Operating Expenses. As such, the Commission adopts Ducor's total intrastate Operating Expense estimate of $1,482,329[42] which includes, amongst other expenses, a Corporate Expense of $604,385. The Commission finds that Ducor's expenses are reasonable and within the caps.

4.2. Depreciation Expense

The parties agreed on the methodology for calculating Depreciation Expense and the rates applied in the calculation. However, the parties disagreed on the value of Telephone Plant-in-Service, which resulted in different Depreciation Expense proposals.

According to Ducor, a Bargain Purchase Adjustment occurred in 2021 due to a change in ownership, which resulted in the fair market value of Ducor's

[40] Cal Advocates Opening Brief shows figure as $1,464,833 at 24.

[41] Cal Advocates Opening Brief at 24, Table 5.

[42] This is a $1 difference from Ducor's proposal due to rounding.

assets exceeding the purchase price for Ducor.[43],[44] Ducor applied the Bargain Purchase Adjustment to its Depreciation Expense, adjusting it to the assets' fair market value. Ducor proposed a Depreciation Expense of $484,709, which included the Bargain Purchase adjustment and used the fair market value for the assets under Telephone Plant-in-Service.[45]

Cal Advocates contended that Bargain Purchase Adjustment should not be allowed and that Depreciation Expense be calculated on the original value of the assets.[46] Cal Advocates proposed a Depreciation Expense of $868,167, which removed the Bargain Purchase Adjustment and maintained the original value for the assets under Telephone Plant-in-Service.[47]

The Commission accepts Cal Advocates' proposed Depreciation Expense of $868,167 because it finds the rationale for using the original value for Ducor's assets under Telephone Plant-in-Service more appropriate (*see* Section 5.1), and, as such, Depreciation Expense should be calculated based on the assets' original value. The Commission finds Cal Advocates' proposal for Depreciation Expense for TY 2025 to be reasonable.

4.3. Property Tax

Ducor proposed intrastate Property Tax of $103,779 for TY 2025. Ducor utilized 2022 Property Tax Expense and fair market value for Telephone Plant-in-Service numbers to obtain a factor to project Property Taxes for 2023, 2024, and TY 2025. Ducor further adjusted its projection to account for an anticipated

[43] Ducor Opening Brief at 27.

[44] *See* Telephone Plant-in-Service (Section 5.1) for more details on the 2021 change of ownership.

[45] Ducor Opening Brief at 27.

[46] Cal Advocates Opening Brief at 25.

[47] Cal Advocates Opening Brief at 25.

increase in 2025 Property Tax from the California state Board of Equalization (BOE). The anticipated increase in 2025 property tax is due to the impact of Ducor's push-down accounting and use of fair market values for rate base resulting from the 2021 change in ownership.[48],[49] Ducor claimed Cal Advocates' property tax discussion improperly ignored the current value of Ducor's assets and mischaracterized the determinations of the BOE in Ducor's recent property tax appeal.[50]

Using original values for rate base and removing the anticipated property tax increase, Cal Advocates proposed an intrastate Property Tax of $45,748 for TY 2025. Cal Advocates employed the same methodology to obtain a Property Tax factor but used 2023 Property Tax and Telephone Plant-in-Service figures. Cal Advocates proposed to maintain the use of original values for Telephone Plant-in-Service to project the Property Tax for TY 2025.[51] Cal Advocates contended that the adjustments to Telephone Plant-in-Service and the additional increase should not be allowed, and Property Tax should be calculated on the original value of rate base.[52]

The Commission accepts Cal Advocates' proposed intrastate Property Tax of $45,748 for TY 2025. Ducor and Cal Advocates used the same methodology to calculate the Property Tax factor. However, Ducor used the actual amount for 2022 Property Tax to obtain the factor to project Property Tax for 2023-2025, while Cal Advocates used the actual amount of 2023 Property Tax to obtain the

---

[48] Ducor Opening Brief at 39.

[49] *See* Telephone Plant-in-Service (Section 5.1) for more details on the 2021 change of ownership.

[50] Ducor Reply Brief at 16.

[51] Cal Advocates Opening Brief at 26.

[52] Cal Advocates Opening Brief at 26.

factor to project Property Tax for 2024-2025. Using either year's actual figures to calculate the Property Tax factor did not significantly affect calculated projections for TY 2025. The main difference lies in the different values the parties used for Telephone Plant-in-Service. Ducor utilized fair market value for Telephone Plant-in-Service while Cal Advocates maintained the use of Telephone Plant-in-Service's original values.

Consistent with the Commission's findings for Telephone Plant-in-Service (*See* Section 5.1), the Commission agrees with Cal Advocates that the Property Tax should be calculated based on the Telephone Plant-in-Service's original value. Using original values eliminates Ducor's additional adjustment for the anticipated increase as it would no longer be necessary. The Commission finds Cal Advocates' proposal of using actual 2023 Property Tax for projections reasonable. Thus, the Commission adopts $45,748 of Property Tax for TY 2025.

5. Rate Base & Plant Construction

5.1. Telephone Plant-in-Service

Telephone Plant-in-Service should only include projects that will be used and useful in TY 2025. D.14-12-084 identified common factors to determine the reasonableness of broadband facility investments, which include but are not limited to, the presence of anchor institutions, network redundancy, public safety, service quality, and customer demand.[53] Generally, utility assets are to be valued at depreciated original cost at the time such assets are first dedicated to public service.[54]

---

[53] Exhibit CA-K-01, Opening Testimony of Christopher Bartulo at 1-3 citing D.14-12-084, Ordering Paragraph 10.

[54] D.97-06-066 at 28.

5.1.1. Ducor's Proposal - Fair Market Value of Assets

In its GRC application, departing from the general rule, Ducor proposed to adjust the assets under Telephone Plant-in-Service from their original value to the fair market value due to the transfer of ownership interest and control of Ducor to Votaw and Vellucci.[55] Ducor argued that the approved transfer qualified as a "business combination" under Financial Accounting Standards Board Accounting Standard Codification 805 (FASB ASC 805). Under ASC 805, Ducor elected to use "pushdown accounting," using a "fair value model"[56] to revalue its acquired assets and assumed liability at fair market value. Ducor hired an independent accounting firm, BDO USA, LLP, to "comprehensively evaluate Ducor's assets and assign an appropriate 'fair market value.'"[57],[58] Ducor referred to the revaluation as an "ASC 805 adjustment" in its workpapers, which resulted in a lower value of its Telephone Plant-in-Service in 2021.

In addition to revaluing its assets at fair market value, Ducor also applied a "bargain purchase adjustment" to its Telephone Plant-in-Service. Ducor asserted that a bargain purchase occurred, which means the fair market value of the assets exceeded the purchase price associated with Ducor.[59] Accordingly, the value of the assets was adjusted downwards to ensure that it reflected the

---

[55] D.21-11-006 granted the transfer of ownership interest and control of Ducor to Votaw and Vellucci. No monetary value of assets was discussed in the application or the decision.

[56] Ducor Opening Brief at 26-27.

[57] Ducor Opening Brief at 27.

[58] BDO's analysis resulted in a market-based value of Ducor's Telecommunication's Plant in Service or $16,991,703 as of December 31, 2025.

[59] Ducor Opening Brief at 27.

purchase price by applying the bargain adjustment to the fair value of Telephone Plant-in-Service, starting from 2022 and subsequently through TY 2025.[60]

Ducor contended that the value of assets under Telephone Plant-in-Service should be adjusted downward using the fair market value as determined by its contractor, BDO USA, LLP because: (1) NECA accepted Ducor's revaluation of assets and bargain purchase adjustment submitted to NECA within its 2021 and 2022 annual cost studies;[61] (2) D.21-06-004 requires that a "NECA determination" be utilized in computing rate base;[62] and (3) the Commission was precluded from determining ratemaking implications from the ASC 805 pushdown in the 2021 transfer of control proceeding but should, however, determine this issue in the instant GRC proceeding.[63],[64]

As a result of the foregoing, Ducor proposed that the Commission use the fair market value in revaluing Ducor's assets under Telephone Plant-in-Service following the 2021 transfer of control.

5.1.2. Cal Advocates' Proposal - Original Value of Assets

Cal Advocates proposed to maintain the use of original values for assets under Telephone Plant-in-Service and to disallow the pushdown accounting and

[60] The bargain purchase adjustment amount was determined by subtracting the Fair Value of the Parent's Investment in the Company from the Fair Value of Ducor Telephone Company at acquisition date and only pertains to the assets Ducor owned as of the date of the change in ownership.

[61] Ducor Opening Brief at 27.

[62] Ducor "shall use the rate base amount from the National Exchange Carrier Association's most recent cost study as a proposed rate base for each General Rate Case Test Year." (Ducor Opening Brief at 28).

[63] "The first rate case following the revaluation should address the effects of the non-affiliated transfer of control on rate base." (Ducor Opening Brief at 31).

[64] "Mr. Votaw was a non-affiliated entity; at the time of acquisition, he was an employee of the company with a non-controlling 5% ownership interest, not the 10% needed to qualify as an affiliate under federal definition." (Ducor Opening Brief at 30).

bargain adjustments proposed by Ducor. Cal Advocates proposed the foregoing because: (1) Ducor chose to use the FASB 805 pushdown accounting, and it was not required to be used in determining rate base;[65] (2) Ducor increased its rate base significantly without any improvements to its networks and operations, or any additional benefit to customers and ratepayers for the same facilities;[66],[67] (3) the FCC bars the use of fair market value in determining rate base if such use would significantly impact rates;[68],[69] and (4) there is no evidence that NECA conducted a thorough and specific review of Ducor's revaluation as is appropriate when large changes in valuations occur which impact rates or increase costs.[70]

As a result of the foregoing, Cal Advocates proposed that the Commission disallows Ducor's proposed adjustments and maintains the original value of Ducor's Telephone Plant-in-Service. Additionally, Cal Advocates proposed that the Commission perform a separate, thorough, and independent review of the 2021 transfer of control transaction in a separate proceeding, including determining the reasonableness of Ducor's fair market value amounts and their

---

[65] Cal Advocates Opening Brief at 7.

[66] Cal Advocates Opening Brief at 6.

[67] "Allowing Ducor to record rate base at the fair market value could result in Ducor and/or other Small Independent Local Exchange Carriers' (Small ILECs) engaging in continuous transfers of ownership that aim to boost their rate base at the expense of rate payers, by overcharging the return on an overstated rate base." (Cal Advocates Opening Brief at 9).

[68] Cal Advocates Opening Brief at 10.

[69] "if impacts to a rate of return carrier are materially affected due to the use of a market adjustment, Ducor should use original costs for rate base." (Cal Advocates Opening Brief at 10).

[70] Cal Advocates Opening Brief at 7.

impacts on Ducor's ratemaking.[71],[72]

5.1.3. The Weight of Legal Authority Requires Reference to Original Value

The Commission rejects Ducor's proposal to adjust its assets to their "fair market value" following the 2021 transfer of control and adopts the use of Ducor's "original value" in assessing a value for Ducor's assets under Telephone Plant-in-Service. In making its determination, the Commission gives great weight to FCC Report and Order 17-15; Pub. Util. Code Sections 275.6 (c)(7) and (b)(2); and D.21-06-004 and D.21-11-006.

5.1.3.1 Revised FCC Rules and Generally Accepted Accounting Principles

In FCC Report and Order 17-15, the FCC made significant revisions to the Uniform System of Accounts (USOA) accounting rules and adopted proposals to align the USOA's asset accounting rules with Generally Accepted Accounting Principles (GAAP).[73] The adopted revisions significantly streamlined the requirements applicable to ILECs to reduce their accounting burdens.[74] The FCC concluded that they "[did] not anticipate any significant rate effects resulting from these efforts to further align the USOA with GAAP principles."[75]

According to revised Section 32.200 of Title 47 of the Code of Federal Regulations on USOA asset accounting rules, "property, plant and equipment

---

[71] Cal Advocates Opening Brief at 12.

[72] According to Cal Advocates, the Commission did not approve Ducor's request to use the fair market value in revaluing Ducor's assets in Ducor's Transfer of Control Application (A.21-01-013) that Ducor now attempts to insert in its general rate case. (*See* D. 21-11-006 and Cal Advocates Opening Brief at 7).

[73] FCC 17-15 Report, paragraph 23.

[74] FCC 17-15 Report, paragraph 12.

[75] FCC 17-15 Report, paragraph 28.

acquired from an entity, whether or not affiliated with the accounting company, shall be accounted for at original cost, **except** that property, plant and equipment acquired from a nonaffiliated entity through an acquisition or merger **may** be accounted for at market value at the time of the acquisition or merger" (*emphasis added*).

In this case, Ducor argues the transfer of control triggered a mandatory revaluation of assets and a corresponding bargain purchase.[76] Cal Advocates argues that the revaluation of the assets was a choice made by Ducor, not a requirement. The Commission agrees with Cal Advocates that revaluation of the assets is made permissible by the FCC, but it is not mandatory as contended by Ducor. The Commission believes that the FCC chose to align the USOA with GAAP accounting rules to streamline accounting requirements and did not anticipate any significant rate effects from these efforts. Aligning USOA with GAAP accounting rules allows carriers to follow ASC 805 for accounting purposes but does not make it a requirement.

5.1.3.2 Pub. Util. Code Section 275.6 (b)(2) and Rate Base

Pub. Util. Code Section 275.6 (b)(2) defines rate base as "the value of a telephone corporation's plant and equipment that is reasonably necessary to provide regulated voice services and access to advanced services, and upon which the telephone corporation is entitled to a fair opportunity to earn a reasonable rate of return." The value of a telephone corporation's plant and equipment should be based on the original cost of the asset when it is first put into service.[77] An adjustment in the value of Telephone Plant-in-Service would be

[76] Ducor Opening Brief at 26; and Reply Brief at 2.

[77] D.97-06-066 at 28.

needed if a utility demonstrates there were changes in assets used to provide service, such as new capital projects or retirement of equipment.

Ducor acknowledged in its transfer of control application that its day-to-day operations were not impacted.[78] As such, there were no changes in the assets that Ducor used to provide service and thus there is no justification for an adjustment to the Telephone Plant-in-Service amount. Therefore, the value of the assets included in Ducor's Telephone Plant-in-Service should be based on the original value of the asset when it was first put into service.

5.1.3.3 Pub. Util. Code Section 275.6 (c)(7) and CHCF-A Support

Pub. Util. Code Section 275.6 (c)(7) requires the Commission "[e]nsure that [CHCF-A] support is not excessive so that the burden on all contributors to the CHCF-A program is limited." The increase in Total Rate Base proposed by Ducor is the artificial result of fluctuations in the assets' value from a transfer of control and ownership due to the accounting practices, not the cost of providing service, and therefore its effect on the CHCF-A support amount could be considered an undue burden on contributors to the CHCF-A.

Based on the Commission's analysis, Ducor only adjusted the value of its assets due to the transfer of control, not from a change in the plant used to provide regulated voice service or access to advanced services. The Commission did not identify any additional network investments that would justify an adjustment in the assets' value. Ratepayers should only be responsible for the asset's original costs in rate base and should not pay more for the same facilities.

Furthermore, in the Commission's final decision on Ducor's transfer of control and ownership application in 2021 (D.21-11-006), the Commission did not

[78] Ducor Transfer of Control Application, A.21-01-013 at 3 and 5.

approve or assess a fair market value amount that Ducor now attempts to insert in its general rate case.[79] Therefore, the original value of the assets under Telephone Plant-in-Service should remain unchanged.

5.1.3.4 D.21-06-004 and D.21-11-006

D.21-06-004 states that Ducor "shall use the rate base amount from the National Exchange Carrier Association's most recent cost study as a proposed rate base for each General Rate Case Test Year."[80] Based on the language in this decision, Ducor contends that it is authorized to use the ASC 805 revaluation. Ducor further contends that NECA accepted the revaluation of assets and bargain purchase adjustment it submitted to NECA and, thus, NECA's determinations must be used in computing rate base.

However, the language in D.21-06-004 does not support this interpretation. The decision indicates that a NECA cost study is a reasonable starting point for forecasting rate base for the test year, not a binding determination.[81] The above-noted language in D.21-06-004 alone is insufficient to authorize Ducor to use the ASC 805 revaluation model to revalue its assets following the 2021 transfer of control. Therefore, NECA's acceptance of Ducor's ASC 805 submission does not obligate the Commission to accept it.

Ducor incorrectly contends that pursuant to D.21-06-004, "the Commission found unequivocally that Ducor 'shall use the rate base amount from the National Exchange Carrier Association's most recent cost study as a proposed rate base for each General Rate Case Test year.'"[82] Ducor's assessment of the

---

[79] Cal Advocates Opening Brief at 7.

[80] D.21-06-004, Ordering Paragraph 10.

[81] D.21-06-004 at 40, Conclusion of Law 9.

[82] Ducor Opening Brief at 28.

Commission's prescription for Ducor and other Small ILECs as it relates to the NECA cost study and rate base allocation amounts is narrow and incorrectly summarizes the Commission's full and complete order in D.21-06-004.

The intent of D.21-06-004 was to streamline the general rate case process by ensuring that the companies were consistent in reporting the allocation of assets to both the FCC and the Commission, not to mandate wholesale acceptance of NECA's asset valuations without review.

Because the Commission has the discretion to evaluate and approve any adjustments to assets for reasonableness, the Commission has the discretion to use "original value" or "fair market value" in determining the value of assets in rate base. Contrary to Ducor's assertion, the Commission made no determination on the adjustment of assets under Telephone Plant-in-Service from original value to fair market value in D.21-06-004 nor in D.21-11-006 as Ducor attempts to assert in the instant GRC.[83]

5.2. Telephone Plant-in-Service: Plant Additions

Plant Additions is a subaccount under the Telephone Plant-in-Service Account. The "Plant Addition" subaccount consists of various categories, including but not limited to Fiber to the Premises (FTTP) upgrades, which is a topic of dispute between Ducor and Cal Advocates.

Ducor is pursuing plant additions to achieve a FTTP architecture, which will be used by its ISP affiliate, Varcomm, to meet the FCC minimum speed standard capability of 25 Megabits per second (Mbps) download and 3 Mbps upload throughout its service territory. Ducor is pursuing to upgrade its network to enable delivery of at least 25/3 Mbps speeds at 100% of its customer locations

[83] Cal Advocates Opening Brief at 7.

by 2028. To receive support from the federal Alternate Connect America Cost Model II (A-CAM II) program, Ducor is required to meet 25/3 Mbps at 100% of its customer locations by 2028. To achieve that requirement, Ducor proposed Plant Additions of $1,145,731 in 2025, which includes $829,730 in fiber expansion projects and $316,000 in non-fiber projects. These Plant Additions would enhance resiliency and address routine maintenance, replace solar panels in Kennedy Meadows, and replace central office backup batteries in Rancho Tehama. In its reply Brief, Ducor asked the Commission to approve its proposed 2025 fiber projects since Cal Advocates offers no legitimate legal or factual basis for rejecting or reducing Ducor's proposed 2025 Plant Additions.

Cal Advocates contended that the Commission should approve $829,730 in fiber expansion projects only on the condition that Ducor is required to increase its broadband subscriptions to higher broadband speeds. If the Commission does not require Ducor to increase its broadband subscriptions, Cal Advocates proposed to deny $829,730 in fiber expansion projects and remove it from rate base for TY 2025.[84] Cal Advocates further contended that the Commission should not consider Ducor's broadband investments in broadband infrastructure necessary if the retail broadband service provided on their networks to customers is not affordable. Cal Advocates contended that the Commission should require Ducor to develop and implement a broadband adoption plan with specific subscribership take rates for the broadband plans offered by the company's ISP affiliates with broadband service plans. Cal Advocates proposes that the Commission allows $316,000 in Ducor's non-fiber projects without any additional conditions.

[84] Cal Advocates Opening Brief at 2.

The Commission authorizes $829,730 in fiber expansion projects, and $316,000 towards non-fiber projects; thus, the total amount for plant additions is $1,145,730. The fiber projects are necessary to build broadband-capable infrastructure in rural areas (Ducor, Rancho Tehama, and Kennedy Meadows) served by Ducor Telephone Company. The availability of FTTP network architecture will open 100/20 Mbps offerings to many households and thus meet the obligation of the federal A-CAM II program.

5.3. Working Cash

Working Cash is calculated in a formula that uses input from Operating Expenses and Revenues. Both parties agree on the general formula but dispute some of the inputs. Ducor proposed an intrastate Working Cash amount of $151,479 for TY 2025, which included the ASC 805 adjustment and used the fair market value for Telephone Plant-in-Service, and an estimated increase to Property Tax. Ducor used the Working Cash intrastate allocation factor from a revised 2022 Cost Study submitted to NECA in September 2023.[85]

Cal Advocates proposed an intrastate Working Cash amount of $144,080 for TY 2025, which does not incorporate the ASC 805 adjustment and used original value for Telephone Plant-in-Service and excluded Ducor's estimated increase to Property Tax. Cal Advocates also included a $16,679 reduction to Ducor's Corporate Expense. Cal Advocates used the Working Cash intrastate allocation factor found in the 2022 Cost Study that Ducor provided through a Minimum Data Request.

Consistent with the recommendations made for Telephone Plant-in-Service (*See* Section 5.1), Property Tax (*See* Section 4.3) and Corporate Expense

---

[85] Ducor Reply Brief at 15.

(*See* Section 4.1), the Commission uses Cal Advocates' proposed Total Company Property Tax and Ducor's proposed Total Company Corporate Expense. The Commission uses the Working Cash intrastate allocation factor found in Ducor's workpapers as it reflects the revised allocation factors submitted in its updated 2022 NECA Cost Study.[86] Based on the foregoing, the Commission calculates an intrastate Working Cash amount of $145,862 for TY 2025.

5.4. Depreciation Reserve

Depreciation Reserve (or accumulated depreciation) tracks how much the assets under Telephone Plant-in-Service have already depreciated over time. Both parties agree on the methodology used for computing Depreciation Expenses or/and the depreciation rates applied in the calculation. However, the parties disagreed on the Depreciation Reserve amount, which is attributed with Ducor applying the ASC 805 adjustment and the Bargain Purchase adjustment, and Cal Advocates removing these adjustments.

Ducor proposed a Depreciation Reserve amount of $1,498,500 for TY 2025, which included the ASC 805 adjustment (*see* Section 5.1). Ducor applied the ASC 805 adjustment to Depreciation Reserve account, clearing out the accumulated depreciation, with a zero balance for the end of 2021. Ducor then applied the Bargain Purchase adjustment to Depreciation Reserve every year after, including TY 2025, recording depreciation accumulated against the Telephone Plant-in-Service's fair market value.

Cal Advocates proposed a Depreciation Reserve amount of $10,419,958 for TY 2025, which removed the ASC 805 and Bargain Purchase adjustments,

[86] Ducor Reply Brief at 15.

maintaining the depreciation that accumulated against the Telephone Plant-in-Service's original value.

The Commission uses Cal Advocates' proposed Depreciation Reserve amount of $10,419,957 for TY 2025 because it is consistent with the Commission's decision to use the original value for the assets under Plant-in-Service.

6. Broadband Service

6.1. Broadband Subscribership Targets

Cal Advocates proposed that Ducor be required to increase its broadband subscribership and meet proposed targets of 35%, 40% and 25%, to its 25/3, 100/20,[87] and 1000/100 Mbps plans, respectively, by the end of 2029, with targets for progressive increases in subscribership each year beginning in 2025.[88] Cal Advocates' proposed subscribership targets for Ducor increase each year to 2029, with a variance in customer numbers based on year and broadband speed. Cal Advocates proposed that the Commission reduce Ducor's CHCF-A support each year, beginning with 2026, if the broadband subscribership target for the prior year is not achieved. Cal Advocates contended that if Ducor does not meet the targeted number of broadband subscribers in any particular year, Ducor's CHCF-A subsidy should be reduced by the total annual retail monthly broadband price multiplied by the number of underachieved broadband subscribers for each corresponding plan.[89]

Ducor contended that the Commission should not adopt broadband subscribership targets and impose associated penalties for TY 2025. Ducor

---

[87] Ducor currently does not offer a broadband plan at 100/20 Mbps.

[88] *See* Cal Advocates Opening Testimony on Ducor GRC (Bartulo)CONFIDENTIAL at 21-23 and *See* Cal Advocates Opening Brief at 2-3.

[89] *See* Cal Advocates Opening Testimony on Ducor GRC (Bartulo) at 21-23 and *See* Cal Advocates Opening Brief at 2-3.

argued that the imposition of broadband subscribership targets and associated penalties constitutes retroactive ratemaking in violation of statute and contrary to established appellate authority preventing rate structures from being altered based on past performance.[90] Ducor further contended that the proposal selects arbitrary subscription targets and infers that simply lowering prices will generate additional subscribers which Ducor contended is incorrect. Ducor encouraged the Commission to develop an industry-wide broadband affordability plan, an issue amongst the subjects in the Lifeline proceeding (R.20-02-008).[91]

The Commission is of the view that the question of whether its CHCF-A fund allocation should be reduced by any failure to meet proposed subscribership targets should be addressed, if at all, in a future CHCF-A fund rulemaking that would apply to all the Small ILECs that receive CHCF-A support. While the objective of increasing Ducor's broadband subscribership is lauded, the Commission does not recommend accepting Cal Advocates' proposal because it is not within the scope of this proceeding and the Commission has already rejected such a proposal in D.21-06-004, which Cal Advocates referenced and contended should guide the Commission in the instant proceeding.

Notwithstanding the Commission's decision to defer resolution of the issue of subscribership requirements and CHCF-A funding to a future proceeding, the record is insufficient to decide the issue. The instant GRC is the last litigated proceeding in a sequence of ten proceedings, none of which considered the proposal Cal Advocates recommends here. While there is no longer an open CHCF-A proceeding, a proposal such as this should be tested

---

[90] *See* Ducor Opening Brief at 64.

[91] *See* Ducor Rebuttal Testimony, Huckaby at 24.

from multiple sides by multiples parties on a complete record in a quasi-legislative setting. There is no rational basis to impose requirements designed to increase broadband subscribership on Ducor and/or its ISP-affiliate alone and not on other carriers that receive CHCF-A funds.

6.2. Broadband Service Quality

Currently, the Commission does not have any broadband service quality standards that would apply to all service providers in California, including the broadband service delivered over Ducor's network facilities. The Commission will consider broadband service quality metrics, standards, and reporting requirements via Rulemaking (R.) 22-03-016 (Order Instituting Rulemaking to Consider Amendments to General Order 133). The Commission will consider whether broadband service quality rules will apply to all service providers in California, including Ducor.

Ducor did not propose any broadband service quality metrics or requirements in its GRC application. In its opening brief, Cal Advocates urged the Commission to "examine service quality of broadband service, in addition to that of voice, to determine whether Ducor's expenditures are just and reasonable."[92] Cal Advocates suggested that the Commission apply the voice service quality metrics in General Order 133-D to Ducor's broadband service and proposed a number of additional service quality reporting requirements and metrics for evaluation. Cal Advocates also recommended that the Commission require Ducor to report all outages (even those that do not meet the Network Outage Reporting System threshold), report network availability data, network resiliency and backup equipment maintenance plans, and track and report all

---

[92] (CONFIDENTIAL) A2310008 and A2310008 Opening Brief of the Public Advocates Office. July 26, 2024 at 37.

types of customer complaints.[93] In its Reply Brief, Ducor opposed Cal Advocates' broadband service quality recommendations, claiming that including broadband service quality rules in this GRC would interfere with the current service quality rulemaking in progress (R.22-03-16) and violate existing rules.[94]

During the pendency of this proceeding, Cal Advocates sought, and Ducor initially refused to provide, information related to the service quality of the broadband service offered by Ducor's ISP over Ducor's broadband capable network. Cal Advocates contended that it has a clear statutory and regulatory right to the information that it seeks under Pub. Util. Code Section 275.6(a),[95] which gives the Commission regulatory authority to maintain the CHCF-A Administrative Committee Fund program. Cal Advocates reasoned that because the Commission is required, when administering the CHCF-A program, to promote customer access to advanced services and deployment of broadband-capable facilities in rural areas that are reasonably comparable to that in urban areas, it is necessary for the Commission to evaluate Ducor's compliance with D. 21-04-005 and D.14-12-084. Cal Advocates contended that such an evaluation requires it to have sufficient information to conduct a reasonableness review of Applicant's broadband funding requests to support its recommendations to the Commission regarding Applicant's compliance with the relevant subsections of

---

[93] (CONFIDENTIAL) A2310008 Opening Brief of the Public Advocates Office. July 26, 2024, at 42 and 46.

[94] A2310008 Reply Brief of Ducor. August 23, 2024 at 29 and 51.

[95] Pub. Util. Code Section 275.6(a) provides: (a) The commission shall exercise its regulatory authority to maintain the California High-Cost Fund-A Administrative Committee Fund program (CHCF-A program) to provide universal service rate support to small independent telephone corporations in amounts sufficient to meet the revenue requirements established by the commission through rate-of-return regulation in furtherance of the state's universal service commitment to the continued affordability and widespread availability of safe, reliable, high-quality communications services in rural areas of the state.

Pub. Util. Code Section 275.6. It argued that information about the service quality of the broadband service provided by Ducor's ISP to customers would assist the Commission in understanding the service quality customers experience, which in turn directly impacts the broadband connectivity necessary for customers to pursue economic, health, and educational opportunities provided by modern internet access.

The Commission generally agrees with Cal Advocates that the Small ILECs should be required to demonstrate a high level of service quality for broadband delivered by the ILEC's broadband-capable facilities. For this reason, the Commission agrees with Cal Advocates that Ducor should monitor and report broadband service quality metrics to the Commission.

Therefore, Ducor is directed to submit its ISP affiliate's (Varcomm) broadband service quality (SQ) metrics related to broadband services within Ducor's service territory that rely on Ducor's broadband-capable facilities to the Communications Division on an annual basis using a Tier 1 Advice Letter. The SQ metrics should include: (1) A total number of broadband service orders received and the number of those orders completed per month, during the previous 12 months; (2) Monthly broadband trouble tickets as a result of customer-initiated complaints, and (3) Annual broadband network unavailability due to service outages. Ducor will also be required to abide by all future broadband service quality rules, notably those that will be the outcome of R.22-03-016.

6.3. Low-Income Broadband Plan

In this proceeding, Cal Advocates contended that the Commission should consider whether Ducor's request for authorization for broadband infrastructure investment is reasonable in light of the availability and affordability of access by low-income residents to the services delivered over broadband infrastructure supported by the CHCF-A. Specifically, Cal Advocates contended that Ducor should offer a low-income broadband plan that is affordable to its customers based upon the median household income of the census block group and the California Department of Housing and Community Development state income limits for the previous years.[96]

Ducor contended that the Commission should reject Cal Advocates' proposal to require Ducor to offer a low-income broadband plan in this proceeding and identified appropriate alternative proceedings where the subject can be more comprehensively addressed.[97]

We agree with Cal Advocates that it is important to ensure that broadband rates are affordable for low-income/Lifeline customers. The Commission's commitment to a policy of universal service implies that we should carefully consider whether low-income households are able to use services provided over ratepayer supported infrastructure, subsidized via CHCF-A funding, such as the broadband-capable infrastructure of the Small ILECs. In this regard, we note that four Small ILECs – Siskiyou, Ponderosa, Cal-Ore, and Calaveras – voluntarily agreed to offer new retail low-income broadband rates through their respective ISP affiliates.[98]

---

[96] Cal Advocates, Opening Testimony on Ducor GRC (Bartulo), Attachment D.

[97] Ducor Opening Brief at 59-60.

[98] *See* D.23-03-012 in A.21-11-007 In the Matter of Application of The Siskiyou Telephone Company (U1017C) to Modify Intrastate Revenue Requirement and Rate Design and Adjust Selected Rates., and D.23-11-095 in A.22-10-004 In the Matter of Application of The Ponderosa Telephone Co. (U1014C) to Modify Intrastate Revenue Requirement and Rate Design and Adjust Selected Rates, D.24-12-011 in A.23-10-007 In the Matter of Application of Cal-Ore Telephone Co. (U1006C) to Modify Intrastate Revenue Requirement and Rate Design., and D.24-12-041 in A.23-11-011 In the Matter of Application of Calaveras Telephone Co. (U1004C) to

Footnote continued on next page.

However, while we encourage Ducor and all Small ILECs to continue to consider the feasibility of offering low-income broadband options, we find that ordering implementation of such an option in this proceeding at this time, would be premature. The Commission will certainly revisit this issue in any future CHCF-A rulemaking, to ensure that uniform policies applicable to all Small ILECs are eventually implemented, as it cannot be denied that the affordability of broadband for low-income residents is essential to ensuring access to broadband service provided through the Small ILECs' broadband-capable infrastructure. A new CHCF-A proceeding should be opened that includes this issue within the scope of the proceeding.

7. California High-Cost Fund-A (CHCF-A) Subsidy

Pub. Util. Code Section 275.6 requires the Commission to minimize telephone rate disparities between rural and metropolitan areas to keep rates affordable in areas with lower population densities. The CHCF-A subsidy provides supplemental revenues to small rural telephone companies. Without this subsidy, telephone companies would have to charge such a high fee for basic exchange access line service rates in rural areas, that universal service access for residents of those areas would be threatened. The CHCF-A subsidy supports small independent telephone companies (including Ducor) to allow rural residents to stay connected to essential services to maintain public health and safety.[99] The Commission and the State of California have deemed such access to

---

Modify Intrastate Revenue Requirement and Rate Design and Adjust Selected Rates where these companies and Cal Advocates included a low income broadband rate plan within their joint motion for adoption of an all-party settlement agreement.

[99] Pub. Util. Code Section 275.6(c)(1) authorizes the Commission to set rates charged by small telephone companies in accordance with Sections 451, 454, 455 and 728.

reliable, affordable telephone service to be critical to public safety within rural communities, and beneficial to the state as a whole.

The CHCF-A program is funded by a surcharge collected from end users of intrastate telecommunications services. The Commission periodically reviews the program fund levels and adjusts the surcharge rate to ensure the program is sufficiently funded. D.22-10-021 adopted a new surcharge methodology to fund California's Universal Service Public Purpose Programs (PPP). Effective April 1, 2023, a customer's bill shows a single consolidated surcharge amount for all six PPPs. Effective May 1, 2025, the CHCF-A fund receives 6.60 percent of the total surcharge amount of $0.90[100] per access line.

In administering the CHCF-A program, the Commission must "ensure that rates charged to customers of small independent telephone corporations are just and reasonable and reasonably comparable to rates charged to customers of urban telephone corporations."[101] In the Commission's D.14-12-084 and updated in D.21-06-004, in its CHCF-A rulemaking proceeding, the Commission deemed presumptively reasonable and non-rebuttable a small telephone company rate range of $30.00 to $40.00, for basic residential service, inclusive of additional charges such as federal and state fees and surcharges.

Ducor's CHCF-A draw will be $1,661,087 for TY 2025.

---

[100] Resolution T-17818, available at https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M562/K398/562398411.PDF.

[101] Pub. Util. Code Section 275.6(c)(3). Historically, "comparable" has meant that target rates for residential customers are no more than 150 percent of basic service rates for California's urban telephone customers. The "150 percent formula" was originally established in D.91-09-042, and the formula has been used in part to evaluate the reasonableness of rates charged to customers. In D.10-02-016, the Commission modified the 150 percent formula so that the small Incumbent Local Exchange Carriers (ILECs) were no longer required to charge 150 percent of the basic urban rate to qualify for CHCF-A support, instead setting the basic service rate for residential customers at $20.25 per month. *See* D.10-02-016, Ordering Paragraph 3.

8. Confidential Testimony and Materials Under Seal

The parties submitted certain reports, exhibits, and testimony designated as "confidential." The marking of these reports, exhibits, and testimony as "confidential" is deemed to be a request by each party for leave to place those reports and testimony under seal pursuant to Rule 11.4. The disclosure of confidential reports, materials and recommendations, sensitive financial data, operational, and other privileged information could place the moving party in serious disadvantage or at unfair business disadvantage. Accordingly, the requests to place these materials under seal pursuant to Rule 11.4 are granted as set forth in the Ordering Paragraphs below.

Despite this, the figures herein and those on the Intrastate Results of Operations in Appendix A, should be made public and unredacted. Neither Pub. Util. Code Section 275.6(e) nor any of the other authorities that Ducor cites[102] warrants their confidential treatment.

9. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure.

10. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Margery L. Melvin is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. D.24-09-021 adopted a 7.16 percent rate of return/cost of capital.

---

[102] Pub. Util. Code Section 583; Cal. Gov. Code Sections 6254(k), 6255; Cal. Civ. Code § 3426.1(d); Cal. Evid. Code § 1060. We note that net positive broadband revenue imputation is different from the kind of information contemplated by the statutes. We also note that the California Public Records Act have been recodified at Government Code sections 7920.000, *et.seq.*

2. Ducor and Cal Advocates engaged in significant discovery and data exchange, analysis of each other's positions and arguments, and several days of evidentiary hearing.

3. In D.21-06-004, the Commission affirmed the use of the FCC's corporate expense cap mechanism for calculating and determining a reasonable level of corporate expenses for telecommunications carriers drawing from CHCF-A.

4. In D.21-06-004, the Commission determined that the NECA cost study is a reasonable method for forecasting GRC Test Year rate base.

5. In D.21-04-005, the Commission mandated that in any rate case filed by Small ILECs drawing support from the CHCF-A, positive net revenue associated with retail broadband service of the ISP affiliate of the Small ILEC shall be imputed in the determination of CHCF-A support.

6. Based on our review of all the information in the record, we can independently determine and adopt the figures contained in the Results of Operations for Ducor for TY 2025 (Appendix A).

7. Appendix A reflects an overall revenue requirement of $2,544,993 for Ducor for TY 2025.

8. Ducor's TY 2025 CHCF-A support of $ 1,661,087 reflected in Appendix A has been calculated in accordance with D.14-12-084, as modified by D.21-06-004.

9. An increase in Ducor's basic residential rates to $26.50, exclusive of surcharges, fees, and taxes, if approved, is below the $30 to $40 range that the Commission deemed just and reasonable for small telephone corporations in D.21-06-004.

10. An increase in Ducor's business rate to $39.26, exclusive of surcharges, fees, and taxes, is reasonably comparable to rates charged to customers of urban telephone corporations, as required by Pub. Util. Code Section 275.6.

11. A new CHCF-A Fund rulemaking could examine, among other things, whether minimum requirements for broadband standards and affordable rates should be required of rate regulated ISPs and whether fund allocations should be reduced by any failure to meet proposed subscribership targets.

12. Pursuant to Rule 11.4, the parties have requested to file under seal confidential materials, including reports, work papers, and testimony.

13. Appendix A ("Intrastate Results of Operations") is not confidential data.

Conclusions of Law

1. Ducor's application should be granted as modified by this decision.

2. Ducor's CHCF-A subsidy should be $1,661,087.

3. Ducor's total intrastate operating expense should be $2,431,713.

4. Ducor's overall intrastate revenue requirement for TY 2025 should be $2,544,993.

5. End user rates for residential customers should be set at $26.50 (exclusive of surcharges, fees, and taxes) and for business customers at $39.26 (exclusive of surcharges, fees, and taxes).

6. The Commission has the authority to order broadband service quality reports under Pub. Util. Code Section 275.6, among other sources of power.

7. It is appropriate to maintain the use of the original value of Ducor's assets after the 2021 transfer of control under Telephone Plant-in-Service.

8. It is reasonable to require Ducor to submit annual reports on the broadband service quality of their ISP affiliates to help the Commission evaluate the reasonableness of future investments in broadband-capable facilities.

9. It is reasonable for Ducor to be required to abide by all future broadband service quality rules, notably those that will be the outcome of R.22-03-016, the current service quality rulemaking in progress, that may relate to broadband service quality rules.

10. It is appropriate to authorize Ducor to submit a Tier 2 Advice Letter to the Commission's Communications Division within 30 days of the effective date of this decision to request any revenue differential between January 1, 2025, and the first day of the next month (resulting from the decision not being approved as of January 1, 2025), following the adoption of this decision (effective date), through the CHCF-A Fund. The Advice Letter should provide a calculation to "true-up" the revenue differential.

O R D E R

IT IS ORDERED that:

1. Ducor Telephone Company's application for review of intrastate rates and charges and rate of return for telephone services in California for Test Year 2025 is granted as set forth below and the accompanying Appendix A and Appendix B:

    a. Ducor Telephone Company's projected operating revenues are $2,544,993, not including net positive broadband revenues;

    b. As part of its operating revenues, Ducor Telephone Company's total adopted California High-Cost Fund-A support is $1,661,087;

    c. Ducor Telephone Company's total projected operating expenses are $2,431,713;

    d. Ducor Telephone Company's rate of return is 7.16% based on the cost of capital that the Commission adopted in Decision (D.) 24-09-021; and

e. Ducor Telephone Company's rate base is $1,582,124.

2. Within 5 days from the issuance of this decision, Ducor Telephone Company shall file a Tier 1 compliance Advice Letter with the Communications Division to modify its tariffs to:

    a. Charge basic residential rates of $26.50 per month (exclusive of surcharges, fees, and taxes);

    b. Charge basic business rate of $39.26 per month (exclusive of surcharges, fees, and taxes);

    c. Include Call Waiting, Call Forwarding (Call Forwarding-Variable Timed, No Answer and Busy-Line), and Caller ID as part of basic rates for residential and business service as shown in Appendix B;

    d. Offer additional custom calling features at the existing rates shown in the tariff; and

    e. Delete any references to voicemail.

3. Within seven days of the effective date of the Advice Letter referenced in Ordering Paragraph 2, Ducor Telephone Company shall notify its customers of the revised tariffs and rates.

4. Ducor Telephone Company shall annually file a Tier 1 Advice Letter describing its ISP affiliate's (Varcomm) broadband service quality (SQ) metrics related to broadband services within Ducor's service territory that rely on Ducor's broadband-capable facilities to the Communications Division, including: (1) the total number of broadband service orders received, and the number of those orders completed per month, during the previous 12 months; (2) monthly broadband trouble tickets as a result of customer-initiated complaints; and (3) annual broadband network unavailability due to service outages.

5. California High-Cost Fund-A support amounts shall be effective on January 1, 2025.

6. Ducor Telephone Company may submit a Tier 2 Advice Letter to the Communications Division within 30 days of the effective date of this decision to request any revenue adjustment resulting from this decision not being approved as of January 1, 2025, through the California High-Cost Fund-A. The Advice Letter must provide a calculation to "true-up" the revenue differential for the Test Year 2025.

7. Except as discussed herein, the requests (by motion or on the hearing record) by Ducor Telephone Company and the Public Advocate's Office of the Public Utilities Commission, that public and confidential versions of testimony and exhibits be received into evidence are granted. The confidential portions of the record are sealed, pursuant to Rule 11.5 of the Commission's Rules of Practice and Procedure. Confidential versions of testimony and exhibits are granted confidential treatment for a period of three years from the date of this order. During this three-year period, this information may not be viewed by any person other than Commission staff, except as agreed to in writing by the parties, or on the further order or ruling of the Commission, the assigned Commissioner, the assigned ALJ, the Assistant Chief ALJ, the Chief ALJ, the ALJ then designated as Law and Motion Judge, or as ordered by a court of competent jurisdiction. If either party believes that it is necessary for confidential information to remain under seal for longer than three years, the party may file a motion providing justification for a further extension at least 30 days before the expiration of the three-year period granted by this order.

8. All other motions filed by either party, which have not been ruled upon prior to this decision, are deemed denied.

9. Application 23-10-008 is closed.

This Order is effective today.

Dated __________, at Sacramento, California.

Appendix A: Ducor General Rate Intrastate Results of Operations Adopted Rates

Line	Description	Ducor Proposed[103]	Cal Advocates Proposed[104]	Commission Adjustments to Ducor Proposed	Adopted
OPERATING REVENUES					
1	**Total Revenue**	**$2,674,620**	**$2,527,321**	**($129,627)**	**$2,544,993**
1.a	**Total Regulated Revenue**	**$2,674,620**	**$2,527,321**	**($129,627)**	**$2,544,993**
1.a (1)	Local Revenue	$194,481	$203,436	$3,533	$198,014
1.a (2)	Federal Support	$594,137	$594,137	$0	$594,137
1.a (3)	Intrastate Special and Switch Access Revenue	$79,603	$79,603	$0	$79,603
1.a (4)	Miscellaneous	$13,804	$13,804	$0	$13,804
1.a (5)	Less: Uncollectible Revenue	($1,652)	($1,652)	$0	($1,652)
1.a (6)	CHCF-A Subsidy	$1,794,247	$1,637,993	($133,160)	$1,661,087
1.b	**Net Positive Broadband Revenue Imputation**	**$0**	**$0**	**$0**	**$0**
OPERATING EXPENSES					
2	**Total Operating Expense**	**$2,233,627**	**$2,414,169**	**$198,086**	**$2,431,713**
2.a	**Operating Expense Subtotal**	**$1,482,329**	**$1,464,834**	**$0**	**$1,482,329**
2.a (1)	Plant Specific	$255,116	$254,231	$0	$255,116
2.a (2)	Plant Non-Specific	$364,144	$364,213	$0	$364,144
2.a (3)	Customer Operations	$258,684	$258,684	$0	$258,684
2.a (4)	Corporate Operations	$604,385	$587,706	$0	$604,385
2.b	**Depreciation & Amortization Expense**	**$484,709**	**$868,167**	**$383,458**	**$868,167**
2.c	**Tax**	**$97,623**	**$39,592**	**($58,031)**	**$39,592**
2.c (1)	Taxes Other Than Income	$103,779	$45,748	($58,031)	$45,748
2.c (2)	Amortized Excess Deferred Income Tax	($6,156)	($6,156)	$0	($6,156)
2.d	**Income Tax**	**$168,966**	**$41,576**	**($127,341)**	**$41,625**
2.d (1)	State Income Tax	$53,376	$13,134	($40,227)	$13,149

[103] *See* A.23-10-008 Joint Response to ALJ Motion, Attachment C, October 8, 2024

[104] *See* A.23-10-008 Joint Response to ALJ Motion, Attachment D, October 8, 2024

2.d (2)	Federal Income Tax	$115,590	$28,442	($87,114)	$28,476
RATE BASE					
3	**Total Rate Base**	**$6,159,136**	**$1,580,342**	**($4,577,012)**	**$1,582,124**
3.1	Telephone Plant-in-Service	$8,367,885	$12,717,947	$4,350,062	$12,717,947
3.2	Telephone Plant Under Construction	$0	$0	$0	$0
3.3	Material & Supplies	$262,185	$262,185	$0	$262,185
3.4	Working Cash	$151,479	$144,080	($5,617)	$145,862
3.5	Less: Depreciation Reserve	($1,498,500)	($10,419,957)	($8,921,457)	($10,419,957)
3.6	Less: Deferred Taxes	($1,108,522)	($1,108,522)	$0	($1,108,522)
3.7	Less: Post Retirement Benefits	$0	$0	$0	$0
3.8	Less: Customer Deposits	$0	$0	$0	$0
3.9	Less: Unamortized Excess Deferred Tax Balance	($15,391)	($15,391)	$0	($15,391)
4	**Net Revenues**	**$440,994**	**$113,152**	**($327,714)**	**$113,280**
5	Authorized Rate of Return	7.16%	7.16%		7.16%
6	**Return on Rate Base**	**$440,994**	**$113,152**	**($327,714)**	**$113,280**
7	**Revenue Requirement**	**$2,674,620**	**$2,527,321**	**($129,627)**	**$2,544,993**
8	**CHCF-A Subsidy**	**$1,794,247**	**$1,637,993**	**($133,160)**	**$1,661,087**
9	Rate of Return	7.16%	7.16%		7.16%
10	**Income Tax Calculations**				
10.1	State Tax Rate	8.84%	8.84%	8.84%	8.84%
10.2	Federal Tax Rate	21.00%	21.00%	21.00%	21.00%
10.3	Interest Expense	$0	$0	$0	$0
10.4	**State Taxable Income**	**$603,803**	**$148,572**	**($455,054)**	**$148,749**
10.5	**Federal Taxable Income**	**$550,428**	**$135,439**	**($414,828)**	**$135,600**

(End Appendix A)

Appendix B: Ducor's New Basic Residential Service Rate and Basic Business Service Rate

Basic Service	**Rate Per Month**	**Included Custom Calling Features**
Residential Service	$26.50	A. Call Waiting B. Call Forwarding 1. Variable Timed 2. No Answer 3. Busy-Line C. Caller ID
Business Service	$39.26	A. Call Waiting B. Call Forwarding 1. Variable Timed 2. No Answer 3. Busy-Line C. Caller ID

Other custom calling features not specifically identified in Appendix B shall continue to be offered to customers at the rates identified in Ducor's tariff.

(END APPENDIX B)