PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Telecommunications Division
Market Structure Branch

RESOLUTION T-15999
April 23, 1997

RESOLUTION

RESOLUTION T-15999. THE EVANS TELEPHONE COMPANY (U-1008-C). GENERAL RATE CASE FILING IN COMPLIANCE WITH DECISION NO. 94-09-065, ORDERING PARAGRAPH NO. 45, AND SECTION 454 OF THE PUBLIC UTILITIES CODE.

BY ADVICE LETTER NO. 247, FILED ON DECEMBER 29, 1995.

SUMMARY

This Resolution authorizes a general rate decrease of $618,830 for Evans Telephone Company (Evans), based on an overall rate of return of 10.00%. Consistent with this rate decrease, we restructure Evans' rates and credit its customers accordingly, to refund overcollected charges from January through April, 1997. The overcollected charges shall be refunded over an eight month period from May through December, 1997 in a Credit of 5.29%.

Appendices A, B and C detail the adopted operating revenues, expenses and rate base (at adopted rates) for Evans. Appendix D details adopted monthly rates and credits for Evans ratepayers.

BACKGROUND

Evans is a local exchange carrier (LEC) providing telephone service to portions of Alameda, Santa Clara, Stanislaus, and Yolo Counties with headquarters in Turlock, California. Evans serves approximately 10,600 access lines in the following exchanges and rate areas: Guinda, Patterson, Livingston, Capay, Westley, Cressey and Grayson.

On December 29, 1995 Evans filed Advice Letter (A.L.) 247 in response to Ordering Paragraph No. 45 of D.94-09-065, which required small LECs to file a general rate case (GRC) on or before December 31, 1995. Evans has chosen a test year of 1997 in this A.L. filing. Also, in D.94-09-065 the Commission permitted small LECs to request regulatory treatment under the New Regulatory Framework (NRF) authority through a formal application process. Evans has not filed for such authority. Evans' last GRC before the Commission was approved on October 2, 1985 in Resolution T-10964.

In A.L. No. 247, Evans requested the following:

Total Operating Revenues	$7,941,704
Total Operating Expenses	6,004,613
Total Operating Taxes	794,282
Total Rate Base	9,326,541

At present rates the net operating income from Evans' estimates is $1,142,809 resulting in a 12.25% rate of return on intrastate rate base. Since Evans is requesting an 12.85% rate of return on intrastate rate base the resulting operating deficit is $93,452 (1.18%). Evans requests that this deficit be recovered through an increase in its intraLATA Billing Surcharge from 8.57 to 10.66%.

NOTICE/PROTESTS

Evans has stated that a copy of A.L. No. 247 and accompanying tariff sheets were mailed to competing and adjacent utilities and/or other utilities. Notice of A.L. No. 247 was published in the Commission's Daily Calendar of January 10, 1996.

Evans has notified its customers of A.L. No. 247 by billing insert. One protest and several informal comments to A.L. No. 247 have been received which raise concerns about the proposed rate increase. Evans and the Telecommunications Division (TD) staff have responded to these customer's concerns.

TD staff held a Public Meeting in Turlock, California on April 5, 1996 to apprise Evans' customers of the Commission's role in GRC process and to collect public comments regarding Evans' provision of service, rates and quality of service. Five customers attended the public meeting and voiced concerns about the higher rates of rural LECs when compared to Pacific Bell.

DISCUSSION

Results of Operations and Revenue Requirement

Attached Appendix A details the comparison of intrastate results of operation between Evans and TD staff at present rates. Appendix B details intrastate results of operations at both present and adopted rates for the test year 1997. Appendix C details the net to gross multiplier calculation for Evans to arrive at a revenue requirement change, a reduction of $618,830, to make Evans whole for the test year 1997 with an adopted rate of return on intrastate rate base of 10.00%.

Operating Revenues

In attached Appendix A, Evans' and TD's estimates of present rate operating revenue estimates are $7,941,704 and $8,010,816, respectively. These differences are accounted for in the calculation of local revenues (unlisted/nonpublished telephone number charges) and in intrastate revenue settlement calculations (toll and access pool rates of return).

Senate Bill 1035 (Chapter 675, 1996), signed into law on September 20, 1996, prohibits any telephone corporation in a noncompetitive market from charging any subscriber for having an unlisted or unpublished telephone number. For the test year, Evans' estimated annual revenues from this service is $28,930. SB 1035 states that the charge shall not be eliminated until offsetting rates are implemented by the Commission. TD staff proposes that the charge be eliminated as of May 1, 1997, but that the $28,930 annual revenue requirement remain as part of local revenues, and be recovered as part of the local revenues.

In estimating intrastate access and toll revenues, Evans used a 3.00% pool rate of return for intrastate access, and a 2.00% rate of return for intrastate toll revenues. Consistent with the agreement between the five small LECs and the Office of Ratepayer Advocates (ORA) for the GRCs filed as Applications with the Commission, TD employed a 3.32% pool rate of return for intrastate access and a 5.20% rate of return for intrastate toll to estimate settlement revenues.[1] TD's estimate of total access and settlement revenues, $4,043,323, exceeds Evans' estimate of $3,915,447 by $127,876. We agree with TD's use of a 3.32% pool rate of return for intrastate access and a 5.20% rate of return for intrastate toll and will therefore adopt TD's settlement revenue estimate of 4,043,323.

Operating Expenses

Evans has estimated its operating expenses at present rates to be $6,004,613. Based upon updated information (actual 1995 and 1996 data), TD staff has estimated Evans' operating expenses, at present rates, to be $5,909,344. TD's estimate is therefore $95,269 less than Evans' estimate of operating expenses at present rates. We find TD's estimate to be reasonable.

Depreciation

In workpapers accompanying A.L. No. 247 Evans submitted a Depreciation Study as of January 1, 1994. Resolution T-15825, December 20, 1995, approved these represcription rates for accounting purposes. The TD staff recommends that Evans Depreciation Study be accepted for ratemaking purposes. We find this to be reasonable.

Operating Taxes

Estimates of both Federal and State income tax for the test year are based upon an updated tax rate for California of 8.84% which became effective on January 1, 1997. We adopt operating taxes based on our adopted results of operations.

Rate Base

Evans has estimated its average intrastate rate base at present rates to be $9,326,541. Based upon updated information (actual 1995 and 1996 data), TD staff has estimated Evans' average

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[1] Five small LECs complied with D.94-09-065, O.P. No. 45, by filing GRCs by Application, they were: California-Oregon Telephone Company (A.95-12-073), Calaveras Telephone Company (A.95-12-075), Ducor Telephone Company (A.95-12-076), Foresthill Telephone Company (A.95-12-078), and Sierra Telephone Company (A.95-12-077). The Applicants and ORA reached agreements on several issues including rates of return on settlement pools to estimate settlement revenues.

intrastate rate base at present rates, to be $8,916,900. TD requests a reduction of $409,641 from Evans estimate of average intrastate rate base at present rates. We find TD's estimate to be reasonable.

Cost of Capital

Appendix B presents TD's proposed changes in rates to achieve the authorized revenue requirement. A major difference between TD Staff and Evans concerns the overall rate of return (ROR). TD originally recommended that the Commission adopt the 9.00% figure recommended by ORA in the small LEC applications, instead of the 12.85% proposed by Evans. However, a ROR of 10.00% with a determination that equity components in the range of 60.00 to 80.00% is reasonable was adopted for California-Oregon, Calaveras, Ducor, Foresthill, and Sierra Telephone Companies in Decisions issued in their respective Applications (A.95-12-073, A.95-12-075, A.95-12-076, A.95-12-078, A.95-12-077). TD concurs that the 10.00% ROR adopted for those five telephone companies should be adopted for Evans.

Evans requests a capital structure of 84.46% equity and 15.54% debt. TD recommends an imputed capital structure of 75% equity and 25% debt. Consistent with our treatment for the other small size telephone companies, we decline to adopt a specific capital structure. However, we do find the proposed common equity ratio is within the reasonable range of common equity for small telephone companies, providing a reasonable balance of benefits between customers and shareholders (customers with a reduced revenue requirement for the company as a result of reduced income tax expense and shareholders with an additional source of funding for capital expenditures).

Evan's estimated 1997 cost of debt is 5.22%. TD calculated the embedded cost of debt to be 5.38% based on workpapers submitted by the company. The 5.38% cost of debt, recommended by TD for the test year, is reasonable and should be adopted.

As shown in the table below, the application of the 10.00% ROR we recently adopted for the five small telecommunications companies in the above decisions results in a 11.54% equity return for Evans, which is well within the reasonable range of common equity we also adopted in those decisions for small telephone companies.

Accordingly, we find the use of 10.00% overall ROR to calculate the authorized revenue requirement to be reasonable.

	Ratio	Cost	Weighted Cost
Long Term Debt	25.00%	5.38%	1.35%
Equity	75.00%	11.54%	8.66%
Total	100.00%		10.00%

Evans has the flexibility to increase or decrease its equity return through the management of its debt cost and equity ratio.

To correct the imbalance of benefit from a leveraged capital structure, an interest deduction must be reflected in calculating the test year state and federal income tax expense. We derive a $120,378 interest deduction by multiplying the adopted rate base by the 1.35% reasonable weighted cost of debt.

California High Cost Fund-A

Small LECs were authorized and ordered by D.88-07-022 and D.91-09-042 to file with the Commission, by October 1 of each year, advice letters setting forth calculations of their California High Cost Fund (CHCF-A) funding requirements for the following year. On page 1 of its appendix, D.91-09-042 stated that "Those companies with a revised local exchange revenue requirement (the sum of the present level of local exchange revenues and the net positive and negative settlements effects for such company herein specified) which cannot be met from the local exchange rate designs incorporating the 150% threshold shall be eligible to receive the balance of their revised local exchange revenue requirement from the HCF, ..." This appendix went on to state, on page 2, "Utilities shall be eligible for support from the fund limited to the amount (sic) which are forecasted to result in earnings not to exceed authorized intrastate rates of return or to the current funding level amount for the year for which HCF is being requested, whichever amount is lower."

CHCF-A advice letters are required of each small LEC annually, regardless of whether the LEC is actually requesting to draw funds from the CHCF-A. In both the annual CHCF-A advice letters and in the Commission Resolutions ruling on them, it has become customary to refer to the amount a LEC calculates as its revenue shortfall, due to the net settlements effects of specified events beyond its control, as the LEC's "CHCF-A requirement". This phrase is used regardless of whether the LEC is actually requesting to draw funds from the CHCF-A. A LEC's CHCF-A requirement of a given year becomes the starting point for the calculation of its following year's CHCF-A requirement and, potentially, fund request.

Resolution T-15987, January 13, 1997, deferred the determination of Evans' California High Cost Fund (CHCF-A) requirement for 1997, as filed in Advice Letter No. 254 (November 1, 1996), to its present GRC. In that advice letter, Evans calculated its 1997 CHCF-A requirement to be $750,355, but did not request to draw funds from the CHCF-A pending the outcome of its GRC. Since Evans is found herein to be overearning by $618,630 in 1997, we find that its actual 1997 CHCF-A requirement is zero. In its 1998 CHCF-A advice letter filing, Evans should use zero as its 1997 CHCF-A requirement, from which the calculation of its 1998 CHCF-A requirement begins.

Deregulation of Pay Telephone Service

In a separate A.L. filing, Evans proposes to detariff its payphone service pursuant to Federal Communications Commission (FCC) Order (Docket 96-388) dated September 20, 1996. This order directs all LECs to reclassify their payphone operations as unregulated customer premise equipment and to transfer associated telephone plant to unregulated service accounts.

Evans' A.L. No. 257, filed January 15, 1997, to detariff its payphone operations, will become effective on April 15, 1997. Evans, however, does not address the ratemaking aspects associated with deregulation of its payphones. Therefore we shall order Evans to file a new A.L., within 90 days of the effective date of this resolution, to address the ratemaking effects of payphone deregulation and its pay telephone service detariffing accomplished with A.L. No. 257.

Rate Design

TD's recommendation for rates and charges to be adopted in this Resolution for Evans are detailed in attached Appendix D with further explanation below by tariff schedule. If a service has been eliminated but poses no revenue impact, the service is not detailed in Appendix D.

Schedule A-1 Flat Rate Exchange Service. Evans and TD staff propose to reduce rates for 1-Party residence service in Zones 2 and 3, and change charges to residence flat rate service in the Cressey and Grayson Special Rate Areas. Also proposed is to reduce rates for 1-Party business service and Trunk Hunting Access in Zones 1,2 and 3. Evans and TD staff propose to include a service for Remote Call Forwarding (additional voice paths) at $18.00 to offer customers the ability to handle multiple calls without having to purchase additional access lines. This is adopted as detailed in Appendix D.

Schedule A-2 Mileage Rates. Evans and TD staff propose to increase charges associated with Off Premise Exchange services. This allows a rate for off premises extensions (similar to private lines) which more closely approximates costs associated with providing the service (which is comparable to the provision of an additional local loop). This is adopted as detailed in Appendix D.

Schedule A-14 Directory Listings. As mentioned in the Operating Revenues section above Evans is prohibited by Senate Bill 1035 from charging any subscriber for having an unlisted or unpublished telephone number. TD staff proposes that the charge be eliminated as of May 1, 1997, but that the annual revenue requirement remain as part of local revenues, and be recovered as part of the local revenues. This is adopted as detailed in Appendix D.

Schedule A-22 Multi-Element Service Charges. Evans and TD staff propose to reduce non-recurring charges for new and additional services, and to eliminate certain non-recurring charges associated with second lines. This is adopted as detailed in Appendix D.

Schedule A-28 Billing Surcharge. Evans and TD staff propose to eliminate the 8.57% Billing Surcharge. This is adopted as detailed in Appendix D.

Schedule A-32 Centrex Services. Evans and TD staff propose to reduce rates for access lines for Centrex in Zones 1,2 and 3. This is adopted as detailed in Appendix D.

Schedule G-1 Leased and Private Lines. Evans and TD staff propose to increase charges for termination of Local Leased Lines. This allows rates to more closely approximate costs associated with providing this service which is comparable to the provision of a local loop. This is adopted as detailed in Appendix D.

Schedule L-1 Dial Mobile Radiotelephone Service. TD staff recommends eliminating tariffs for one-way paging services which has been deregulated, and two-way radio telephone services which has been detariffed. This is adopted.

Surcharge/Credit

Pending a final determination on Evans' GRC filing, the Commission, (through its Resolution No. T-15970, dated November 26, 1996), authorized that the current rates of Evans continue on January 1, 1997. In this resolution, the Commission also ordered that after it decides on Evans' GRC filing and adopts Evans' final rates, an appropriate surcharge or a credit shall be calculated. A surcharge will apply to collect additional rates charged from January, 1997 to April, 1997. While a credit will apply over the same period of time to refund overcollected rates. In compliance with Resolution No. T-15970, we have calculated a 5.29% Credit applicable to local and toll services consistent with Evans' adopted final rates. The Credit is detailed in Appendix C and will be refunded from May to December, 1997. To implement the rate changes and credits detailed in Appendices C and D, Evans should file a Supplement to A.L. No. 247.

FINDINGS

1. Evans filed its GRC A.L. No. 247 on December 29, 1995, in compliance with D.94-09-065.

2. For the 1997 test year at present rates, Evans requests the following:

Net Operating Income	$1,142,809
Rate Base	$9,326,541
Rate of Return on Rate Base	12.25%

3. For a 1997 test year at present rates, TD recommends the following:

Net Operating Income	$1,258,976
Rate Base	$8,916,900
Rate of Return on Rate Base	14.12%

4. For the 1997 test year the differences between Evans and TD result from use of different: pool settlement rates of return, local revenues for unlisted/nonpublished numbers, operating expenses, rate base and rates of return on rate base.

5. TD's proposals to eliminate Evans' charge for nonpublished service effective April 1, 1997 and to retain the revenue associated with said service as part of Schedule A-1, (Flat Rate Exchange Service), are reasonable.

6. We find TD's recommended pool rates of return of 3.32% (for intrastate access) and 5.20% (for intrastate toll) reasonable. Therefore, we adopt TD's recommended test year 1997 intrastate access and toll revenues contained in Appendix A.

7. We find Evans' Depreciation Study acceptable for ratemaking purposes.

8. A corporate tax rate for California of 8.84% became effective on January 1, 1997. We adopt operating taxes in Appendix A based on our adopted results of operations.

9. The reasonable rate of return on rate base for Evans is 10.00% and is adopted based on the following capital structure:

	Ratio	Cost	Weighted Cost
Long Term Debt	25.00%	5.38%	1.35%
Equity	75.00%	11.54%	8.66%
Total	100.00%		10.00%

10. Resolution T-15987, January 13, 1997, deferred the determination of Evans' CHCF-A requirement for 1997, as filed in A.L. No. 254 (November 1, 1996), to its present GRC.

11. Since Evans is found to be overearning by $618,630 for 1997, we find that its actual CHCF-A requirement for 1997 is zero, rather than $750,355 as stated in its A.L. No. 254.

12. Evans filed A.L. No. 257 to detariff its payphones operations, effective April 15, 1997, pursuant to FCC Order (Docket 96-388).

13. Evans has not addressed the ratemaking aspects of payphone deregulation associated with its pay telephone service detariffing accomplished in A.L. No. 257, effective April 15, 1997.

14. Evans should file a new A.L. within 90 days of the effective date of this resolution, to address the ratemaking effects associated with payphone deregulation and its pay telephone service detariffing accomplished in its A.L. No. 257.

15. TD's recommendation for changes to rates, charges and services for Evans are reasonable, reflect our policies and should be adopted as detailed in Appendix D.

16. Pursuant to the provision of Resolution No. T-15970 dated November 26, 1996, we have calculated credits for Evans' customers as indicated in Appendix C to refund overcharges from January to April, 1997. Consistent with the credit amounts and rates adopted in Appendix D, Evans should file a supplement to A.L. No. 247 to implement these changes.

THEREFORE, IT IS ORDERED that:

1. The revenues, expenses, and rate base amounts for test year 1997 as shown in Appendix B are adopted for the Evans Telephone Company.

2. The rate design changes adopted in Appendix D are made effective on January 1, 1997. Also, the Evans Telephone Company shall refund the credits adopted in Appendix C, pursuant to Resolution No. T-15970 dated November 26, 1996 for the period May to December 1997.

3. The Evans Telephone Company shall file a supplement to Advice Letter No. 247, effective on a five days notice, to

implement the rate design adopted in Ordering Paragraph No. 2 above.

4. The Depreciation Study submitted by the Evans Telephone Company in support of Advice Letter No. 247 is adopted for ratemaking purposes.

5. The request by Evans Telephone Company in Advice Letter No. 254, November 1, 1996, for a determination that $750,355 is its CHCF-A requirement for 1997 is denied.

6. The Evans Telephone Company shall use zero as its 1997 CHCF-A requirement when it files its 1998 CHCF-A Advice Letter.

7. The Evans Telephone Company shall file a new advice letter, within 90 days of the effective date of this resolution, to address the ratemaking effects associated with payphone deregulation and its pay telephone service detariffing accomplished in its Advice Letter No. 257.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 23, 1997. The following Commissioners approved it.

Wesley Franklin

WESLEY M. FRANKLIN
Executive Director

P. GREGORY CONLON
President
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners

Appendix A, Resolution No. T-15999

Comparison of TD's and Evan's Estimated Intrastate Results of Operations
at Present Rates

Test Year 1997

Line Number		Intrastate Estimates Evans	TD	Evans Exceeds TD Amount	Percent
	OPERATING REVENUES				
1	Local Network Revenues	$3,763,813	$3,734,883	$28,930	1%
2	InterLATA Access Revenues	$1,511,931	$1,529,174	($17,243)	-1%
3	LATA Toll Revenues	$1,833,984	$1,944,617	($110,633)	-6%
4	InterState Access Revenues	$569,532	$569,532	$0	0%
5	Misc. Revenues	$313,363	$283,137	$30,226	11%
6	LESS: Uncollectibles	($50,919)	($50,528)	($391)	1%
7	TOTAL OPER. REV.	$7,941,704	$8,010,816	($69,112)	-1%
	OPERATING EXPENSES				
8	Plant Specific	$1,105,021	$1,106,609	($1,588)	0%
9	Plant Non-Specific (less Depr.)	$542,670	$527,475	$15,195	3%
10	Customer Operations	$553,248	$571,939	($18,691)	-3%
11	Corporate Operations	$2,069,281	$2,016,624	$52,657	3%
12	Depreciation & Amortization	$1,734,393	$1,686,697	$47,696	3%
13	TOTAL OPER. EXP.	$6,004,613	$5,909,344	$95,269	2%
	OPERATING TAXES				
14	Taxes Other Than Income	$91,953	$88,622	$3,331	4%
15	State Income Tax	$162,730	$187,294	($24,564)	-13%
16	Federal Income Tax	$539,599	$566,580	($26,981)	-5%
17	TOTAL OPER. TAXES	$794,282	$842,496	($48,214)	-6%
18	NET REVENUES	$1,142,809	$1,258,976	($116,167)	-9%
	RATE BASE				
19	2001 - Property, Plant & Equipment	$18,941,175	$18,396,659	$544,516	3%
20	2002 - Property Held for Future Use	$0	$0	$0	N/A
21	2003- Tel. Plant Under Constr. ST	$213,732	$206,838	$6,894	3%
22	2004- Tel. Plant Under Constr. LT	$0	$0	$0	N/A
23	1220- Materials and Supplies	$177,086	$171,049	$6,037	4%
24	Working Cash	$572,345	$489,846	$82,499	17%
25	LESS: Depreciation Reserve	($9,717,560)	($9,528,528)	($189,032)	2%
26	LESS: Deferred Tax & Customer CIAC	($860,237)	($818,964)	($41,273)	5%
27	TOT. AVG. RATE BASE	$9,326,541	$8,916,900	$409,641	5%
28	RATE OF RETURN	12.25%	14.12%		

Appendix B, Resolution No. T-15999
Results of Operations Forecast with TD's Proposed Changes in Rates

Test Year 1997

Line Number		Total Intrastate	Proposed Changes in Rates	Adopted Intrastate
	OPERATING REVENUES			
1	Local Network Revenues	$3,734,883	($618,830)	$3,116,053
2	InterLATA Access Revenues	$1,529,174		$1,529,174
3	LATA Toll Revenues	$1,944,617		$1,944,617
4	InterState Access Revenues	$569,532		$569,532
5	Misc. Revenues	$283,137		$283,137
6	LESS: Uncollectibles	($50,528)	$8,372	($42,156)
7	TOTAL OPER. REV.	$8,010,816	($610,458)	$7,400,358
	OPERATING EXPENSES			
8	Plant Specific	$1,106,609		$1,106,609
9	Plant Non-Specific (less Depr.)	$527,475		$527,475
10	Customer Operations	$571,939		$571,939
11	Corporate Operations	$2,016,624		$2,016,624
12	Depreciation & Amortization	$1,686,697		$1,686,697
13	TOTAL OPER. EXP.	$5,909,344		$5,909,344
	OPERATING TAXES			
14	Taxes Other Than Income	$88,622		$88,622
15	State Income Tax	$187,294	($53,964)	$133,330
16	Federal Income Tax	$566,580	($189,208)	$377,372
17	TOTAL OPER. TAXES	$842,496	($243,172)	$599,324
18	NET REVENUES	$1,258,976	($367,286)	$891,690
	RATE BASE			
19	2001 - Property, Plant & Equipment	$18,396,659		$18,396,659
20	2002 - Property Held for Future Use	$0		$0
21	2003- Tel. Plant Under Constr. ST	$206,838		$206,838
22	2004- Tel. Plant Under Constr. LT	$0		$0
23	1220- Materials and Supplies	$171,049		$171,049
24	Working Cash	$489,846		$489,846
25	LESS: Depreciation Reserve	($9,528,528)		($9,528,528)
26	LESS: Deferred Tax & Customer CIAC	($818,964)		($818,964)
27	TOT. AVG. RATE BASE	$8,916,900		$8,916,900
28	RATE OF RETURN	14.12%		10.00%

Appendix C, Resolution No. T-15999

Calculation of Evan's Telephone's Net to Gross Multiplier and Incremental Revenue Requirement

Test Year 1997

Calculation of Net to Gross Multiplier

Gross Operating Revenues		1.00000
Uncollectibles		(0.01353)
Net Revenues		0.98647
State Income Tax Rate (at 8.84% eff. 1/1/97)	8.84%	0.08720
Federal Taxable Income		0.89927
Federal Income Tax (at 34.00%)	34.00%	0.30575
Net Income		0.59352
Net to Gross Revenue Multiplier		1.68487325

Calculation of Incremental Revenue Requirement

State Rate Base		$8,916,900
State Return on Rate Base (at 10.00%)	10.00%	$891,690
State Net Operating Income		$1,258,976
Net Deficit or (Over Earnings)		($367,286)
Incremental Gross Revenue Requirement (Net Deficit * N to G Multiplier)		($618,830)

Calculation of Credit

Overcollected Revenues (January-April 1997)	$206,277
Monthly Amount Subject to Refund (May-December 1997)	$25,785
Monthly Billing Base	$487,595
Credit Percentage for May - December 1997	5.29%

Appendix D, Resolution No. T-15999
Present and Adopted Rates and Credit Calculation for Evans Telephone

Tariff Schedule	Units	Present Rates	Present Annual Revenues	Adopted Rates	Adopted Annual Revenues	Revenue Changes for Adopted Rates
Schedule A-1 Flat Rate Exch						
Residence 1-Line Zone 2	758	$18.95	$172,369	$18.55	$168,731	($3,638)
Residence 1-Line Zone 3	1273	$22.90	$349,820	$20.25	$309,339	($40,481)
Remote Call Forw Add Voice Path	2	$0.00	$0	$18.00	$432	$432
Cressey Zone to Flat Rate	205	$20.25	$49,815	$16.85	$41,451	($8,364)
Grayson Zone to Flat Rate	231	$20.25	$56,133	$16.85	$46,708	($9,425)
Business 1-Line Zone 1	683	$32.25	$264,321	$25.25	$206,949	($57,372)
Business 1-Line Zone 2	142	$34.30	$58,447	$27.25	$46,434	($12,013)
Business 1-Line Zone 3	356	$38.25	$163,404	$31.25	$133,500	($29,904)
CO Trunk Hunt Access Zone 1	372	$43.40	$193,738	$34.20	$152,669	($41,069)
CO Trunk Hunt Access Zone 2	52	$49.05	$30,607	$38.25	$23,868	($6,739)
CO Trunk Hunt Access Zone 3	118	$49.65	$70,304	$46.20	$65,419	($4,885)
Schedule A-2 Mileage Rates						
OPX-1st 1/4 Mile Cont. Property	98	$1.50	$1,764	$9.75	$11,466	$9,702
OPX-1st 1/4 Mile Non-Cont. Prop.	191	$3.00	$6,876	$9.75	$22,347	$15,471
Schedule A-14 Direct Listing						
Non-Published Number All Exch.	4018	$0.60	$28,930	$0.00	$0	($28,930)
Non-Published Number Guinda	0	$0.30	$0	$0.00	$0	$0
Schedule A-22 Service Charges						
New or Add'l Services NRC	982	$36.25	$35,598	$29.50	$28,969	($6,629)
2nd Line Add'l Equip/Service NRC	150	$18.00	$2,700	$0.00	$0	($2,700)
2nd Line CO Connect Work NRC	150	$30.75	$4,613	$0.00	$0	($4,613)
Schedule A-28 Bill Surcharge						
Billing Surcharge	N/A	8.57%	$375,000	N/A	$0	($375,000)
Schedule A-32 Centrex						
Centrex Access Line Zone 1	170	$32.25	$65,790	$25.25	$51,510	($14,280)
Centrex Access Line Zone 2	9	$34.30	$3,704	$27.25	$2,943	($761)
Centrex Access Line Zone 3	61	$38.25	$27,999	$31.25	$22,875	($5,124)
Schedule G-1 Lease/Priv Line						
Local Lease Lines	109	$4.10	$5,363	$9.75	$12,753	$7,390

TOTAL RATE CHANGES = INCREMENTAL REVENUE REQUIREMENT (Rounding Error of $102) ($618,932)