

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Telecommunications Division
Carrier/Market Structure Branches

RESOLUTION T-16002
April 9, 1997

R E S O L U T I O N

RESOLUTION T-16002. HORNITOS TELEPHONE COMPANY.
(U-1011-C). GENERAL RATE CASE FILING IN COMPLIANCE WITH
DECISION NO. 94-09-065, ORDERING PARAGRAPH 45, AND
SECTION 454 OF THE PUBLIC UTILITIES CODE.

BY ADVICE LETTER NO. 146, FILED ON DECEMBER 28, 1995.

SUMMARY

This Resolution authorizes a net revenue requirement of \$144,971 for Hornitos Telephone Company (Hornitos) for the test year 1997. A total rate base amount of \$1,449,571 is adopted with an authorized overall rate of return figure of 10.00%. Hornitos had requested a test year net revenue requirement of \$223,445 for a total rate base amount of \$1,533,791 for an authorized overall Rate of Return of 14.57%, same as its estimated results of operations at present rates.

Appendix A contains a comparison of Telecommunications Division (TD) and Hornitos 1997 Test Year Intrastate Results of Operations at present rates. Appendix B contains the Results of Operations Forecast for 1997 with TD's proposed changes in rates. The TD staff sets a cap for the Network Access Service-Intrastate \$313,510 and the Toll Service \$218,891 settlement pools for 1997. In subsequent years, Hornitos' authorized draw, if any, from the Network Access Service-Intrastate fund will be reduced by \$79,890 and Toll Service authorized draw, if any, will be reduced by \$55,778, for a total required reduction of \$135,688. We adopt TD's proposed changes. Appendix C contains the calculation of the net to gross multiplier and incremental revenue requirement determination for the authorized revenue requirement. Appendix C includes a rate design summary to reflect the gross revenue requirement reduction of \$140,064. Appendix D lists the changes in rates that we adopt herein, including a credit necessary to

refund excess rates charged between January 1, 1997, and the rates adopted today, pursuant to Resolution No. T-15970, November 26, 1996.

BACKGROUND

Decision No. 94-09-058, Ordering Paragraph No. 45, required all small Local Exchange Companies (LECs) to file general rate cases (GRCs) on or before December 31, 1995. The decision also permitted the small LECs to file applications for New Regulatory Framework (NRF) authority. Hornitos filed Advice Letter No. 146 on December 28, 1995, with its Test Year 1997 GRC filing. Hornitos did not file an application seeking NRF authority.

Hornitos is a small rural LEC serving the Hornitos, Cathey's Valley and Mt. Bullion exchanges in Mariposa County. Hornitos estimates that it will serve an average of 595 access lines during the test year 1997.

The Hornitos GRC was originally filed as a combination of three TDS telephone companies (TDS), Hornitos, Happy Valley and Winterhaven. TDS filed the GRC in this manner to offset the expected rate shock that would occur with these three companies. TDS was informed that the three companies GRCs would have to be filed individually. In Advice Letter No. 146, Hornitos seeks a 1997 test year total operating revenue requirement of \$971,599, with operating expenses of \$370,143. Taxes, depreciation and amortization amount to \$377,363. Net revenues amount to \$223,446, with an authorized rate base of \$1,533,791, which results in a 14.57% overall rate of return. Since at present rates Hornitos estimates it would be under-earning by \$8,528, on the three companies combined basis (TDS), in total operating revenues, Hornitos proposes to increase revenues by this amount by increasing the Directory Listing rates (Schedule A-10), the Multi-Element Service Charges (Schedule A-14), the Custom Calling Features (Schedule A-17), and the Inside Wire Maintenance Service (Schedule A-22), effective January 1, 1997.

NOTICE/PROTESTS

Hornitos states that a copy of the Advice Letter and related tariff sheets was mailed to competing and adjacent utilities and/or other utilities. Notice of Advice Letter No. 146 was published in the Commission Daily Calendar of January 11, 1996.

Notice of the Advice Letter No. 146 filing was made to customers by bill insert. No protest to this Advice Letter has been received.

Staff of the TD held a public meeting in Hornitos on April 1, 1996, at which time Hornitos explained its GRC filing to subscribers and subscribers were offered the opportunity to ask questions of Hornitos and the TD staff. One subscriber attended the meeting, but did not ask questions or raise any concerns.

DISCUSSION

Results of Operations

Appendix A compares the test year 1997 results of operations (RO) estimates made by the TD staff and Hornitos. The TD staff estimates total 1997 operating revenues of \$1,107,829 and Hornitos estimates revenues of \$971,599 at present rates.

The differences in revenues between TD and Hornitos result from higher access and toll pool settlement rates of return agreed to by the Commission's Office of Ratepayer Advocates (ORA) and the small LECs who filed GRC Applications. TD staff also requested updates from Hornitos reflecting actual, rather than estimated year end 1995 and 1996 account balances. We find TD's estimates to be reasonable.

The difference in operating expenses are a result of TD accepting, for ratemaking purposes, new depreciation rates than those originally used in the GRC filing. In addition, TD used actual 1996 plant additions rather than 1996 projections, which results in TD accepting a higher expense amount than what Hornitos originally estimated.

TD also accepted 1996 actual figures for the rate base rather than Hornitos' projections. This results in a lower average rate base than what Hornitos had originally filed.

Rate of Return

Appendix B presents TD's proposed changes in rates to achieve the authorized revenue requirement. A major difference between TD staff and Hornitos concerns the overall rate of return. TD recommends that the Commission adopt a 10.00% figure instead of

the 14.57% proposed by Hornitos. However, a ROR of 10.00% with a determination that equity components in the range of 60% to 80% is reasonable was adopted for Cal-Oregon, Calaveras, Ducor, Foresthill, and Sierra Telephone Company in Decision 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% rate of return adopted for those five telephone companies should be adopted for Hornitos.

Hornitos requests a capital structure of 80% equity and 20% debt. TD calculated a capital structure with 77.41% equity and 22.59% based on workpapers submitted by the company. Consistent with our treatment for the other small size telephone companies, we decline to adopt a specific capital structure. However, we do find TD's 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 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).

TD recommends that when any RTB stock is redeemed, Hornitos should file an application with this Commission requesting a determination of the appropriate ratemaking treatment for the gain on the redemption of the RTB stock. TD's recommendation is reasonable and should be adopted.

Hornitos proposes to account for holding Rural Telephone Bank (RTB) stock with an upwards adjustment to rate base. The Commission in its GRC decisions for Cal-Oregon, Calaveras, Ducor, Foresthill, and Sierra Telephone Company adopt a different treatment for RTB stock. The Commission excluded RTB stock from the outstanding balance of long-term debt when calculating the embedded cost of debt. TD concurs with the treatment adopted in the decisions for the other telephone companies. TD's recommendation is reasonable and should be adopted. TD recommends the same treatment for Hornitos.

Hornitos' estimated 1997 cost of debt is 3.08%. TD calculated a 3.10% cost of debt. This difference results from TD excluding Hornitos' Rural Telephone Bank Stock from its outstanding balance of long-term debt. TD's proposed cost of debt of 3.10% 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 their GRC decisions results in a 12.01% equity return for Hornitos. A 12.01% equity return is well within the reasonable range of common equity that we adopted in those decisions. Accordingly, we find the use of a 10.00% overall ROR to calculate the authorized revenue requirement for Hornitos to be reasonable.

	<u>RATIO</u>	<u>COST</u>	<u>WEIGHTED COST</u>
Long Term Debt	22.59%	3.10%	.70%
Equity	77.41%	12.01%	9.30%
Total	100.00%		10.00%

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

Rate Design

TD recommends that the \$140,064 decrease in local revenues be achieved by eliminating the 8.57% surcharge, reducing the Network Access Service-Intrastate pool funds, the Toll Service Pool funds and eliminating the revenues generated from the Non-Published service. Appendix C presents the net to gross multiplier calculation and summarizes the rate design changes necessary to reduce revenues by \$140,064. TD recommends eliminating the 8.57% billing surcharge (Schedule A-20), and capping the amount that Hornitos can receive from the Network Access Service-Intrastate and the Toll Service settlement pools. The TD staff sets a cap for the Network Access Service-Intrastate \$313,510 and the Toll Service \$218,891 settlement pools for 1997. In subsequent years, Hornitos' authorized draw, if any, from the Network Access Service-Intrastate fund will be reduced by \$79,890 and Toll Service authorized draw, if any, will be reduced by \$55,778, for a total required reduction of \$135,668.

Senate Bill 1035

Senate Bill 1035 (Chapter 675, 1996), approved by the Governor, September 20, 1996, prohibits any telephone corporation in a noncompetitive market from charging any subscriber for having an unlisted or unpublished telephone number. Hornitos' Schedule A-10, Non-Published Service, provides unpublished service at the rate of \$.15 per month. The 1997 estimated units are 121 which results in \$217.80 in revenues per year. 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 \$217.80 annual revenue requirement remain as part of local revenues to be recovered as part of the local exchange rate (Schedule A-1, residence). We find this proposal to be reasonable.

Deregulation of Pay Telephone Service

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

Hornito's Advice Letter No. 156, dated January 15, 1997, to detariff its payphone operations will become effective on April 15, 1997. Hornitos, however, does not address the ratemaking aspects associated with deregulation of its payphones. Therefore we shall order Hornitos to file a new advice letter, within 90 days of the effective date of this resolution, to address the ratemaking effects of payphone deregulation and its payphone service detariffing accomplished with Advice Letter No. 156.

Resolution No. T-15970, November 26, 1996, required that the present rates of Hornitos be subject to refund as of January 1, 1997 pending a final decision on Hornitos' GRC filing. A credit has been calculated to refund excess rates charged between January 1, 1997 and the end of March 1997. The credit is listed in Appendix D and will exist until December 31, 1997. We find TD's recommended rate changes to be reasonable. Hornitos should file a Supplement to Advice Letter No. 146 implementing the rate design changes adopted in Appendix D.

California High Cost Fund

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 one 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

FINDINGS

1. Hornitos filed its GRC Advice Letter No. 146 on December 28, 1995, in compliance with Decision No. 94-09-058.

2. Hornitos requested a 1997 test year net revenue requirement of \$223,446 and a total rate base amount of \$1,533,791 with an overall Rate of Return of 14.57%.

3. TD staff recommends a 1997 test year net revenue amount of \$144,971, a total rate base amount of \$1,449,571, and a gross revenue reduction of (\$140,036) for an overall rate of return of 10.00%.

4. Differences between TD staff and Hornitos result from changes to the state tax rate, pooled settlement rates of return, use of 1995 and 1996 year-end accounts for estimates, and the overall the rate of return.

5. We find that a rate of return of 10.00% with a determination that equity components in the range of 60% to 80% is reasonable was adopted for Cal-Oregon, Calaveras, Ducor, Foresthill, and Sierra Telephone Company 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's recommendation to adopt for Hornitos the 10.00% overall Rate of Return is reasonable.

6. We find that when Hornitos redeems any RTB stock, Hornitos should file an application with this Commission requesting a determination of the appropriate ratemaking treatment for the gain on the redemption of the RTB stock. TD's recommendation is reasonable.

7. We find TD's recommendation for test year 1997 revenues, expenses, and rate base contained in Appendix B to be reasonable.

8. Resolution No. T-15970, November 26, 1996, made Hornitos' present rates subject to refund effective January 1, 1997.

9. TD's recommended test year 1997 decrease in operating revenues of \$140,064 should be implemented in accord with the rate design changes adopted in Appendix C.

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10. TD's recommended funding reductions for Hornitos on the Network Access Service-Intrastate and the Toll Service pools for 1997, and subsequent years, as adopted in Appendix B, is reasonable.

11. TD's proposal in response to Senate Bill 1035 to eliminate Hornitos' charge for Non-Published service (Schedule A-10, \$.15 per month) effective May 1, 1997, but to retain a revenue requirement of \$217.80 per year as part of Schedule A-1, Residence Service, is reasonable.

12. Hornitos should file a Supplement to Advice Letter No. 146 to implement the rate changes approved in Appendix D.

13. Hornitos filed Advice Letter No. 156 to detariff its payphone operations, effective April 15, 1997, pursuant to FCC Order (Docket 96-388).

14. Hornitos has not addressed the ratemaking aspects of payphone deregulation associated with its pay telephone service detariffing accomplished in Advice Letter No. 156, effective April 15, 1997.

15. Hornitos should 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. 156.

16. Resolution T-15987, January 13, 1997, deferred the determination of Hornitos' California High Cost Fund (CHCF-A) requirement for 1997, as filed in Advice Letter No. 153, November 1, 1996, to its present GRC.

17. Since Hornitos is found to be overearning by \$140,064 for 1997, we find that its actual CHCF-A requirement is zero.

18. Hornitos' Depreciation Study submitted in workpapers supporting Advice Letter No. 146 should be adopted for ratemaking purposes.

THEREFORE, IT IS ORDERED that:

1. The revenues, expenses, and rate base amounts recommended by the Telecommunications Division for Hornitos Telephone Company for test year 1997 in Appendix B are adopted for ratemaking purposes.

2. Hornitos Telephone Company redeems any RTB stock, Hornitos shall file an application with this Commission requesting a determination of the appropriate ratemaking treatment for the gain on the redemption of the RTB stock.

3. The rate design changes adopted in Appendix D are made effective January 1, 1997. Hornitos Telephone Company shall refund the credits adopted in Appendix D pursuant to Resolution No. T-15970, November 26, 1996.

4. A reduction is set on the amount that Hornitos can receive from the Network Access Service-Intrastate \$313,510 and the Toll Service pool \$218,891 for 1997, and in subsequent years, Hornitos' authorized draw, if any, from the Network Access Service-Intrastate fund will be reduced by \$79,890 and Toll Service authorized draw, if any, will be reduced by \$55,778, for a total required reduction of \$135,668, as adopted in Appendix B of this Resolution.

5. Hornitos Telephone Company shall file a supplement to Advice Letter No. 146, effective on 5 days notice, to implement the rate design changes adopted in Ordering Paragraph 2 above.

6. The request by Hornitos Telephone Company in Advice Letter No. 153, November 1, 1996, for the CHCF-A funding for 1997, pending the outcome of the General Rate Case filing in Advice Letter No. 146 is denied.

7. Hornitos telephone Company shall use zero as its 1997 CHCF-A requirement when it files its 1998 CHCF-A advice letter.

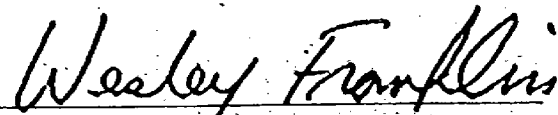
8. Hornitos Telephone Company shall file a new advice letter, within 90-days of the effective date of this resolution, to address the ratemaking effects associated with payphone deregulation and its pay telephone service detariffing accomplished in its Advice Letter No. 156.

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9. The Depreciation Study submitted by Hornitos Telephone Company and adjusted by the TD, in support of Advice Letter No. 146, is adopted for ratemaking purposes.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 9, 1997. The following Commissioners approved it:



WESLEY M. FRANKLIN
Executive Director

P. GREGORY CONLON
President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners

HORNITOS

Appendix A, Resolution No. T-16002

Comparison of TD's and Hornitos Telephone Company Estimated Intrastate Results of Operations at Present Rates

Test Year 1997

	Intrastate Estimates		Hornitos Exceeds TD	
	Hornitos	TD	Amount	Percent
OPERATING REVENUES				
Local Network Revenues	\$106,996	\$107,360	(\$364)	0%
Network Access Service-USF	\$262,120	\$262,120	\$0	0%
Network Access Service-IntraState	\$327,931	\$393,400	(\$65,469)	-17%
Toll Service	\$216,445	\$274,669	(\$58,224)	-21%
B & C Intrastate	\$54,378	\$66,551	(\$12,173)	-18%
Other Operating	\$3,684	\$3,684	\$0	0%
LESS: Uncollectibles	\$45	\$45	\$0	0%
TOTAL OPER. REV.	\$971,599	\$1,107,829	(\$136,230)	-12%
OPERATING EXPENSES				
Depreciation & Amortization	\$210,639	\$374,874	(\$164,235)	-44%
Plant Specific	\$70,441	\$70,441	\$0	0%
Plant Non-Specific (less Depr.)	\$51,865	\$51,865	\$0	0%
Customer Operations	\$88,308	\$88,308	\$0	0%
Corporate Operations	\$160,176	\$161,011	(\$835)	-1%
Other Income & Expenses	(\$647)	(\$647)	\$0	0%
TOTAL OPER. EXPS.	\$580,782	\$745,852	(\$165,070)	-22%
OPERATING TAXES				
Operating ITC	(\$5,348)	(\$5,348)	\$0	0%
Property Tax	\$28,453	\$28,453	\$0	0%
Other Taxes	\$8	\$8	\$0	0%
Federal Income Tax	\$112,104	\$85,330	\$26,774	31%
Amort. Deferred FIT	(\$373)	(\$373)	\$0	0%
State Income Tax	\$32,842	\$24,998	\$7,844	31%
Amort. Deferred SIT	(\$315)	(\$315)	\$0	0%
TOTAL OPER. TAXES	\$167,371	\$132,753	\$34,618	26%
NET OPERATING INCOME	\$223,446	\$229,224	(\$5,778)	-3%
RATE BASE (Average)				
Plant in Service	\$3,043,748	\$3,035,920	\$7,828	0%
Materials & Supplies	\$9,618	\$9,618	\$0	0%
Working Cash	\$62,750	\$63,343	(\$593)	-1%
RTB Stock	\$9,577	\$0	\$9,577	N/A
LESS: Depreciation Reserve	(\$1,437,746)	(\$1,505,154)	\$67,408	-4%
LESS: Deferred Tax	(\$153,266)	(\$153,266)	\$0	0%
LESS: Customer Deposits	(\$890)	(\$890)	\$0	0%
TOT. AVG. RATE BASE	\$1,533,791	\$1,449,571	\$84,220	6%
RATE OF RETURN	14.57%	15.81%		

HORNIOS

Appendix B, Resolution No. T-16002 Results of Operations Forecast with TD's Proposed Changes in Rates

Test Year 1997

	Total Intrastate	Proposed Changes in Rates	Adopted Intrastate
OPERATING REVENUES			
Local Network Revenues	\$107,360	(\$4,362)	\$102,998
Network Access Service-USF	\$262,120		\$262,120
Network Access Service-IntraState	\$393,400	(\$79,890)	\$313,510
Toll Service	\$274,669	(\$55,778)	\$218,891
B & C Intrastate	\$66,551		\$66,551
Other Operating	\$3,684		\$3,684
LESS: Uncollectibles	\$45	(\$6)	\$39
TOTAL OPER. REV.	\$1,107,829	(\$140,036)	\$967,793
OPERATING EXPENSES			
Depreciation & Amortization	\$374,874		\$374,874
Plant Specific	\$70,441		\$70,441
Plant Non-Specific (less Depr.)	\$51,865		\$51,865
Customer Operations	\$88,308		\$88,308
Corporate Operations	\$161,011		\$161,011
Other Income & Expenses	(\$547)		(\$547)
TOTAL OPER. EXPS.	\$745,852		\$745,852
OPERATING TAXES			
Operating ITC	(\$5,348)		(\$5,348)
Property Tax	\$28,453		\$28,453
Other Taxes	\$8		\$8
Federal Income Tax	\$85,330	(\$43,403)	\$41,927
Amort. Deferred FIT	(\$373)		(\$373)
State Income Tax	\$24,998	(\$12,379)	\$12,619
Amort. Deferred SIT	(\$315)		(\$315)
TOTAL OPER. TAXES	\$132,753	(\$55,783)	\$76,970
NET OPERATING INCOME	\$229,224	(\$84,253)	\$144,971
RATE BASE (Average)			
Plant in Service	\$3,035,920		\$3,035,920
Materials & Supplies	\$9,618		\$9,618
Working Cash	\$63,343		\$63,343
RTB Stock	\$0		\$0
LESS: Depreciation Reserve	(\$1,505,154)		(\$1,505,154)
LESS: Deferred Tax	(\$153,266)		(\$153,266)
LESS: Customer Deposits	(\$890)		(\$890)
TOT. AVG. RATE BASE	\$1,449,571		\$1,449,571
RATE OF RETURN	15.81%		10.00%

HORNITOS

Appendix C, Resolution No. T-16002

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

Test Year 1997

Gross Operating Revenues		1.00000
Uncollectibles		<u>0.00004</u>
Net Revenues		0.99996
State Income Tax Rate (at 8.84% eff. 1/1/97)	8.84%	0.08840
Federal Taxable Income		<u>0.91156</u>
Federal Income Tax (at 34.00%)	34.00%	0.30993
Net Income		0.60163
Net to Gross Revenue Multiplier		1.662146844
State Rate Base		\$1,449,571
State Return on Rate Base (at 10.00%)	10.00%	\$144,957
State Net Operating Income		\$229,224
Net Deficit or (Over Earnings)		(\$84,267)
Gross Revenue Requirement Change		(\$140,064)
Less:		
No Pub-Direct Billing Surchg.	Schedule A-10	\$218
	Schedule A-20	<u>\$4,158</u>
Remaining Revenue Requirement Change:		(\$135,688)

HORNITOS

APPENDIX D, RESOLUTION NO. 16002, APRIL 9, 1997

The Hornitos Telephone Company

Rate Changes

Schedule No.	Service	Present Rate	Adopted	Credit*
A-10	Non-Published	\$0.15	\$0.00	NA
A-20	Billing Surcharge	8.57%	0.00%	\$ 2.44 per access line

* Refund on a one time basis, by December 31, 1997, in accordance with Resolution T-15970, November 26, 1996 to reflect overcharges collected in the first four months of 1997. Refund expires December 31, 1997.

Proposed changes in rates	\$	(4,362.00)
Divided by 12 monthly periods		12
Monthly overbilling	\$	363.50
Jan 1st thru April 31st Over billing	\$	1,454.00
Divide overbilling by projected cust.	\$	2.44

Credit on a one time basis per access line is \$2.44

Appendix E, Resolution No. T-16002

Annual Depreciation Accrual and Rate Determination for Hornitos Telephone Company
Straight Line Remaining Life Method as of January 1, 1996

Acct No.	Description	Gross Plant	Net Salvage	Salvage Amount	Plant Reserve	Net Balance	Average Service Life	Remaining Life	Annual Accrual	% of Gross Plant
21120	Vehicles	\$56,068	5%	\$2,803	\$24,350	\$28,915	7	3.97	\$7,283	12.99%
21160	Other Work Equipment	\$26,567			\$5,442	\$21,125	15	12.75	\$1,657	6.24%
21210	Buildings	\$342,780			\$133,846	\$208,934	30	18.59	\$11,239	3.28%
21220	Furniture	\$8,175			\$8,175	\$0	15	8.1	\$0	0.00%
21231	Office Equipment	\$8,493			\$8,493	\$0	7	1.16	\$0	0.00%
21232	Company Comm. Equipment	\$3,304			(\$2,632)	\$5,936	7	3.35	\$19,073	14.29%
21240	Computers & Software	\$33,769			\$32,897	\$872	5	0.87	\$45,556	20.00%
22120	COE - Digital Switch	\$777,640			\$485,452	\$292,188	15	1.25	\$233,750	30.06%
22320	COE - Circuit Equipment	\$529,711	5%	\$38,882	\$437,319	\$53,510	10	3.03	\$17,660	3.33%
23510	Public Telephone Equipment	\$10,054			\$6,829	\$3,225	10	4.73	\$10,162	10.00%
24110	Pole Lines	\$101,948	-50%	(\$50,974)	\$88,625	\$64,297	17	3	\$21,432	21.02%
24210	Aerial Equipment	\$159,477	9%	(\$14,353)	\$62,545	\$111,285	17	8.34	\$13,344	8.37%
24221	Underground Cable	\$8,960			\$1,991	\$6,969	17	11.04	\$631	7.05%
24230	Buried Cable Metallic	\$1,481,376			\$428,369	\$1,053,007	17	8.76	\$120,206	8.11%
24231	Buried Cable-Non Metallic	\$184,928			\$10,629	\$174,299	25	23.5		
24310	Aerial Wire	\$5,752	10%	(\$575)	\$5,539	\$783	7	2.49	\$316	5.50%
24410	Underground Conduit	\$36,605			\$9,937	\$26,668	25	17.72	\$1,505	4.11%
	TOTAL	\$3,775,607		(\$24,217)	\$1,747,806	\$2,052,018			\$503,816	13.34%

Appendix F, Resolution No. T-16002

Annual Depreciation Accrual and Rate Determination for Hornitos Telephone Company
 Depreciation Study Comparison With Theoretical Reserve as of January 1, 1996

Acct No.	Description	Gross Plant	Present Deprec. Rate	Present Accrual	Proposed Deprec. Rate	Proposed Accrual	Change in Deprec. Rate	Change in Accrual
21120	Vehicles	\$56,068	17.53%	\$9,829	12.99%	\$7,283	-4.54%	(\$2,545)
21160	Other Work Equipment	\$26,567	4.72%	\$1,254	6.24%	\$1,657	1.52%	\$403
21210	Buildings	\$342,780	3.68%	\$12,614	3.28%	\$11,239	-0.40%	(\$1,375)
21220	Furniture	\$8,175	9.99%	\$817	0.00%	\$0	-9.99%	(\$817)
21231	Office Equipment	\$8,493	7.62%	\$647	0.00%	\$0	-7.62%	(\$647)
21232	Company Comm. Equipment	\$3,304	9.50%	\$314	14.29%	\$472	4.79%	\$158
21240	Computers & Software	\$33,769	22.68%	\$7,659	20.00%	\$6,754	-2.68%	(\$905)
22120	COE - Digital Switch	\$777,640	6.38%	\$49,613	30.06%	\$233,750	23.68%	\$184,137
22320	COE - Circuit Equipment	\$529,711	21.01%	\$111,292	3.33%	\$17,660	-17.68%	(\$93,632)
23510	Public Telephone Equipment	\$10,054	8.59%	\$864	10.00%	\$1,005	1.41%	\$142
24110	Pole Lines	\$101,948	5.47%	\$5,577	21.02%	\$21,432	15.55%	\$15,856
24210	Aerial Equipment	\$159,477	5.60%	\$8,931	8.37%	\$13,344	2.77%	\$4,413
24221	Underground Cable	\$8,960	4.07%	\$365	7.05%	\$631	2.98%	\$267
24230	Buried Cable-Metallic	\$1,481,376	4.07%	\$60,292	8.11%	\$120,206	4.04%	\$59,914
24231	Buried Cable-Non Metallic	\$184,928	4.07%					
24310	Aerial Wire	\$5,752	11.52%	\$663	5.50%	\$316	-6.02%	(\$346)
24410	Underground Conduit	\$36,605	4.05%	\$1,483	4.11%	\$1,505	0.06%	\$22
	TOTAL	\$3,775,607		\$272,212		\$437,256		\$165,044