PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Telecommunications Division
Carrier Branch

RESOLUTION T-16006
April 23, 1997

R E S O L U T I O N

RESOLUTION T-16006. THE SISKIYOU TELEPHONE COMPANY (U-1017-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. 225, FILED ON NOVEMBER 28, 1995.

SUMMARY

This Resolution authorizes a general rate reduction of $409,516 for The Siskiyou Telephone Company (STC), based on an overall rate of return of 10.00%. Consistent with this rate reduction, we restructure STC's rates and credit its customers accordingly to refund overcollected charges from January 1997 to April 1997. The overcollected charges shall be refunded on a one-time basis no later than the May 1997 billing cycle.

Appendix B details the adopted operating revenues, expenses, and rate base (at final adopted rates) for STC. Appendix C shows the calculation of the revenue reduction, while Appendix D contains the adopted restructured monthly rates and charges and the one-time credits to the customers.

BACKGROUND

The Siskiyou Telephone Company (STC) is a local exchange carrier (LEC) providing telephone service to portions of Siskiyou and Humboldt Counties. Its current headquarters is in Fort Jones. STC serves approximately 4,300 access lines in seven exchanges: Etna, Fort Jones, Hamburg, Happy Camp, Oak Knoll, Sawyers Bar-Forks of Salmon, and Somes Bar.

In its Decision (D.) No. 94-09-065, Ordering Paragraph (O.P.) No. 45, the Commission required small LECs, like STC, to file a general rate case (GRC) on or before December 31, 1995. In that decision, the Commission also permitted the small LECs to request for a New Regulatory Framework (NRF) authority through the formal application process. In compliance with D.94-09-065, O.P. No. 45, STC filed Advice Letter (A.L.) No. 225 on November 28, 1995, with a 1997 test year. STC, however, did not file an application for NRF authority. STC's last general rate case, (A.L. No. 114), was authorized by Resolution T-10768, dated November 22, 1983.

In its A.L. No. 225, Siskiyou requests an increase of $41,507 (0.68%) in its total operating revenues, which would generate an 11.30% rate of return on its intrastate rate base. To realize the requested increase, STC proposes the following for its intrastate operations:

Total Operating Revenues	$ 6,114,731
Total Operating Expenses	4,263,959
Total Operating Taxes	623,729
Total Rate Base	10,857,895

At present rates, STC estimates that it will have a net deficit of $24,973 (11.07% rate of return) in test year 1997. Since it is requesting an 11.30% rate of return, STC proposes to increase its residential and business service rates. In addition, STC proposes to discontinue all of its Special Rate Areas (SRAs), which the company believes are no longer necessary since STC's mileage rates have been eliminated. STC also requests elimination of the Foreign Exchange Network Service, (Schedule No. A-7), and Interexchange Receiving Service, (Schedule No. A-18). Neither of these services has any customers, and STC cannot provide Interexchange Receiving Service because it no longer has an Operator Service Center.

NOTICE/PROTESTS

STC states that a copy of A.L. No. 225 and related tariff sheets were mailed to competing and adjacent utilities and/or other utilities. Notice of A. L. No. 225 was published in the Commission Daily Calendar of December 6, 1995.

STC notified its customers of its A.L. No. 225 by a bill insert. No protest to this advice letter filing has been received.

However, STC's customers mailed informal comments expressing their concerns on the proposed change in residential rates.

The staff of the Telecommunications Division (TD) held two public meetings with STC's customers to explain the rate increase process and to receive public comments. The public meetings were held on April 8 and 9, 1996 in Fort Jones and Happy Camp, respectively. Eight customers attended the public meeting in Fort Jones, while six customers attended the public meeting in Happy Camp. During the meeting, customers commented on the proposed rate increase. Generally, the customers stated that the proposed rate increases were too high. No comments on service quality were received.

DISCUSSION

Results of Operations

Appendix A shows STC's intrastate results of operations for test year 1997, as estimated by STC and TD at present rates. In addition, Appendix A displays our adopted results.

Total Operating Revenue

STC's estimate of intrastate operating revenue at present rates of $6,073,224 is lower than TD's estimate of $6,140,913 by $67,689 (1.11%). The differences are in STC's and TD's estimates of local, network access, long distance and miscellaneous revenues.

As fully discussed in the rate design section below, Senate Bill (SB) 1035 provides that telephone corporations not charge customers for unlisted or unpublished telephone number. Consistent with this bill, TD eliminated the revenues associated with this service from its estimate of local revenues. Also, TD adjusted local revenues to account for revenues associated with Caller ID service which STC included instead in the rate design but not in its 1997 intrastate results of operations. We agree with TD's adjustment, which results in a total of $1,113,652 for local revenues.

Network access service revenues comprise of interstate and intrastate portions. The revenue requirement calculation for intrastate network access service takes into consideration the following: investment or rate base, pool rate of return, expenses, and taxes. STC forecasted a 2.32% pool rate of return for the intrastate access and private line. TD used a 3.32% pool rate of return, which is the rate of return agreed upon by the five small LECs and the Office of Ratepayer Advocates (ORA) in the five formal GRC proceedings.[1] Thus TD's estimate for network access service revenues ($3,121,396) is higher than STC's estimate ($3,100,756) by $20,640. We agree with TD's use of a 3.32% pool rate of return for intrastate access.

Long distance network revenues consist mainly of toll revenues. STC forecasted a 4.20% pool rate of return for the intrastate message toll. TD, however, used a 5.20% pool rate of return, consistent with the rate of return agreed upon by the five small LECs and ORA, as mentioned above. We agree with TD's application of a 5.20% pool of rate of return resulting in $1,688,836 in long distance network revenues.

TD also recommends including rental revenue associated with the Fort Jones building. This issue is fully discussed below under the Rate Base section.

Total Operating Expenses

STC's estimate of intrastate operating expenses at present rates ($4,263,959) is higher than TD's estimate ($4,119,449) by $144,510 (3.39%). The difference in STC's and TD's estimates is due to the use of different forecasting methodology in estimating expenses.

By comparing its budgeted expenses with regression analysis of recorded expenses, STC found that its projections closely matched the budgeted calculations. Based on this finding, STC used regression analysis to estimate expenses except for the following categories: depreciation, general support, and central office switching expenses. TD, however, used the constant dollar method to convert nominal dollars to inflation adjusted figures. This was done by using the recorded inflation factors for each year and compounding them to 1995 dollars. The constant dollar method

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[1] Five small LECs complied with D.94-09-065, O.P. No. 45, by filing their general rate case through a formal proceeding. These companies are: California-Oregon Telephone Company (Application No. 95-12-073), Calaveras Telephone Company (Application No. 95-12-075), Ducor Telephone Company (Application No. 95-12-076), Foresthill Telephone Company (Application No. 95-12-078), and Sierra Telephone Company (Application No. 95-12-077). Evidentiary hearings were conducted in these five proceedings. During and after the evidentiary hearings, these five small LECs and ORA reached agreements on contested issues. TD's recommendations are consistent with these agreements.

was applied to benchmark the constant price of a basket of utility expenses in various years to a selected base year. In this case, TD used 1995 as the base year. To estimate STC's expenses, TD converted the expenses for 1993 and 1994 to 1995 dollars. TD took the average of these three years' (1993, 1994, and 1995) expenses and applied the appropriate inflation factors to arrive at 1996 and 1997 expenses.

In support of its regression analysis, STC submitted coefficient of determination calculations. [A coefficient of determination measures the strength of relationship between the actual historical figures and the regression expense calculations. A coefficient of determination closer to one (100%) indicates a greater degree of relationship; while a coefficient of determination closer to zero indicates a lesser degree of relationship.] Almost half of STC's submitted coefficient of determination results were less than 50%. Based on these results, TD recommends that the Commission not adopt those STC's expenses which use regression analysis.

Generally for traditional GRCs, the Commission adopts the constant dollar method. We find no strong reason to deviate from this method for STC's GRC since almost half of the coefficient of determination data presented by STC shows that the resulting level of expenses based on the regression analysis are not closely related to the actual historical figures. Therefore, we will adopt TD's expense estimates based on the constant dollar method.

Operating Taxes

The difference in tax estimates between STC and TD is due mainly to the differences in estimates of revenues and expenses. In calculating the state tax, both used 8.84%, which is the state tax effective on January 1, 1997. We adopt an operating tax amount here based on our adopted results of operations and this tax rate.

Rate Base

The total rate base includes plant-in-service, telephone plant under construction, materials and supplies, and working cash. STC believes that its current building in Fort Jones (which serves as an office and site of switching facilities and warehouse) is no longer adequate. STC proposes to build a new office building in Etna for its employees and office equipment, and to use the building in Fort Jones for its switching facilities and warehouse. STC also foresees that there would be available office rental space in Fort Jones.

Although TD staff confirmed during their office visit in Fort Jones that additional space for employees and office equipment appears to be reasonable, TD had concerns in accepting STC's proposal to include its new headquarters building in Etna, (including the land where it will be built), in its total plant-in-service estimate. Specifically, TD is concerned that the construction might not be completed in 1997 given a prior delay in the construction schedule. To justify its proposal, STC made the following submittals to TD: grant deed of the land it purchased for its new headquarters; a signed contract between STC and the contractor for the construction of the new headquarters with a contract completion date of June 30, 1997, (STC noticed TD of the delay in construction until the third quarter of 1997); and occupancy plans.

After receipt of the above, TD concurred with STC's total plant-in-service estimate. However, because STC foresees additional available rental space in Fort Jones, TD imputed rental revenues accordingly. We find the total plant-in-service agreed upon between STC and TD and the imputation of rental revenue reasonable. However, we reserve the right to make the necessary adjustments in the plant-in-service if the new headquarters building is not completed and in service by 1997. Accordingly, STC should notify the Director of the Telecommunications Division by letter of the completion and occupancy dates of the building. If considerable delays are faced by STC, which prevents its new headquarters from being completed before the end of the year, it should file an advice letter detailing the effect of removing this building from its rate base and indicate how the change in rate base would affect its overall results of operations and customers' rates.

STC's estimate of working cash ($344,900) is higher than TD's estimate ($324,900) by $20,000 (5.80%). The difference in STC's and TD's estimates is the result of their differences in estimating expenses and revenues. Since we are adopting TD's total operating revenue and total operating expenses, we are also adopting TD's working cash estimate.

Cost of Capital

STC and TD differ in their calculations of the overall rate of return (ROR). STC requests an overall ROR of 11.30%. This is based on an estimated test year capital structure of: 40.53% debt at a cost of 6.20%, and 59.47% equity at a cost of 14.75%. Although STC requested a 6.20% embedded cost of long-term debt, its workpapers show a 6.24% cost of debt for 1997. STC's calculation included the impact of accounting for its Rural Telephone Bank (RTB) stock, consistent with the treatment adopted for other small telephone companies.

TD, on the other hand, originally recommended an overall ROR of 9.00%. However in Application Nos. 95-12-073, 95-12-075, 95-12-076, 95-12-077, and 95-12-078, the Commission adopted a 10.00% ROR with a determination that equity components in the range of 60% to 80% are reasonable for the five small LECs. TD concurs that the 10.00% ROR adopted for these five telephone companies should also be adopted for STC. TD also concurs with STC's 40.53% debt and 59.47% equity, and 6.24% cost of debt calculation.

Consistent with our treatment of other small sized telephone companies, we decline to adopt a specific capital structure for STC. However, we do find STC's proposed common equity ratio is at the low end of 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).

As shown in the table below, the application of the 10.00% ROR we recently adopted for the five small LECs in the above proceedings results in a 12.56% equity return for STC. This equity return is well within the range of common equity we also adopted in the above mentioned decisions. Accordingly, we find that the use of a 10.00% overall ROR to calculate the authorized revenue requirement to be reasonable.

	Ratio	Cost	Weighted Cost
Long Term Debt	40.53%	6.24%	2.53%
Equity	59.47%	12.56%	7.47%
Total	100.00%		10.00%

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

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

Rate Design

Unlisted or Unpublished Telephone Numbers (Schedule A-12)

On September 20, 1996, the Governor approved SB 1035 (Chapter 675, 1996). This bill prohibits any telephone corporation in a noncompetitive market from charging any subscriber for having an unlisted or unpublished telephone number. STC currently provides nonpublished service under Schedule A-12, Directory Listings, at the rate of $.30 per month. The test year 1997 estimated units for this service are 643 which results in an annual revenues of $2,316. SB 1035 provides that the charge shall not be eliminated until offsetting rates are implemented by the Commission. To comply with this provision, TD proposes that the charge be eliminated as of May 1, 1997 and that annual revenues of $2,316 be recovered through Schedule A-1, Network Access Line Service. We find this proposal reasonable.

Other Rate Schedules

In its A.L. No. 225, STC requests to discontinue or eliminate the following: Special Rate Areas (SRAs), Foreign Exchange Network Service (Schedule No. A-7), and Interexchange Receiving Service (Schedule No. A-18).

As STC explains, mileage rates have been eliminated and therefore SRAs are no longer necessary. Also, there are no current subscribers to Foreign Exchange Network and Interexchange Receiving Services. We received neither protests nor informal comments concerning the elimination of these services. Also, we note that the elimination of SRAs would make residential rates uniform. The same uniformity will occur with business rates. Therefore, we find STC's requests here reasonable.

Currently, STC provides one party service to its grandfathered four party customers. Since STC is proposing uniformity to its residential and business customers and remaining grandfathered four party customers are being provided one party service, it is reasonable to make four party customers' rates similar to a one party customer's rate thereby achieving complete uniformity in residential and business rates. In doing so, current four party customers' rates would decrease by more than 20%.

8.57% Surcharge

STC proposes to eliminate the current 8.57% surcharge applied to local service, service area toll, and non-recurring charges. We find STC's proposal reasonable, hence, the rate design as detailed in Appendix D reflects the deletion of this surcharge.

Surcharge/Credit

Pending a final determination on STC's GRC filing, the Commission, (through its Resolution No. T-15970, dated November 26, 1996), authorized that the current rates of STC remain effective between January 1, 1997 and the date when the final rates are adopted. In this resolution, the Commission also ordered that after it decides on STC's GRC filing and adopts STC's final rates, an appropriate surcharge or a credit shall be calculated to adjust any undercollection or overcollection of customers' rates. Thus, if any final adopted rate is higher than the current rate, a surcharge will apply to collect additional rates from STC's customers from January 1997 to April 1997. However, if any final adopted rate is lower than the current rate, a credit will apply to refund overcollected rates from January 1997 to April 1997.

Based on the STC's final adopted rates, we have calculated credits, (listed in Appendix D), to be refunded on a one-time basis to STC's customers no later than May 1997 billing cycle. To implement the rate changes and credits detailed in Appendix D, STC should file a Supplement to A.L. No. 225.

Miscellaneous

California High Cost Fund - A (CHCF-A)

Through D.88-07-022 and D.91-09-042, the Commission ordered small LECs to file, by October 1 of each year, advice letters setting forth calculations of their 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 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 CHCF is being requested, whichever is lower."

Annual CHCF-A advice letters are required of each small LEC, even if the LEC does not need to draw funds from the CHCF-A. In both the annual CHCF-A advice letters and in the Commission Resolution ruling on them, it has become customary to refer to the amount a LEC calculates as its revenue shortfall, due the net settlements effects of specified events beyond its control, as the LEC's "CHCF-A requirement." This phrase is also used by a LEC which requests not 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 potential fund request

In compliance with D. 88-07-022 and D. 91-09-042, STC filed its 1997 CHCF-A revenue requirement on November 4, 1996 by A.L. No. 234. In this advice letter filing, STC requested no CHCF funding for 1997. The Commission, through its Resolution T-15987 dated January 13, 1997, deferred the determination of STC's CHCF-A requirement to its present GRC filing. In this Resolution, we grant STC's request not to draw funds from the CHCF-A. For its 1998 CHCF-A advice letter filing, STC should base its 1998 CHCF-A requirement calculation on a zero 1997 CHCF-A requirement.

Depreciation Study

In its A.L. No. 225, STC submitted workpapers in support of its Depreciation Study as of January 1, 1995. The Commission, through its Resolution T-15643 dated December 21, 1994, approved these represcription rates for accounting purposes. The TD recommends that STC's Depreciation Study be accepted for ratemaking purposes. We find this request reasonable.

Deregulation of Payphone Operations

The Federal Communications Commission (FCC), through its Docket 96-388 dated September 20, 1996, directs all LECs to reclassify their payphone operations as unregulated customer premise equipment and to transfer associated telephone plant to unregulated service accounts. In compliance with the above order, STC filed A.L. No. 256 on January 13, 1997 and requested that the filing be effective on April 15, 1997. In its filing, STC, does not address the ratemaking aspects associated with the deregulation of its payphones. Therefore, we will order STC to file a new advice letter, within 90 days from the effective date of this resolution, to address the ratemaking effects of the payphone deregulation and detariffing requests in its A.L. No. 256.

FINDINGS

1. STC filed its GRC A. L. No. 225 on November 28, 1995, in compliance with Decision No. 94-09-065.

2. For a 1997 test year, STC requests the following:

Net Revenue Requirement	$ 1,227,043
Rate Base	10,857,895
Overall Rate of Return	11.30%

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

Net Revenue Requirement	$ 1,083,790
Rate Base	10,837,895
Overall Rate of Return	10.00%

4. The differences in estimates between STC and TD result from use of different: pool settlement rates of return, methodology in estimating expenses, and overall rate of return.

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

6. We find TD's methodology in estimating expenses reasonable and adopt TD's recommended test year 1997 expenses contained in Appendix A.

7. The reasonable rate of return for STC is 10.00%.

8. When any RTB stock is redeemed, STC should file an application with the Commission to request for a determination of the appropriate ratemaking treatment for the gain on the redemption of the RTB stock.

9. The new headquarters building in Etna is expected to be completed in the third quarter of 1997 following a construction delay. TD has concerns whether this building will be completed before the end of the year.

10. TD's proposals to eliminate STC's charge for nonpublished service (Schedule A-12) effective May 1, 1997 and to retain the revenue associated with said service as part of Schedule A-1, (Network Access Line Service), are reasonable.

11. STC's request to eliminate its SRAs, Foreign Exchange Network and Interexchange Receiving Services should be granted.

12. STC's request to eliminate the current 8.57% surcharge which is applied to local service, service area toll, and non-recurring charges, should be granted

13. Pursuant to the provision of Resolution No. T-15970 dated November 26, 1996, we have calculated credits for STC's customers as indicated in Appendix D to refund overcharges from January 1, 1997 to April, 1997. Consistent with the credit amounts and rates adopted in Appendix D, STC should file a supplement to A.L. No. 225 to implement these changes.

14. STC's request not to draw funds from the CHCF-A in 1997 should be granted.

15. We find STC's Depreciation Study acceptable for ratemaking purposes.

16. Since STC does not address the ratemaking aspects of its payphone deregulation request in A.L. No. 256, STC should file a new advice letter within 90 days from the effective date of this resolution to address the ratemaking effects associated with said request.

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 Siskiyou Telephone Company.

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

3. The Siskiyou Telephone Company shall file a supplement to Advice Letter No. 225, effective on a five days notice, to implement the rate design adopted in Ordering Paragraph No. 2 above.

4. The request by The Siskiyou Telephone Company in Advice Letter No. 234, filed on November 4, 1996, is granted.

5. The Siskiyou Telephone Company shall base its 1998 California High Cost Fund-A requirement calculation on a zero 1997 California High Cost Fund-A requirement.

6. The Siskiyou Telephone Company shall eliminate the application of 8.57% surcharge on local service, service area toll, and non-recurring charges

7. The Depreciation Study submitted by The Siskiyou Telephone Company in support of Advice Letter No. 225 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 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
SISKIYOU TELEPHONE COMPANY
Results of Operations - Intrastate
At Present Rates
Test Year 1997

Line No.	Item	STC	Telecom Div.	STC exceeds Telecom Div.		Adopted
				Amount	Percent	
1	*OPERATING REVENUES*					
2	Local Network Revenues	$1,094,116	$1,113,652	-19,536	-1.79%	$1,113,652
3	Network Access Services	3,100,756	3,121,396	-20,640	-0.67%	3,121,396
4	Long Distance Network	1,681,560	1,688,836	-7,276	-0.43%	1,688,836
5	Miscellaneous	199,000	219,000	-20,000	-10.05%	219,000
	LESS: Uncollectibles	(2,208)	(1,971)	-237	10.73%	(1,971)
6	TOTAL OPERATING REVENUES	$6,073,224	$6,140,913	-67,689	-1.11%	$6,140,913
	OPERATING EXPENSES					
7	Plant Specific	$755,496	$704,221	51,275	6.79%	$704,221
8	Plant Non-Specific (less depr.)	313,124	313,124	0	0.00%	313,124
9	Depreciation & Amortization	1,744,329	1,744,329	0	0.00%	1,744,329
10	Customer Operations	368,186	368,186	0	0.00%	368,186
11	Corporate Operations	1,082,824	989,589	93,235	8.61%	989,589
12	TOTAL OPERATING EXPENSES	$4,263,959	$4,119,449	144,510	3.39%	$4,119,449
	OPERATING TAXES					
13	Operating State Income Tax	$132,386	$151,144	-18,758	-14.17%	$151,144
14	Operating Federal Income Tax	436,910	502,679	-65,769	-15.05%	502,679
15	Taxes Other Than Income	37,899	37,899	0	0.00%	37,899
16	TOTAL OPERATING TAXES	$607,195	$691,722	-84,527	-13.92%	$691,722
17	NET OPERATING REVENUE	$1,202,070	$1,329,741	-127,671	-10.62%	$1,329,741
	RATE BASE (AVERAGE)					
18	Total Plant in Service	$19,507,298	$19,507,298	0	0.00%	$19,507,298
19	Tel. Plant Under Construction	1,634,211	1,634,211	0	0.00%	1,634,211
20	Materials & Supplies	194,758	194,758	0	0.00%	194,758
21	Working Cash	344,900	324,900	20,000	5.80%	324,900
22	LESS: Depreciation Reserve	(9,557,020)	(9,557,020)	0	0.00%	(9,557,020)
23	LESS: Deferred Taxes	(1,265,551)	(1,265,551)	0	0.00%	(1,265,551)
24	LESS: Customer Deposits	(701)	(701)	0	0.00%	(701)
25	TOTAL RATE BASE	$10,857,895	$10,837,895	20,000	0.18%	$10,837,895
26	RATE OF RETURN	11.07%	12.27%			12.27%

APPENDIX B
SISKIYOU TELEPHONE COMPANY
Results of Operations - Intrastate
At Final Adopted Rates
Test Year 1997

Line No.	Item	STC	Telecom Div.	STC exceeds Telecom Div. Amount	Percent	Adopted
	OPERATING REVENUES					
1	Local Network Revenues	$1,135,697	$703,410	432,287	38.06%	$703,410
2	Network Access Services	3,100,756	3,121,396	-20,640	-0.67%	3,121,396
3	Long Distance Network	1,681,560	1,688,836	-7,276	-0.43%	1,688,836
4	Miscellaneous	199,000	219,000	-20,000	-10.05%	219,000
5	LESS: Uncollectibles	(2,282)	(1,245)	-1,037	45.44%	(1,245)
6	TOTAL OPERATING REVENUES	$6,114,731	$5,731,397	383,334	6.27%	$5,731,397
	OPERATING EXPENSES					
7	Plant Specific	$755,496	$704,221	51,275	6.79%	$704,221
8	Plant Non-Specific (less depr.)	313,124	313,124	0	0.00%	313,124
9	Depreciation & Amortization	1,744,329	1,744,329	0	0.00%	1,744,329
10	Customer Operations	368,186	368,186	0	0.00%	368,186
11	Corporate Operations	1,082,824	989,589	93,235	8.61%	989,589
12	TOTAL OPERATING EXPENSES	$4,263,959	$4,119,449	144,510	3.39%	$4,119,449
	OPERATING TAXES					
13	Operating State Income Tax	$136,055	$114,841	21,214	15.59%	$114,841
14	Operating Federal Income Tax	449,775	375,418	74,357	16.53%	375,418
15	Taxes Other Than Income	37,899	37,899	0	0.00%	37,899
16	TOTAL OPERATING TAXES	$623,729	$528,158	95,571	15.32%	$528,158
17	NET OPERATING REVENUE	$1,227,043	$1,083,790	143,253	11.67%	$1,083,790
	RATE BASE (AVERAGE)					
18	Total Plant in Service	$19,507,298	$19,507,298	0	0.00%	$19,507,298
19	Tel. Plant Under Construction	1,634,211	1,634,211	0	0.00%	1,634,211
20	Materials & Supplies	194,758	194,758	0	0.00%	194,758
21	Working Cash	344,900	324,900	20,000	5.80%	324,900
22	LESS: Depreciation Reserve	(9,557,020)	(9,557,020)	0	0.00%	(9,557,020)
23	LESS: Deferred Taxes	(1,265,551)	(1,265,551)	0	0.00%	(1,265,551)
24	LESS: Customer Deposits	(701)	(701)	0	0.00%	(701)
25	TOTAL RATE BASE	$10,857,895	$10,837,895	20,000	0.18%	$10,837,895
26	RATE OF RETURN	11.30%	10.00%			10.00%

APPENDIX C

SISKIYOU TELEPHONE COMPANY

Net to Gross Multiplier and

Revenue Requirement Calculations

Test Year 1997

1	Gross Operating Revenue	1.00000
2	Uncollectible	0.00177
3	Net Revenue (Line 1 - Line 2)	0.99823
4	State Income Tax (8.84% times Line 3)	0.08824
5	Federal Taxable Income (Line 3 - Line 4)	0.90999
6	Federal Income Tax (34% times Line 5)	0.30940
7	Net Income (Line 5 - Line 6)	0.60059
8	Net to Gross Multiplier (Line 1/Line 7)	1.66503
9	Intrastate Rate Base	$10,837,895
10	Actual Rate of Return (ROR)	12.27%
11	Authorized ROR	10.00%
12	Reduction in ROR (Line 11 - Line 10)	-2.27%
13	Net over earnings (Line 9 times Line 12)	($245,952)
14	Reduction in Total Operating Revenue (Line 13 times Line 8)	($409,516)

APPENDIX D
SISKIYOU TELEPHONE COMPANY
Present and Adopted Rates/Charges and Credit Calculation

Tariff Schedule	Units	Present Rates	Present Annual Revenues	Adopted Rates	Adopted Annual Revenue	Revenue Change	Percent Change	One time Credit Per Customer
Schedule A-1								
Business:								
1 Party	715	$19.50	$167,310.00	$13.25	$113,685.00	($53,625.00)	-32.05%	$25.00
4 Party	6	18.50	1,332.00	13.25	954.00	(378.00)	-28.38%	$21.00
Greenview-SRA	38	20.00	9,120.00	13.25	6,042.00	(3,078.00)	-33.75%	$27.00
Callahan-SRA	25	20.90	6,270.00	13.25	3,975.00	(2,295.00)	-36.60%	$30.60
Kellems-SRA	27	20.00	6,480.00	13.25	4,293.00	(2,187.00)	-33.75%	$27.00
Seiad-SRA	29	18.60	6,472.80	13.25	4,611.00	(1,861.80)	-28.76%	$21.40
Sawyers-SRA	30	28.10	10,116.00	13.25	4,770.00	(5,346.00)	-52.85%	$59.40
PBX Trunk Line	29	29.90	10,405.20	13.25	4,611.00	(5,794.20)	-55.69%	$66.60
Key Station	84	20.30	20,462.40	13.25	13,356.00	(7,106.40)	-34.73%	$28.20
Residential:								
1 Party	2,452	15.20	447,244.80	11.25	331,020.00	(116,224.80)	-25.99%	$15.80
4 Party	34	14.40	5,875.20	11.25	4,590.00	(1,285.20)	-21.88%	$12.60
Greenview-SRA	241	16.85	48,730.20	11.25	32,535.00	(16,195.20)	-33.23%	$22.40
Callahan-SRA	100	16.85	20,220.00	11.25	13,500.00	(6,720.00)	-33.23%	$22.40
Cecilvill-SRA	8	16.85	1,617.60	11.25	1,080.00	(537.60)	-33.23%	$22.40
Kellems-SRA	191	16.85	38,620.20	11.25	25,785.00	(12,835.20)	-33.23%	$22.40
Seaid-SRA	161	16.85	32,554.20	11.25	21,735.00	(10,819.20)	-33.23%	$22.40
Sawyers-SRA	63	16.85	12,738.60	11.25	8,505.00	(4,233.60)	-33.23%	$22.40
Schedule A-6								
Centrex Line	103	19.50	24,102.00	13.25	16,377.00	(7,725.00)	-32.05%	$25.00
Schedule A-7								
Foreign Exchange	0	19.50	0.00	Service	Eliminated	0.00	-100.00%	$0.00
Schedule A-12								
Nonpublished Serv	643	0.30		No	Charge			$1.20
Schedule A-18								
Interexch Rec. Serv	0	6.25	0.00	Service	Eliminated		-100.00%	$0.00

APPENDIX D
SISKIYOU TELEPHONE COMPANY
Present and Adopted Rates/Charges and Credit Calculation

Tariff Schedule	Units	Present Charges	Present Annual Revenues	Adopted Charges	Adopted Annual Revenue	Revenue Change	Percent Change	Credit Per Order
Schedule B-1(*)								
Serv Order New or Addl	41	22.50	11,070.00	8.00	3,936.00	(7,134.00)	-64.44%	$14.50
Move & Change Existing Serv	13	18.75	2,925.00	8.00	1,248.00	(1,677.00)	-57.33%	$10.75
Central Office Connection	45	29.75	16,065.00	8.00	4,320.00	(11,745.00)	-73.11%	$21.75
Premise Visit	12	71.00	10,224.00	39.00	5,616.00	(4,608.00)	-45.07%	$32.00
8.57% Surcharge	4,368		126,100.00	Surcharge	Eliminated	(126,100.00)	-100.00%	$9.62
TOTAL			$1,036,055.20		$626,544.00	($409,511.20)		
						$4.80		

*Credit for this schedule shall apply only if applicable.