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ORIGINAL

IN THE MATTER OF THE APPLICATION OF VALLEY TELEPHONE COOPERATIVE, INC., AN ARIZONA CORPORATION, FOR A HEARING TO DETERMINE THE EARNINGS OF THE COMPANY, THE FAIR VALUE OF THE COMPANY FOR RATEMAKING PURPOSES, AND TO INCREASE RESIDENTIAL RATES AS NECESSARY TO COMPENSATE FOR THE RATE IMPACTS OF THE FCC'S USF/ICC TRANSFORMATION ORDER

DOCKET NO. T-01847A-13-0457

SCHEDULES

1 Valley Telephone Cooperative, Inc. hereby files copies of the schedules that were  
2 inadvertently omitted from the docketed copy of its Application.

3 Respectfully submitted on January 6, 2014.

*Craig A. Marks*

Craig A. Marks  
Craig A. Marks, PLC  
10645 N. Tatum Blvd., Ste. 200-676  
Phoenix, Arizona 85028  
(480) 367-1956 (Direct)  
(480) 304-4821 (Fax)  
[Craig.Marks@azbar.org](mailto:Craig.Marks@azbar.org)  
Attorney for Valley Telephone Cooperative, Inc.

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**Original and 13 copies filed**  
on January 6, 2014 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

*Craig A. Marks*  
Craig A. Marks

Arizona Corporation Commission

DOCKETED

JAN 06 2014

DOCKETED BY *[Signature]*

# Valley Telephone Cooperative, Inc. AZ

Streamlined filing to support residential rate increase due to FCC

floor implementation and resulting HCL loss.

November 30, 2013

# Valley Telephone Cooperative, Inc. AZ

November 30, 2013

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# Valley Telephone Cooperative, Inc. AZ

as of Nov 30, 2013

## REGULATED 2012 RESULTS OF OPERATIONS REFLECTS CHANGES EFFECTIVE WITH ARC AND CAF IMPLEMENTATION - YEAR 2

	2012 TOTAL TELEPHONE OPERATIONS (a)	ADJUSTMENTS (b)	Ref (c)	ADJUSTED 2012 RESULTS (d)	INTERSTATE (e)	INTRASTATE (f)
1 Local	567,479	(3,304)	#3	564,175	-	564,175
2 Universal Service Fund (USF-HCL) and Safety Net Additive (SNA)	3,378,696	-	#2	3,378,696	-	3,378,696
3 Access Revenues	4,198,065	481,841	#1.3	4,679,906	4,322,082	357,824
4 Billing & Collecting	138	-	-	138	-	138
5 Other Misc. Uncollectibles	336,351	-	-	336,351	-	336,351
<b>6 Total Operating Revenues</b>	<b>8,480,729</b>	<b>478,537</b>		<b>8,959,266</b>	<b>4,322,082</b>	<b>4,637,184</b>
7 Plant Specific Expenses	1,322,702	(16,739)	#7	1,305,963	584,528	721,435
8 Plant Nonspecific Expenses	550,326	(14,185)	#3,4,5,7	536,141	253,654	282,447
9 Depreciation & Amortization Expenses	3,148,314	(76,829)	#8-17	3,071,485	1,327,358	1,744,127
10 Customer Operations Expenses	389,528	-	-	389,528	152,963	236,563
11 Corporate Operations Expenses	1,114,404	(14,760)	#6,7	1,114,404	500,743	613,661
12 Other Operating Taxes and (Income)	593,208	(122,533)		578,428	227,602	350,826
13 Nonregulated Adjustment	-	-	-	-	-	-
14 Total Operating Expenses	7,118,480	(122,533)		6,995,947	3,046,888	3,948,059
<b>15 OPERATING RETURN BEFORE TAXES</b>	<b>1,362,249</b>	<b>601,070</b>		<b>1,963,319</b>	<b>1,275,194</b>	<b>688,125</b>
16 State Income Taxes (SIT) (6.97%)	-	-	-	-	-	-
17 Federal Income Taxes (FIT) (35%)	-	-	-	-	-	-
18 Total Operating Income Taxes	-	-	-	-	-	-
<b>19 Total Expenses and Income Taxes</b>	<b>7,118,480</b>	<b>(122,533)</b>		<b>6,995,947</b>	<b>3,046,888</b>	<b>3,948,059</b>
Fixed Charges	1,239,034	(566,220)	#18	682,814	285,564	417,250
<b>20 Net Operating Income</b>	<b>123,215</b>	<b>1,157,290</b>		<b>1,280,505</b>	<b>1,009,630</b>	<b>270,875</b>
21 Total Year-End Avg Rate Base	28,342,069	(62,631)		28,279,439	11,346,336	17,933,103
22 Return on Rate Base (Ln 20 / Ln 21)						<b>1.51%</b>
23 Estimated Revenue from Local Rate Increase						104,370
24 State Income Taxes (SIT) (6.97%)						-
25 Federal Income Taxes (FIT) (35%)						-
26 Increase in Net Operating Income						104,370
<b>27 Net Operating Income After Increase (Ln 20 + Ln 26)</b>						<b>375,245</b>
28 Return on Rate Base After Increase (Ln27 / Ln21)						<b>2.09%</b>

**ASSUMPTIONS**  
Used 2012 Valley AZ Only Cost Study (run 7/31/2013 for Part 36 separation of Separated results based upon frozen 2000 traffic factors Separated results based upon 2012 financials, interstate rules, adjusted for Part 64 activities Working Capital included for all jurisdictions No Federal & State Income Taxes for Valley AZ Contributions & AFUDC included in Other Operating Taxes and (Income) Interest on customer deposits included in Fixed Charges

**Valley Telephone Cooperative, Inc. AZ**  
**Adjustments to Revenues and Expenses**

Ref	Account	Description	Debit	Credit
1.	5082	Access Revenues		557,330
	9999	Balancing Account	557,330	
		To remove prior period NECA interstate adjustments.		
2.	5082	Universal Service Fund	-	
	9999	Balancing Account		-
		To adjust for HCL and SN projected change for 2012. Does not include impact of floor.		
3.	5001	Local Revenues	3,304	
	5082	Access Revenues	65,965	
	5084	Access Revenues	9,524	
	6540	Plant Nonspecific Exp		1,268
	9999	Balancing Account		77,525
		Year 2 FCC Order ICC intrastate and interstate revenue and expense 5% reductions.		
4.	6540	Access Expense		6,889
	6540	Access Expense - Recip Comp	2,126	
	9999	Balancing Account	4,763	
		To adjust the USF contributions to the EC 1050 3(c)2.		
5.	9999	Balancing Account	3,477	
	6530	Power Exp		3,477
	6560-2121	Dep Exp Tower		-
		To remove expense associated with Tower and Land leases		
6.	7370	AFUDC	14,780	
	9999	Balancing Account		14,780
		To remove AFUDC from study		
7.	9999	Balancing Account	34,453	
	6232	Circuit Equipment Expense		6,623
	6423	Buried Cable Expense		10,116
	6531	Power Expense		2,619
	6532	Network Admin Expense		1,122
	6533	Testing Expense		936
	7240	Operating Taxes - Ad Valorem		13,037
		To remove costs associated with non-reg fiber leases		
8.	9999	Balancing Account	3,178	
	6561-2423	Depr Exp - Buried Cable		3,178
		To remove costs associated with Qwest Leased Fiber		
9.	9999	Balancing Account	29,115	
	6561-2232	Depr Exp - Circuit Equipment		24,909
	6561-2423	Depr Exp - Buried Cable		4,206
		To remove costs associated with OC12 Fiber Lease		
10.	9999	Balancing Account	24,444	

**Valley Telephone Cooperative, Inc. AZ  
Adjustments to Revenues and Expenses**

<b>Ref</b>	<b>Account</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>
	6561-2423	Depr Exp - Buried Cable To remove costs associated with Dark Fiber Lease -GIG E Network		24,444
11.	9999	Balancing Account	2,509	
	6561-2232	Depr. Exp - Circuit Equipment To remove costs associated with Occam 6440 Blades		2,509
12	9999	Balancing Account	371	
	6561-2232	Depr. Exp - Circuit Equipment		277
	6561-2423	Depr. Exp - Buried Cable To remove expenses associated with OC3 Fiber Lease		94
13.	9999	Balancing Account	6,468	
	6561-2423	Depr. Exp - Buried Cable To remove expense associated with Arriba Fiber Lease		6,468
14.	9999	Balancing Account	6,035	
	6561-2423	Depr. Exp - Buried Cable To remove expense associated with TransTelco Fiber Lease		6,035
15.	9999	Balancing Account	366	
	6561-2423	Depr. Exp - Buried Cable To remove expense associated with Eurofresh Fiber Lease		366
16.	9999	Balancing Account	18	
	6561-2423	Depr. Exp - Buried Cable To remove expense associated with Rosemont Fiber Lease		18
17.	9999	Balancing Account	4,325	
	6561-2423	Depr. Exp - Buried Cable To remove expense associated with TransTelco Fiber Lease		4,325
18.	7510	Interest on Funded Debt	556,220	
	9999	Balancing Account To remove non-operating portion of Fixed Charges		556,220

**Valley Telephone Cooperative, Inc. AZ**  
 Year 2 Estimated ICC Impact of FCC Order

Base Line of Eligible Recovery:

Interstate SWA (Includes LSS)				
Intrastate Terminating Access				
Recip Comp Revenue				
Recip Comp Expense				
Total Base of Eligible Recovery				
	Total	5% Reduction for 2013		
	1,319,305	(65,965)	Access Revenue	Interstate
	190,474	(9,524)	Access Revenue	Intrastate Access
	66,072	(3,304)	Local Revenue	Intrastate Local
	(25,363)	1,268	Plant Non-Specific	Intrastate Local
	<u>1,550,487</u>	<u>(77,525)</u>		
				AJE #3

**Valley Telephone Cooperative, Inc. AZ**  
Rate Base  
As of December 31, 2012

	Adjusted		
	Total Company	INTERSTATE	INTRASTATE
Plant in Service	\$ 61,182,792	\$ 24,060,246	\$ 37,122,546
Accumulated Depreciation	(32,094,397)	(12,708,843)	(19,385,554)
Net Plant in Service	\$ 29,088,395	\$ 11,351,403	\$ 17,736,992
Plant Under Construction	581,726	228,765	352,961
Material & Supplies	514,681	159,418	355,263
Deferred Income Taxes	-	-	-
Customer Deposits	(9,425)	(3,706)	(5,719)
Other Long Term Liabilities	(1,085,301)	(471,133)	(614,168)
Cash Working Capital	189,363	81,589	107,774
Rate Base	<u>\$ 29,279,439</u>	<u>\$ 11,346,336</u>	<u>\$ 17,933,103</u>

**ASSUMPTIONS**

Used 2012 Valley AZ Only Cost Study ran 7/31/2013 for Part 36 separation of Average Rate Base.

Valley Telephone Cooperative, Inc. AZ

CALCULATION OF CASH WORKING CAPITAL (CWC)

CASH OPERATING EXPENSES	<u>Total Company INTERSTATE INTRASTATE</u>		
Total Operating Expenses	\$ 6,995,947	\$ 3,046,888	\$ 3,949,059
Less Depreciation & Amortization	3,071,485	1,327,358	1,744,127
Fixed Charges	682,101	265,285	416,816
Interest on Customer Deposits	714	279	435
Other Nonoperating Expenses	550	247	303
Cash Operating Federal Income Taxes	-	-	-
Cash Operating State & Local Taxes	-	-	-
Total Cash Operating Expenses	\$ 4,607,827	\$ 1,985,341	\$ 2,622,486
% LAG (15 days)	4.11%	4.11%	4.11%
TOTAL CASH WORKING CAPITAL	<u>\$ 189,363</u>	<u>\$ 81,589</u>	<u>\$ 107,773</u>

Valley Telephone Cooperative, Inc. AZ  
 Proposed Rate Design  
 2013 Average Units

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
Service Description	2013 Avg Units	2012 Avg Units	Profoma 2012 Annual Revenues	Proposed Rates	Proposed Revenues	Proposed Revenue	Change Percent	
Basic Service	1,646	1,740	\$ 292,236	\$ 19.00	\$ 396,606	\$ 104,370	35.71%	
Residence One-Party						\$ 104,370		
<b>Estimated Revenue from Local Rate Increase.</b>							<b>\$ 104,370</b>	

Notes:  
 No reduction made for line loss.

Year	Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009 Total		2,164	2,161	2,151	2,137	2,129	2,125	2,107	2,091	2,083	2,082	2,072	2,057
2010 Total		2,045	2,027	2,020	2,013	1,997	1,964	1,950	1,941	1,932	1,922	1,925	1,924
2011 Total		1,906	1,896	1,883	1,866	1,858	1,837	1,828	1,817	1,806	1,803	1,787	1,780
2012 Total		1,778	1,783	1,784	1,774	1,765	1,758	1,738	1,720	1,710	1,688	1,691	1,685
2013 Total		1,683	1,675	1,677	1,663	1,647	1,646	1,636	1,633	1,623	1,613	1,610	