BEFORE THE ARIZONA CORPORATION COMI

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COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

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ORIGINAL

CORP COMMISSION
DOCKET CONTROL

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 **SUPPLEMENTAL FILING**

Valley Telephone Cooperative, Inc. hereby files at the request of Commission Staff a schedule showing return on rate base assuming that the Wireline Competition Bureau sets $17.50 as the monthly residential rate floor to be in effect for June 1, 2014. At $17.50, the return would be 2.09% versus 1.92% if the rate floor is set at $19.00 per month.

Respectfully submitted on January 29, 2014.

Arizona Corporation Commission
DOCKETED
JAN 29 2014
DOCKETED BY

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
Attorney for Valley Telephone Cooperative, Inc.

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

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
6	**Total Operating Revenues**	**8,480,729**	**478,537**		**8,959,266**	**4,322,082**	**4,637,184**
7	Plant Specific Expenses	1,322,702	(16,739)	#7	1,305,963	584,528	721,435
8	Plant Nonspecific Expenss	550,326	(14,185)	#3,4,5,7	536,141	253,694	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	389,526	-		389,526	152,963	236,563
11	Corporate Operations Expenses	1,114,404			1,114,404	500,743	613,661
12	Other Operating Taxes and (Income)	593,208	(14,780)	#6,7	578,428	227,602	350,826
13	Nonregulated Adjustment						
14	Total Operating Expenses	7,118,480	(122,533)		6,995,947	3,046,888	3,949,059
15	**OPERATING RETURN BEFORE TAXES**	**1,362,249**	**601,070**		**1,963,319**	**1,275,194**	**688,125**
16	State Income Taxes (SIT) (6.97%)	-	-		-	-	-
17	Federal Income Taxes (FIT) (35%)	-	-		-	-	-
18	Total Operating Income Taxes	-	-		-	-	-
19	**Total Expenses and Income Taxes**	**7,118,480**	**(122,533)**		**6,995,947**	**3,046,888**	**3,949,059**
	Fixed Charges	1,239,034	(556,220)	#18	682,814	265,564	417,250
20	**Net Operating Income**	**123,215**	**1,157,290**		**1,280,505**	**1,009,630**	**270,875**
21	**Total Year-End Avg Rate Base**	29,342,069	(62,631)		29,279,439	11,346,336	17,933,103
22	**Return on Rate Base (Ln 20 / Ln 21)**						**1.51%**
23	**Estimated Revenue from Local Rate Increase**						**73,059**
24	State Income Taxes (SIT) (6.97%)						-
25	Federal Income Taxes (FIT) (35%)						-
26	Increase in Net Operating Income						73,059
27	**Net Operating Income After Increase (Ln 20 + Ln 26)**						**343,934**
28	**Return on Rate Base After Increase (Ln27 / Ln21)**						**1.92%**

ASSUMPTIONS

Used 2012 Valley AZ Only Cost Study ran 7/31/2013 for Part 36 separation of e
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