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COMMISSIONERS

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ARIZONA CORPORATION 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

NOTICE OF FILING POST-HEARING EXHIBITS

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Valley Telephone Cooperative, Inc. hereby files three post-hearing Exhibits:

1. Exhibit A-3 – pro forma results of operations with residential rates at \$14/month and a federal benchmark at \$20.46/month;
2. Exhibit A-4 – pro forma results of operations with residential rates at \$20.46/month and a federal benchmark at \$20.46/month; and
3. Exhibit A-5 – typical total residential rates with base rates at \$14/month, \$19/month, and \$20.46/month.

Respectfully submitted on March 31, 2014.

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Original and 13 copies filed on March 31, 2014, with:

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

Arizona Corporation Commission

DOCKETED

MAR 31 2014

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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)	3,378,896	-	#2	3,378,896	-	3,378,896
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		8,959,286	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 Expenses	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	1,167,290		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						0
24 Estimated Annual Reduction in High-Cost Loop Support						127,598
25 State Income Taxes (SIT) (6.97%)						-
26 Federal Income Taxes (FIT) (35%)						-
27 Increase in Net Operating Income						-127,598
28 Net Operating Income After Increase (Ln 20 + Ln 26)						143,277
29 Return on Rate Base After Increase (Ln27 / Ln21)						0.80%

ASSUMPTIONS

Used 2012 Valley AZ Only Cost Study ran 7/31/2013 for Part 36 separation c
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
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	338,351	-		338,351	-	338,351
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 Expenses	550,326	(14,185)	#3,4,5,7	536,141	253,694	282,447
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10 Customer Operations Expenses	389,526	-		389,526	152,963	236,563
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12 Other Operating Taxes and (Income)	593,208	(14,760)	#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)						1.81%
23 Estimated Revenue from Local Rate Increase						134,846
24 State Income Taxes (SIT) (6.97%)						-
25 Federal Income Taxes (FIT) (35%)						-
26 Increase in Net Operating Income						134,846
27 Net Operating Income After Increase (Ln 20 + Ln 26)						405,721
28 Return on Rate Base After Increase (Ln27 / Ln21)						2.26%

ASSUMPTIONS

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

Exhibit A-5

Typical Charges for Subscribers to Basic Residential Service

Residential Telephone Service	14.00	19.00	20.46
Subscriber Line Charge	6.50	6.50	6.50
Access Recovery Charge	1.00	1.00	1.00
AZ 911 Excise Tax	0.20	0.20	0.20
AZ Universal Service Fund	0.01	0.01	0.01
Federal Excise Tax	0.65	0.80	0.84
Federal Universal Service Fund	1.25	1.25	1.25
State/County Sales Tax (Bill description will specify the county)	0.85	1.16	1.25
AZ Telephonic Device Fee	0.15	0.21	0.23
Total Basic Residential Service Bill	<u>24.61</u>	<u>30.12</u>	<u>31.73</u>