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COMMISSIONERS

BOB STUMP, Chairman  
GARY PIERCE  
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2014 MAR 31 P 4:50

ORIGINAL

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
COPPER VALLEY TELEPHONE, 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-02727A-13-0458

**NOTICE OF FILING POST-  
HEARING EXHIBITS**

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

- 2 1. Exhibit A-3 – pro forma results of operations with residential rates at \$14/month
- 3 and a federal benchmark at \$20.46/month;
- 4 2. Exhibit A-4 – pro forma results of operations with residential rates at
- 5 \$20.46/month and a federal benchmark at \$20.46/month; and
- 6 3. Exhibit A-5 – typical total residential rates with base rates at \$14/month,
- 7 \$19/month, and \$20.46/month.

8 Respectfully submitted on March 31, 2014.

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[Craig.Marks@azbar.org](mailto:Craig.Marks@azbar.org)  
Attorney for Copper Valley Telephone, Inc.

**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

DOCKETED BY

**Copper Valley Telephone Company**  
as of November 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	875,280	(1,625)	#3	873,655	-	873,655
2 Universal Service Fund (USF-HCL) and Safety Net Additive (SNA)	1,758,820	-	#2	1,758,820	-	1,758,820
3 Access Revenues	2,645,776	279,800	#1,3	2,925,576	2,641,328	284,248
4 Billing & Collecting	237	-		237	-	237
5 Other Misc., Uncollectibles	211,641	-		211,641	-	211,641
<b>6 Total Operating Revenues</b>	<b>5,491,755</b>	<b>278,175</b>		<b>5,769,930</b>	<b>2,641,328</b>	<b>3,128,602</b>
7 Plant Specific Expenses	1,001,915	(11,811)	#9	990,104	359,630	630,474
8 Plant Nonspecific Expenses	456,038	(531)	#3,4,9	455,507	194,856	260,651
9 Depreciation & Amortization Expenses	1,667,246	(33,406)	#5,10,11,12	1,633,840	581,442	1,052,398
10 Customer Operations Expenses	466,432	-		466,432	183,307	283,125
11 Corporate Operations Expenses	542,982	(5,249)	#6,7	537,733	235,069	302,664
12 Other Operating Taxes and (Income)	288,648	(500)	#6,7,8	288,148	93,053	195,095
13 Nonregulated Adjustment	-	-		-	-	-
14 Total Operating Expenses	4,423,261	(51,497)		4,371,764	1,647,357	2,724,407
<b>15 OPERATING RETURN BEFORE TAXES</b>	<b>1,068,494</b>	<b>329,672</b>		<b>1,398,166</b>	<b>993,971</b>	<b>404,195</b>
16 State Income Taxes (SIT) (6.97%)	30,511	-		30,511	11,402	19,109
17 Federal Income Taxes (FIT) (35%)	152,078	-		152,078	56,833	95,245
18 Deferred Income Taxes	(75,427)	-		(75,427)	(28,188)	(47,239)
18 Total Operating Income Taxes	107,162	-		107,162	40,047	67,115
<b>19 Total Expenses and Income Taxes</b>	<b>4,530,423</b>	<b>(51,497)</b>		<b>4,478,926</b>	<b>1,687,404</b>	<b>2,791,522</b>
Fixed Charges	429,040	(132,443)	#13	296,597	97,479	199,118
<b>20 Net Operating Income</b>	<b>532,292</b>	<b>462,115</b>		<b>994,407</b>	<b>856,445</b>	<b>137,962</b>
<b>21 Total Year-End Avg Rate Base</b>	<b>12,735,650</b>	<b>(566,410)</b>		<b>12,169,240</b>	<b>4,006,935</b>	<b>8,162,306</b>
<b>22 Return on Rate Base (Ln 20 / Ln 21)</b>						<b>1.69%</b>
23 Estimated Revenue from Local Rate Increase						93,989
24 Estimated Annual Reduction in High-Cost Loop Support						173,631
25 State Income Taxes (SIT) (6.97%)						(5,551)
26 Federal Income Taxes (FIT) (35%)						(29,817)
27 Increase in Net Operating Income						(44,273)
<b>28 Net Operating Income After Increase (Ln 20 + Ln 28)</b>						<b>93,689</b>
<b>29 Return on Rate Base After Increase (Ln27 / Ln21)</b>						<b>1.15%</b>

**ASSUMPTIONS**  
Used 2011 Copper Valley Only Cost Study ran 7/31/2012 for Part 36 separate  
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  
Federal & State Income Taxes reflect 2012 actual  
Contributions & AFUDC included in Other Operating Taxes and (Income)  
Interest on customer deposits included in Fixed Charges

**Copper Valley Telephone Company**  
as of November 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)
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4 Billing & Collecting	237	-		237	-	237
5 Other Misc., Uncollectibles	211,641	-		211,641	-	211,641
<b>6 Total Operating Revenues</b>	<b>5,491,755</b>	<b>278,175</b>		<b>5,769,930</b>	<b>2,641,328</b>	<b>3,128,602</b>
7 Plant Specific Expenses	1,001,915	(11,811)	#9	990,104	359,630	630,474
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10 Customer Operations Expenses	466,432	-		466,432	183,307	283,125
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12 Other Operating Taxes and (Income)	288,648	(500)	#6,7,8	288,148	93,053	195,095
13 Nonregulated Adjustment	-	-		-	-	-
14 Total Operating Expenses	4,423,261	(51,497)		4,371,764	1,647,357	2,724,407
<b>15 OPERATING RETURN BEFORE TAXES</b>	<b>1,068,494</b>	<b>329,672</b>		<b>1,398,166</b>	<b>993,971</b>	<b>404,195</b>
16 State Income Taxes (SIT) (6.97%)	30,511	-		30,511	11,402	19,109
17 Federal Income Taxes (FIT) (35%)	152,078	-		152,078	56,833	95,245
18 Deferred Income Taxes	(75,427)	-		(75,427)	(28,188)	(47,239)
18 Total Operating Income Taxes	107,162	-		107,162	40,047	67,115
<b>19 Total Expenses and Income Taxes</b>	<b>4,530,423</b>	<b>(51,497)</b>		<b>4,478,926</b>	<b>1,687,404</b>	<b>2,791,522</b>
Fixed Charges	429,040	(132,443)	#13	296,597	97,479	199,118
<b>20 Net Operating Income</b>	<b>532,292</b>	<b>462,115</b>		<b>994,407</b>	<b>856,445</b>	<b>137,962</b>
<b>21 Total Year-End Avg Rate Base</b>	<b>12,735,650</b>	<b>(566,410)</b>		<b>12,169,240</b>	<b>4,006,935</b>	<b>8,162,306</b>
<b>22 Return on Rate Base (Ln 20 / Ln 21)</b>						<b>1.69%</b>
<b>23 Estimated Revenue from Local Rate Increase</b>						<b>173,477</b>
24 State Income Taxes (SIT) (6.97%)						12,091
25 Federal Income Taxes (FIT) (35%)						56,485
26 Increase in Net Operating Income						104,901
<b>27 Net Operating Income After Increase (Ln 20 + Ln 26)</b>						<b>242,862</b>
<b>28 Return on Rate Base After Increase (Ln27 / Ln21)</b>						<b>2.98%</b>

**ASSUMPTIONS**

Used 2011 Copper Valley Only Cost Study ran 7/31/2012 for Part 36 separati  
 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  
 Federal & State Income Taxes reflect 2012 actual  
 Contributions & AFUDC included in Other Operating Taxes and (Income)  
 Interest on customer deposits included in Fixed Charges

**Copper Valley Telephone, Inc.****Exhibit A-5****Typical Charges for Most 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>

Note: Subscribers in certain limited areas pay the following additional taxes and fees related to the local laws.

- A. Subscribers located inside the town limits of Duncan pay city sales taxes of 2% which amounts to from 28¢ to 41¢ per month for these alternative basic rate scenarios.
- B. Subscribers located inside the town limits of Clifton pay city sales taxes of 3% which amounts to from 42¢ to 61¢ per month for these alternative basic rate scenarios.
- C. Subscribers in Duncan pay a City Franchise Fee of 2%.
- D. Subscribers in the Elfrida exchange pay a mandatory EAS fee of 78¢ per month.