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COMMISSIONERS

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2014 MAR 31 P 4 49

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF ARIZONA TELEPHONE COMPANY, 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-02063A -13-0411

NOTICE OF FILING POST-HEARING EXHIBITS

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Arizona Telephone Company 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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Arizona Telephone Company

Exhibit A-3

Prepared March 31, 2014

REGULATED RESULTS OF OPERATIONS FOR TWELVE MONTHS ENDING JUNE 30, 2013
 REFLECTS CHANGES EFFECTIVE WITH ARC AND CAF IMPLEMENTATION – YEAR 2
 CURRENT \$14.00 LOCAL SERVICE RATE WITH \$20.46 FCC FLOOR

	TOTAL TELEPHONE OPERATIONS (a)	ADJUSTMENTS (b)	Ref (c)	ADJUSTED RESULTS (d)	INTERSTATE (e)	INTRASTATE (f)
1 Local	460,779	-4,869 #8		455,910	0	455,910
2 Universal Service Fund (USF-HCL)	116,163	-116,163 #6,7		0	0	0
3 Access Revenues	2,079,339	-32,198 #1,2,3,4,7,8		2,047,141	1,680,272	366,869
4 Billing & Collecting	21,178	16 #5		21,194	3,127	18,067
5 Other Misc., Uncollectibles	55,084			55,084	22,131	32,953
6 Total Operating Revenues	2,732,543	-153,214		2,579,329	1,705,530	873,799
7 Plant Specific Expenses	820,141	2,522 #12		822,663	405,382	417,281
8 Plant Nonspecific Expenses	370,813	-878 #6,12		369,935	207,396	162,539
9 Depreciation & Amortization Expenses	898,699	3,685 #12		902,384	406,934	495,450
10 Customer Operations Expenses	332,260	304 #11,12		332,564	99,927	232,637
11 Corporate Operations Expenses	523,074	1,122 #12		524,196	199,972	324,224
12 Other Operating Taxes and (Income)	140,625	5,589 #9,10,12		146,214	70,938	75,276
13 Nonregulated Adjustment (Part 69 WBI)		-9,856 #12		-9,856	-9,856	0
14 Total Operating Expenses	3,085,612	2,488		3,088,100	1,380,693	1,707,407
15 OPERATING RETURN BEFORE TAXES	-353,069	-155,702		-608,771	324,837	-833,608
16 State Income Taxes (SIT) (6.97%)	62,252	-97,713 #13		-35,461	22,641	-58,102
17 Federal Income Taxes (FIT) (35%)	-115,801	-49,857 #13		-165,658	105,769	-271,427
18 Total Operating Income Taxes	-53,549	-147,571		-201,120	128,410	-329,529
19 Total Expenses and Income Taxes	3,032,063	-145,083		2,886,980	1,509,103	1,377,878
20 Net Operating Income	-299,520	-8,131		-307,651	196,427	-504,079
21 Total Year-End Rate Base	3,917,278	0		3,917,278	1,629,233	2,288,045
22 Return on Rate Base (Ln 20 / Ln 21)						-22.0%
23 Estimated Revenue from Local Rate Increase						0
24 State Income Taxes (SIT) (6.97%)						0
25 Federal Income Taxes (FIT) (35%)						0
26 Increase in Net Operating Income						0
27 Net Operating Income After Increase (Ln 20 + Ln 26)						-504,079
28 Return on Rate Base After Increase (Ln27 / Ln21)						-22.0%

ASSUMPTIONS

Used 2012 Cost Study run dated 07/15/2013 for Part 36 separation of expenses.
 Separated results based upon frozen 2000 traffic factors
 Separated results based upon 6/30/2013 financials, interstate rules, adjusted for Part 64 activities
 Working Capital included for all jurisdictions

Exhibit A-4

Arizona Telephone Company

Prepared March 31, 2014

REGULATED RESULTS OF OPERATIONS FOR TWELVE MONTHS ENDING JUNE 30, 2013
 REFLECTS CHANGES EFFECTIVE WITH ARC AND CAF IMPLEMENTATION - YEAR 2
 REFLECTS LOCAL SERVICE RATE INCREASE TO \$20.46

	TOTAL TELEPHONE OPERATIONS (a)	ADJUSTMENTS (b)	Ref (c)	ADJUSTED RESULTS (d)	INTERSTATE (e)	INTRASTATE (f)
1 Local	460,779	-4,869 #8		455,910	0	455,910
2 Universal Service Fund (USF-HCL)	116,163	2,019 #6,7		118,182	0	118,182
3 Access Revenues	2,079,339	-32,198 #1,2,3,4,7		2,047,141	1,680,272	366,869
4 Billing & Collecting	21,178	16 #5		21,194	3,127	18,067
5 Other Misc., Uncollectibles	55,084			55,084	22,131	32,953
6 Total Operating Revenues	2,732,543	-35,032		2,697,511	1,705,530	991,981
7 Plant Specific Expenses	820,141	2,522 #12		822,663	405,382	417,281
8 Plant Nonspecific Expenses	370,813	-878 #8,12		369,935	207,396	162,539
9 Depreciation & Amortization Expenses	898,699	3,685 #12		902,384	406,934	495,450
10 Customer Operations Expenses	332,260	304 #11,12		332,564	99,927	232,637
11 Corporate Operations Expenses	523,074	1,122 #12		524,196	199,972	324,224
12 Other Operating Taxes and (Income)	140,825	5,589 #9,10,12		146,214	70,938	75,276
13 Nonregulated Adjustment (Part 69 WBI)		-9,856 #12		-9,856	-9,856	0
14 Total Operating Expenses	3,085,612	2,488		3,088,100	1,380,693	1,707,407
15 OPERATING RETURN BEFORE TAXES	-353,069	-37,520		-390,589	324,837	-716,426
16 State Income Taxes (SIT) (6.97%)	62,252	-89,476 #13		-27,224	22,641	-49,865
17 Federal Income Taxes (FIT) (35%)	-115,801	-11,377 #13		-127,178	105,769	-232,946
18 Total Operating Income Taxes	-53,549	-100,853		-154,402	128,410	-282,811
19 Total Expenses and Income Taxes	3,032,063	-98,365		2,933,698	1,509,103	1,424,596
20 Net Operating Income	-289,520	63,333		-236,187	196,427	-432,616
21 Total Year-End Rate Base	3,921,169	0		3,921,169	1,629,233	2,291,937
22 Return on Rate Base (Ln 20 / Ln 21)						-18.9%
23 Estimated Revenue from Local Rate Increase						132,792
24 State Income Taxes (SIT) (6.97%)						9,256
25 Federal Income Taxes (FIT) (35%)						43,238
26 Increase in Net Operating Income						80,299
27 Net Operating Income After Increase (Ln 20 + Ln 26)						-352,316
28 Return on Rate Base After Increase (Ln27 / Ln21)						-15.4%

ASSUMPTIONS

Used 2012 Cost Study run dated 07/15/2013 for Part 36 separation of expenses.
 Separated results based upon frozen 2000 traffic factors
 Separated results based upon 6/30/2013 financials, interstate rules, adjusted for Part 64 activities
 Working Capital included for all jurisdictions

Customer Bill Impact of
Local Service Increase(s)

Exhibit A-5

Arizona Telephone

Local Service Rate	\$ 14.00	\$ 19.00	\$ 20.46
AZ USF Surcharge	0.01	0.01	0.01
Federal SLC Charge	6.50	6.50	6.50
Access Recovery Charge (ARC)	1.00	1.00	1.00
Federal USF Surcharge	1.23	1.23	1.23
State 911 Tax	0.20	0.20	0.20
Federal Excise Tax	0.65	0.80	0.84
AZ Sales Tax	0.78	1.06	1.15
County Tax	0.16	0.21	0.23
City Tax			
TDD Tax	0.15	0.21	0.23
ACC Tax	0.03	0.04	0.04
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Total	<u>\$ 24.71</u>	<u>\$ 30.26</u>	<u>\$ 31.89</u>

Companies may increase ARC rate to \$1.50 effective July 1, 2014.

Federal USF surcharge applies to Fed SLC and ARC charges.