



## CPUC Fact Sheet

### Small Local Exchange Carriers Cost of Capital Application

# PUBLIC PARTICIPATION HEARING

## Consolidated Application of the Independent Small Local Exchange Carriers Application (A.22-09-003)

### What is this Cost of Capital Application About?

On September 1, 2022, the Calaveras Telephone Company, Cal-Ore Telephone Co., Ducor Telephone Company, Forest Hill Telephone Company, Kerman Telephone Co., Pinnacles Telephone Co., The Ponderosa Telephone Co., Sierra Telephone Company, Inc., The Siskiyou Telephone Company, and Volcano Telephone Company (collectively, the “Applicants” or “Small LECs”) submitted an application (A.) 22-09-003 for a determination of Applicants’ Cost of Capital for ratemaking purposes. The California Public Utilities Commission (CPUC) will establish new authorized rates of return in this proceeding, which will then be used as part of each individual company’s general rate case (GRC) processed from 2022 through 2025.

### What are the Small LECs Proposing?

In their consolidated Application, the Small LECs propose increases to previously authorized rates of return (known as profit) on their investments. The amount of return on investments in providing telecommunication services is recouped through your billing rates and various Federal and State funds including California High-Cost Fund-A (CHCF-A). The CPUC will do an in-depth review of the application to determine what rate of return is just and reasonable and how the increase should be allocated to customer rates and CHCF-A.

Representatives from the Small LECs and from the Public Advocates Office will be present at the public participation hearing (PPH) to explain their respective views for and against the proposed increases to the rates of return and other proposed changes shown in the table below. Although these issues are somewhat complex, attending the PPH may help members of the public to better understand these issues.

The table below shows each Small LEC’s current rate of return, proposed capital structure, cost of capital, and proposed (new) rate of return on the invested capital, plus proposed increase from current rate of return.

		Application A.22-09-003 – Small LECs Cost of Capital					
		Proposed				New Rate of Return	Proposed Increase from Current Rate of Return (in Percentage)
	Current Rate of Return (Previously Authorized)	Capital Structure		Cost of Debt	Cost of Equity		
Name of Small LEC		Debt Ratio	Equity Ratio				
Calaveras Telephone Company	8.91%	30%	70%	5.1%	16.7%	13.2%	48.15%

Cal-Ore Telephone Company	8.92%	30%	70%	5.1%	16.7%	13.2%	47.98%
Ducor Telephone Company	9.01%	30%	70%	5.1%	16.7%	13.2%	46.5%
Foresthill Telephone Company	8.99%	30%	70%	5.1%	16.7%	13.2%	46.83%
Kerman Telephone Company	8.66%	30%	70%	5.1%	16.7%	13.2%	52.42%
Pinnacles Telephone Company	8.92%	30%	70%	5.1%	16.7%	13.2%	47.98%
The Ponderosa Telephone Company	8.44%	30%	70%	5.1%	16.7%	13.2%	56.40%
Sierra Telephone Company	9.22%	30%	70%	5.1%	16.7%	13.2%	43.17%
The Siskiyou Telephone Company	8.92%	30%	70%	5.1%	16.7%	13.2%	47.98%
Volcano Telephone Company	9.12%	30%	70%	5.1%	16.7%	13.2%	44.74%

## What Will Small LECs Requested Increase in Rate of Return Mean to You?

The Small LECs are requesting that the CPUC authorize a 13.2% rate of return on their investment. As can be seen in right most column of the above table, if the 13.2% rate of return is approved, the increase from the current rate of return will range from 43.17% to 56.4% higher than the current rate of return. The Commission must then determine how much of the increase should be allocated to customer rates and how much should of the increase should lead to a higher allocation from the CHCF-A

## How Can My Voice Be Heard?

The CPUC's Public Advisor's Office (<https://www.cpuc.ca.gov/pao/>) provides information to help the public participate in proceedings. Specifically:

- Customers can remotely attend and speak from their homes by phone or computer at any of the upcoming remote Public Participation Hearings (PPHs) the CPUC will hold in 2023. These hearings will be transcribed by a court reporter and placed into the formal record for this proceeding. During the hearing, you can make comments and raise concerns to the CPUC's Administrative Law Judge overseeing this application. A list of dates, times, and how to participate is at: <https://www.cpuc.ca.gov/pph/>.
- Customers can submit electronic public comments specific to this proceeding and review all other public comments submitted by using the "Add Public Comment" button on the Public Comment tab of the docket card for A.22-09-003 at: <https://apps.cpuc.ca.gov/c/A2209003>. To view Small LECs application and all formal filings, including the proposed decision when issued, go to <https://apps.cpuc.ca.gov/p/A2209003> and select the "Documents" tab at the top of the page.
- Customers can send a letter to the CPUC's Public Advisor and include this proceeding number, A.22-09-003, at: [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov) or CPUC, Public Advisor, 505 Van Ness Ave., San Francisco, CA 94102. The Public Advisor's Office may be reached by phone at 866-849-8390.
- The Public Advocates Office is an independent consumer advocate within the CPUC who will review, audit, and issue a Report, which contains their proposed evidentiary testimony, on this application. It's website is: <https://www.publicadvocates.CPUC.ca.gov>.

In addition, customers can access the CPUC's home page for further information on consumer programs and services and to explore information on key issues and topics of interest to the public at <https://www.cpuc.ca.gov/>.

