

SIERRA TELEPHONE COMPANY, INC.

NOTICE OF GENERAL RATE CASE AND PROPOSED RATE INCREASE

On December 27, 2006, Sierra Telephone Company, Inc. (Sierra Telephone) filed Advice Letter No. 350 with the California Public Utilities Commission (CPUC) requesting authority to change rates for certain telephone services. Sierra Telephone requests an annual net revenue increase in customer billing totaling \$158,021. Sierra Telephone proposes to recover any additional required revenue changes through an explicit subsidy known as the California High Cost Fund-A. This Fund was set up to provide support to qualifying smaller telephone companies serving rural and small metropolitan areas. The small companies draw from the High Cost Fund to maintain reasonable local rates and to have the financial ability to continue to provide high quality service to their customers. Sierra Telephone's year 2007 draw from the California High Cost Fund-A is \$13,160,139. In Advice Letter No. 350, Sierra Telephone proposes a 5.5% increase, or an increase of \$726,409 to the draw for year 2008.

The CPUC Telecommunications Division staff will review Advice Letter No. 350 and may propose changes different than those proposed by Sierra Telephone. The Commission will ultimately make the final decision regarding this filing. **Sierra Telephone proposes the following changes in customer rates or charges:**

| DESCRIPTION OF SERVICE | PRESENT MONTHLY RATE AND/OR CHARGE | PROPOSED MONTHLY RATE AND/OR CHARGE | PERCENT CHANGE | DESCRIPTION OF SERVICE | PRESENT MONTHLY RATE AND/OR CHARGE | PROPOSED MONTHLY RATE AND/OR CHARGE | PERCENT CHANGE |
|---|------------------------------------|-------------------------------------|----------------|--|------------------------------------|-------------------------------------|----------------|
| LOCAL DIRECTORY ASSISTANCE | | | | OFF PREMISES EXTENSION MILEAGE RATES | | | |
| PER CALL | | | | OFF PREMISES EXTENSION | | | |
| EXCEEDING MONTHLY ALLOWANCE (Reduce the monthly call allowance from unlimited to 3 for Residence and from unlimited to 0 for Business) * | NO CHARGE | \$0.46 | 100% | 1ST ¼ MILE OR FRACTION | \$2.25 | \$4.50 | 100% |
| | | | | ADDITIONAL ¼ MILE | \$2.25 | \$4.50 | 100% |
| INSIDE WIRE MAINTENANCE MONTHLY PLAN | \$0.50 | \$1.00 | 100% | CUSTOM CALLING SERVICES | | | |
| HOURLY LABOR RATES FOR INSIDE WIRE REPAIR OR VISIT CHARGES | | | | INDIVIDUAL FEATURES | | | |
| NORMAL | | | | CALL FORWARDING VARIABLE, FIXED, BUSY, NO ANSWER, & BUSY AND NO ANSWER | \$1.50 | \$1.75 | 16.7% |
| FIRST 30 MINUTES | \$20.00 | \$40.00 | 100% | CALL WAITING | | | |
| EACH ADDITIONAL 15 MINUTES | \$10.00 | \$20.00 | 100% | WITH CANCEL CALL WAITING | \$3.50 | \$3.75 | 7.1% |
| OVERTIME | | | | THREE-WAY CALLING | \$3.50 | \$3.75 | 7.1% |
| FIRST 30 MINUTES | \$25.00 | \$50.00 | 100% | CUSTOMER CHANGEABLE | | | |
| EACH ADDITIONAL 15 MINUTES | \$10.00 | \$20.00 | 100% | SPEED CALL 8 | \$2.50 | \$2.75 | 10% |
| PREMIUM | | | | CUSTOMER CHANGEABLE | | | |
| FIRST 30 MINUTES | \$30.00 | \$60.00 | 100% | SPEED CALL 30 | \$3.50 | \$3.75 | 7.1% |
| EACH ADDITIONAL 15 MINUTES | \$10.00 | \$20.00 | 100% | FEATURE PACKAGES | | | |
| JOINT USER SERVICES | \$2.50 | \$4.00 | 60% | 4 FEATURE PACKAGE | | | |
| ADDITIONAL DIRECTORY LISTING | | | | WITH SPEED CALL 8 | \$4.25 | \$4.75 | 11.8% |
| RESIDENCE | \$0.50 | \$0.75 | 50% | 4 FEATURE PACKAGE | | | |
| BUSINESS | \$0.75 | \$1.00 | 33% | WITH SPEED CALL 30 | \$5.25 | \$5.75 | 9.5% |
| | | | | ADVANCED CUSTOM CALLING FEATURE | | | |
| | | | | ANONYMOUS CALL REJECTION | \$1.00 | \$1.25 | 25% |
| | | | | VOICE MAIL SERVICE | | | |
| | | | | ECONOMY VOICE MAIL BOXES | \$3.95 | \$4.95 | 25.3% |

* The monthly call allowance is the number of calls that can be made to local directory assistance before charges apply. Note that up to 3 numbers can be requested on each call to a directory assistance operator.

The CPUC staff and Sierra Telephone are planning a public meeting, which will provide you the opportunity to express your views on this matter. We will notify you about the meeting date and location as soon as it is scheduled. A copy of Advice Letter No. 350 is available for viewing at the CPUC at 505 Van Ness Avenue, San Francisco, California 94102 as well as at the following Sierra Telephone offices:

49150 Road 426
Oakhurst, California 93644
559-683-4611

5108 Hwy 140, Suite B
Mariposa, California 95338
209-966-3636

If you would like to protest or comment on Sierra Telephone's filing, you may write to Mr. Jack M. Leutza, Director of the Telecommunications Division, California Public Utilities Commission, 505 Van Ness Avenue, 3rd Floor, San Francisco, CA 94102, within 20 business days of this notice. Alternatively, you may e-mail your comments to both Mr. Jerry Shiu at jhs@cpuc.ca.gov and Ms. Sue Wong at skw@cpuc.ca.gov, and forward a copy of your e-mail comments to Sierra Telephone at RegGRC@stcg.net. Please refer to Sierra Telephone's Advice Letter No. 350. Your protests or comments must be received by January 16, 2007.

For information about this filing, please contact the Business Office at the local numbers listed in this notice, or toll free at 1-877-658-4611.