

REVISED REBUTTAL TESTIMONY

OF

BILL L. VOSS

TECHNICAL ASSISTANT

FINANCIAL ANALYSIS DIVISION

ILLINOIS COMMERCE COMMISSION

PUBLIC VERSION

[Shaded information within this Revised Rebuttal Testimony
is **CONFIDENTIAL**.]

ALHAMBRA-GRANTFORK TELEPHONE COMPANY

PETITION FOR UNIVERSAL SERVICE SUPPORT

DOCKET NO. 04-0354

NOVEMBER 10, 2004

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1 Witness Identification

2 **Q. Please state your name and business address.**

3 A. My name is Bill L. Voss. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5 **Q. Are you the same Bill L. Voss who filed direct testimony, ICC Staff**
6 **Exhibit 2.0, in this proceeding on October 8, 2004?**

7 A. Yes, I am.

8 Purpose of Testimony

9 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

10 A. The purpose of my rebuttal testimony is to quantify the Illinois Universal
11 Service Fund ("IUSF") funding requirement for Alhambra-Grantfork
12 Telephone Company ("Alhambra" or "Company") and to respond to the
13 rebuttal testimony of Alhambra witness Robert C. Schoonmaker, Alhambra
14 Exhibit 3.0, and to the rebuttal testimony of Alhambra witness Alvin
15 Wilkening, Alhambra Exhibit 4.0. As I stated in my direct testimony, the Staff
16 quantification of the IUSF funding requirement should only be used if the
17 Commission rejects the position of Staff witness Dr. Genio Staranczak that
18 the Commission should not grant Alhambra any IUSF funding at this time.

19 Schedule and Attachment Identification

20 **Q. Are you sponsoring any schedules with your testimony?**

21 A. Yes. I am sponsoring the following schedules:

22 Schedule 4.01 Staff Calculated Funding Requirement

23 Schedule 4.02 Adjustment for Uncollectible Revenues

24 Schedule 4.03 Adjustment for Allocation of Expenses to A-G Long
25 Distance, Inc., and Alhambra-Grantfork Cellular
26 Telephone Company

27 Schedule 4.04 Adjustments for the Operations of A-G Long Distance,
28 Inc.

29 I am also sponsoring CONFIDENTIAL versions of each of these four
30 Schedules.

31 **Q. Are you sponsoring any attachments with your testimony?**

32 A. Yes. I am sponsoring the following Attachments:

33 Attachment A Alhambra's Proprietary Minutes from the March 10,
34 2003, Meeting of Its Board of Directors

35 Attachment B Alhambra's Proprietary Response to Staff Data Request
36 BV-8.04

37 Both Attachment A and Attachment B are CONFIDENTIAL. These two
38 Attachments are not included in the Public Version of this rebuttal testimony.

39 Both Attachments are included in the CONFIDENTIAL Version of this
40 rebuttal testimony. Only the first five pages of Alhambra's proprietary twelve-

41 page response to Staff Data Request BV-8.04 are pertinent to this
42 proceeding; Attachment B consists only of these first five pages.

43 Quantification of IUSF Funding Requirement

44 **Q. Please describe your methodology for presenting adjustments to**
45 **Alhambra's request for IUSF funding.**

46 A. I will present my adjustments in three tiers. The first tier contains
47 adjustments to telephone operations of Alhambra. The second tier contains
48 adjustments to Alhambra for the dial-up and high-speed internet operations
49 of A-G Long Distance, Inc. ("A-G Long Distance"). The third tier contains
50 adjustments for the long-distance activities of A-G Long Distance. The
51 adjustments in the second and third tiers are supported by the testimony of
52 Dr. Staranczak.

53 Summary of Adjustments and Calculation of IUSF Funding

54 **Q. Where have you summarized your adjustments?**

55 A. I have summarized my adjustments on Schedule 4.01 in columns c, d, and e
56 for the first, second, and third tiers of my adjustments, respectively.

57 **Q. Have you calculated Alhambra's IUSF funding requirement in the event**
58 **that the Commission rejects Dr. Staranczak's recommendation not to**
59 **grant IUSF funding at this time?**

60 A. Yes. Alhambra's IUSF funding requirement is presented in column f at line
61 28 on page 2 of Schedule 4.01.

62 **Q. Please explain ICC Staff Exhibit 4.0, Schedule 4.01.**

63 A. Schedule 4.01, entitled "Staff Calculated Funding Requirement," is a two-
64 page schedule.

65 The descriptions in column a are identical to the descriptions on Alhambra
66 Exhibit 3.0, Attachment 2, Schedule 1.01. The amounts, percentages, and
67 factor in column b are the same amounts, percentages, and factor presented
68 in the Adjusted Amount column on Alhambra Exhibit 3.0, Attachment 2,
69 Schedule 1.01.

70 My adjustments are presented in columns c, d, and e for the three tiers of
71 adjustments. Column c presents adjustments to Alhambra's telephone
72 operations. Column d presents adjustments for the internet operations of A-
73 G Long Distance. Column e presents adjustments for the long-distance
74 operations of A-G Long Distance. The adjustment amounts for lines 14 and
75 17 of column c are calculated on Schedules 4.02 and 4.03, respectively. The
76 adjustment amounts for lines 14 and 17 of columns d and e are calculated on
77 Schedule 4.04.

78 Column f aggregates the amounts in columns b, c, d, and e and presents the
79 Staff ROR Deficiency for Alhambra as calculated by Staff on line 28.

80 In the CONFIDENTIAL version of Schedule 4.01, CONFIDENTIAL
81 information is displayed over a light gray background.

82 Adjustments for the Telephone Operations of Alhambra

83 **Q. Have you reviewed the Alhambra's rebuttal adjustments proposed by**
84 **Mr. Schoonmaker on Alhambra Exhibit 3.0, Attachment 2, Schedule**
85 **1.05?**

86 A. Yes, I have. I will note my agreement or disagreement to his specific
87 adjustments below.

88 Uncollectible Revenues

89 **Q. Please explain ICC Staff Exhibit 4.0, Schedule 4.02.**

90 A. Schedule 4.02, entitled "Adjustment for Uncollectible Revenues," presents
91 my adjustment to uncollectible expense. My adjustment is presented on
92 lines 1 through 4. Line 4 shows an increase to uncollectible revenues of
93 \$7,749. The components of Alhambra's 2003 uncollectible expense are
94 shown on lines 7 through 12. Based upon my discussion below, I am
95 proposing that Alhambra not recover any uncollectible expense in this
96 proceeding. The adjustment amount on line 4 is placed on Schedule 4.01,
97 line 14, column c.

98 In the CONFIDENTIAL version of Schedule 4.02, CONFIDENTIAL
99 information is displayed over a light gray background.

100 **Q. Do you agree with Mr. Schoonmaker's rebuttal proposal to reduce**
101 **revenues by \$7,749 in uncollectible revenues?**

102 A. No. A review of the activities in Alhambra's uncollectible expense account
103 6790, shows the following transactions: [Shaded amounts are CONFIDENTIAL.]

104 ▪ A charge of \$XXXXXX for what appears to be a write-off of a receivable
105 from Alhambra's dormant subsidiary, A-G Cable TV, Inc.,

106 ▪ A credit of \$XXXXXX to adjust Alhambra's uncollectible allowance in
107 account 1181 to \$2,400,

108 ▪ A charge of \$XXXXXX to adjusts the CABS (Carrier Access Billing
109 System) receivable to actual and to record the write-off of uncollectible
110 attributable to bankrupt carriers, and

111 ▪ A charge of \$XXXXXX reflecting what appears to be the total of the
112 monthly accruals for uncollectible expense.

113 Expenses pertaining to the write-offs of receivables resulting from the
114 bankruptcies of Global Crossings and MCI and expenses pertaining to the
115 write-off of a receivable from a dormant subsidiary should not be included in
116 the calculation of IUSF funding because these are one-time events not
117 expected to recur. Since the removal of these two items would create a
118 negative uncollectible expense, I am proposing a zero uncollectible expense
119 for consideration in this proceeding.

120 Allocation of Expenses to Subsidiaries

121 **Q. Please explain ICC Staff Exhibit 4.0, Schedule 4.03.**

122 A. Schedule 4.03, entitled “Adjustment for Allocation of Expenses to A-G Long
123 Distance, Inc., and Alhambra-Grantfork Cellular Telephone Company.” My
124 adjustment is presented on lines 1 through 4. Lines 7 through 18 present the
125 calculation of the Staff adjustment to allocate certain expenses to A-G Long
126 Distance and Alhambra-Grantfork Cellular Telephone Company (“Alhambra-
127 Grantfork Cellular”). A summary of Alhambra’s rebuttal adjustments to
128 assign and allocate certain expenses to A-G Long Distance is shown on lines
129 21 through 25.¹ The adjustment amount on line 4 is placed on Schedule
130 4.01, line 17, column c.

131 In the CONFIDENTIAL version of Schedule 4.03, CONFIDENTIAL
132 information is displayed over a light gray background.

133 **Q. Did Alhambra adjust its expenses to allocate any costs to its**
134 **subsidiaries?**

135 A. Yes. At Alhambra Exhibit 3.0, page 9, lines 158 through 168, Mr.
136 Schoonmaker proposed to allocate 5% of the executive time of Mr. Alvin
137 Wilkening and 5% of the Board of Directors’ fees to A-G Long Distance. Mr.
138 Schoonmaker did not make a similar allocation to Alhambra-Grantfork
139 Cellular. Mr. Wilkening’s assertion—that the time spent by the Board of

¹ Alhambra Ex. at 9, lines 158 - 168 and Alhambra Ex. 4.0 at 2 - 3, lines 11 - 29.

140 Directors is “de minimis compared to telephone company matters”²—should
141 not be credited. The Board of Directors presumably spends a quantifiable
142 amount of time, and Alhambra presumably spends a quantifiable amount of
143 resources, on subsidiary operations. To the extent that it can, Alhambra
144 should fully account for its support of its subsidiaries with more than the bare
145 assertion that certain aspects of this support are “de minimis.” If it cannot,
146 this expense should be deemed a cost common to all of the companies, as
147 Dr. Staranczak suggests.

148 **Q. Did you address the assignment of expenses to Alhambra’s**
149 **subsidiaries in your direct testimony?**

150 A. Yes. In my direct testimony in this proceeding, I stated that “Alhambra
151 should conduct a thorough review of its expenses to ensure that the proper
152 direct and indirect costs are being assigned to Alhambra-Grantfork Cellular
153 Telephone Company.”³ I am currently awaiting Alhambra’s response to Staff
154 Data Requests BV-10.01 and BV-10.02, which seek from Alhambra further
155 information regarding possible groupings of expenses that should be
156 charged directly to Alhambra-Grantfork Cellular. In my direct testimony, I
157 further described Alhambra’s review of expenses:

158 Alhambra should complete a review in accordance with the cost
159 allocation methodologies in 83 Ill. Adm. Code 712, Cost
160 Allocation for Small Local Exchange Carriers. Such a review is

² Alhambra Ex. 4.0 at 3 - 4, lines 33 - 51.

³ ICC Staff Ex. 2.0 at 16, lines 293 - 295.

161 necessary before any IUSF funding is awarded to Alhambra.
162 This completed review should accompany Alhambra's rebuttal
163 testimony.⁴

164 At the conclusion of my direct testimony, I make the following
165 recommendation:

166 I recommend that, before any IUSF funding is granted to
167 Alhambra, Alhambra must be required to correctly assign and
168 allocate costs to its two active non-regulated subsidiaries, A-G
169 Long Distance, Inc., and Alhambra-Grantfork Cellular
170 Telephone Company, and to its dormant non-regulated
171 subsidiary, A-G Cable TV, Inc. IUSF funding should not be
172 used to subsidize a small telephone utility's non-regulated
173 subsidiaries.⁵

174 This review should be completed for Alhambra and each of its subsidiaries.

175 **Q. In the absence of a review by Alhambra of its method of assigning and**
176 **allocating costs between itself and its unregulated subsidiaries, are you**
177 **proposing an adjustment to allocate certain expenses to Alhambra's**
178 **subsidiaries?**

179 A. Yes. I propose that a portion of Alhambra's expenses for executive
180 functions, other general and administrative functions, accounting and
181 finance, and legal services be allocated to both A-G Long Distance and
182 Alhambra-Grantfork Cellular. These expenses are recorded by Alhambra in
183 six accounts; the account numbers, descriptions, and amounts are shown on
184 lines 8 through 13 on Schedule 4.03.

⁴ ICC Staff Ex. 2.0 at 16, lines 301 - 305.

⁵ ICC Staff Ex. 2.0 at 18, lines 323 - 328.

185 I propose to allocate 5% of the above expenses to A-G Long Distance and
186 5% of the above expenses to Alhambra-Grantfork Cellular. As discussed
187 above, Alhambra made allocations to A-G Long Distance of 5% of the
188 executive time of Mr. Alvin Wilkening and 5% of the Board of Directors' fees.
189 Since there are additional expenses that should be allocated, I have
190 proposed my allocation on Schedule 4.03.

191 I continue to recommend that Alhambra complete a review in accordance
192 with the cost allocation methodologies in 83 Ill. Adm. Code 712, Cost
193 Allocation for Small Local Exchange Carriers. I believe that such a review is
194 necessary before the Commission can properly award any IUSF funding to
195 Alhambra.

196 Network Access Service Revenues

197 **Q. What is the status of the \$100,000 adjustment to network access**
198 **service revenues that you made in your direct testimony?**

199 A. Based upon Alhambra's rebuttal testimony, I am not proposing an adjustment
200 to network access service revenue in this testimony. Mr. Schoonmaker
201 addressed this adjustment in his rebuttal testimony.⁶ Mr. Schonmaker
202 acknowledged that Alhambra would receive additional revenues resulting
203 from its upgraded telephone plant, and in his rebuttal testimony, he
204 included these additional revenues in his calculation of IUSF funding

⁶ Alhambra Ex. 3.0, at 20 - 24.

205 deficiency.⁷ Staff has not yet received a response to Data Request BV-
206 11.01.⁸ This data request asks Alhambra to explain and reconcile the
207 differences in the amounts of revenues as addressed in Alhambra Exhibit 3.0
208 and in the Alhambra response to Staff Data Request BV-8.04.

209 Moreover, certain other discrepancies have arisen. Alhambra's response to
210 Staff Data Request BV-8.04 consisted of a copy of presentation made by
211 GVNW Consulting, Inc., to Alhambra's Board of Directors at its March 10,
212 2003, meeting. Attachment A to this rebuttal testimony is a copy of the
213 minutes of the March 10, 2003, Board of Directors meeting. Attachment B to
214 this rebuttal testimony is a five-page abridgement of Alhambra's twelve-page
215 proprietary response to Staff Data Request BV-8.04. Both Attachments are
216 included with the CONFIDENTIAL Version of this rebuttal testimony. **BEGIN**

217 **CONFIDENTIAL** XXX
218 XXX
219 XXXXXXXXXXXXXXXXXXXXXXX **END CONFIDENTIAL** Accordingly, until I am able

220 to evaluate Alhambra's response to Staff Data Request BV-11.01, and until
221 an explanation of discrepancies raised by the GVNW report and corporate
222 minutes is forthcoming, I am not proposing a further adjustment.

⁷ Alhambra Ex. 3.0, Attachment 1, Schedule 1.01.

⁸ Staff does not suggest that Alhambra is dilatory in its response to this data request, as it was issued quite recently.

223 2003 CCL Settlement Revenues Received in 2004

224 **Q. In your direct testimony, ICC Staff Exhibit 2.0, Schedule 2.02, you**
225 **proposed an “Adjustment for 2003 Revenues Received in 2004.” Did**
226 **Alhambra accept this adjustment?**

227 A. Yes. Mr. Schoonmaker accepted this adjustment in his rebuttal testimony.⁹

228 Depreciation Expense

229 **Q. In your direct testimony, ICC Staff Exhibit 2.0, Schedule 2.04, you**
230 **proposed an “Adjustment for Depreciation Expense.” Did Alhambra**
231 **accept this adjustment?**

232 A. Yes. Mr. Schoonmaker accepted this adjustment and added additional
233 adjustments to fully incorporate the effect of my adjustment for the
234 depreciation of central office equipment.¹⁰

235 Incremental Cost of DSL Cards

236 **Q. In your direct testimony, ICC Staff Exhibit 2.0, Schedule 2.05, you**
237 **proposed an “Adjustment for the Incremental Cost of DSL Cards.” Are**
238 **you still proposing this adjustment?**

239 A. No. Alhambra presented evidence that, when clarified through a response to
240 Staff Data Request BV-9.01, will very probably convince Dr. Staranczak and
241 me that this adjustment is not necessary.¹¹

⁹ Alhambra Ex. 3.0 at 20, lines 405 - 410.

¹⁰ Alhambra Ex. 3.0 at 24 - 25, lines 505 – 520; and at 26 - 27, lines 558 - 563.

242 Adjustments for the Operations of A-G Long Distance, Inc.

243 **Q. Please explain ICC Staff Exhibit 4.0, Schedule 4.04.**

244 A. Schedule 4.04, entitled “Adjustments for the Operations of A-G Long
245 Distance, Inc.,” presents my adjustments to revenues and expenses for
246 internet operations and long distance operations as calculated on page 2 of
247 ICC Staff Exhibit 2.0C, Schedule 2.06. The adjustments for revenues are
248 presented on lines 1 through 6, and the adjustments for expenses are
249 presented on lines 9 through 14. Lines 17 through 20 show the adjustments
250 to expenses for the Staff allocation of expense on Schedule 4.03. The
251 adjustment amounts on lines 4 and 12, columns b and c, are placed on
252 Schedule 4.01, lines 14 and 17, columns d and e, respectively.

253 In the CONFIDENTIAL version of Schedule 4.04, CONFIDENTIAL
254 information is displayed over a light gray background.

255 **Q. Why do you include the revenues and expenses resulting from the**
256 **operations of A-G Long Distance, Inc., in your calculation of the IUSF**
257 **funding requirement?**

258 A. I include the revenues and expenses of A-G Long Distance in the calculation
259 of the IUSF funding requirement as if these operations occurred within
260 Alhambra, pursuant to the recommendations of Dr. Staranczak in ICC Staff
261 Exhibit 3.0.

¹¹ Alhambra Ex. 3.0 at 7 - 8, lines 131 – 142, and at 25, lines 521 - 530.

262 Conclusion

263 **Q. Please summarize your quantification of Alhambra’s calculated funding**
 264 **requirement as shown on Schedule 4.01.**

265 A. The following table summarizes the information presented on line 28 of page
 266 2 to Schedule 4.01:

<u>Description</u>	<u>Amount</u>	<u>Column</u>
Alhambra’s requested IUSF funding amount in Alhambra Exhibit 3.0	\$ 105,950	b
Effect of adjustments to telephone operations	(23,337)	c
Effect of adjustments for internet operations	CONFIDENTIAL (XXXX) CONFIDENTIAL	d
Effect of adjustments for long-distance operations	CONFIDENTIAL (XXXX) CONFIDENTIAL	e
Staff recommended funding requirement	<u>\$ 1,397</u>	f

267 CONFIDENTIAL information in the above table is displayed over a light gray
 268 background.

269 **Q. In conclusion, what are your recommendations?**

270 A. I have two recommendations.

271 First, if the Commission does not concur in the Staff’s recommendation that,
 272 for policy reasons, Alhambra should not receive IUSF funding, then the

273 Commission should rely upon the analysis presented in this rebuttal
274 testimony.

275 Second, as discussed above, I recommend that, before any IUSF funding is
276 granted to Alhambra, Alhambra must be required to correctly assign and
277 allocate costs to its non-regulated subsidiaries.

278 **Q. Does this question conclude your prepared rebuttal testimony?**

279 A. Yes, it does.

Alhambra-Grantfork Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company</u> <u>Amount</u>	<u>Alhambra</u> <u>Adjustments</u>	<u>Internet</u> <u>Adjustments</u>	<u>Long-Distance</u> <u>Adjustments</u>	<u>Staff Adjusted</u> <u>Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Net Regulated Plant	\$ 2,136,200	\$ -	\$ -	\$ -	\$ 2,136,200	
2	Materials and Supplies Inventory	40,562				40,562	
3	Customer Deposits	6,594	-	-	-	6,594	
4	ADIT - Regulated Plant	<u>225,162</u>	-	-	-	<u>225,162</u>	
5	Rate Base before Working Capital	\$ 1,945,006	\$ -	\$ -	\$ -	\$ 1,945,006	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement						
7	Total Operating Expenses	\$ 879,158	\$ (15,238)	CONFIDENTIAL	CONFIDENTIAL	\$ 1,159,810	line 17
8	Less: Depreciation Expense	<u>234,646</u>		-	-	<u>234,646</u>	
9	Total WC Operating Expense	<u>\$ 644,512</u>	<u>\$ (15,238)</u>	CONFIDENTIAL	CONFIDENTIAL	<u>\$ 925,164</u>	line 7 - line 8
10	WC OE Requirement	\$ 80,564	\$ (1,905)	CONFIDENTIAL	CONFIDENTIAL	\$ 115,646	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Requirement	-	-	-	-	-	
12	Total Working Capital Requirement	<u>\$ 80,564</u>	<u>\$ (1,905)</u>	CONFIDENTIAL	CONFIDENTIAL	<u>\$ 115,646</u>	line 10 + line 11
13	Total Rate Base	<u>\$ 2,025,570</u>	<u>\$ (1,905)</u>	CONFIDENTIAL	CONFIDENTIAL	<u>\$ 2,060,652</u>	line 5 + line 12
14	Total Operating Revenues	\$ 1,150,724	\$ 7,749	CONFIDENTIAL	CONFIDENTIAL	\$ 1,542,347	column c: Schedule 4.02 columns d & e: Schedule 4.04
15	Less: Illinois High Cost Fund	-	-	-	-	-	
16	Net Operating Revenues	\$ 1,150,724	\$ 7,749	CONFIDENTIAL	CONFIDENTIAL	\$ 1,542,347	line 14 - line 15
17	Total Operating Expenses	879,158	(15,238)	CONFIDENTIAL	CONFIDENTIAL	1,159,810	column c: Schedule 4.03 columns d & e: Schedule 4.04
18	Other Operating Inc and Exp - Net	-	-	-	-	-	
19	Other Operating Taxes	<u>6,861</u>	-	-	-	<u>6,861</u>	
20	Net Op Inc before Income Taxes	\$ 264,704	\$ 22,987	CONFIDENTIAL	CONFIDENTIAL	\$ 375,676	line 16 - lines 17, 18, & 19
21	Income Tax Expense	<u>102,543</u>	<u>8,905</u>	CONFIDENTIAL	CONFIDENTIAL	<u>145,533</u>	line 34
22	Net Operating Income	<u>\$ 162,161</u>	<u>\$ 14,082</u>	CONFIDENTIAL	CONFIDENTIAL	<u>\$ 230,143</u>	line 20 - line 21
23	Return on Rate Base	<u>8.01%</u>				<u>11.1685%</u>	line 22 / line 13

The shaded amounts in columns d and e at lines 7, 9, 10, 12, 13, 14, 16, 17, 20, 21, and 22 are CONFIDENTIAL.

Alhambra-Grantfork Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company</u> <u>Amount</u>	<u>Alhambra</u> <u>Adjustments</u>	<u>Internet</u> <u>Adjustments</u>	<u>Long-Distance</u> <u>Adjustments</u>	<u>Staff Adjusted</u> <u>Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
24	After-tax Cost of Capital	11.21%	11.21%	11.21%	11.21%	11.21%	
25	Target Net Operating Income	\$ 227,066	\$ (214)	\$ 1,575	\$ 2,572	\$ 230,999	line 24 * line 13
26	Adj to Achieve Target Return on RB	\$ 64,905	\$ (14,296)	\$ (23,527)	\$ (26,226)	\$ 856	line 25 - line 22
27	Gross Revenue Conversion Factor	1.6324	1.6324	1.6324	1.6324	1.6324	line 35
28	Staff ROR Deficiency	\$ 105,950	\$ (23,337)	\$ (38,405)	\$ (42,811)	\$ 1,397	line 26 * line 27
29	Calculation of Income Tax Expense						
30	Net Op Inc before Inc Taxes	\$ 264,704	\$ 22,987	\$ 40,976	\$ 47,008	\$ 375,676	line 20
31	Illinois Inc & Rep Tax Expense	19,006	1,650	2,942	3,375	26,974	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	\$ 245,698	\$ 21,337	\$ 38,034	\$ 43,633	\$ 348,702	line 30 - line 31
33	Federal Income Tax Expense	83,537	7,255	12,932	14,835	118,559	line 32 * 34.00%
34	Total Imputed Income Tax Expense	\$ 102,543	\$ 8,905	\$ 15,874	\$ 18,210	\$ 145,533	line 31 + line 33
35	Gross Revenue Conversion Factor	1.6324	1.6324	1.6324	1.6324	1.6324	1 / ((1 - .0718) * (1 - .34))

The shaded amounts in columns d and e at lines 7, 9, 10, 12, 13, 14, 16, 17, 20, 21, and 22 are CONFIDENTIAL.

Alhambra-Grantfork Telephone Company
 Illinois Universal Service Funding Calculation
 Adjustment for Uncollectible Revenues

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Uncollectible Revenues				
2	Uncollectible Revenues per Staff	\$ -			
3	Uncollectible Revenues per Company	<u>(7,749)</u>			
4	Adjustment to Total Operating Revenues	<u>\$ 7,749</u>			line 2 - line 3
5					The amount on line 4 is placed on Schedule 4.01, line 14, column c.
6					
7	Components of Account 6790, Uncollectible Accounts				
8	Write-off of receivable from A-G Cable, Inc.	CONFIDENTIAL			
9	Adjustment of Account 1181 to \$2,400	CONFIDENTIAL			
10	Write-off of CABS receivables	CONFIDENTIAL			
11	Accrual for uncollectible expense	CONFIDENTIAL			
12	Total	<u>\$ 7,749.06</u>			

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The shaded amounts on lines 8, 9, 10, and 11 are CONFIDENTIAL.

Alhambra-Grantfork Telephone Company
 Illinois Universal Service Funding Calculation
 Adjustment for Allocation of Expenses to A-G Long Distance, Inc., and Alhambra-Grantfork Cellular Telephone Company

<u>Line #</u>	<u>Description</u>	<u>Amount</u>	(c)	(d)	<u>Source</u>
	(a)	(b)			(e)
1	Expenses				
2	Allocation to Subsidiaries per Staff	\$ (20,111)			line 18
3	Allocation to Subsidiaries per Company	<u>(4,873)</u>			line 25
4	Adjustment to Expenses	<u>\$ (15,238)</u>			line 2 - line 3
5					The amount on line 4 is placed on Schedule 4.01,
6					line 17, column c.
7	Calculation of Staff Adjustments				
8	Account 6711.00 Executive	CONFIDENTIAL			The shaded amounts on lines 8, 9, 10, 11, 12, and 13 are CONFIDENTIAL.
9	Account 6711.01 Executive-Employee	CONFIDENTIAL			
10	Account 6711.02 Executive-Directors & Officers	CONFIDENTIAL			
11	Account 6720.00 Other G & A	CONFIDENTIAL			
12	Account 6721.00 Accounting & Finance	CONFIDENTIAL			
13	Account 6725.00 Legal	CONFIDENTIAL			
14	Total	<u>\$ 201,105.97</u>			
15					
16	5% Allocation to A-G Long Distance	\$ 10,055.30			
17	5% Allocation to Alhambra-Grantfork Cellular	<u>10,055.30</u>			
18	Total Allocation per Staff	<u>\$ 20,110.60</u>			
19					
20					
21	Calculation of Company Adjustment				
22	5% of Executive expense	\$ 1,479.00			Alhambra Exhibit 3.0, page 9, lines 161 through 165
23	5% of Board of Directors' expense	1,945.00			Alhambra Exhibit 3.0, page 9, lines 165 through 168
24	Internet billing and collection services	<u>1,449.00</u>			Alhambra Exhibit 4.0, pages 2 and 3, lines 11 through 29
25	Total	<u>\$ 4,873.00</u>			

Alhambra-Grantfork Telephone Company
 Illinois Universal Service Funding Calculation
 Adjustments for the Operations of A-G Long Distance, Inc.

<u>Line #</u>	<u>Description</u>	<u>Internet Operations</u>	<u>Long-Distance Operations</u>		<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Total Operating Revenues				
2	Additional Revenues per Staff	CONFIDENTIAL	CONFIDENTIAL	The shaded amounts on lines 2 and 4 are CONFIDENTIAL.	Schedule 2.06, page 2, line 12
3	Additional Revenues per Company	-	-		line 2 - line 3
4	Adjustment to Total Operating Revenues	CONFIDENTIAL	CONFIDENTIAL		The amounts on line 4 are placed on Schedule 4.01, line 14, columns d and e, respectively.
5					
6	Note for line 4: These are increases to revenues.				
7					
8					
9	Total Operating Expenses				
10	Additional Expenses per Staff	CONFIDENTIAL	CONFIDENTIAL	The shaded amounts on lines 10 and 12 are CONFIDENTIAL.	line 18
11	Additional Expenses per Company	-	-		line 10 - line 11
12	Adjustment to Total Operating Expenses	CONFIDENTIAL	CONFIDENTIAL		The amounts on line 12 are placed on Schedule 4.01, line 17, columns d and e, respectively.
13					
14	Note for line 12: These are increases to expenses.				
15					
16					
17	Additional Adjustments to Total Operating Expenses				
18	Amounts from Schedule 2.06	CONFIDENTIAL	CONFIDENTIAL	The shaded amounts on lines 18, 19, and 20 are CONFIDENTIAL.	ICC Staff Exhibit 2.0C, Schedule 2.06, page 2, line 29
19	Staff Allocation of Expenses	CONFIDENTIAL	CONFIDENTIAL		ICC Staff Exhibit 4.0C, Schedule 4.03, line 16 [These amounts are allocated based upon the expense amounts on line 18.]
20	Total Additional Expense per Staff	CONFIDENTIAL	CONFIDENTIAL		line 18 + line 19
21					
22					
23					
24					
25					