

Reynolds Telephone Company  
Illinois Universal Service Funding Calculation  
Based upon ICC Form 23A Report Data for December 31, 2000

<u>Line #</u>	<u>Description</u>	<u>Source</u>	<u>Amount</u>	<u>Adjustment</u>	<u>Adjusted Amount</u>
1	Net Regulated Plant	Form 23A, P 8, Net Plant	\$ 826,817	\$ 372,171	\$ 1,198,988
2	Materials and Supplies Inventory	Page 2, 13-Month Average	58,384		58,384
3	Customer Deposits	Form 23A, P 8, 4040	7,503	-	7,503
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	63,399	-	63,399
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			1,186,470
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 14, Total	390,103	-	390,103
8	Less: Depreciation Expense	Form 23A, P 13, 6560	123,739	-	123,739
9	Total WC Operating Expense	line 7 - line 8	266,364	-	266,364
10	WC OE Requirement	line 9 * 45 / 360			33,296
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			33,296
13	Total Rate Base	line 5 + line 12			1,219,766
14	Total Operating Revenues	Form 23A, P 11, Total	593,540	-	593,540
15	Less: Illinois High Cost Fund		10,452	-	10,452
16	Net Operating Revenues	line 14 - line 15	583,088	-	583,088
17	Total Operating Expenses	Form 23A, P 14, Total	390,103	-	390,103
18	Other Operating Inc and Exp - Net	Form 23A, P 15, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 15, 7240	2,042	-	2,042
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	190,943	-	190,943
21	Income Tax Expense	line 34			73,969
22	Net Operating Income	line 20 - line 21			116,974
23	Return on Rate Base	line 22 / line 13			9.59%
24	After-tax Cost of Capital				11.21%
25	Target Net Operating Income	line 24 * line 13			136,736
26	Adj to Achieve Target Return on RB	line 25 - line 22			19,762
27	Gross Revenue Conversion Factor	line 35			1.6324
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			32,259
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			190,943
31	Illinois Inc & Rep Tax Expense	line 30 * 7.18%			13,710
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			177,233
33	Federal Income Tax Expense	line 32 * 34.00%			60,259
34	Total Imputed Income Tax Expense	line 31 + line 33			73,969
35	Gross Revenue Conversion Factor	1 / ((1 - .0718) * (1 - .34))			1.6324

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Material & Supplies Worksheet and Other Information

<u>Line #</u>		
1	December-99	\$13,089
2	January-00	\$15,151
3	February-00	\$15,151
4	March-00	\$35,437
5	April-00	\$35,639
6	May-00	\$35,639
7	June-00	\$37,855
8	July-00	\$37,855
9	August-00	\$38,290
10	September-00	\$47,081
11	October-00	\$158,206
12	November-00	\$160,943
13	December-00	\$128,656
14	13 Month Average	\$58,384

Sale/Lease Back Arrangement

The company does not have any sale(s)/lease back arrangement.

The company does have sale(s)/lease back arrangement and has provided additional information to staff.

Lease Agreement with Affiliates

The company does not have any lease agreements with affiliates.

The company does have lease agreements with affiliates and has provided additional information to staff.

Trial Balances

The Company has provided a copy of its 12/31/2000 trial balance in support of the attached exhibits.

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 Operating Revenues By Category

<u>Line #</u>		<u>Source</u>		<u>Amount</u>
		Form 23A, P 10, Total Local		
1	Local Revenues	Network Service Revenues	\$	153,332
2	State Subscriber Line Charges	Trial Balance 12/31/00	\$	30,072
3	State Access Revenues	Trial Balance 12/31/00	\$	134,527
4	State High Cost Support	Exhibit X, Line 15	\$	10,452
5	State Special Access Revenues	Trial Balance 12/31/00	\$	10,662
6	Total State Access & Local Revenues	Sum (Ln 1 - 5)	\$	339,045
7	Federal Subscriber Lines Charges	Trial Balance 12/31/00	\$	25,351
8	Federal Access Revenues	Trial Balance 12/31/00	\$	124,929
9	Federal High Cost Support	Trial Balance 12/31/00	\$	83,088
10	Federal Special Access Revenues	Trial Balance 12/31/00	\$	9,266
11	Total Federal Access Revenues	Sum (Ln 7 - 10)	\$	242,634
12	Misc Revenues	Trial Balance 12/31/00	\$	11,861
13	Total Operating Revenues	Ln 6 + Ln 11 + Ln 12	\$	<u>593,540</u>

Reynolds Telephone Company  
Summary of Adjustments

Adjustment 1	<u>Dr.</u>	<u>Cr.</u>
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RTB Stock	none	
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To record RTB Class B stock in rate base.

Adjustment 2

To record Midwest Cable Splicing, Inc. contract dated January 16, 2001 for fiber route project to begin approximately May 2001 and Contract currently open for bid related to this project for the replacement of obsolete Fiber Terminals and related equipment/cable.

attached	\$ 302,817	
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Adjustment 3

To record Materials & Supplies purchased for the above contract which was primarily paid for in the month's of March & April 2001.

attached	\$ 43,354	
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Adjustment 4

To record Nortel Networks contract dated June 30, 1999 for DMS-10 SR-ten switching equipment (not delivered as of 12/31/00).

Contract amount - detail

attached	\$ 26,000	
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	<u>\$ 372,171</u>	
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