

McDonough Telephone Cooperative, Inc.
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	\$ 12,720,996	\$ 305,000	\$ 13,025,996
2	Materials and Supplies Inventory	Page 2, 13-Month Average	203,360		203,360
3	Customer Deposits	Form 23A, P 8, 4040	9,725	-	9,725
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	-	-	-
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			13,219,631
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 14, Total	3,592,927	-	3,592,927
8	Less: Depreciation Expense	Form 23A, P 13, 6560	1,236,397	-	1,236,397
9	Total WC Operating Expense	line 7 - line 8	2,356,530	-	2,356,530
10	WC OE Requirement	line 9 * 45 / 360			294,566
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			294,566
13	Total Rate Base	line 5 + line 12			13,514,197
14	Total Operating Revenues	Form 23A, P 11, Total	4,315,522	99,105	4,414,627
15	Less: Illinois High Cost Fund		69,156	-	69,156
16	Net Operating Revenues	line 14 - line 15	4,246,366	99,105	4,345,471
17	Total Operating Expenses	Form 23A, P 14, Total	3,592,927	-	3,592,927
18	Other Operating Inc and Exp - Net	Form 23A, P 15, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 15, 7240	21,377	-	21,377
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	632,062	99,105	731,167
21	Income Tax Expense	line 34			-
22	Net Operating Income	line 20 - line 21			731,167
23	Return on Rate Base	line 22 / line 13			5.41%
24	After-tax Cost of Capital				12.60%
25	Target Net Operating Income	line 24 * line 13			1,702,789
26	Adj to Achieve Target Return on RB	line 25 - line 22			971,622
27	Gross Revenue Conversion Factor	line 35			1.0000
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			971,622
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			731,167
31	Illinois Inc & Rep Tax Expense	line 30 * 7.18%			-
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			731,167
33	Federal Income Tax Expense	line 32 * 34.00%			-
34	Total Imputed Income Tax Expense	line 31 + line 33			-
35	Gross Revenue Conversion Factor	1 / ((1 - .0718) * (1 - .34))			1.0000

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Material & Supplies Worksheet and Other Information

<u>Line #</u>		
1	December-99	\$152,825
2	January-00	\$237,104
3	February-00	\$137,758
4	March-00	\$159,745
5	April-00	\$161,871
6	May-00	\$201,764
7	June-00	\$201,764
8	July-00	\$248,512
9	August-00	\$250,750
10	September-00	\$250,750
11	October-00	\$250,750
12	November-00	\$259,091
13	December-00	\$130,997
14	13 Month Average	\$203,360

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>
1	Local Revenues	Form 23A, P 10, Total Local Network Service Revenues	\$ 589,452
2	State Subscriber Line Charges	Trial Balance 12/31/00	
3	State Access Revenues	Trial Balance 12/31/00	\$ 1,661,916
4	State High Cost Support	Exhibit X, Line 15	\$ 69,156
5	State Special Access Revenues	Trial Balance 12/31/00	\$ 1,573
6	Total State Access & Local Revenues	Sum (Ln 1 - 5)	\$ 2,322,097
7	Federal Subscriber Lines Charges	Trial Balance 12/31/00	\$ 205,491
8	Federal Access Revenues	Trial Balance 12/31/00	\$ 904,490
9	Federal High Cost Support	Trial Balance 12/31/00	\$ 429,201
10	Federal Special Access Revenues	Trial Balance 12/31/00	\$ 38,773
11	Total Federal Access Revenues	Sum (Ln 7 - 10)	\$ 1,577,955
12	Misc Revenues	Trial Balance 12/31/00	\$ 415,469
13	Total Operating Revenues	Ln 6 + Ln 11 + Ln 12	<u>\$ 4,315,521</u>

McDonough Telephone Cooperative, Inc.
Summary of Adjustments

		Dr.	Cr.
Adjustment 1			
RTB Class B Stock		305,000	
Adjustment 5			
2001 HCL Fund Draw	\$ 262,770		
2000 HCL Fund Draw	<u>\$ 163,665</u>		
Increase in HCL funds	\$ 99,105		
USF Revenue			99,105
Adjustment to record increase in Federal High Cost Loop Fund.			