

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

GENESEO TELEPHONE COMPANY, )  
CAMBRIDGE TELEPHONE COMPANY and )  
HENRY COUNTY TELEPHONE COMPANY ) Docket 11-0210  
)  
Petition for Universal Service. )

ILLINOIS INDEPENDENT TELEPHONE )  
ASSOCIATION )  
)  
)  
Petition to update the Section 13-301(1)(d) Illinois ) Docket 11-0211  
Universal Service Fund and to implement Intrastate )  
Switched Access Charge reform as described herein ) Consolidated  
and for other relief. )

DIRECT TESTIMONY OF JEFF GOUGH  
ON BEHALF OF HAMILTON COUNTY TELEPHONE CO-OP

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

2 A. My name is Jeffrey E. Gough. I am employed by GVNW Consulting, Inc. My Business  
3 address is 3220 Pleasant Run, Springfield, IL 62711.

4 **Q. What is the purpose of your testimony?**

5 A. GVNW Consulting, Inc. (GVNW) has provided various consulting services, including  
6 regulatory and cost support, for Hamilton County Telephone Co-Op for several years. I  
7 am providing this testimony in support of the request of Hamilton County Telephone  
8 Co-Op (the “Company”) to obtain funding from an updated Illinois Universal Service  
9 Fund (“IUSF”) in the referenced docket.

10 **Q. Please describe your professional background.**

11 A. I graduated from Brigham Young University in 1986 with a degree in accounting. I have  
12 held a Certificate of Public Accounting in Illinois since 2003, but not currently licensed.  
13 I began my career in the industry doing internal audits for Contel. While at Contel, I took  
14 on responsibility for settlements and cost studies for Contel’s Gulf States Division.

15 In the early 90’s I worked for an independent telephone company in Minnesota doing  
16 incremental cost of service studies, EAS implementation, tariffs and other regulatory  
17 activities. I later accepted a position with Citizens Communications Company where I  
18 was Manager of Regulatory Earnings with responsibility for data requests, earning  
19 reviews, rate case support, regulatory reporting and rate development. I was later  
20 promoted to Director of Financial Operations – Central Region, which included Illinois,  
21 Wisconsin, Indiana, Minnesota, Iowa, Nebraska and Michigan. While at GVNW, I have

22 assisted clients with separation studies, depreciation studies, cost conversion, toll package  
23 plans, tariff issues, USAC audits, business plans and numerous other projects.

24 In addition to the consulting work, I oversee the day to day activity associated with  
25 administering the Illinois USF, Illinois Average Schedule Pool and the Kansas USF.

26 **Q. How did you come to be involved in gathering of evidence for the IUSF?**

27 A. The Company received a request from the IITA a number of months ago to complete the  
28 form referred to as Schedule 1.01. I understand that the form is essentially the same form  
29 capturing the same information established by agreement between the IITA and  
30 Commission Staff in consolidated Docket Nos. 00-0233 and 00-0335 and relied upon by  
31 the Illinois Commerce Commission in establishing the current Illinois Universal Service  
32 Fund (“IUSF”). I also understand that Mr. Schoonmaker who is testifying on behalf of  
33 the IITA will be describing the general format of the form in greater detail and will  
34 explain the use of the results from the form in establishing the proposed revision to the  
35 IUSF.

36 **Q. Was the Schedule 1.01 for the Company completed in accordance with its**  
37 **instructions and based on the Company’s Schedule 23A or other information filed**  
38 **by the Company with the Commission for the year 2009?**

39 A. Yes, the Schedule 1.01 for the Company was completed based on the Company’s RUS  
40 Report filed with the Commission for the year 2009. For certain information that was not  
41 available from the RUS Report filed with the Commission, Company records were used  
42 as the source of information. That Schedule 1.01 is attached as Exhibit 1.01 to this  
43 testimony.

44 **Q. Did you provide the Company's Schedule 1.01 to Mr. Schoonmaker for his use in**  
45 **negotiating a change to the IUSF here in Illinois?**

46 A. The Company provided information to Mr. Schoonmaker for use in negotiating the  
47 Stipulation and Agreement between the IITA and AT&T. In preparing my testimony for  
48 this case, I discovered certain errors in that original Schedule 1.01.

49 **Q. Mr. Schoonmaker discusses in his testimony an error that was made in the**  
50 **Schedule 1.01 template spreadsheet in regard to the calculation of taxes for**  
51 **cooperative companies. Did you make a change in the Schedule 1.01 for the**  
52 **Company after that error was discovered?**

53 A. Yes. That error in the tax template that Mr. Schoonmaker described did impact the  
54 Schedule 1.01 for the Company and I made the appropriate correction to correct that  
55 calculation. That was one of the changes that caused the Schedule 1.01 results currently  
56 being used to change from the results originally presented in the schedules attached to the  
57 initial stipulation.

58 **Q. Have you provided the Company's corrected Schedule 1.01 with all the requisite**  
59 **information to Mr. Schoonmaker for his use in compiling the composite results for**  
60 **all companies seeking updated IUSF funding in connection with his testimony in this**  
61 **docket?**

62 A. Yes. I provided this information to Mr. Schoonmaker for use in preparing his testimony  
63 in this Docket. The Company has confirmed this information for use in this docket.

64 **Q. Is the Company's Schedule 1.01 (Exhibit 1.01 to this testimony) true and correct to**  
65 **the best of your knowledge, information and belief?**

66 A. Yes. A substantial part of the information included in Schedule 1.01 comes directly from  
67 the RUS Report. In addition, additional information that is presented in the  
68 Schedule 1.01 that did not come from these sources, but from the Company's records is  
69 also true and correct to the best of my knowledge, information, and belief.

70 **Q. Did you make any of the standard adjustments as directed by the instructions to the**  
71 **Schedule 1.01 which Mr. Schoonmaker describes in his testimony?**

72 A. Yes.

73 **Q. Standard Adjustment #1 of the described standard adjustments is an adjustment to**  
74 **normalize approved regulatory changes. Did the Company have this type of**  
75 **adjustment?**

76 A. No.

77 **Q. Standard Adjustment #2 is related to out of period or extraordinary revenue and**  
78 **expense adjustments. Did the Company have this type of adjustment?**

79 A. No.

80 **Q. Standard Adjustment #3 relates to significant or extraordinary changes in plant**  
81 **investment. Did the Company make this type of adjustment?**

82 A. No.

83 **Q. Standard Adjustment #4 relates to adjustments made to Federal USF amounts. Did**  
84 **the Company make any of this type of adjustment?**

85 A. Yes. The Company made an adjustment associated with the \$15,230 decrease in the  
86 expected HCL support for 2010. The detail of this adjustment is shown on page four of  
87 Schedule 1.01 and is shown on line 14 of page one of the Schedule 1.01.

88 **Q. Standard Adjustment #5 refers to adjustments made to reflect non-regulated**  
89 **revenue or expense items that may have been reflected in the Company's regulated**  
90 **accounts as shown in the RUS Report. Did the Company make this type of**  
91 **adjustment?**

92 A. No. Based on the Company's accounting practices no non-regulated revenues or  
93 expenses are included in the Company's regulated accounts.

94 **Q. Has your Company reviewed and does your Company support the Stipulation and**  
95 **Agreement between the IITA and AT&T?**

96 A. Yes. As I mentioned above, we provided our Schedule 1.01 information to  
97 Mr. Schoonmaker and the IITA in support of the Stipulation and Agreement negotiation  
98 process. The Company supports the Stipulation and Agreement taken in its entirety.  
99 Although the Company believes that the agreed 9.34% after-tax cost of capital is  
100 inadequate in the long run to attract sufficient capital to high cost areas like those the  
101 Company serves, the Company believes the approval of the Stipulation and Agreement  
102 will provide a needed and timely interim updating of the IUSF better reflecting the  
103 current financial circumstances and needs of individual companies pending further action  
104 by the FCC. The Company also supports the creation of an access restructuring element

105           for the IUSF that will allow small carriers in Illinois to mirror their intrastate switched  
106           access rates to their interstate switched access rates by replacing the revenues lost from a  
107           reduction in intrastate switched access rates on a dollar-for-dollar basis as set forth in the  
108           Stipulation and Agreement.

109   **Q.    Does that conclude your testimony?**

110   **A.    Yes it does.**

**Hamilton County Telephone Co-op**  
**Exhibit 1.01**  
**Docket No. 11-0211 Cons.**

Hamilton County Telephone Co-op  
 Illinois Universal Service Funding Calculation  
 Based upon ICC Form 23A Report Data for December 31, 2009

<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	\$ 4,052,363	\$ -	\$ 4,052,363
2	Materials and Supplies Inventory	Page 2, 13-Month Average	523,655		523,655
3	Customer Deposits	Form 23A, P 8, 4040	9,225	-	9,225
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	-	-	-
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			4,566,793
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 11, Total	2,148,141	-	2,148,141
8	Less: Depreciation Expense	Form 23A, P 11, 6560	843,693	-	843,693
9	Total WC Operating Expense	line 7 - line 8	1,304,448	-	1,304,448
10	WC OE Requirement	line 9 * 45 / 360			163,056
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			163,056
13	Total Rate Base	line 5 + line 12			4,729,849
14	Total Operating Revenues	Form 23A, P 9, Total	2,385,663	(15,230)	2,370,433
15	Less: Illinois Universal Service Fund	Page 3, Line 4	-	-	-
16	Net Operating Revenues	line 14 - line 15	2,385,663	(15,230)	2,370,433
17	Total Operating Expenses	Form 23A, P 11, Total	2,148,141	-	2,148,141
18	Other Operating Inc and Exp - Net	Form 23A, P 12, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 12, 7240	5,599	-	5,599
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	231,923	(15,230)	216,693
21	Income Tax Expense	line 34			-
22	Net Operating Income	line 20 - line 21			216,693
23	Return on Rate Base	line 22 / line 13			4.58%
24	After-tax Cost of Capital				12.60%
25	Target Net Operating Income	line 24 * line 13			595,961
26	Adj to Achieve Target Return on RB	line 25 - line 22			379,268
27	Gross Revenue Conversion Factor	line 35			1.0000
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			379,268
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			216,693
31	Illinois Inc & Rep Tax Expense	line 30 * 7.30%			-
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			216,693
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 - 0)*(1 - 0))			1.0000

\* Provide detail on Page 4 for all adjustments.

Hamilton County Telephone Co-op  
Illinois Universal Service Funding Calculation  
Based upon ICC Form 23A Report Data for December 31, 2009  
Material & Supplies Worksheet and Other Information

<u>Line #</u>		
1	December-08	\$471,721
2	January-09	\$452,948
3	February-09	\$494,456
4	March-09	\$497,219
5	April-09	\$526,912
6	May-09	\$568,653
7	June-09	\$596,006
8	July-09	\$600,161
9	August-09	\$610,319
10	September-09	\$633,849
11	October-09	\$588,079
12	November-09	\$413,015
13	December-09	\$354,175
14	13 Month Average	\$523,655

Sale/Lease Back Arrangement

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

Lease Agreement with Affiliates

- The company does not have any lease agreements with affiliates.  
 The company does have lease agreements with affiliates.

Tax Status (1=Taxable, 2=Coop) 2

After Tax Return-Taxable 11.21%  
After Tax Return-Coop 12.60%

Hamilton County Telephone Co-op  
 Illinois Universal Service Funding Calculation  
 Based upon ICC Form 23A Report Data for December 31, 2009  
 Operating Revenues By Category

<u>Line #</u>	<u>Source</u>	<u>Amount</u>
1	Local Revenues Form 23A, P 9, Total Local Network Service Revenues	\$ 287,523
2	State Subscriber Line Charges Trial Balance 12/31/09	\$ 278,069
3	State Access Revenues Trial Balance 12/31/09	\$ 456,049
4	State Universal Service Support Trial Balance 12/31/09	\$ -
5	State Special Access Revenues Trial Balance 12/31/09	\$ 55,564
6	Total State Access & Local Revenues Sum (Ln 1 - 5)	<u>\$ 1,077,205</u>
7	Federal Subscriber Lines Charges Trial Balance 12/31/09	\$ 152,627
8	Federal Access Revenues Trial Balance 12/31/09	\$ 111,460
9	Federal High Cost Loop Support Trial Balance 12/31/09	\$ 202,050
10	Federal Special Access Revenues Trial Balance 12/31/09	\$ 269,813
11	Total Federal Access Revenues Sum (Ln 7 - 10)	<u>\$ 735,950</u>
12	Misc Revenues Trial Balance 12/31/09	\$ 226,879
13	Total Operating Revenues Ln 6 + Ln 11 + Ln 12	<u><u>\$ 2,040,035</u></u>

Hamilton County Telephone Co-op  
Illinois Universal Service Funding Calculation  
Based upon ICC Form 23A Report Data for December 31, 2009  
Description of Adjustments

Description of Adjustment	Debit	Credit
<u>Rate Base Adjustments</u>		
<u>Revenue Adjustments</u>		
High Cost Loop 2009		\$202,050
High Cost Loop 2010		\$186,820
Reduction in HCL Support		\$15,230

Expense Adjustments

Note: Carry all adjustments forward to Page 1

Certificate of Service

Docket No. 11-0211 (Consolidated)

The undersigned certifies that a copy of the *Direct Testimony of Jeff Gough on Behalf of Hamilton County Telephone Co-Op* was served upon the following persons by e-mail this 5<sup>th</sup> day of May, 2011.

Larry Jones  
Administrative Law Judge  
Illinois Commerce Commission  
527 E. Capitol Avenue  
Springfield, IL 62701  
[ljones@icc.illinois.gov](mailto:ljones@icc.illinois.gov)

Jeffrey Hoagg  
Program Director  
Telecommunications Division  
Illinois Commerce Commission  
527 E. Capitol Avenue  
Springfield, IL 62701  
[ihoagg@icc.illinois.gov](mailto:ihoagg@icc.illinois.gov)

Matthew L. Harvey  
Office of General Counsel  
Illinois Commerce Commission  
State of Illinois Building  
160 N. LaSalle Str., Suite C-800  
Chicago, IL 60601-3104  
[mharvey@icc.illinois.gov](mailto:mharvey@icc.illinois.gov)

James Zolnierek  
Mary Everson  
Sheena Kight-Garlich  
Scott Struck  
James V. Olivero  
Office of General Counsel  
Illinois Commerce Commission  
527 E. Capitol Avenue  
Springfield, IL 62701  
[jzolnier@icc.illinois.gov](mailto:jzolnier@icc.illinois.gov)  
[meverson@icc.illinois.gov](mailto:meverson@icc.illinois.gov)  
[skight@icc.illinois.gov](mailto:skight@icc.illinois.gov)  
[sstruck@icc.illinois.gov](mailto:sstruck@icc.illinois.gov)  
[jolivero@icc.illinois.gov](mailto:jolivero@icc.illinois.gov)

Mary Cegelski  
First Communications, LLC  
3340 W. Market Street  
Akron, OH 44333  
[mcegelski@firstcomm.com](mailto:mcegelski@firstcomm.com)

Theodore T. Eidukas  
Edward C. Hurley  
Foley & Lardner, LLP  
321 N. Clark St., Ste. 2800  
Chicago, IL 60654  
[teidukas@foley.com](mailto:teidukas@foley.com)  
[ehurley@foley.com](mailto:ehurley@foley.com)

William A. Haas  
McLeodUSA Telecommunications  
Services, LLC  
One Martha's Way  
Hiawatha, IA 52233  
[william.haas@paetec.com](mailto:william.haas@paetec.com)

Nancy Hertel  
AT&T General Attorney  
Illinois Bell Telephone Company  
225 W. Randolph St., Rm. 25D  
Chicago, IL 60606  
[Nw1783@att.com](mailto:Nw1783@att.com)

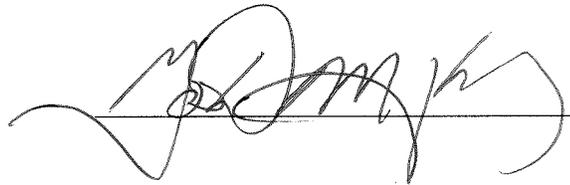
Catie James  
Henry T. Kelly  
Julie Musselman Oost  
Kelley, Drye & Warren, LLP  
333 W. Wacker Dr.  
Chicago, IL 60606  
[cjames@kelleydrye.com](mailto:cjames@kelleydrye.com)  
[hkelly@kelleydrye.com](mailto:hkelly@kelleydrye.com)  
[joost@kelleydrye.com](mailto:joost@kelleydrye.com)

Scott Rubins  
111 E. First St.  
P.O. Box 330  
Geneseo, IL 61254  
[telco@geneseo.net](mailto:telco@geneseo.net)

David O. Rudd  
107 W. Cook St., Ste. A  
Springfield, IL 62704  
[dorudd@aol.com](mailto:dorudd@aol.com)

Pamela H. Sherwood  
4625 W. 86<sup>th</sup> St., #500  
Indianapolis, IN 46268  
[Pamela.sherwood@twtelecom.com](mailto:Pamela.sherwood@twtelecom.com)

Gary Smith  
Loewenstein, Hagen & Smith, P.C.  
1204 S. Fourth St.  
Springfield, IL 62703-2229  
[lexsmith@lhoslaw.com](mailto:lexsmith@lhoslaw.com)

A handwritten signature in black ink, appearing to read "Gary Smith", written over a horizontal line.