

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.)

REBUTTAL TESTIMONY OF MICHAEL P. PETROUSKE
ON BEHALF OF MCNABB TELEPHONE COMPANY

August 30, 2011

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

2 A. My name is Michael P. Petrouske. My business address is 150 Coventry Way, Highland,
3 IL, 62249.

4 **Q. Are you the same Michael P. Petrouske who provided Direct Testimony on behalf of**
5 **McNabb Telephone Company on April 6, 2011?**

6 A. Yes.

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

8 A. As part of my direct testimony, I provided as McNabb Exhibit 1.01 a Schedule 1.01,
9 which included certain information pertinent to McNabb's request for updated Illinois
10 Universal Service Fund ("IUSF") funding in this docket. In response to certain data
11 requests the Company has received, I discovered an error in McNabb's Schedule 1.01. I
12 am providing this testimony to support the necessary correction to McNabb's
13 Schedule 1.01.

14 **Q. What is the correction?**

15 A. McNabb's affiliate rents were not incorporated in the calculation of its original Schedule
16 1.01. Including the affiliate rents results in a net expense adjustment of \$3,533, which is
17 reflected on the Schedule 1.01, Page 1, Lines 7 and 17.

18 **Q. Are you providing a corrected Schedule 1.01?**

19 A. Yes, I am providing as "Exhibit 1.01 Corrected 8/30/11" a Schedule 1.01 reflecting the
20 correction. I am also providing a corrected summary of adjustments marked as "Exhibit
21 1.02 Corrected 8/30/11".

22 **Q. Have you provided the Company's corrected Schedule 1.01 with all the requisite**
23 **information to Mr. Schoonmaker for his use in adjusting the composite results for**
24 **all companies seeking updated IUSF funding in connection with his testimony in this**
25 **docket?**

26 A. Yes, I provided this corrected Schedule 1.01 to Mr. Schoonmaker of the IITA so that he
27 could use it to adjust his calculation of updated IUSF funding.

28 **Q. Is the Company's Schedule 1.01 (Exhibit 1.01 Corrected 8/30/11 to this testimony)**
29 **true and correct to the best of your knowledge, information and belief?**

30 A. Yes.

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

32 A. Yes it does.

McNabb Telephone Company
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	\$ 512,066	\$ (12,669)	\$ 499,397
2	Materials and Supplies Inventory	Page 2, 13-Month Average	17,547	(1,163)	16,384
3	Customer Deposits	Form 23A, P 8, 4040	5,030	-	5,030
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	36,256	(481)	35,775
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			474,976
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 11, Total	685,268	(14,274)	670,994
8	Less: Depreciation Expense	Form 23A, P 11, 6560	107,950	(589)	107,361
9	Total WC Operating Expense	line 7 - line 8	577,318	(13,685)	563,633
10	WC OE Requirement	line 9 * 45 / 360			70,454
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			70,454
13	Total Rate Base	line 5 + line 12			545,430
14	Total Operating Revenues	Form 23A, P 9, Total	581,571	32,526	614,097
15	Less: Illinois Universal Service Fund	Page 3, Line 4	62,940	-	62,940
16	Net Operating Revenues	line 14 - line 15	518,631	32,526	551,157
17	Total Operating Expenses	Form 23A, P 11, Total	685,268	(14,274)	670,994
18	Other Operating Inc and Exp - Net	Form 23A, P 12, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 12, 7240	11,105	(534)	10,571
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	(177,742)	47,334	(130,408)
21	Income Tax Expense	line 34			(50,622)
22	Net Operating Income	line 20 - line 21			(79,786)
23	Return on Rate Base	line 22 / line 13			-14.63%
24	After-tax Cost of Capital				11.21%
25	Target Net Operating Income	line 24 * line 13			61,143
26	Adj to Achieve Target Return on RB	line 25 - line 22			140,929
27	Gross Revenue Conversion Factor	line 35			1.6345
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			230,348
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			(130,408)
31	Illinois Inc & Rep Tax Expense	line 30 * 7.30%			(9,520)
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			(120,888)
33	Federal Income Tax Expense	line 32 * 34.00%			(41,102)
34	Total Imputed Income Tax Expense	line 31 + line 33			(50,622)
35	Gross Revenue Conversion Factor	1 / ((1 - .0730) * (1 - .34))			1.6345

* Provide detail on Page 4 for all adjustments.

McNabb Telephone Company
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	\$18,042
2	January-09	\$18,042
3	February-09	\$18,042
4	March-09	\$18,042
5	April-09	\$18,042
6	May-09	\$18,042
7	June-09	\$18,042
8	July-09	\$16,969
9	August-09	\$16,969
10	September-09	\$16,969
11	October-09	\$16,969
12	November-09	\$16,969
13	December-09	\$16,969
14	13 Month Average	\$17,547

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) 1

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

McNabb Telephone Company
 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	\$ 54,006
2	State Subscriber Line Charges	Trial Balance 12/31/09	\$ 61,428
3	State Access Revenues	Trial Balance 12/31/09	\$ 114,878
4	State Universal Service Support	Trial Balance 12/31/09	\$ 62,940
5	State Special Access Revenues	Trial Balance 12/31/09	\$ 4,826
6	Total State Access & Local Revenues	Sum (Ln 1 - 5)	<u>\$ 298,078</u>
7	Federal Subscriber Lines Charges	Trial Balance 12/31/09	\$ 33,165
8	Federal Access Revenues	Trial Balance 12/31/09	\$ 167,051
9	Federal High Cost Loop Support	Trial Balance 12/31/09	\$ -
10	Federal Special Access Revenues	Trial Balance 12/31/09	\$ 62,010
11	Total Federal Access Revenues	Sum (Ln 7 - 10)	<u>\$ 262,226</u>
12	Misc Revenues	Trial Balance 12/31/09	\$ 21,267
13	Total Operating Revenues	Ln 6 + Ln 11 + Ln 12	<u><u>\$ 581,571</u></u>

McNabb Telephone Company
 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>		
GSF Non-Regulated Adjustment		\$12,669
Material & Supply Non-Reg Adjustment		\$1,163
Deferred Tax Non-Reg Adjustment	\$481	
 <u>Revenue Adjustments</u>		
NECA/Out-of Period Revenue Adj in 2009		\$26,504
Affordable Rate Revenue Imputation Adj.		\$6,022
 <u>Expense Adjustments</u>		
Non-Regulated Oper Exp Adjustment		\$10,152
Non-Regulated Depr Exp Adjustment		\$589
Non-Regulated Oth. Op. Tax Exp. Adj.		\$534
Affiliate Rent not recorded in Op. Accounts		\$3,533

Note: Carry all adjustments forward to Page 1

McNabb Telephone Company

Summary of Adjustments:

Adjustment #1 - Local Service Revenue Imputation for Affordable Rate Level

Service Category:	12/31/2009 Line Counts:	Rate	Affordable Rate	Monthly		Annual Revenue
				Rate Revenue Differential	Rate Revenue Differential	
Residential	306	\$ 18.75	\$ 20.39	1.64	\$ 502	\$ 6,022
Total Additional Revenue Imputed for Affordable Rate						\$ 6,022

Adjustment #2 - Out-of-Period Revenue Adjustment - NECA

Description:	Amount
NECA System Prior Period True Up	\$ 26,504

From Trial Balance Detail 2009

Adjustment #5 - Non-Regulated Adjustments

	Amount
GSF Non-Reg Adjustment Investment	\$ (33,678)
GSF Non-Reg Adjustment Reserve	\$ 21,009
Net Inv GSF Adjustment	\$ (12,669)
Non-Regulated Material & Supplies	\$ (1,163)
GSF Non-Reg Deferred Tax Adjustmen	\$ 481
Non-Reg Operating Expense Adj.	\$ (10,152)
Non-Reg Depreciation Expense Adj.	\$ (589)
Non-Reg Other Op. Tax Adjustment	\$ (534)
Affiliate Rents off set building exp.	\$ (3,533)

CERTIFICATE OF SERVICE
Docket No. 11-0211 (Consolidated)

The undersigned certifies that a copy of the *Rebuttal Testimony of Michael P. Petrouske on Behalf of McNabb Telephone Company* was served upon the following persons by e-mail this 30th day of August, 2011:

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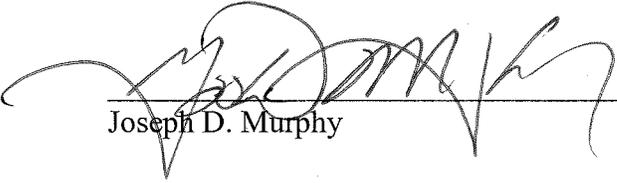
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via e-mail on this August 30, 2011



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