

**Viola Home 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	\$ 1,110,526	\$ 116,375	\$ 1,226,901
2	Materials and Supplies Inventory	Page 2, 13-Month Average	21,427		21,427
3	Customer Deposits	Form 23A, P 8, 4040	208	-	208
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	108,689	-	108,689
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			1,139,431
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 11, Total	664,574	(3,037)	661,537
8	Less: Depreciation Expense	Form 23A, P 11, 6560	143,832	-	143,832
9	Total WC Operating Expense	line 7 - line 8	520,742	(3,037)	517,705
10	WC OE Requirement	line 9 * 45 / 360			64,713
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			64,713
13	Total Rate Base	line 5 + line 12			1,204,144
14	Total Operating Revenues	Form 23A, P 9, Total	616,786	(15,898)	600,888
15	Less: Illinois Universal Service Fund	Page 3, Line 4	32,860	-	32,860
16	Net Operating Revenues	line 14 - line 15	583,926	(15,898)	568,028
17	Total Operating Expenses	Form 23A, P 11, Total	664,574	-	664,574
18	Other Operating Inc and Exp - Net	Form 23A, P 12, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 12, 7240	9,786	-	9,786
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	(90,434)	(15,898)	(106,332)
21	Income Tax Expense	line 34			(41,663)
22	Net Operating Income	line 20 - line 21			(64,669)
23	Return on Rate Base	line 22 / line 13			-5.37%
24	After-tax Cost of Capital				9.34%
25	Target Net Operating Income	line 24 * line 13			112,467
26	Adj to Achieve Target Return on RB	line 25 - line 22			177,136
27	Gross Revenue Conversion Factor	line 35			1.6345
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			289,529
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			(106,332)
31	Illinois Inc & Rep Tax Expense	line 30 * 9.50%			(10,102)
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			(96,230)
33	Federal Income Tax Expense	line 32 * 32.797%			(31,561)
34	Total Imputed Income Tax Expense	line 31 + line 33			(41,663)
35	Gross Revenue Conversion Factor	1 / ((1 - .0730) * (1 - .34))			1.6345

\* Provide detail on Page 4 for all adjustments.

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Material & Supplies Worksheet and Other Information

<u>Line #</u>		
1	December-08	\$21,779
2	January-09	\$21,779
3	February-09	\$21,779
4	March-09	\$21,779
5	April-09	\$21,779
6	May-09	\$21,779
7	June-09	\$21,779
8	July-09	\$21,779
9	August-09	\$21,779
10	September-09	\$21,779
11	October-09	\$21,779
12	November-09	\$21,779
13	December-09	\$17,198
14	13 Month Average	\$21,427

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 9.34%

After Tax Return-Coop

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 Operating Revenues By Category

<u>Line #</u>		<u>Source</u>	<u>Amount</u>
		Form 23A, P 9, Total Local	
1	Local Revenues	Network Service Revenues	\$ 106,307
2	State Subscriber Line Charges	Trial Balance 12/31/09	\$ 57,687
3	State Access Revenues	Trial Balance 12/31/09	\$ 79,849
4	State Universal Service Support	Trial Balance 12/31/09	\$ 32,860
5	State Special Access Revenues	Trial Balance 12/31/09	\$ 11,925
6	Total State Access & Local Revenues	Sum (Ln 1 - 5)	\$ 288,628
7	Federal Subscriber Lines Charges	Trial Balance 12/31/09	\$ 48,290
8	Federal Access Revenues	Trial Balance 12/31/09	\$ 186,149
9	Federal High Cost Loop Support	Trial Balance 12/31/09	\$ 22,176
10	Federal Special Access Revenues	Trial Balance 12/31/09	\$ 65,561
11	Total Federal Access Revenues	Sum (Ln 7 - 10)	\$ 322,176
12	Misc Revenues	Trial Balance 12/31/09	\$ 5,982
13	Total Operating Revenues	Ln 6 + Ln 11 + Ln 12	\$ 616,786

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 Description of Adjustments

Description of Adjustment	Calculation	Debit	Credit
<u>Rate Base Adjustments</u>			
Correct Error on Form 23A Missed Account 2424 DSL Equip & Accum Depr		\$144,510	\$28,135
<u>Revenue Adjustments</u>			
Local Rate Adjustment \$20.39 Local Rates are at \$20.39			
2009 HCL USF	\$22,176		
2010 Projected HCL USF (rec'vd in 2011)	\$27,219		
Change	\$5,043		\$5,043
Lost Access Revenues due to Mirroring		\$20,941	
<u>Expense Adjustments</u>			
Adjustment of Corporate Expenses Staff Exh#2.0, pg#85			\$3,037

(Response to GCH 1.12)

\$116,375

Net:  
(15,898)

2011  
HCL - per USAC.org  
2,244  
2,244  
2,190  
2,250  
2,250  
2,238  
2,254  
2,254  
2,365  
2,377  
2,377  
2,425  
27,468