

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

GENESEO TELEPHONE CO-OP, INC.,)
CAMBRIDGE TELEPHONE CO-OP, INC. and)
HENRY COUNTY TELEPHONE CO-OP, INC.) 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.)

FURTHER REBUTTAL TESTIMONY OF JEFF GOUGH
ON BEHALF OF FLAT ROCK TELEPHONE CO-OP, INC.

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. Are you the same Jeffrey E. Gough who provided Direct Testimony on behalf of**
5 **Flat Rock Telephone Co-Op, Inc. (the “Company”) on May 5, 2011 and Rebuttal**
6 **Testimony on behalf of Flat Rock Telephone Co-Op, Inc. on August 30, 2011?**

7 A. Yes.

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

9 A. I am responding to Staffs’ direct testimony and Mr. Rubins’ rebuttal testimony for Flat
10 Rock.

11 **Q. Are you providing any revisions to Schedule 1.01 to account for the decrease in state**
12 **access rates?**

13 A. Yes, in Flat Rock Exhibit 1.01 (as revised 3/23/12), I am including an adjustment to
14 reduce revenues by the amount of the reduction in state access revenues associated with
15 reducing the state originating access rates to the interstate access rates as proposed in
16 Dr. Zolnierek’s testimony. The adjustment being made was discussed in
17 Mr. Schoonmaker’s rebuttal testimony. The amount of this reduction based on 2009
18 billed originating state access minutes for Flat Rock was \$20,494.

19 **Q. Have you reviewed the Direct Testimony of Mr. Scott Rubins?**

20 A. Yes, I will be responding to each of the items addressed to Flat Rock in Mr. Rubins
21 testimony.

22 **Q. Do you agree with the cash working capital rate of 15 days addressed in Mr. Rubins**
23 **testimony on lines 412-428?**

24 A. No, as stated in Mr. Schoonmaker's rebuttal testimony, the cash working capital rate of
25 45 days applied to a simplified base is consistent with the prior proceedings.

26 **Q. Do you agree with Mr. Rubins that an adjustment for Federal Universal Support**
27 **Funding should not be made?**

28 A. No, I agree that for LSS and ICLS the true-up process is a normal part of the process and
29 adjustments should not be made for the true-ups, but High Cost Support is not a true-up.
30 The High Cost support based on the 2009 investment and expenses was received in 2011
31 and including the now-known 2011 High Cost Support would better reflect the revenues
32 associated with the investment being used in the proceeding.

33 **Q. Are you providing a correction to Schedule 1.01 to reflect the 2011 High Cost Loop**
34 **Support?**

35 A. No, Flat Rock will not receive any High Cost Loop Support. But I am removing all prior
36 period true-up adjustments from the Schedule 1.01.

37 **Q. Do you agree with Mr. Rubins adjustment to cap Corporate Operation Expenses?**

38 A. No, the adjustment would not be appropriate. The NECA Corporate Expense adjustment
39 is tied to a company's access line count. Many of the costs included in Corporate
40 Expense such as completion of Annual ICC Report and annual audit do not decrease in
41 relation to access line count. The amount identified by Mr. Rubins for Flat Rock are cost
42 study adjustments.

43 **Q. Do you agree with Mr. Rubins adjustment to General Support?**

44 A. No, the Company is including a Part 64 allocation of general support investment and
45 expenses in the revised Schedule 1.01.

46 **Q. Did Mr. Rubins bring up any additional items concerning Flat Rock that were not**
47 **already addressed by Staff?**

48 A. No.

49 **Q. Is the Company's Schedule 1.01, Flat Rock Exhibit 1.01 (as revised 3/23/12) true**
50 **and correct to the best of your knowledge, information and belief?**

51 A. Yes.

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

53 A. Yes it does.

Flat Rock Telephone Co-op, Inc.
 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	\$ 417,199	\$ 41,701	\$ 458,900
2	Materials and Supplies Inventory	Page 2, 13-Month Average	58,737		58,737
3	Customer Deposits	Form 23A, P 8, 4040	1,402	-	1,402
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	-	-	-
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			516,235
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 11, Total	469,844	(13,530)	456,314
8	Less: Depreciation Expense	Form 23A, P 11, 6560	99,479	(5,178)	94,301
9	Total WC Operating Expense	line 7 - line 8	370,365	(8,352)	362,013
10	WC OE Requirement	line 9 * 45 / 360			45,252
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			45,252
13	Total Rate Base	line 5 + line 12			561,487
14	Total Operating Revenues	Form 23A, P 9, Total	583,325	33,279	616,604
15	Less: Illinois Universal Service Fund	Page 3, Line 4	108,480	-	108,480
16	Net Operating Revenues	line 14 - line 15	474,845	33,279	508,124
17	Total Operating Expenses	Form 23A, P 11, Total	469,844	(13,530)	456,314
18	Other Operating Inc and Exp - Net	Form 23A, P 12, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 12, 7240	16,238	(3)	16,235
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	(11,237)	46,812	35,575
21	Income Tax Expense	line 34			-
22	Net Operating Income	line 20 - line 21			35,575
23	Return on Rate Base	line 22 / line 13			6.34%
24	After-tax Cost of Capital				9.34%
25	Target Net Operating Income	line 24 * line 13			52,443
26	Adj to Achieve Target Return on RB	line 25 - line 22			16,868
27	Gross Revenue Conversion Factor	line 35			1.0000
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			16,868
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			35,575
31	Illinois Inc & Rep Tax Expense	line 30 * 7.30%			-
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			35,575
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.

Flat Rock Telephone Co-op, Inc.
 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	\$ 31,672
2	State Subscriber Line Charges	Trial Balance 12/31/09	\$ 60,004
3	State Access Revenues	Trial Balance 12/31/09	\$ 99,536
4	State Universal Service Support	Trial Balance 12/31/09	\$ 108,480
5	State Special Access Revenues	Trial Balance 12/31/09	\$ 5,806
6	Total State Access & Local Revenues	Sum (Ln 1 - 5)	<u>\$ 305,498</u>
7	Federal Subscriber Lines Charges	Trial Balance 12/31/09	\$ 41,489
8	Federal Access Revenues	Trial Balance 12/31/09	\$ 204,612
9	Federal High Cost Loop Support	Trial Balance 12/31/09	\$ -
10	Federal Special Access Revenues	Trial Balance 12/31/09	\$ 8,304
11	Total Federal Access Revenues	Sum (Ln 7 - 10)	<u>\$ 254,405</u>
12	Misc Revenues	Trial Balance 12/31/09	\$ 23,422
13	Total Operating Revenues	Ln 6 + Ln 11 + Ln 12	<u><u>\$ 583,325</u></u>

Flat Rock Telephone Co-op, Inc.
 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>		
Accumulated Depreciation - Non Regulated	\$43,961	
Part 64 allocation of TPIS to GSF		\$5,538
Part 64 Accumulated Depreciation - GSF	\$3,278	
<u>Revenue Adjustments</u>		
2009 HCL	\$0	
2011 HCL		\$0
DSL Special Access		\$53,773
Decrease State Access Rates	\$20,494	
		\$33,279
<u>Expense Adjustments</u>		
Depreciation Non-regulated	\$	5,008
P64 Land & Building Expense	\$	529
P64 Deprec General Support	\$	170
P64 Customer Service	\$	1,328
P64 Corporate Operations	\$	6,495
P64 Taxes other	\$	3

Note: Carry all adjustments forward to Page 1

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

The undersigned certifies that a copy of the *Further Rebuttal Testimony of Jeff Gough on Behalf of Flat Rock Telephone Co-op, Inc.* was served upon all parties to the above cause at their address as follows:

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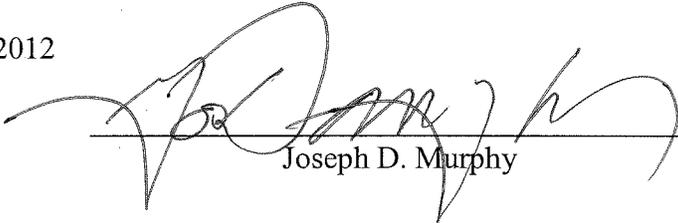
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via e-mail on this 23rd day of March, 2012



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