

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 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. Are you the same Jeffrey E. Gough who provided Direct Testimony on behalf of**  
5 **Hamilton County Telephone Co-Op (the “Company”) on May 5, 2011?**

6 A. Yes.

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

8 A. I am responding to several adjustments proposed to Hamilton’s Schedule 1.01 that were  
9 discussed in direct testimony submitted by Staff and rebuttal testimony of Mr. Rubins.

10 **Q. What proposed Staff adjustments are you going to discuss?**

11 A. I am going to respond to Staff adjustment JZ 3.03 and Staff adjustment JZ 3.04.

12 **Q. Please describe the operating revenue adjustments proposed by Dr. Zolnierek.**

13 A. In lines 510-528 of his testimony, ICC Staff Exhibit 3.03, Dr. Zolnierek notes that for eight  
14 companies, one of which is Hamilton, the sum of federal universal service revenues the  
15 companies reported receiving in their response to data request (DR) GCH 1.06 and the non  
16 universal service interstate switched access revenues reported in their response to data request  
17 (DR) JZ 2.04 exceed the sum of total interstate switched access revenues reported in Schedule  
18 1.01. These differences are detailed on ICC Staff Exhibit 3.03. What Dr. Zolnierek  
19 characterizes as an under- reported revenue calculated on this exhibit for Hamilton totals  
20 \$14,416.

21

22 In lines 539-549 of his testimony, ICC Staff Exhibit 3.04, Dr. Zolnierrek notes that for three  
23 companies, one of which is Hamilton, the sum of federal universal service revenues the  
24 companies reported receiving in their response to data request (DR) GCH 1.06 are greater  
25 than the amount reported on the FCC Universal Service Monitoring Report. The ICC Staff  
26 included the calculation of the adjustment for Hamilton, however, did not propose an  
27 adjustment at this time.

28 **Q. Do you agree with Staff's calculated adjustment JZ 3.03?**

29 A. No, the initial response to GCH 1.06 was based on the portion of the respective year's  
30 settlement revenues that were identified by the company as current period ICLS or LSS. The  
31 revised GCH 1.06 being submitted with this filing reflects the total ICLS and LSS identified  
32 on the NECA settlement during the respective year.

33 **Q. Do you agree with Staff proposed adjustment JZ 3.04?**

34 A. No, the response to GCH 1.06 is based on the portion of the respective year's current  
35 settlement identified as ICLS or LSS on the monthly NECA settlements. The ICLS and LSS  
36 included on the USAC report include prior period true-ups that are reported to NECA and  
37 impact the NECA pool total earnings, but do not flow directly to Hamilton.

38 **Q. Are you providing a revised Response to GCH 1.06 and JZ 2.04?**

39 A. Yes, I am providing a revised GCH 1.06 as Hamilton Exhibit 3.01 that reflects the ICLS  
40 amount identified on the NECA settlement. I'm also providing a revision to DR JZ 2.04 as  
41 Hamilton Exhibit 3.02 that reflects the revised net settlements less the ICLS and LSS  
42 identified on the NECA settlements.

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

44 A. Yes, I will be responding to each of the items addressed to Hamilton in Mr. Rubins testimony.

45 **Q. Do you agree with the cash working capital rate of 15 days addressed in Mr. Rubins**  
46 **testimony on row 412 through row 428?**

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

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

51 A. No, I agree that for LSS and ICLS the true-up process is a normal part of the process and  
52 adjustments should not be made for the true-ups, but High Cost Support is not a true-up. The  
53 High Cost support based on the 2009 investment and expenses will be received in 2011 and  
54 including the 2011 High Cost Support would better reflect the revenues associated with the  
55 investment being used in the proceeding.

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

58 A. Yes, I am including an adjustment to reflect the 2011 High Cost Loop Support received by  
59 Hamilton that is based on 2009 investment.

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

61 A. No, Hamilton County Telephone maintains separate books for the non-regulated services.

62 **Q. Are you providing corrected Schedule 1.01?**

63 A. Yes.

64 **Q. Are you making an adjustment to the Schedule 1.01 to reflect the proposed decrease in**  
65 **state originating access rates?**

66 A. Yes, I am including an adjustment to reflect the impact associated with decreasing the state  
67 originating access rates to the interstate access rates. Based on the 2009 state originating  
68 billed access minutes, the reduction to revenues for Hamilton on Schedule 1.01 is \$118,421.  
69 This adjustment was proposed in Dr. Zolnierek's testimony. This adjustment was discussed in  
70 more detail in Mr. Schoonmaker's rebuttal testimony.

71 **Q. Is the Company's Schedule 1.01 (Exhibit 1.01 Corrected 3/23/12 to this testimony) true**  
72 **and correct to the best of your knowledge, information and belief?**

73 A. Yes.

74 **Q. Have you provided the Company's revised Schedule 1.01 with all the requisite**  
75 **information to Mr. Schoonmaker for his use in adjusting the composite results for all**  
76 **companies seeking updated IUSF funding in connection with his testimony in this**  
77 **docket?**

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

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

81 A. Yes it does.

## ILLINOIS COMMERCE COMMISSION

Docket Nos. 11-0210 and 11-0211 (Cons.)

(Revised Response to Geneseo, Cambridge and Henry County Data Request GCH 1.06)

Utility Company: Hamilton County Telephone Co-Op

Person Responsible: Jeff Gough  
 Job Title: Consultant  
 Business Address: 3220 Pleasant Run, Springfield, IL 62711  
 Telephone Number: (217)862-1936

Response due: March 23, 2012

Data Request GCH 1.06

Exhibit 1, Schedule 1.01, page 3, Line 9 – Federal High Cost Loop Support only includes high cost loop support. Please provide amounts for 2009 and 2010 Local Switching Support, Interstate Common Line Support, Interstate Access Support, Safety Net and Safety Value Support, and for the 2009 amounts identify for each amount what line number this amount is included in Exhibit 1, Schedule 1.01, page 3.

Response

Please see schedule below showing the amount of the various Federal Support payments identified in the NECA settlements and which would be part of Hamilton's net pool settlements.

	Amount USF identified in NECA Settlements in 2009 for Hamilton	Amount USF identified in NECA Settlements in 2010 for Hamilton	2009 Included in Line # of Page 3 of 1.01
Local Switching Support	\$114,864	\$123,960	Line 8
Interstate Common Line Support	\$266,856	\$307,056	Line 8
Interstate Access Support	\$0	\$0	NA
Safety Net Support	\$33,360	\$32,328	Line 8
Safety Valve Support	\$0	\$0	NA

ILLINOIS COMMERCE COMMISSION

Docket Nos. 11-0210 and 11-0211 (Cons.)

(Revised Response to Staff's Data Request JZ 2.04)

Utility Company: Hamilton County Telephone Co-Op

Person Responsible: Jeff Gough  
Job Title: Consultant  
Business Address: 3220 Pleasant Run, Springfield, IL 62711  
Telephone Number: (217) 862-1936

Response due: March 23, 2012

JZ 2.04 Please provide the amount of revenue included within "Federal Access Revenues" on Page 3, Line #8 of Hamilton County Telephone Company Exhibit 1.01 excluding Federal Universal Service Fund revenue.

*Response: The amount excluding Safety Net Support and eliminating the amount of NECA pool settlements identified as LSS & ICLS is \$109,841.*

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	(27,563)	2,358,100
15	Less: Illinois Universal Service Fund	Page 3, Line 4	-	-	-
16	Net Operating Revenues	line 14 - line 15	2,385,663	(27,563)	2,358,100
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	(27,563)	204,360
21	Income Tax Expense	line 34			-
22	Net Operating Income	line 20 - line 21			204,360
23	Return on Rate Base	line 22 / line 13			4.32%
24	After-tax Cost of Capital				9.34%
25	Target Net Operating Income	line 24 * line 13			441,768
26	Adj to Achieve Target Return on RB	line 25 - line 22			237,408
27	Gross Revenue Conversion Factor	line 35			1.0000
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			237,408
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			204,360
31	Illinois Inc & Rep Tax Expense	line 30 * 7.30%			-
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			204,360
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 9.34%  
After Tax Return-Coop 9.34%

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	\$ 294,134
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>\$ 915,290</u>
7	Federal Subscriber Lines Charges	Trial Balance 12/31/09	\$ 152,627
8	Federal Access Revenues	Trial Balance 12/31/09	\$ 524,921
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>\$ 1,149,411</u>
12	Misc Revenues	Trial Balance 12/31/09	\$ 320,962
13	Total Operating Revenues	Ln 6 + Ln 11 + Ln 12	<u><u>\$ 2,385,663</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

<u>Description of Adjustment</u>	<u>Debit</u>	<u>Credit</u>
<u>Rate Base Adjustments</u>		
<u>Revenue Adjustments</u>		
High Cost Loop 2009	\$202,050	
High Cost Loop 2011		\$292,908
Increase in HCL Support		\$90,858
Reduction in State Access Rates	\$118,421	
<u>Expense Adjustments</u>		

Note: Carry all adjustments forward to Page 1

**CERTIFICATE OF SERVICE**

Docket No. 11-0211 (Consolidated)

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

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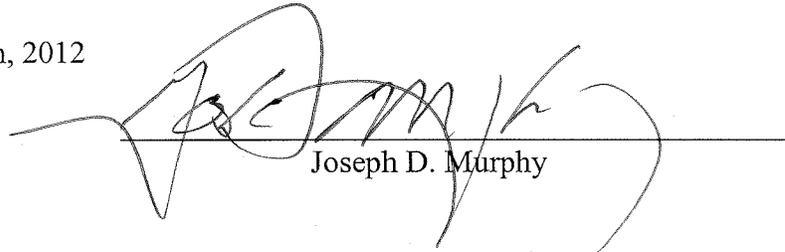
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via e-mail on this 23<sup>rd</sup> day of March, 2012



Joseph D. Murphy