

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

GENESEO TELEPHONE COOPERATIVE, INC.,)
CAMBRIDGE TELEPHONE COOPERATIVE, INC. and)
HENRY COUNTY TELEPHONE COOPERATIVE, 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 MID-CENTURY TELEPHONE COOPERATIVE, INC.

March 23, 2012

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 **Mid-Century Telephone Cooperative, Inc. (the “Company”) on May 5, 2011 and**
6 **Rebuttal Testimony on behalf of the Company on August 30, 2011?**

7 A. Yes.

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

9 A. I am responding to several adjustments proposed to Mid-Century’s Schedule 1.01 that
10 were proposed in Staff direct testimony and in rebuttal testimony submitted by Mr.
11 Rubins.

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

13 A. I am going to respond to Staff adjustment JZ 3.03 and Staff adjustment JZ 3.04 and to the
14 proposed Mid-Century adjustments identified in Mr. Rubins rebuttal testimony.

15 **Q. Please describe the operating revenue adjustments proposed by Dr. Zolnierек.**

16 A. In lines 510-528 of his testimony, ICC Staff Exhibit 3.03, Dr. Zolnierек notes that for
17 three companies, one of which is Mid-Century, the sum of federal universal service
18 revenues the companies reported receiving in their response to data request (DR) GCH
19 1.06 and the non universal service interstate switched access revenues reported in their
20 response to data request (DR) JZ 2.04 is less than the sum of total interstate switched
21 access revenues reported in Schedule 1.01. These differences are detailed on ICC Staff

22 Exhibit 3.03. Dr. Zolnierек made a calculation of the adjustment for Mid-Century,
23 however, did not propose an adjustment at this time.

24 In lines 539-549 of his testimony, ICC Staff Exhibit 3.04, Dr. Zolnierек notes that for
25 eight companies, one of which is Mid-Century, the sum of federal universal service
26 revenues the companies reported receiving in their response to data request (DR) GCH
27 1.06 do not agree with the amount reported on the FCC Universal Service Monitoring
28 Report. What Dr. Zolnierек characterizes as an under-reported amount calculated for
29 Mid-Century is \$313,618.

30 **Q. Do you agree with Staff proposed adjustment JZ 3.03?**

31 A. No, the response to GCH 1.06 was based on the portion of the respective year's current
32 booked settlement revenues that were identified by the Company as current period ICLS
33 or LSS and ignored the amounts prior period disbursements included on the USAC
34 disbursement report. The response to JZ 2.04 was based on total settlement less the
35 amount of LSS & ICLS included on the USAC disbursement report.

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

37 A. No, as stated above the response to GCH 1.06 was based on the portion of the respective
38 year's current booked settlement revenues that were identified by the Company as current
39 period ICLS or LSS based on the amount identified on the monthly NECA settlement.
40 The difference between the amount identified on the NECA settlement and the USAC
41 disbursement report are out of period true-ups that flow to NECA and impact the total
42 pool earnings for the period, but do not flow directly to Mid-Century.

43 **Q. Are you providing a revised Response to JZ 2.04?**

44 A. Yes, I am providing a revised response to DR JZ 2.04 (Mid-Century Exhibit 3.01) that
45 shows the net settlement less the ICLS and LSS identified on the NECA monthly
46 settlement.

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

48 A. Yes, I will be responding to each of the items addressed to Mid-Century in Mr. Rubins
49 testimony.

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

52 A. No, as stated in Mr. Schoonmaker's rebuttal testimony, the cash working capital rate of
53 45 days applied to a simplified base is consistent with the prior proceedings.

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

56 A. No, I agree that for LSS and ICLS the true-up process is a normal part of the process and
57 adjustments should not be made for the true-ups, but High Cost Support is not a true-up.
58 The High Cost Support based on the 2009 investment and expenses was received in 2011.
59 Including the now-known 2011 High Cost Support better reflects the revenues associated
60 with the investment being used in the proceeding.

61 **Q. Are you providing a revision to Schedule 1.01 to reflect the 2011 High Cost Loop**
62 **Support?**

63 A. Yes, I am including an adjustment to reflect the 2011 High Cost Loop Support received
64 by Mid-Century that is based on 2009 investment.

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

66 A. No, Mid-Century's 2009 corporate expense does not exceed the NECA corporate cap.
67 The adjustment suggested by Mr. Rubins for Mid-Century is the same amount that is
68 already included as a Part 64 adjustment in the Schedule 1.01 as an allocation to non-
69 regulated.

70 **Q. Do you agree with Mr. Rubins adjustment to remove amortization expense?**

71 A. No, the amortization is related to the purchase of the Yates City exchange and was treated
72 as operating expense.

73 **Q. Did the customers in the Yates City exchange benefit from Mid-Century's purchase**
74 **of the exchange?**

75 A. Yes, the customers of the Yates City exchange are now members of the Cooperative and
76 have the same rights and benefits as the other Cooperative members.

77 **Q. Is the associated asset included in the rate base?**

78 A. No, the asset was fully amortized at the end of 2009, so no asset associated with the
79 amortization is included in the rate base.

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

82 A. Yes, I am including an adjustment to reflect the 2009 decrease in state originating access
83 billing revenues associated with mirroring interstate access rates. This adjustment was
84 proposed in Dr. Zolnierек direct testimony. The adjustment is discussed in more detail in
85 Mr. Schoonmaker's rebuttal testimony. The amount of 2009 state originating access
86 billing revenues at 2009 year end state access rates versus the same usage billed using the
87 2009 year end interstate rates for Mid-Century was a reduction of \$199,735.

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

89 A. Yes, I am providing it as Mid-Century Exhibit 1.01(as revised 3/23/2012).

90 **Q. Is the Company's Schedule 1.01 Mid-Century Exhibit 1.01 (as revised 3/23/12) true**
91 **and correct to the best of your knowledge, information and belief?**

92 A. Yes.

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

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

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

100 A. Yes it does.

ILLINOIS COMMERCE COMMISSION

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

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

Utility Company: Mid Century Telephone Cooperative

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 Mid Century Telephone Company Exhibit 1.01 excluding Federal Universal Service Fund revenue.

Response: The amount excluding the amount of LSS and ICLS USF identified on the monthly NECA settlement is \$444,309.

Mid-Century Telephone Cooperative
 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	\$ 16,463,517	\$ (517,234)	\$ 15,946,283
2	Materials and Supplies Inventory	Page 2, 13-Month Average	42,825		42,825
3	Customer Deposits	Form 23A, P 8, 4040	-	-	-
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	-	-	-
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			15,989,108
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 11, Total	5,250,584	(278,784)	4,971,800
8	Less: Depreciation Expense	Form 23A, P 11, 6560	1,736,089	(28,436)	1,707,653
9	Total WC Operating Expense	line 7 - line 8	3,514,495	(250,348)	3,264,147
10	WC OE Requirement	line 9 * 45 / 360			408,018
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			408,018
13	Total Rate Base	line 5 + line 12			16,397,126
14	Total Operating Revenues	Form 23A, P 9, Total	6,247,995	(711,370)	5,536,625
15	Less: Illinois Universal Service Fund	Page 3, Line 4	166,464	-	166,464
16	Net Operating Revenues	line 14 - line 15	6,081,531	(711,370)	5,370,161
17	Total Operating Expenses	Form 23A, P 11, Total	5,250,584	(278,784)	4,971,800
18	Other Operating Inc and Exp - Net	Form 23A, P 12, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 12, 7240	88,010	(4,262)	83,748
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	742,937	(428,324)	314,613
21	Income Tax Expense	line 34			-
22	Net Operating Income	line 20 - line 21			314,613
23	Return on Rate Base	line 22 / line 13			1.92%
24	After-tax Cost of Capital				9.34%
25	Target Net Operating Income	line 24 * line 13			1,531,492
26	Adj to Achieve Target Return on RB	line 25 - line 22			1,216,879
27	Gross Revenue Conversion Factor	line 35			1.0000
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			1,216,879
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			314,613
31	Illinois Inc & Rep Tax Expense	line 30 * 7.30%			-
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			314,613
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.

Mid-Century Telephone Cooperative
 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	\$ 722,186
2	State Subscriber Line Charges	Trial Balance 12/31/09	\$ 465,985
3	State Access Revenues	Trial Balance 12/31/09	\$ 825,388
4	State Universal Service Support	Trial Balance 12/31/09	\$ 166,464
5	State Special Access Revenues	Trial Balance 12/31/09	\$ 67,204
6	Total State Access & Local Revenues	Sum (Ln 1 - 5)	<u>\$ 2,247,227</u>
7	Federal Subscriber Lines Charges	Trial Balance 12/31/09	\$ 390,332
8	Federal Access Revenues	Trial Balance 12/31/09	\$ 1,502,853
9	Federal High Cost Loop Support	Trial Balance 12/31/09	\$ 1,086,451
10	Federal Special Access Revenues	Trial Balance 12/31/09	\$ 839,989
11	Total Federal Access Revenues	Sum (Ln 7 - 10)	<u>\$ 3,819,625</u>
12	Misc Revenues	Trial Balance 12/31/09	\$ 181,143
13	Total Operating Revenues	Ln 6 + Ln 11 + Ln 12	<u><u>\$ 6,247,995</u></u>

Mid-Century Telephone Cooperative
 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>		
Part 64 Adjustment - TPIS		\$763,667
Part 64 - Depreciation Reserve	\$246,433	
 <u>Revenue Adjustments</u>		
Reduction in state access rates	\$199,735	
2009 HCL USF	\$1,086,451	
2011 HCL Support	\$574,816	
Change	-\$511,635	\$511,635
 <u>Expense Adjustments</u>		
Non-Regulated Items		\$165,765
Non-Regulated Items		\$9,509
Part 64 - Plant Expenses		\$22,706
Part 64 - Depreciation Expense		\$28,436
Part 64 - General & Administrative		\$52,368
Part 64 - Property Tax		\$4,262

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 Mid-Century Telephone Cooperative, Inc.* was served upon all parties to the above cause at their address as follows:

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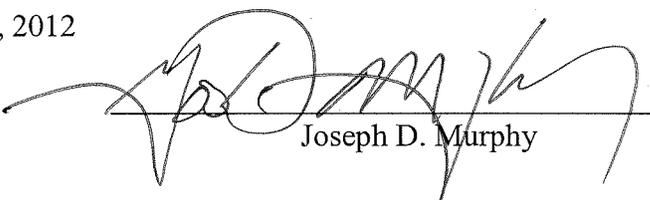
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via e-mail on this 23rd day of March, 2012



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