

**Cambridge Telephone Company**  
**Illinois Universal Service Funding Calculation**  
Based upon ICC Form 23A Report Data for December 31, 2010

<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	\$ 714,008	\$ -	\$ 714,008
2	Materials and Supplies Inventory	Page 2, 13-Month Average	-	-	-
3	Customer Deposits	Form 23A, P 8, 4040	4,574	-	4,574
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	175,310	-	175,310
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			534,124
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 11, Total	837,018	-	837,018
8	Less: Depreciation Expense	Form 23A, P 11, 6560	111,258	-	111,258
9	Total WC Operating Expense	line 7 - line 8	725,760	-	725,760
10	WC OE Requirement	line 9 * 45 / 360			90,720
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			90,720
13	Total Rate Base	line 5 + line 12			624,844
14	Total Operating Revenues	Form 23A, P 9, Total	1,093,454	-	1,093,454
15	Less: Illinois Universal Service Fund	Page 3, Line 4	18,312	-	18,312
16	Net Operating Revenues	line 14 - line 15	1,075,142	-	1,075,142
17	Total Operating Expenses	Form 23A, P 11, Total	837,018	-	837,018
18	Other Operating Inc and Exp - Net	Form 23A, P 12, 7100		-	-
19	Other Operating Taxes	Form 23A, P 12, 7240	2,352	-	2,352
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	235,772	-	235,772
21	Income Tax Expense	line 34			91,522
22	Net Operating Income	line 20 - line 21			144,250
23	Return on Rate Base	line 22 / line 13			23.09%
24	After-tax Cost of Capital				11.21%
25	Target Net Operating Income	line 24 * line 13			70,045
26	Adj to Achieve Target Return on RB	line 25 - line 22			(74,205)
27	Gross Revenue Conversion Factor	line 35			1.6345
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			<b>(121,288)</b>
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			235,772
31	Illinois Inc & Rep Tax Expense	line 30 * 7.30%			17,211
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			218,561
33	Federal Income Tax Expense	line 32 * 34.00%			74,311
34	Total Imputed Income Tax Expense	line 31 + line 33			91,522
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	\$0
2	January-09	\$0
3	February-09	\$0
4	March-09	\$0
5	April-09	\$0
6	May-09	\$0
7	June-09	\$0
8	July-09	\$0
9	August-09	\$0
10	September-09	\$0
11	October-09	\$0
12	November-09	\$0
13	December-09	\$0
14	13 Month Average	\$0

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%

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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	\$ 368,660
2	State Subscriber Line Charges ** Trial Balance 12/31/09	\$ -
3	State Access Revenues Trial Balance 12/31/09	\$ 128,219
4	State Universal Service Support Trial Balance 12/31/09	\$ 18,312
5	State Special Access Revenues Trial Balance 12/31/09	\$ 11,870
6	Total State Access & Local Revenues Sum (Ln 1 - 5)	<u>\$ 527,061</u>
7	Federal Subscriber Lines Charges Trial Balance 12/31/09	\$ 100,810
8	Federal Access Revenues Trial Balance 12/31/09	\$ 290,137
9	Federal High Cost Loop Support Trial Balance 12/31/09	\$ 37,367
10	Federal Special Access Revenues Trial Balance 12/31/09	\$ 79,280
11	Total Federal Access Revenues Sum (Ln 7 - 10)	<u>\$ 507,594</u>
12	Misc Revenues Trial Balance 12/31/09	\$ 58,799
13	Total Operating Revenues Ln 6 + Ln 11 + Ln 12	<u><u>\$ 1,093,454</u></u>

\*\* Included in Line 1 above

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Description of Adjustments

Description of Adjustment	Debit	Credit
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Rate Base Adjustments

Revenue Adjustments  
Affordable Rate Reduction

Expense Adjustments

Note: Carry all adjustments forward to Page 1