

Provisional IUSF Calculation Assuming No Income Tax Allowance for Subchapter S Corporations

Grafton 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	\$ 1,722,969	\$ 7,223	\$ 1,730,192
2	Materials and Supplies Inventory	Page 2, 13-Month Average	29,259		29,259
3	Customer Deposits	Form 23A, P 8, 4040	1,800	-	1,800
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	-	-	-
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4	<u>1,750,428</u>	<u>7,223</u>	<u>1,757,651</u>
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 11, Total	1,095,991	-	1,095,991
8	Less: Depreciation Expense	Form 23A, P 11, 6560	<u>272,825</u>	-	<u>272,825</u>
9	Total WC Operating Expense	line 7 - line 8	<u>823,166</u>	-	<u>823,166</u>
10	WC OE Requirement	line 9 * 45 / 360			102,896
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			<u>102,896</u>
13	Total Rate Base	line 5 + line 12			<u>1,860,547</u>
14	Total Operating Revenues	Form 23A, P 9, Total	1,383,043	(78,364)	1,304,679
15	Less: Illinois Universal Service Fund	Page 3, Line 4	<u>197,064</u>	-	<u>197,064</u>
16	Net Operating Revenues	line 14 - line 15	1,185,979	(78,364)	1,107,615
17	Total Operating Expenses	Form 23A, P 11, Total	1,095,991	-	1,095,991
18	Other Operating Inc and Exp - Net	Form 23A, P 12, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 12, 7240	<u>13,937</u>	-	<u>13,937</u>
20	Net Op Inc (Loss) before Income Taxes	line 16 - lines 17, 18, & 19	<u>76,051</u>	<u>(78,364)</u>	<u>(2,313)</u>
21	Replacement Tax Expense	line 34			<u>(35)</u>
22	Net Operating Income	line 20 - line 21			<u>(2,278)</u>
23	Return on Rate Base	line 22 / line 13			<u>-0.12%</u>
24	After-tax Cost of Capital				<u>9.34%</u>
25	Target Net Operating Income	line 24 * line 13			<u>173,775</u>
26	Adj to Achieve Target Return on RB	line 25 - line 22			176,053
27	Gross Revenue Conversion Factor	line 35			<u>1.0152</u>
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			<u>178,734</u>
29	Calculation of Income Tax Expense - S Corporation				
30	Net Op Inc before Inc Taxes	line 20			(2,313)
31	Illinois Replacement Tax Expense		(loss)		<u>(35)</u>
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			(2,348)
33	Federal Income Tax Expense				<u>Not Applicable</u>
34	Total Replacement Tax Expense	line 31 + line 33			<u>(35)</u>
35	Gross Revenue Conversion Factor	1 / ((1-(0.015))			<u>1.0152</u>