

Gridley 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	\$ 2,198,843	\$ (2,796)	\$ 2,196,047
2	Materials and Supplies Inventory	Page 2, 13-Month Average	70,686		70,686
3	Customer Deposits	Form 23A, P 8, 4040	2,195	-	2,195
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	-	96,700	<u>96,700</u>
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			2,167,838
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 11, Total	1,903,647	(10,680)	1,892,967
8	Less: Depreciation Expense	Form 23A, P 11, 6560	<u>410,925</u>	<u>(873)</u>	<u>410,052</u>
9	Total WC Operating Expense	line 7 - line 8	<u>1,492,722</u>	<u>(9,807)</u>	<u>1,482,915</u>
10	WC OE Requirement	line 9 * 45 / 360			185,364
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			<u>185,364</u>
13	Total Rate Base	line 5 + line 12			<u>2,353,202</u>
14	Total Operating Revenues	Form 23A, P 9, Total	2,729,572	(616,494)	2,113,078
15	Less: Illinois Universal Service Fund	Page 3, Line 4	<u>329,796</u>		<u>329,796</u>
16	Net Operating Revenues	line 14 - line 15	2,399,776	(616,494)	1,783,282
17	Total Operating Expenses	Form 23A, P 11, Total	1,903,647	(11,553)	1,892,094
18	Other Operating Inc and Exp - Net	Form 23A, P 12, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 12, 7240	<u>16,136</u>	<u>962</u>	<u>17,098</u>
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	479,993	(605,902)	(125,909)
21	Income Tax Expense	line 34			<u>(50,666)</u>
22	Net Operating Income	line 20 - line 21			<u>(75,243)</u>
23	Return on Rate Base	line 22 / line 13			<u>-3.20%</u>
24	After-tax Cost of Capital				<u>9.34%</u>
25	Target Net Operating Income	line 24 * line 13			<u>219,789</u>
26	Adj to Achieve Target Return on RB	line 25 - line 22			295,032
27	Gross Revenue Conversion Factor	line 35			<u>1.6734</u>
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			<u>493,707</u>
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			(125,909)
31	Illinois Inc & Rep Tax Expense	line 30 * 9.50%	9.50%		<u>(11,961)</u>
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			(113,948)
33	Federal Income Tax Expense	line 32 * 33.97%	33.97%		<u>(38,705)</u>
34	Total Imputed Income Tax Expense	line 31 + line 33			<u>(50,666)</u>
35	Gross Revenue Conversion Factor	1 / ((1 - .0950) * (1 - .33968))			<u>1.6734</u>

* Provide detail on Page 4 for all adjustments.

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Material & Supplies Worksheet and Other Information

<u>Line #</u>		
1	December-08	\$70,284
2	January-09	\$70,284
3	February-09	\$70,249
4	March-09	\$70,922
5	April-09	\$70,922
6	May-09	\$70,922
7	June-09	\$71,068
8	July-09	\$71,068
9	August-09	\$70,861
10	September-09	\$70,624
11	October-09	\$70,624
12	November-09	\$70,542
13	December-09	\$70,542
14	13 Month Average	\$70,686

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 9.34%
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	\$ 198,064
2	State Subscriber Line Charges Trial Balance 12/31/09	\$ 160,730
3	State Access Revenues Trial Balance 12/31/09	\$ 326,646
4	State Universal Service Support Trial Balance 12/31/09	\$ 326,796
5	State Special Access Revenues Trial Balance 12/31/09	\$ 7,321
6	Total State Access & Local Revenues Sum (Ln 1 - 5)	<u>\$ 1,019,557</u>
7	Federal Subscriber Lines Charges Trial Balance 12/31/09	\$ 109,487
8	Federal Access Revenues Trial Balance 12/31/09	\$ 1,165,154
9	Federal High Cost Loop Support USAC Disbursements Data	\$ 333,777
10	Federal Special Access Revenues Trial Balance 12/31/09	\$ 119,522
11	Total Federal Access Revenues Sum (Ln 7 - 10)	<u>\$ 1,727,940</u>
12	Misc Revenues Trial Balance 12/31/09	\$ 49,921
13	Total Operating Revenues Ln 6 + Ln 11 + Ln 12	<u><u>\$ 2,797,418</u></u>

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 Description of Adjustments

Description of Adjustment	Debit	Credit	Total
Rate Base Adjustments			
Adjustment #1 - Deferred Income Taxes			
Deferred Income Taxes		\$96,700	
<i>- To correctly recognize deferred income taxes under liability section of Balance Sheet</i>			
Adjustment #2 - Cost Study Nonregulated adjustments			
Cost Study Adjustments			
Non Regulated Investments	\$2,796		
TPIS		\$144,944	
Accumulated Depreciation	\$142,149		
<i>' To remove Nonregulated Voice Mail equipment from rate base</i>			
Revenue Adjustments			
Adjustment #3 - Regulatory changes			
Gridley entered NECA pool, new tariff rates effective 07/01/09			
Interstate Access Revenue adjustments			
Switched	\$295,434		
Special	\$29,508		\$324,942
<i>- To adjust booked 2009 revenues to give effect of July 1, 2009 Interstate tariff election</i>			
Adjustment #4 - Cost Study			
Cost Study adjustments			
Acct - 5230 - Directory Revenues,	\$6,054		
<i>- To adjust Directory Revenue netted against directory expenses</i>			
Adjustment #5 - IITA Intrastate Access Repriced at Interstate rates			
2009 State Access Repriced	\$161,238		
<i>-To adjust revenues for amount of 2009 re-priced Originating Intrastate Access at Interstate rates</i>			
Adjustment #6 - USF Receipts			
Remove 2009 HCL Receipts	\$333,777		
Remove 2009 SNA Receipts	\$127,332		
Include 2011 HCL Receipts		\$303,972	
Include 2011 Safety Net Receipts		\$32,878	\$124,259
<i>-To amend Federal HCL and Safety Net to reflect 2011 disbursements based on 2009 reporting year information</i>			
Total Revenue Adjustments	\$953,344	\$336,850	-\$616,494
Expense Adjustments			
Adjustment #7 - Cost Study Expense adjustments			
Plant Specific Expenses	5,853		
Plant Non Specific Expenses		1,088	
Depreciation Expense		873	873.13
Commercial Expenses		10,814	
Corp Ops		4,632	(10,680.03)
Other Operating Taxes	962		
Total Expense Adjustments	6,815	17,407	(10,591.15)
<i>- To reflect actual 2009 Cost Study expense adjustments</i>			

Gridley Tel Co
 Tax Rate Supporting Schedule
 Taxes at 9.34% ROR

Federal					Income Taxable in this Bracket	Tax Rate	Tax
0	50,000	15%			50,000	15%	7,500
50,000	75,000	25%	50,000	7,500	25,000	25%	6,250
75,000	100,000	34%	75,000	13,750	25,000	34%	8,500
100,000	335,000	39%	100,000	22,250	232,851	39%	90,812
335,000	10,000,000	34%	335,000	113,900	0	34%	0
					<u>332,851</u>		<u>113,062</u>

State Tax Rate				
0 All		9.50%	<u>367,791</u>	9.50% <u>34,940</u>

Total Rate Base (Cell F21-Schedule 1.01)	\$ 2,353,202
Net Op Inc before Income Taxes (Cell F29)	\$ (125,909)
Income Tax Expense	\$ 148,002
Net Operating Income	\$ (273,911)
After Tax Cost of Capital	9.34%
Target Net Operating Income	\$ 219,789
Adjustment to Achieve Return	\$ 493,700
Target Net Operating Income including Taxes	367,791
State Tax Deduction (for State Taxes paid)	34,940
Federal Net Operating Income (less State Taxes Paid)	332,851
Effective Federal Income Tax Rate	<u>33.968%</u>

Check of ROR Revenue Deficiency	
Initial Income Tax Expense	2,353,201.71
Total Income Tax Expense	(125,909.42)
Inc in Income Tax Expense	(2,479,111.13)
Initial Net oper Income (Cell F31-Sched 1.01)	(77,234.42) line 22, cell f31 edit made to schoony reference
Target Net Op Income	219,789.04
Inc in Net Operating Income	297,023.46
ROR Revenue Deficiency (compare with Cell F38-Sched 1.01)	(2,182,087.67)
Gross Revenue Conversion Factor	<u>1.67339</u>