

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Geneseo Telephone Company,)	
Cambridge Telephone Company and)	
Henry County Telephone Company)	
)	Docket No. 11-0210
Petition for Universal Service Support)	

Illinois Independent Telephone Association)	
)	
Petition to update the Section 13-301(d))	Docket No. 11-0211
Illinois Universal Service Fund and)	
to Implement Intrastate Switched Access)	
Charge reform as described herein and for)	
other relief)	

**INITIAL BRIEF OF THE
STAFF OF THE ILLINOIS COMMERCE COMMISSION**

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The Staff of the Illinois Commerce Commission (“Staff”), by and through its counsel, and pursuant to Section 200.800 of the Commission’s Rules of Practice, 83 Ill. Adm. Code 200.800, respectfully submits its Initial Brief in the above-captioned matter.

I. Procedural History

On March 4, 2011, the Geneseo Telephone Company, Cambridge Telephone Company and Henry County Telephone Company (hereafter, collectively, Geneseo or the Geneseo companies) filed a petition seeking increased universal service support under Section 13-301(1)(d) of the Illinois Public Utilities Act. *See, generally, Geneseo Petition*. This petition was assigned the Commerce Commission docket number 11-0210.

On the same date, the Illinois Independent Telephone Association (IITA) filed its own petition seeking increased universal support for the majority of its members. *See, generally, IITA Petition*. This petition was assigned the Commerce Commission docket number 11-0211.

IITA describes itself as: “an [a]ssociation of small incumbent local exchange carriers serving rural, high cost areas of the State of Illinois ... [and] inclu[ing] local exchange carriers which, until the establishment of the original [Illinois Universal Service Fund] in 2001, received funding pursuant to the Twenty-Seventh Interim Order of the Commission in Docket No. 83-0142, or the Orders of the Commission in Docket No. 97-0621 and Docket No. 98-0697, as referenced in Section 13-301(d).” *IITA Petition*, ¶8.

In their Petition, the Geneseo companies seek, in summary, a review of the Illinois Universal Service Fund (IUSF) established by the Commission pursuant to Section 13-301(d) of the Illinois Public Utilities Act, 220 ILCS 5/13-301(d) and in its several Illinois Universal Service Fund Orders¹, and a Commission Order determining that additional services should be supported, and that the Geneseo companies should receive support for those additional services. *See, generally, Geneseo Petition*. The Geneseo companies urge the Commission to investigate access charge issues. Geneseo Petition, ¶8.

On March 30, 2011, the Staff of the Illinois Commerce Commission moved to consolidate proceedings arising out of the two petitions. *See Staff Motion*. The duly-assigned Administrative Law Judge (ALJ) granted Staff's motion to consolidate on April 25, 2011. Tr. at 15. A number of parties sought to intervene in the proceedings both prior and subsequent to consolidation, including: the Illinois Bell Telephone Company (AT&T Illinois); the Gallatin River Telephone Company; McLeodUSA Telecommunications Services, L.L.C. d/b/a PAETEC Business Services; Frontier North Inc., Frontier Communications of the Carolinas Inc., Citizens Telecommunications Company of Illinois, Frontier Communications – Midland, Inc., Frontier Communications – Prairie, Inc., Frontier Communications – Schuyler, Inc., Frontier Communications of Depue, Inc., Frontier Communications of Illinois, Inc., Frontier Communications of Lakeside,

¹ *See, generally, Illinois Independent Telephone Association: Petition for initiation of an investigation of the necessity of and the establishment of a Universal Service Support Fund in accordance with Section 13-301(d) of the Public Utilities Act / Illinois Commerce Commission On Its Own Motion: Investigation into the necessity of and, if appropriate, the establishment of a Universal Support Fund pursuant to Section 13-301(d) of the Public Utilities Act*, ICC Docket Nos. 00-0233 / 00-0335 (Consolidated) (hereafter "IUSF Proceeding").

Inc., Frontier Communications of Mt. Pulaski, Inc., and Frontier Communications of Orion, Inc., (collectively "Frontier"); Odin Telephone Exchange, Inc. d/b/a Fairpoint Communications / Odin Telephone Exchange, Inc.; The El Paso Telephone Company d/b/a Fairpoint Communications / The El Paso Telephone Company; C-R Telephone Company d/b/a Fairpoint Communications / C-R Telephone Company; Marseilles Telephone Company; Stelle Telephone Company; Leaf River Telephone Company; Oneida Telephone Exchange; Viola Home Telephone Company; New Windsor Telephone Company; Glasford Telephone Company; Crossville Telephone Company; Woodhall Telephone Company; Alhama-Grantfork Telephone Company; Montrose Mutual Telephone Company; Cable Television & Communications Association of Illinois; TW Telecom of Illinois, Inc.; First Communications LLC; Kinsman Mutual Telephone Company; Leonore Mutual Telephone Company; Tonica Mutual Telephone Company; Adams Telephone Co-Operative; Cass Telephone Company; Flat Rock Telephone Co-Op Inc.; Egyptian Telephone Cooperative Association Inc.; Grafton Telephone Company; Gridley Telephone Company; Hamilton County Telephone Co-Op; Harrisonville Telephone Company; Home Telephone Company; LaHarpe Telephone Company; Madison Telephone Company; McDonough Telephone Cooperative Inc.; McNabb Telephone Company; Metamora Telephone Company; Mid-Century Telephone Cooperative, Inc.; Moutrie Independent Telephone Company; Reynolds Telephone Company; Shawnee Telephone Company; and Wabash Telephone Company. The parties filed multiple rounds of direct, rebuttal, and surrebuttal testimony.

Subsequent to filing of the Geneseo and IITA Petitions, but prior to evidentiary hearings being convened in this proceeding, the Federal Communications Commission (FCC) issued its *Report and Order and Further Notice of Proposed Rulemaking, In the Matter of Connect America Fund / A National Broadband Plan for Our Future / Establishing Just and Reasonable Rates for Local Exchange Carriers / High-Cost Universal Service Support / Developing an Unified Intercarrier Compensation Regime / Federal-State Joint Board on Universal Service Lifeline and Link-Up / Universal Service Reform – Mobility Fund*, FCC No. 11-161, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208 (Adopted: October 27, 2011; Released: November 18, 2011) (Report and Order). The Report and Order purports to: “comprehensively reform[] and modernize[] the universal service ... system[.]” Report and Order, ¶1. The Report and Order: “create[s] the Connect America Fund, which will ultimately replace all existing high-cost support mechanisms. ... The CAF will rely on incentive-based, market-driven policies, including competitive bidding, to distribute universal service funds as efficiently and effectively as possible.” Id., ¶20. The Report and Order further rules that: “all existing legacy high-cost support to price cap carriers will be frozen[.]” Id., ¶22. In addition, the Report and Order does the following:

- (1) establish[es] a framework to limit reimbursements for excessive capital and operating expenses, which will be implemented no later than July 1, 2012, after an additional opportunity for public comment;
- (2) encourage[s] efficiencies by extending existing corporate operations expense limits to the existing high-cost loop support and interstate common line support mechanisms, effective January 1, 2012;
- (3) ensure[s] fairness by reducing high-cost loop support for carriers that maintain artificially low end-user voice rates, with a three-step phase-in beginning July 1, 2012;
- (4) phase[s] out the Safety Net Additive component of high-cost loop support over time;
- (5)

address[es] Local Switching Support as part of comprehensive ICC reform; (6) phase[s] out over three years support in study areas that overlap completely with an unsubsidized facilities-based terrestrial competitor that provides voice and fixed broadband service, beginning July 1, 2012; and (7) cap[s] per-line support at \$250 per month, with a gradual phasedown to that cap over a three-year period commencing July 1, 2012.

Report and Order, ¶27

On July 31, 2012, an evidentiary hearing was held, wherein testimony was admitted by affidavit, and at the close of said hearing, the record was marked heard and taken.

II. Statutory Basis for the Petition

The following statutes and regulations are germane to this proceeding:

Section 13-301 of the Public Utilities Act, under which, *inter alia*, these petitions are filed, provides in part that in order to ensure the attainment of the State's policy to make telecommunications services available to all Illinois citizens, the Commission shall:

investigate the necessity of and, if appropriate, establish a universal service support fund from which local exchange telecommunications carriers who pursuant to the Twenty-Seventh Interim Order of the Commission in Docket No. 83-0142 or the orders of the Commission in Docket No. 97-0621 and Docket No. 98-0679 received funding and whose economic costs of providing services for which universal service support may be made available exceed the affordable rate established by the Commission for such services may be eligible to receive support, less any federal universal service support received for the same or similar costs of providing the supported services; provided, however, that if a universal service support fund is established, the Commission shall require that all costs of the fund be recovered from all local exchange and interexchange telecommunications carriers certificated in Illinois on a competitively neutral and nondiscriminatory basis. In establishing any such universal service support fund, the Commission shall, in addition to the determination of costs for supported services, consider and make findings

pursuant to subsection (2) of this Section. Proxy cost, as determined by the Commission, may be used for this purpose. In determining cost recovery for any universal service support fund, the Commission shall not permit recovery of such costs from another certificated carrier for any service purchased and used solely as an input to a service provided to such certificated carrier's retail customers.

220 ILCS 5/13-301(1)(d).

III. Burden and Standard of Proof

The IITA and more specifically the companies seeking increased IUSF funding bear the burden of proof in this proceeding. Where a statute does not specifically place any burden of proof, courts have uniformly imposed on administrative agencies the common-law rule that the party seeking relief has the burden of proof. Scott v. Dept. of Commerce and Community Affairs, 84 Ill. 2d 42, 53; 416 N.E.2d 1082, 1088; 1981 Ill. Lexis 229 at 14; 48 Ill. Dec. 560 (1981).

The term "burden of proof" includes the burden of going forward with the evidence, and the burden of persuading the trier of fact. People v. Ziltz, 98 Ill. 2d 38, 43; 455 N.E.2d 70, 72; 1983 Ill. Lexis 453 at 6; 74 Ill. Dec. 40 (1983). The burden of persuading the trier of fact does not shift throughout the proceeding, but remains with the party seeking relief. Ambrose v. Thornton Twp. School Trustees, 274 Ill. App. 3d 676, 680; 654 N.E.2d 545, 548; 1995 Ill. App. Lexis 614 at 7-8; 211 Ill. Dec. 83 (1st Dist 1995), *app. den.*, 164 Ill. 2d 557 (1995). It is clear, therefore, that the rural companies, as petitioners here, bears the burden of proof.

Section 10-15 of the Illinois Administrative Procedure Act provides that "[u]nless otherwise provided by law or stated in the agency's rules, the standard of proof in any contested case hearing conducted under this Act by an agency

shall be the preponderance of the evidence.” 5 ILCS 100/10-15. The Commission has observed that the Administrative Procedure Act standard is: “the appropriate standard in all contested cases” before the Commission. *Order* at 4, Illinois Commerce Commission on its Own Motion: Amendment of 83 Ill. Admin. Code Part 200, ICC Docket No. 92-0024 (April 29, 1992). Accordingly, the standard of proof to be applied is the preponderance of the evidence standard.

IV. Argument

It appears to be the consensus of the parties that the FCC’s adoption of its Report and Order has an obvious effect on this proceeding. In light of the fact that the IUSF provides a subsidy to eligible carriers constituting the difference between the cost of providing service and the Commission-established affordable rate, less federal support received for providing the same supported services, 220 ILCS 5/13-301(1)(d), any changes to the federal support scheme necessarily affect the size of the IUSF. As the Report and Order freezes some federal support mechanisms, phases out others entirely, and adopts a regime that will result in other issues remaining undecided for some time, setting the IUSF fund size now on a permanent basis would not be a suitable use of the parties’ or Commission’s resources. Establishment of an Interim fund is therefore appropriate at this time.

Staff understands that most of the parties have reached a consensus² regarding the establishment of an interim fund on four main points. These main points, as outlined in the Staff Exhibit 4.0, are as follows:

² Staff understands that the Geneseo companies and the Cable Television and Communications Association of Illinois may object to the establishment of an interim fund.

1. These dockets should result in approval of an Interim Fund updating the present IUSF. Work on the Investigation and development of a longer-term IUSF, presumptively based upon a different methodology, to replace this Interim Fund, should commence within ninety days of issuance of an Order in these dockets approving the interim Fund. No later than two years from issuance of an Order in these dockets approving the Interim Fund, one or more eligible recipients of IUSF or an organization representing them, such as the IITA, will petition the Commission for approval of a longer-term IUSF to replace this Interim Fund. Such petition, and any resulting longer-term IUSF, shall be based upon a different methodology, absent a showing that no such alternative methodology is feasible.
2. The Interim Fund should be based upon an updated “need showing” using the Schedule 1.01 methodology used by the Commission in establishing the original IUSF effective October 1, 2001. That analysis and showing will also incorporate the affect of all companies seeking and qualifying for the Interim Fund reducing originating intrastate switched access charges to “mirror” originating interstate switched access charges contemporaneous with the effective date of the Interim Fund.
3. The IITA agrees that any “Longer Term” IUSF replacing the Interim IUSF resulting from the instant docket shall be (a) compliant with the terms and requirements of Section 13-301 of the Illinois Public Utilities Act, (b) consistent with and fully reflect the Commission’s concerns and

admonitions, as stated in its several Orders in Docket Nos. 00-0233/0335 and 04-0354, regarding continued use of rate-of-return based methodology to determine IUSF support levels, and (c) consistent with FCC policies and rules applicable on an interstate level to Illinois ILECs potentially eligible for IUSF support pursuant to Section 13-301(1)(d) of the Illinois PUA.

4. The Interim Fund will terminate on the implementation of the longer-term IUSF.

In light of the general consensus on the above four points, Staff's argument will focus on the remaining contested issue, funding requirements regarding state and federal income taxes for S-Corporations.

Several of the rural companies seek recognition of state and federal income taxes as an expense, and also use a gross revenue conversion factor ("GRCF") that included a provision for income taxes in their Schedule 1.01s. Staff Ex. 5.0 at 8. These companies include the Cass Telephone Company (Cass), the Grafton Telephone Company (Grafton), the LaHarpe Telephone Company, Inc. (LaHarpe), the Leaf River Telephone Company (Leaf River) and the Madison Telephone Company (Madison). Staff Ex. 5.0(S) at 6.

However, each of the above-named companies have elected to be treated as an S-corporation for federal, and thereby state income tax purposes. Staff Ex. 5.0(S) at 6. This is significant, since the whole purpose of S-corporation treatment is set forth in the Internal Revenue Code, which provides that: "[e]xcept as otherwise provided in this subchapter, an S-corporation shall not be subject to

the [federal corporate income] taxes imposed by this chapter.” 26 U.S.C. §1363(a) (emphasis added). Instead, the obligation to pay federal income taxes is “passed through” to the shareholders under the terms of Section 1366 of the Internal Revenue Code, 26 U.S.C. §1366. In short, the companies in question *do not pay corporate income taxes*. Nonetheless, each has included imputed income taxes and also used a gross revenue conversion factor (“GCRF”) that included a provision for income taxes in its Schedule 1.01 (as revised March 23, 2012). Staff Exhibit 5.0(S) at 6-7.

The Commission should accept Staff’s recommended adjustment related to S-corporation taxes since the corporations pay no federal income tax. Since the companies do not pay the taxes in question, they do not, perhaps self-evidently, incur any expense as a result of not paying them.

The Illinois Independent Telephone Association (“IITA”) argues in rebuttal that Staff’s funding calculation is unfair and unjust, asserting that it will favor investment in companies organized as C-corporations, which pay corporate taxes, and whose shareholders are then taxed on dividends and distributions. IITA Ex. 3.0 at 34.³ However, IITA’s arguments fail to consider that the companies organized as S-corporations are not subject to the double taxation that the other corporations are subject to. Most corporations pay income tax on income they earn and, if dividends are paid to their shareholders, the shareholders pay income taxes on those dividends. Staff Ex. 5.0 at 8. An S-corporation’s income, however, is not taxed at the corporate level, only at the

³ IITA declines to explain how it is fair or just to require telephone subscribers throughout the state to subsidize an “expense” that is not actually incurred.

shareholder level. Id. at 8-9. Thus, funding through IUSF should not include a subsidy for income tax expenses that the Companies simply do not incur.

IITA also argues in its rebuttal testimony that National Exchange Carriers Association (“NECA”) allows an imputation in its cost study information in NECA access pools and that the Federal Energy Regulatory Commission (“FERC”) allows rate recovery of the income tax liability attributable to regulated utility income. IITA Ex. 3.0 at 34, 35.

To argue that other agencies or regulatory bodies (one of which, the FERC, in any case regulates electric transmission rates) allow an imputation based on the shareholder’s effective weighted income tax rate is not relevant to whether this is appropriate in this proceeding. The question in this proceeding is essentially what costs the rural companies incur to provide supported services, and how much federal support they receive to do so; the difference between costs less federal support, and the Commission-established “affordable rate” determines the level of IUSF support. 220 ILCS 5/13-301(1)(d); (2)(c). Including cost not incurred would be contrary to the Illinois statute, which requires a showing of the funded companies’: “economic costs of providing [supported] services[.]” 220 ILCS 5/13-301(1)(d).

Furthermore, IITA has not demonstrated that the Commission has allowed recovery of taxes that are not incurred or paid by the corporation. Staff Ex. 5.0 at 9. In contrast, Staff’s recommendation is squarely consistent with the prior practice of the Commission. In the case of Monarch Gas Co. v. Commerce Comm’n, 51 Ill. App.3d 892; 366 N.E.2d 945 (5th Dist. 1977), the appeal arose

from a Commission decision in Docket No. 59460, in which Monarch filed for an increase in its gas rates, including recovery of income tax expense. Monarch Gas, 51 Ill. App.3d at 893; 366 N.E.2d at 946. The Commission found that, in 1970, Monarch had elected, pursuant to Subchapter S of the Internal Revenue Code (26 U.S.C. § 1361, *et seq.*) to be taxed through its stockholders on the taxable income of the corporation, in lieu of paying the corporate tax. Id. Since Monarch itself paid no income tax, the Commission rejected the amount the corporation would have paid in computing operational expenses. Id., 366 N.E.2d at 947. The Appellate Court affirmed the Commission's Order, stating that:

Monarch contends that the purpose of Subchapter S would be frustrated if income taxes were not included in operating expenses. We do not agree. ... Monarch fails to cite, and our research does not disclose any intent on the part of Congress to require the inclusion of income taxes that would have been paid in the operating cost of a public utility subject to state regulation.

Monarch Gas at 895-6; 366 N.E.2d at 948

In so ruling, the Appellate Court found persuasive the rationale used in two other cases, Federal Power Comm'n. v. United Gas Pipe Line Co., 386 U.S 237; 18 L. Ed. 2d 18; 89 S. Ct. 1003 (1967) and City of Alton v. Commerce Comm'n, 19 Ill. 2d 76; 165 N.E.2d 513 (1960), stating that: "Subchapter S permits a corporation to elect to 'pass through' its income and thereby avoid a double tax on the income. It does not purport to control the determination of operating expenses and rates of public utilities." Monarch Gas at 897; 366 N.E.2d at 949 (emphasis added).

Illinois Replacement Tax

In Staff's Supplemental Rebuttal, Ms. Everson revised her position on S-corporation income taxes to allow the S-corporations to include the Illinois Replacement Tax since that tax is paid by the S-corporation. Staff Exhibit 5.0(S) at 7.

Accumulated Deferred Income Tax

The companies also requested accumulated deferred income tax as an inclusion in their Schedule 1.01s. IITA witness Robert Schoonmaker admits that the amounts shown on Schedule 1.01 for the companies for deferred income taxes are amounts are imputed based on the Companies' assumption that they will be able to recover those imputed amounts. IITA Ex. 5.0 at 11.

The Commission should reject the IITA's assertion that companies should be granted an allowance for an expense item for income taxes that they concede they do not pay, especially where, as here, it will result in an increase to each company's IUSF subsidy – in this case, a wholly unjustified and unearned one, since no expense is incurred. IUSF funding should not include income tax expense that the Companies do not incur. Staff Ex. 5.0 at 9. Further, regarding accumulated deferred income tax, if a Company does not pay an expense, it cannot have an accumulation of that expense. Staff Ex. 5.0(S) at 6.

Schedules

In aid of assisting the ALJ's and Commission's decision-making process in this proceeding, the Staff has attached its proposed accounting adjustments to this Initial Brief as Schedule 1 (all companies) and Schedule 2, followed by a company name (each individual company). These schedules are in evidence as Schedules 5.01(S) and 5.02(S) to Ms. Everson's Supplemental Rebuttal Testimony.⁴

V. CONCLUSION

The Commission should accept the recommendations of the general consensus reached by the parties in this matter, as outlined in the four points above. Additionally, the Commission should reject the IITA's assertion that companies should be granted an allowance for an expense item for income taxes that they concede they do not pay, especially where, as here, it will result in an increase to each company's IUSF subsidy – in this case, a wholly unjustified and unearned one, since no expense is incurred. IUSF funding should not include income tax expense that the Companies do not incur.

⁴ Staff notes that Staff Schedules 1 and 2 rectify an oversight in Staff Schedules 5.01(S) and 5.02(S), which do not include \$119,421 that the Frontier companies require in additional IUSF support as a result of reducing their intrastate originating access rates to interstate levels. See Frontier Ex. 2.0 at 18. Staff will revise Staff Schedules 5.01(S) and 5.02(S).

WHEREFORE, the Staff of the Illinois Commerce Commission respectfully requests that its recommendations be adopted in their entirety consistent with the arguments set forth herein.

Respectfully submitted,

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Illinois Universal Service Funding Calculation
Summary of Staff Calculated Funding Requirement

Line No.	Description (a)	Adams Telephone	Alhambra-Grantfork	Cass Telephone	Egyptian Telephone	Flat Rock	Grafton	Subtotal
		Cooperative (b)	Telephone Company (c)	Company (d)	Cooperative Association (e)	Telephone Co-Op. Inc. (f)	Telephone Company (g)	
1	Net Regulated Plant	\$ 15,744,869	\$ 2,146,387	\$ 1,612,629	\$ 6,576,548	\$ 458,900	\$ 1,730,192	\$ 28,269,525
2	Materials and Supplies Inventory	601,462	37,398	32,863	167,118	58,737	29,259	926,837
3	Customer Deposits	77,905	5,850	2,550	9,099	1,402	1,800	98,606
4	ADIT - Regulated Plant	-	587,686	-	(92,047)	-	-	495,639
5	Rate Base before Working Capital	16,268,426	1,590,249	1,642,942	6,826,614	516,235	1,757,651	28,602,117
6	Working Capital Requirement	-	-	-	-	-	-	-
7	Total Operating Expenses	5,508,846	909,044	2,981,026	5,088,471	456,314	1,095,991	16,039,692
8	Less: Depreciation Expense	1,484,753	244,272	305,931	1,316,508	94,301	272,825	3,718,590
9	Total WC Operating Expense	4,024,093	664,772	2,675,095	3,771,963	362,013	823,166	12,321,102
10	WC OE Requirement	503,012	83,097	334,387	471,495	45,252	102,896	1,540,138
11	Commission-Ordered Cash Balance Req.	-	-	-	-	-	-	-
12	Total Working Capital Requirement	503,012	83,097	334,387	471,495	45,252	102,896	1,540,138
13	Total Rate Base	16,771,438	1,673,346	1,977,329	7,298,109	561,487	1,860,547	30,142,255
14	Total Operating Revenues	6,119,862	1,112,247	3,169,100	5,904,013	616,604	1,304,679	18,226,505
15	Less: Illinois High Cost Fund	-	62,712	538,887	1,120,092	108,480	197,064	2,027,235
16	Net Operating Revenues	6,119,862	1,049,535	2,630,213	4,783,921	508,124	1,107,615	16,199,270
17	Total Operating Expenses	5,508,846	909,044	2,981,026	5,088,471	456,314	1,095,991	16,039,692
18	Other Operating Inc and Exp - Net	-	-	-	-	-	-	-
19	Other Operating Taxes	35,279	8,960	10,271	12,000	16,235	13,937	96,682
20	Net Op Inc before Income Taxes	575,737	131,531	(361,084)	(316,550)	35,575	(2,313)	62,896
21	Income Tax Expense	-	50,203	(5,416)	-	-	(35)	44,752
22	Net Operating Income	575,737	81,328	(355,668)	(316,550)	35,575	(2,278)	18,144
23	Return on Rate Base	3.43%	4.86%	-17.99%	-4.34%	6.34%	-0.12%	
24	After-tax Cost of Capital	9.34%	9.34%	9.34%	9.34%	9.34%	9.34%	
25	Target Net Operating Income	1,566,452	156,290	184,683	681,643	52,443	173,775	
26	Adj to Achieve Target Return on RB	990,715	74,962	540,351	998,193	16,868	176,053	
27	Gross Revenue Conversion Factor	1.0000	1.6173	1.0152	1.0000	1.0000	1.0152	
28	Staff ROR Deficiency	990,715	121,237	548,564	998,193	16,868	178,734	\$ 2,854,311
29	Calculation of Income Tax Expense							
30	Net Op Inc before Inc Taxes	575,737	131,531	(361,084)	(316,550)	35,575	(2,313)	
31	Illinois Income Tax Expense	-	12,495	(5,416)	-	-	(35)	
32	Net Op Inc before Fed Inc Tax	575,737	119,036	(355,668)	(316,550)	35,575	(2,348)	
33	Federal Income Tax Expense	-	37,708	-	-	-	-	
34	Total Income Tax Expense	-	50,203	(5,416)	-	-	(35)	
35	Gross Revenue Conversion Factor	1.0000	1.6173	1.0152	1.0000	1.0000	1.0152	

Illinois Universal Service Funding Calculation
Summary of Staff Calculated Funding Requirement

Line No.	Description	Subtotal from Page 1	Gridley Telephone Company	Hamilton County Telephone Co-op	Harrisonville Telephone Company	Home Telephone Company	LaHarpe Telephone Company	Subtotal
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
1	Net Regulated Plant	\$ 28,269,525	\$ 2,196,047	\$ 4,052,363	\$ 39,073,371	\$ 4,726,690	\$ 2,841,332	\$ 81,159,328
2	Materials and Supplies Inventory	926,837	70,686	523,655	472,913	104,467	78,016	2,176,574
3	Customer Deposits	98,606	2,195	9,225	8,687	1,650	225	120,588
4	ADIT - Regulated Plant	<u>495,639</u>	<u>96,700</u>	<u>-</u>	<u>4,371,912</u>	<u>598,713</u>	<u>-</u>	<u>5,562,964</u>
5	Rate Base before Working Capital	28,602,117	2,167,838	4,566,793	35,165,685	4,230,794	2,919,123	77,652,350
6	Working Capital Requirement							
7	Total Operating Expenses	16,039,692	1,892,967	2,148,141	15,568,714	3,476,235	1,605,649	40,731,398
8	Less: Depreciation Expense	<u>3,718,590</u>	<u>410,052</u>	<u>843,693</u>	<u>3,885,211</u>	<u>659,285</u>	<u>355,654</u>	<u>9,872,485</u>
9	Total WC Operating Expense	<u>12,321,102</u>	<u>1,482,915</u>	<u>1,304,448</u>	<u>11,683,503</u>	<u>2,816,950</u>	<u>1,249,995</u>	<u>30,858,913</u>
10	WC OE Requirement	1,540,138	185,364	163,056	1,460,438	352,119	156,249	3,857,364
11	Commission-Ordered Cash Balance Req.	-	-	-	-	-	-	-
12	Total Working Capital Requirement	<u>1,540,138</u>	<u>185,364</u>	<u>163,056</u>	<u>1,460,438</u>	<u>352,119</u>	<u>156,249</u>	<u>3,857,364</u>
13	Total Rate Base	<u>30,142,255</u>	<u>2,353,202</u>	<u>4,729,849</u>	<u>36,626,123</u>	<u>4,582,913</u>	<u>3,075,372</u>	<u>81,509,714</u>
14	Total Operating Revenues	18,226,505	2,113,078	2,358,100	19,438,626	4,041,539	2,001,717	48,179,565
15	Less: Illinois High Cost Fund	<u>2,027,235</u>	<u>329,796</u>	<u>-</u>	<u>595,008</u>	<u>633,540</u>	<u>209,028</u>	<u>3,794,607</u>
16	Net Operating Revenues	16,199,270	1,783,282	2,358,100	18,843,618	3,407,999	1,792,689	44,384,958
17	Total Operating Expenses	16,039,692	1,892,094	2,148,141	15,568,714	3,476,235	1,605,649	40,730,525
18	Other Operating Inc and Exp - Net	-	-	-	10,769	-	-	10,769
19	Other Operating Taxes	<u>96,682</u>	<u>17,098</u>	<u>5,599</u>	<u>126,068</u>	<u>19,701</u>	<u>3,977</u>	<u>269,125</u>
20	Net Op Inc before Income Taxes	62,896	(125,910)	204,360	3,138,067	(87,937)	183,063	3,374,539
21	Income Tax Expense	<u>44,752</u>	<u>(50,666)</u>	<u>-</u>	<u>1,263,699</u>	<u>(35,412)</u>	<u>2,746</u>	<u>1,225,119</u>
22	Net Operating Income	<u>18,144</u>	<u>(75,244)</u>	<u>204,360</u>	<u>1,874,368</u>	<u>(52,525)</u>	<u>180,317</u>	<u>2,149,420</u>
23	Return on Rate Base		<u>-3.20%</u>	<u>4.32%</u>	<u>5.12%</u>	<u>-1.15%</u>	<u>5.86%</u>	
24	After-tax Cost of Capital		<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>	
25	Target Net Operating Income		<u>219,789</u>	<u>441,768</u>	<u>3,420,880</u>	<u>428,044</u>	<u>287,240</u>	
26	Adj to Achieve Target Return on RB		295,033	237,408	1,546,512	480,569	106,923	
27	Gross Revenue Conversion Factor		<u>1.6734</u>	<u>1.0000</u>	<u>1.6742</u>	<u>1.6742</u>	<u>1.0152</u>	
28	Staff ROR Deficiency	<u>2,854,311</u>	<u>493,708</u>	<u>237,408</u>	<u>2,589,171</u>	<u>804,569</u>	<u>108,548</u>	<u>7,087,715</u>
29	Calculation of Income Tax Expense							
30	Net Op Inc before Inc Taxes		(125,910)	204,360	3,138,067	(87,937)	183,063	
31	Illinois Income Tax Expense		<u>(11,961)</u>	<u>-</u>	<u>298,116</u>	<u>(8,354)</u>	<u>2,746</u>	
32	Net Op Inc before Fed Inc Tax		(113,949)	204,360	2,839,951	(79,583)	180,317	
33	Federal Income Tax Expense		<u>(38,705)</u>	<u>-</u>	<u>965,583</u>	<u>(27,058)</u>	<u>-</u>	
34	Total Imputed Income Tax Expense		<u>(50,666)</u>	<u>-</u>	<u>1,263,700</u>	<u>(35,412)</u>	<u>2,746</u>	
35	Gross Revenue Conversion Factor		<u>1.6734</u>	<u>1.0000</u>	<u>1.6742</u>	<u>1.6742</u>	<u>1.0152</u>	

Illinois Universal Service Funding Calculation
Summary of Staff Calculated Funding Requirement

Line No.	Description	Subtotal from Page 2	Leaf River Telephone Company	Madison Telephone Company	Metamora Telephone Company	McDonough Telephone Coop	McNabb Telephone Company	Subtotal
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Net Regulated Plant	\$ 81,159,328	\$ 2,713,515	\$ 11,739,953	\$ 5,404,676	\$ 12,269,894	\$ 499,397	\$ 113,786,763
2	Materials and Supplies Inventory	2,176,574	93,366	95,821	324,246	322,997	16,384	3,029,388
3	Customer Deposits	120,588	2,050	15,084	24,126	375	5,030	167,253
4	ADIT - Regulated Plant	5,562,964	-	-	410,637	-	35,775	6,009,376
5	Rate Base before Working Capital	77,652,350	2,804,831	11,820,690	5,294,159	12,592,516	474,976	110,639,522
6	Working Capital Requirement							
7	Total Operating Expenses	40,731,398	1,285,124	9,020,851	2,555,595	5,416,535	670,994	59,680,497
8	Less: Depreciation Expense	9,872,485	338,757	1,783,077	790,104	1,493,331	107,361	14,385,115
9	Total WC Operating Expense	30,858,913	946,367	7,237,774	1,765,491	3,923,204	563,633	45,295,382
10	WC OE Requirement	3,857,364	118,296	904,722	220,686	490,400	70,454	5,661,922
11	Commission-Ordered Cash Balance Req.	-	-	-	-	-	-	-
12	Total Working Capital Requirement	3,857,364	118,296	904,722	220,686	490,400	70,454	5,661,922
13	Total Rate Base	81,509,714	2,923,127	12,725,412	5,514,845	13,082,916	545,430	116,301,444
14	Total Operating Revenues	48,179,565	1,602,711	8,876,802	2,946,612	6,676,787	598,463	68,880,940
15	Less: Illinois High Cost Fund	3,794,607	264,360	783,924	354,556	926,664	62,940	6,187,051
16	Net Operating Revenues	44,384,958	1,338,351	8,092,878	2,592,056	5,750,123	535,523	62,693,889
17	Total Operating Expenses	40,730,525	1,285,124	9,020,851	2,555,595	5,416,535	670,994	59,679,624
18	Other Operating Inc and Exp - Net	10,769	-	-	-	-	-	10,769
19	Other Operating Taxes	269,125	18,633	31,271	51,664	19,445	10,571	400,709
20	Net Op Inc before Income Taxes	3,374,539	34,594	(959,244)	(15,203)	314,143	(146,042)	2,602,787
21	Income Tax Expense	1,225,119	519	(14,390)	(6,122)	-	(36,128)	1,168,998
22	Net Operating Income	2,149,420	34,075	(944,854)	(9,081)	314,143	(109,914)	1,433,789
23	Return on Rate Base		1.17%	-7.42%	-0.16%	2.40%	-20.15%	
24	After-tax Cost of Capital		9.34%	9.34%	9.34%	9.34%	9.34%	
25	Target Net Operating Income		273,020	1,188,553	515,087	1,221,944	50,943	
26	Adj to Achieve Target Return on RB		238,945	2,133,407	524,168	907,801	160,857	
27	Gross Revenue Conversion Factor		1.0152	1.0152	1.6742	1.0000	1.3287	
28	Staff ROR Deficiency	7,087,715	242,587	2,165,835	877,562	907,801	213,731	11,495,231
29	Calculation of Income Tax Expense							
30	Net Op Inc before Inc Taxes		34,594	(959,244)	(15,203)	314,143	(146,042)	
31	Illinois Income Tax Expense		519	(14,390)	(1,444)	-	(13,874)	
32	Net Op Inc before Fed Inc Tax		34,075	(944,854)	(13,759)	314,143	(132,168)	
33	Federal Income Tax Expense		-	-	(4,678)	-	(22,254)	
34	Total Imputed Income Tax Expense		519	(14,390)	(6,122)	-	(36,128)	
35	Gross Revenue Conversion Factor		1.0152	1.0152	1.6742	1.0000	1.3287	

Illinois Universal Service Funding Calculation
Summary of Staff Calculated Funding Requirement

Line No.	Description	Subtotal from Page 3	MidCentury	Montrose Mutual	Moultrie	New Windsor	Oneida	Subtotal
			Telephone Cooperative, Inc.	Telephone Company	Independent Telephone Company	Telephone Company	Telephone Exchange	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Net Regulated Plant	\$ 113,786,763	\$ 15,946,283	\$ 1,211,283	\$ 1,749,579	\$ 1,281,930	\$ 1,107,324	\$ 135,083,162
2	Materials and Supplies Inventory	3,029,388	42,825	286,850	46,485	28,377	32,167	3,466,092
3	Customer Deposits	167,253	-	1,600	-	6,486	3,500	178,839
4	ADIT - Regulated Plant	6,009,376	-	322,676	-	252,788	-	6,584,840
5	Rate Base before Working Capital	110,639,522	15,989,108	1,173,857	1,796,064	1,051,033	1,135,991	131,785,575
6	Working Capital Requirement							
7	Total Operating Expenses	59,680,497	4,971,800	1,558,097	1,969,627	520,792	741,588	69,442,401
8	Less: Depreciation Expense	14,385,115	1,707,653	228,193	277,671	166,234	222,415	16,987,281
9	Total WC Operating Expense	45,295,382	3,264,147	1,329,904	1,691,956	354,558	519,173	52,455,120
10	WC OE Requirement	5,661,922	408,018	166,238	211,495	44,320	64,897	6,556,889
11	Commission-Ordered Cash Balance Req.	-	-	-	-	-	-	-
12	Total Working Capital Requirement	5,661,922	408,018	166,238	211,495	44,320	64,897	6,556,889
13	Total Rate Base	116,301,444	16,397,126	1,340,095	2,007,559	1,095,353	1,200,888	138,342,464
14	Total Operating Revenues	68,880,940	5,536,625	1,558,979	2,459,246	661,367	862,153	79,959,310
15	Less: Illinois High Cost Fund	6,187,051	166,464	257,688	593,724	85,714	122,486	7,413,127
16	Net Operating Revenues	62,693,889	5,370,161	1,301,291	1,865,522	575,653	739,667	72,546,183
17	Total Operating Expenses	59,679,624	4,971,800	1,558,097	1,969,627	520,792	741,588	69,441,528
18	Other Operating Inc and Exp - Net	10,769	-	-	-	-	-	10,769
19	Other Operating Taxes	400,709	83,748	7,889	1,607	9,065	7,681	510,699
20	Net Op Inc before Income Taxes	2,602,787	314,613	(264,695)	(105,712)	45,796	(9,602)	2,583,187
21	Income Tax Expense	1,168,998	-	(95,995)	(41,629)	15,565	-	1,046,939
22	Net Operating Income	1,433,789	314,613	(168,700)	(64,083)	30,231	(9,602)	1,536,248
23	Return on Rate Base	0.00%	1.92%	-12.59%	-3.19%	2.76%	-0.80%	
24	After-tax Cost of Capital		9.34%	9.34%	9.34%	9.34%	9.34%	
25	Target Net Operating Income		1,531,492	125,165	187,506	102,306	112,163	
26	Adj to Achieve Target Return on RB		1,216,879	293,865	251,589	72,075	121,765	
27	Gross Revenue Conversion Factor		1.0000	1.5690	1.6496	1.5149	1.0000	
28	Staff ROR Deficiency	11,495,231	1,216,879	461,074	415,021	109,186	121,765	13,819,156
29	Calculation of Income Tax Expense							
30	Net Op Inc before Inc Taxes		314,613	(264,695)	(105,712)	45,796	(9,602)	
31	Illinois Income Tax Expense		-	(25,146)	(10,043)	4,351	-	
32	Net Op Inc before Fed Inc Tax		314,613	(239,549)	(95,669)	41,445	(9,602)	
33	Federal Income Tax Expense		-	(70,849)	(31,586)	11,214	-	
34	Total Imputed Income Tax Expense		-	(95,995)	(41,629)	15,565	-	
35	Gross Revenue Conversion Factor		1.0000	1.5690	1.6496	1.5149	1.0000	

Illinois Universal Service Funding Calculation
Summary of Staff Calculated Funding Requirement

Line No.	Description	Subtotal from Page 4	Reynolds Telephone Company	Shawnee Telephone Company	Viola Home Telephone Company	Wabash Telephone Cooperative	Woodhull Telephone Company	Subtotal Staff- Calculated Funding Requirement
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
1	Net Regulated Plant	\$ 135,083,162	\$ 1,743,549	\$ 22,815,147	\$ 1,226,901	\$ 11,898,052	\$ 1,951,462	\$ 174,718,273
2	Materials and Supplies Inventory	3,466,092	22,793	181,634	21,427	384,764	24,901	4,101,611
3	Customer Deposits	178,839	2,800	108,859	208	13,990	-	304,696
4	ADIT - Regulated Plant	<u>6,584,840</u>	<u>142,446</u>	<u>269,783</u>	<u>108,689</u>	<u>-</u>	<u>106,260</u>	<u>7,212,018</u>
5	Rate Base before Working Capital	131,785,575	1,621,096	22,618,139	1,139,431	12,268,826	1,870,103	171,303,170
6	Working Capital Requirement	-	-	-	-	-	-	-
7	Total Operating Expenses	69,442,401	492,280	7,867,730	661,537	5,687,683	751,661	84,903,292
8	Less: Depreciation Expense	<u>16,987,281</u>	<u>138,331</u>	<u>1,876,412</u>	<u>143,832</u>	<u>1,886,630</u>	<u>169,069</u>	<u>21,201,555</u>
9	Total WC Operating Expense	<u>52,455,120</u>	<u>353,949</u>	<u>5,991,318</u>	<u>517,705</u>	<u>3,801,053</u>	<u>582,592</u>	<u>63,701,737</u>
10	WC OE Requirement	6,556,889	44,244	748,915	64,713	475,132	72,824	7,962,716
11	Commission-Ordered Cash Balance Req.	-	-	-	-	-	-	-
12	Total Working Capital Requirement	<u>6,556,889</u>	<u>44,244</u>	<u>748,915</u>	<u>64,713</u>	<u>475,132</u>	<u>72,824</u>	<u>7,962,716</u>
13	Total Rate Base	<u>138,342,464</u>	<u>1,665,340</u>	<u>23,367,054</u>	<u>1,204,144</u>	<u>12,743,958</u>	<u>1,942,927</u>	<u>179,265,886</u>
14	Total Operating Revenues	79,959,310	535,817	10,358,234	600,888	5,799,285	857,123	98,110,657
15	Less: Illinois High Cost Fund	<u>7,413,127</u>	<u>-</u>	<u>810,480</u>	<u>32,860</u>	<u>711,204</u>	<u>51,614</u>	<u>9,019,285</u>
16	Net Operating Revenues	72,546,183	535,817	9,547,754	568,028	5,088,081	805,509	89,091,372
17	Total Operating Expenses	69,441,528	492,280	7,867,730	664,574	5,687,683	751,661	84,905,456
18	Other Operating Inc and Exp - Net	10,769	-	-	-	-	-	10,769
19	Other Operating Taxes	<u>510,699</u>	<u>3,438</u>	<u>24,287</u>	<u>9,786</u>	<u>38,698</u>	<u>6,310</u>	<u>593,218</u>
20	Net Op Inc before Income Taxes	2,583,187	40,099	1,655,737	(106,332)	(638,300)	47,538	3,581,929
21	Income Tax Expense	<u>1,046,939</u>	<u>15,290</u>	<u>666,765</u>	<u>(41,663)</u>	<u>-</u>	<u>18,626</u>	<u>1,705,957</u>
22	Net Operating Income	<u>1,536,248</u>	<u>24,809</u>	<u>988,972</u>	<u>(64,669)</u>	<u>(638,300)</u>	<u>28,912</u>	<u>1,875,972</u>
23	Return on Rate Base		1.49%	4.23%	-5.37%	-5.01%	1.49%	
						0.00%		
24	After-tax Cost of Capital		9.34%	9.34%	9.34%	9.34%	9.34%	
25	Target Net Operating Income		<u>155,543</u>	<u>2,182,483</u>	<u>112,467</u>	<u>1,190,286</u>	<u>181,469</u>	
26	Adj to Achieve Target Return on RB		130,734	1,193,511	177,136	1,828,586	152,557	
27	Gross Revenue Conversion Factor		<u>1.6164</u>	<u>1.6742</u>	<u>1.6345</u>	<u>1.0000</u>	<u>1.6442</u>	
28	Staff ROR Deficiency	<u>13,819,156</u>	<u>211,312</u>	<u>1,998,176</u>	<u>289,529</u>	<u>1,828,586</u>	<u>250,840</u>	<u>18,397,598</u>
29	Calculation of Income Tax Expense							
30	Net Op Inc before Inc Taxes		40,099	1,655,737	(106,332)	(638,300)	47,538	
31	Illinois Income Tax Expense		<u>3,809</u>	<u>157,295</u>	<u>(10,102)</u>	<u>-</u>	<u>4,516</u>	
32	Net Op Inc before Fed Inc Tax		36,290	1,498,442	(96,230)	(638,300)	43,022	
33	Federal Income Tax Expense		<u>11,481</u>	<u>491,444</u>	<u>(31,561)</u>	<u>-</u>	<u>14,110</u>	
34	Total Imputed Income Tax Expense		<u>15,290</u>	<u>648,739</u>	<u>(41,663)</u>	<u>-</u>	<u>18,626</u>	
35	Gross Revenue Conversion Factor		<u>1.6164</u>	<u>1.6742</u>	<u>1.6345</u>	<u>1.0000</u>	<u>1.6442</u>	

Illinois Universal Service Funding Calculation
 Summary of Staff Calculated Funding Requirement

Line No.	Description (a)	Subtotal from	Frontier	Frontier	Frontier	Frontier	Frontier	Frontier	Total Staff
		Page 5	Communications- Illinois	Communications- Midland	Communications- Lakeside	Communications-Mt Pulaski	Communications- Schuyler	Communications- Orion	Calculated Funding Requirement
		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Net Regulated Plant	\$ 174,718,273	\$ 10,397,000	\$ 8,894,605	\$ 1,054,000	\$ 5,928,000	\$ 6,057,000	\$ 2,148,000	\$ 209,196,878
2	Materials and Supplies Inventory	4,101,611	-	-	-	-	-	-	4,101,611
3	Customer Deposits	304,696	-	-	-	-	-	-	304,696
4	ADIT - Regulated Plant	<u>7,212,018</u>	<u>774,881</u>	<u>644,023</u>	<u>113,097</u>	<u>212,813</u>	<u>1,243,371</u>	<u>162,942</u>	<u>10,363,145</u>
5	Rate Base before Working Capital	171,303,170	9,622,119	8,250,582	940,903	5,715,187	4,813,629	1,985,058	202,630,648
6	Working Capital Requirement								
7	Total Operating Expenses	84,903,292	2,356,911	2,604,250	364,279	1,060,106	1,400,955	824,302	93,514,095
8	Less: Depreciation Expense	<u>21,201,555</u>	<u>1,068,094</u>	<u>1,115,656</u>	<u>150,593</u>	<u>535,959</u>	<u>635,403</u>	<u>260,430</u>	<u>24,967,690</u>
9	Total WC Operating Expense	<u>63,701,737</u>	<u>1,288,817</u>	<u>1,488,594</u>	<u>213,686</u>	<u>524,147</u>	<u>765,552</u>	<u>563,872</u>	<u>68,546,405</u>
10	WC OE Requirement	7,962,716	161,102	186,074	26,711	65,518	95,694	70,484	8,568,300
11	Commission-Ordered Cash Balance Req.	-	-	-	-	-	-	-	-
12	Total Working Capital Requirement	<u>7,962,716</u>	<u>161,102</u>	<u>186,074</u>	<u>26,711</u>	<u>65,518</u>	<u>95,694</u>	<u>70,484</u>	<u>8,568,300</u>
13	Total Rate Base	<u>179,265,886</u>	<u>9,783,221</u>	<u>8,436,656</u>	<u>967,614</u>	<u>5,780,705</u>	<u>4,909,323</u>	<u>2,055,542</u>	<u>211,198,948</u>
14	Total Operating Revenues	98,110,657	2,821,737	3,476,116	473,034	1,152,908	1,938,031	886,030	108,858,513
15	Less: Illinois High Cost Fund	<u>9,019,285</u>	<u>11,316</u>	<u>329,056</u>	<u>-</u>	<u>-</u>	<u>152,652</u>	<u>-</u>	<u>9,512,309</u>
16	Net Operating Revenues	89,091,372	2,810,421	3,147,060	473,034	1,152,908	1,785,379	886,030	99,346,204
17	Total Operating Expenses	84,905,456	2,356,911	2,604,250	364,279	1,060,106	1,400,955	824,302	93,516,259
18	Other Operating Inc and Exp - Net	10,769	-	-	-	-	-	-	10,769
19	Other Operating Taxes	<u>593,218</u>	<u>40,272</u>	<u>46,261</u>	<u>3,615</u>	<u>17,613</u>	<u>15,379</u>	<u>10,965</u>	<u>727,323</u>
20	Net Op Inc before Income Taxes	3,581,929	413,238	496,549	105,140	75,189	369,045	50,763	5,091,853
21	Income Tax Expense	<u>1,705,957</u>	<u>166,411</u>	<u>199,960</u>	<u>42,340</u>	<u>30,279</u>	<u>148,615</u>	<u>20,442</u>	<u>2,314,004</u>
22	Net Operating Income	<u>1,875,972</u>	<u>246,827</u>	<u>296,589</u>	<u>62,800</u>	<u>44,910</u>	<u>220,430</u>	<u>30,321</u>	<u>2,777,849</u>
23	Return on Rate Base		<u>2.52%</u>	<u>3.52%</u>	<u>6.49%</u>	<u>0.78%</u>	<u>4.49%</u>	<u>1.48%</u>	<u>19.27%</u>
24	After-tax Cost of Capital		<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>	<u>56.04%</u>
25	Target Net Operating Income		<u>913,753</u>	<u>787,984</u>	<u>90,375</u>	<u>539,918</u>	<u>458,531</u>	<u>191,988</u>	<u>2,982,548</u>
26	Adj to Achieve Target Return on RB		666,926	491,395	27,575	495,007	238,100	161,667	2,080,671
27	Gross Revenue Conversion Factor		<u>1.6742</u>	<u>1.6345</u>	<u>1.6742</u>	<u>1.6345</u>	<u>1.6345</u>	<u>1.6345</u>	<u>9.8864</u>
28	Staff-calculated ROR Deficiency ¹	<u>18,397,598</u>	<u>1,116,567</u>	<u>803,185</u>	<u>46,166</u>	<u>809,090</u>	<u>389,175</u>	<u>264,245</u>	<u>21,826,026</u>
28a	Staff-calculated ROR Deficiency at Requested Amounts by Frontier Companies	<u>18,397,598</u>	<u>182,494</u>	<u>160,596</u>	<u>10,403</u>	<u>121,793</u>	<u>71,517</u>	<u>40,230</u>	<u>18,984,631</u>
29	Calculation of Income Tax Expense								
30	Net Op Inc before Inc Taxes		413,238	496,549	105,140	75,189	369,045	50,763	
31	Illinois Income Tax Expense		<u>39,258</u>	<u>47,172</u>	<u>9,989</u>	<u>7,143</u>	<u>35,060</u>	<u>4,822</u>	
32	Net Op Inc before Fed Inc Tax		373,980	449,377	95,151	68,046	333,985	45,941	
33	Federal Income Tax Expense		<u>127,153</u>	<u>152,788</u>	<u>32,352</u>	<u>23,136</u>	<u>113,555</u>	<u>15,620</u>	
34	Total Imputed Income Tax Expense		<u>166,411</u>	<u>199,960</u>	<u>42,340</u>	<u>30,278</u>	<u>148,615</u>	<u>20,442</u>	
35	Gross Revenue Conversion Factor		<u>1.6742</u>	<u>1.6345</u>	<u>1.6742</u>	<u>1.6345</u>	<u>1.6345</u>	<u>1.6345</u>	

Note ¹ Frontier Companies' 2009 Form 1.01 supports a higher level of funding than they requested. Frontier companies' funding level is included at the level each requested in Frontier Communications Exhibit 2.0.

Adams Telephone Cooperative
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company</u> <u>Adjusted Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 15,744,869	\$ -	\$ 15,744,869
2	Materials and Supplies Inventory	601,462	-	601,462
3	Customer Deposits	77,905	-	77,905
4	ADIT - Regulated Plant	-	-	-
5	Rate Base before Working Capital	<u>16,268,426</u>	-	<u>16,268,426</u>
6	Working Capital Requirement			
7	Total Operating Expenses	5,508,846	-	5,508,846
8	Less: Depreciation Expense	<u>1,484,753</u>	-	<u>1,484,753</u>
9	Total WC Operating Expense	<u>4,024,093</u>	-	<u>4,024,093</u>
10	WC OE Requirement	503,012	-	503,012
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>503,012</u>	-	<u>503,012</u>
13	Total Rate Base	<u>16,771,438</u>	-	<u>16,771,438</u>
14	Total Operating Revenues	6,119,862	-	6,119,862
15	Less: Illinois High Cost Fund	-	-	-
16	Net Operating Revenues	6,119,862	-	6,119,862
17	Total Operating Expenses	5,508,846	-	5,508,846
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>35,279</u>	-	<u>35,279</u>
20	Net Op Inc before Income Taxes	575,737	-	575,737
21	Income Tax Expense	-	-	-
22	Net Operating Income	<u>575,737</u>	-	<u>575,737</u>
23	Return on Rate Base	<u>3.43%</u>	<u>0.00%</u>	<u>3.43%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>1,566,452</u>	-	<u>1,566,452</u>
26	Adj to Achieve Target Return on RB	990,715	-	990,715
27	Gross Revenue Conversion Factor	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
28	Staff ROR Deficiency	<u>990,715</u>	-	<u>990,715</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	575,737	-	575,737
31	Illinois Income Tax Expense	-	-	-
32	Net Op Inc before Fed Inc Tax	575,737	-	575,737
33	Federal Income Tax Expense	-	-	-
34	Total Imputed Income Tax Expense	-	-	-
35	Gross Revenue Conversion Factor	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Alhambra-Grantfork Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

Line No.	Description (a)	2009 Company		Staff Amount (d)
		Amount (b)	Staff Adjustment (c)	
1	Net Regulated Plant	\$ 2,146,387	\$ -	\$ 2,146,387
2	Materials and Supplies Inventory	37,398	-	37,398
3	Customer Deposits	5,850	-	5,850
4	ADIT - Regulated Plant	<u>587,686</u>	-	<u>587,686</u>
5	Rate Base before Working Capital	1,590,249	-	1,590,249
6	Working Capital Requirement			
7	Total Operating Expenses	909,044	-	909,044
8	Less: Depreciation Expense	<u>244,272</u>	-	<u>244,272</u>
9	Total WC Operating Expense	<u>664,772</u>	-	<u>664,772</u>
10	WC OE Requirement	83,097	-	83,097
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>83,097</u>	-	<u>83,097</u>
13	Total Rate Base	<u>1,673,346</u>	-	<u>1,673,346</u>
14	Total Operating Revenues	1,112,247	-	1,112,247
15	Less: Illinois High Cost Fund	<u>62,712</u>	-	<u>62,712</u>
16	Net Operating Revenues	1,049,535	-	1,049,535
17	Total Operating Expenses	909,044	-	909,044
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>8,960</u>	-	<u>8,960</u>
20	Net Op Inc before Income Taxes	131,531	-	131,531
21	Income Tax Expense	<u>50,203</u>	-	<u>50,203</u>
22	Net Operating Income	<u>81,328</u>	-	<u>81,328</u>
23	Return on Rate Base	<u>4.86%</u>		<u>4.86%</u>
24	After-tax Cost of Capital	9.34%	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>156,290</u>	-	<u>156,290</u>
26	Adj to Achieve Target Return on RB	74,962	-	74,962
27	Gross Revenue Conversion Factor	<u>1.6173</u>	<u>0.0000</u>	<u>1.6173</u>
28	Staff ROR Deficiency	<u>121,237</u>		<u>121,237</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	131,531	-	131,531
31	Illinois Income Tax Expense	<u>12,495</u>	-	<u>12,495</u>
32	Net Op Inc before Fed Inc Tax	119,036	-	119,036
33	Federal Income Tax Expense	<u>37,708</u>	-	<u>37,708</u>
34	Total Imputed Income Tax Expense	<u>50,204</u>	-	<u>50,203</u>
35	Gross Revenue Conversion Factor	<u>1.6173</u>	<u>0.0000</u>	<u>1.6173</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Cass Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

Line No.	Description (a)	2009 Company		
		Amount (b)	Staff Adjustment (c)	Staff Amount (d)
1	Net Regulated Plant	\$ 1,612,629	\$ -	\$ 1,612,629
2	Materials and Supplies Inventory	32,863	-	32,863
3	Customer Deposits	2,550	-	2,550
4	ADIT - Regulated Plant	<u>233,116</u>	<u>(233,116)</u>	<u>-</u>
5	Rate Base before Working Capital	1,409,826	233,116	1,642,942
6	Working Capital Requirement			
7	Total Operating Expenses	2,981,026	-	2,981,026
8	Less: Depreciation Expense	<u>305,931</u>	<u>-</u>	<u>305,931</u>
9	Total WC Operating Expense	<u>2,675,095</u>	<u>-</u>	<u>2,675,095</u>
10	WC OE Requirement	334,387	-	334,387
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>334,387</u>	<u>-</u>	<u>334,387</u>
13	Total Rate Base	<u>1,744,213</u>	<u>233,116</u>	<u>1,977,329</u>
14	Total Operating Revenues	3,169,100	-	3,169,100
15	Less: Illinois High Cost Fund	<u>538,887</u>	<u>-</u>	<u>538,887</u>
16	Net Operating Revenues	2,630,213	-	2,630,213
17	Total Operating Expenses	2,981,026	-	2,981,026
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>10,271</u>	<u>-</u>	<u>10,271</u>
20	Net Op Inc before Income Taxes	(361,084)	-	(361,084)
21	Income Tax Expense	<u>(88,495)</u>	<u>83,077</u>	<u>(5,416)</u>
22	Net Operating Income	<u>(272,589)</u>	<u>(83,077)</u>	<u>(355,668)</u>
23	Return on Rate Base	<u>-15.63%</u>		<u>-17.99%</u>
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	<u>162,909</u>	<u>21,773</u>	<u>184,683</u>
26	Adj to Achieve Target Return on RB	435,499	104,850	540,351
27	Gross Revenue Conversion Factor	<u>1.3246</u>	<u>(0.3094)</u>	<u>1.0152</u>
28	Staff ROR Deficiency	<u>576,862</u>	<u>(32,441)</u>	<u>548,564</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(361,084)	-	(361,084)
31	Illinois Income Tax Expense (replacement tax)	<u>(23,470)</u>	<u>18,054</u>	<u>(5,416)</u>
32	Net Op Inc before Fed Inc Tax	(337,614)	(18,054)	(355,668)
33	Federal Income Tax Expense	<u>(65,024)</u>	<u>65,024</u>	<u>-</u>
34	Total Imputed Income Tax Expense	<u>(88,495)</u>	<u>83,077</u>	<u>(5,416)</u>
35	Gross Revenue Conversion Factor	<u>1.3246</u>	<u>(0.3094)</u>	<u>1.0152</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Cass Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement
 Adjustment to S-Corporation Income Taxes

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
<u>State Income Taxes</u>			
1	State Income Taxes per Staff	\$ (5,416)	Staff Ex. 5.0S
2	State Income Taxes per Company	<u>(23,470)</u>	Co. Sch. 1.01 (as revised 3/23/12)
3	Difference-Staff Adjustment	<u>\$ 18,054</u>	Line 1 minus line 2
<u>Federal Income Taxes</u>			
4	Federal Income Taxes per Staff	\$ -	Staff Ex. 5.0S
5	Federal Income Taxes per Company	<u>(65,024)</u>	Co. Sch. 1.01 (as revised 3/23/12)
6	Difference-Staff Adjustment	<u>\$ 65,024</u>	Line 4 minus line 5
<u>GCRF</u>			
7	Gross Revenue Conversion Factor per Staff	<u>1.0152</u>	Staff Ex. 5.0S
8	Gross Revenue Conversion Factor per Company	<u>1.3246</u>	Co. Sch. 1.01 (as revised 3/23/12)
9	Difference-Staff Adjustment	<u>\$ (0.3094)</u>	Line 7 minus line 8
<u>Accumulated Deferred Income Taxes</u>			
10	Accumulated Deferred Income Taxes per Staff	\$ -	Staff Ex. 5.0S
11	Accumulated Deferred Income Taxes per Company	<u>233,116</u>	Co. Sch. 1.01 (as revised 3/23/12)
12	Difference-Staff Adjustment	<u>\$ (233,116)</u>	Line 10 minus line 11

Egyptian Telephone Cooperative
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line</u> <u>No.</u>	<u>Description</u> (a)	<u>2009 Company</u>		<u>Staff Amount</u> (d)
		<u>Amount</u> (b)	<u>Staff Adjustment</u> (c)	
1	Net Regulated Plant	\$ 6,576,548	\$ -	\$ 6,576,548
2	Materials and Supplies Inventory	167,118	-	167,118
3	Customer Deposits	9,099	-	9,099
4	ADIT - Regulated Plant	<u>(92,047)</u>	-	<u>(92,047)</u>
5	Rate Base before Working Capital	6,826,614	-	6,826,614
6	Working Capital Requirement			
7	Total Operating Expenses	5,088,471	-	5,088,471
8	Less: Depreciation Expense	<u>1,316,508</u>	-	<u>1,316,508</u>
9	Total WC Operating Expense	<u>3,771,963</u>	-	<u>3,771,963</u>
10	WC OE Requirement	471,495	-	471,495
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>471,495</u>	-	<u>471,495</u>
13	Total Rate Base	<u>7,298,109</u>	-	<u>7,298,109</u>
14	Total Operating Revenues	5,904,013	-	5,904,013
15	Less: Illinois High Cost Fund	<u>1,120,092</u>	-	<u>1,120,092</u>
16	Net Operating Revenues	4,783,921	-	4,783,921
17	Total Operating Expenses	5,088,471	-	5,088,471
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>12,000</u>	-	<u>12,000</u>
20	Net Op Inc before Income Taxes	(316,550)	-	(316,550)
21	Income Tax Expense	-	-	-
22	Net Operating Income	<u>(316,550)</u>	-	<u>(316,550)</u>
23	Return on Rate Base	<u>-4.34%</u>	<u>0.00%</u>	<u>-4.34%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>681,643</u>	-	<u>681,643</u>
26	Adj to Achieve Target Return on RB	998,193	-	998,193
27	Gross Revenue Conversion Factor	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
28	Staff ROR Deficiency	<u>998,193</u>	-	<u>998,193</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(316,550)	-	(316,550)
31	Illinois Income Tax Expense	-	-	-
32	Net Op Inc before Fed Inc Tax	(316,550)	-	(316,550)
33	Federal Income Tax Expense	-	-	-
34	Total Imputed Income Tax Expense	-	-	-
35	Gross Revenue Conversion Factor	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Flat Rock Telephone Co-Op
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u> (a)	<u>2009 Company Amount</u> (b)	<u>Staff Adjustment</u> (c)	<u>Staff Amount</u> (d)
1	Net Regulated Plant	\$ 458,900	\$ -	\$ 458,900
2	Materials and Supplies Inventory	58,737	-	58,737
3	Customer Deposits	1,402	-	1,402
4	ADIT - Regulated Plant	-	-	-
5	Rate Base before Working Capital	<u>516,235</u>	-	<u>516,235</u>
6	Working Capital Requirement			
7	Total Operating Expenses	456,314	-	456,314
8	Less: Depreciation Expense	<u>94,301</u>	-	<u>94,301</u>
9	Total WC Operating Expense	<u>362,013</u>	-	<u>362,013</u>
10	WC OE Requirement	45,252	-	45,252
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>45,252</u>	-	<u>45,252</u>
13	Total Rate Base	<u>561,487</u>	-	<u>561,487</u>
14	Total Operating Revenues	616,604	-	616,604
15	Less: Illinois High Cost Fund	<u>108,480</u>	-	<u>108,480</u>
16	Net Operating Revenues	508,124	-	508,124
17	Total Operating Expenses	456,314	-	456,314
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>16,235</u>	-	<u>16,235</u>
20	Net Op Inc before Income Taxes	35,575	-	35,575
21	Income Tax Expense	-	-	-
22	Net Operating Income	<u>35,575</u>	-	<u>35,575</u>
23	Return on Rate Base	<u>6.34%</u>	<u>0.00%</u>	<u>6.34%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>52,443</u>	-	<u>52,443</u>
26	Adj to Achieve Target Return on RB	16,868	-	16,868
27	Gross Revenue Conversion Factor	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
28	Staff ROR Deficiency	<u>16,868</u>	-	<u>16,868</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	35,575	-	35,575
31	Illinois Income Tax Expense	-	-	-
32	Net Op Inc before Fed Inc Tax	35,575	-	35,575
33	Federal Income Tax Expense	-	-	-
34	Total Imputed Income Tax Expense	-	-	-
35	Gross Revenue Conversion Factor	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Grafton Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company</u> <u>Adjusted Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 1,730,192	\$ -	\$ 1,730,192
2	Materials and Supplies Inventory	29,259	-	29,259
3	Customer Deposits	1,800	-	1,800
4	ADIT - Regulated Plant	<u>(42,256)</u>	<u>42,256</u>	<u>-</u>
5	Rate Base before Working Capital	1,799,907	(42,256)	1,757,651
6	Working Capital Requirement			
7	Total Operating Expenses	1,095,991	-	1,095,991
8	Less: Depreciation Expense	<u>272,825</u>	<u>-</u>	<u>272,825</u>
9	Total WC Operating Expense	<u>823,166</u>	<u>-</u>	<u>823,166</u>
10	WC OE Requirement	102,896	-	102,896
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>102,896</u>	<u>-</u>	<u>102,896</u>
13	Total Rate Base	<u>1,902,803</u>	<u>(42,256)</u>	<u>1,860,547</u>
14	Total Operating Revenues	1,304,679		1,304,679
15	Less: Illinois High Cost Fund	<u>197,064</u>	<u>-</u>	<u>197,064</u>
16	Net Operating Revenues	1,107,615	-	1,107,615
17	Total Operating Expenses	1,095,991	-	1,095,991
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>13,937</u>	<u>-</u>	<u>13,937</u>
20	Net Op Inc before Income Taxes	(2,313)	-	(2,313)
21	Income Tax Expense	<u>(703)</u>	<u>668</u>	<u>(35)</u>
22	Net Operating Income	<u>(1,610)</u>	<u>(668)</u>	<u>(2,278)</u>
23	Return on Rate Base	-0.08%		-0.12%
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	<u>177,722</u>	<u>(3,947)</u>	<u>173,775</u>
26	Adj to Achieve Target Return on RB	179,332	(3,279)	176,053
27	Gross Revenue Conversion Factor	<u>1.4368</u>	<u>(0.4216)</u>	<u>1.0152</u>
28	Staff ROR Deficiency	<u>257,664</u>		<u>178,734</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(2,313)	-	(2,313)
31	Illinois Income Tax Expense	<u>(150)</u>	<u>115</u>	<u>(35)</u>
32	Net Op Inc before Fed Inc Tax	(2,463)	115	(2,348)
33	Federal Income Tax Expense	<u>(553)</u>	<u>553</u>	<u>-</u>
34	Total Imputed Income Tax Expense	<u>(703)</u>	<u>668</u>	<u>(35)</u>
35	Gross Revenue Conversion Factor	<u>1.4368</u>	<u>(0.4216)</u>	<u>1.0152</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Grafton Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement
 Adjustment to S-Corporation Income Taxes

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
<u>State Income Taxes</u>			
1	State Income Taxes per Staff	\$ (35)	Staff Ex. 5.0S
2	State Income Taxes per Company	<u>(150)</u>	Co. Sch. 1.01(as revised 3/23/12)
3	Difference-Staff Adjustment	<u>\$ 115</u>	Line 1 minus line 2
<u>Federal Income Taxes</u>			
4	Federal Income Taxes per Staff	\$ -	Staff Ex. 5.0S
5	Federal Income Taxes per Company	<u>(553)</u>	Co. Sch. 1.01(as revised 3/23/12)
6	Difference-Staff Adjustment	<u>\$ 553</u>	Line 4 minus line 5
<u>Accumulated Deferred Income Taxes</u>			
7	Accumulated Deferred Income Taxes per Staff	\$ -	Staff Ex. 5.0S
8	Accumulated Deferred Income Taxes per Company	<u>(42,256)</u>	Co. Sch. 1.01 (as revised 3/23/12)
9	Difference-Staff Adjustment	<u>\$ 42,256</u>	Line 7 minus line 8
<u>GCRF</u>			
10	Gross Revenue Conversion Factor per Staff	1.0152	Staff Ex. 5.0S
11	Gross Revenue Conversion Factor per Company	<u>1.4368</u>	Co. Sch. 1.01 (as revised 3/23/12)
12	Difference-Staff Adjustment	<u>\$ (0.4216)</u>	Line 10 minus line 11

Gridley Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line</u> <u>No.</u>	<u>Description</u> (a)	<u>2009 Company</u> <u>Amount</u> (b)	<u>Staff Adjustment</u> (c)	<u>Staff Amount</u> (d)
1	Net Regulated Plant	\$ 2,196,047	\$ -	\$ 2,196,047
2	Materials and Supplies Inventory	70,686	-	70,686
3	Customer Deposits	2,195	-	2,195
4	ADIT - Regulated Plant	<u>96,700</u>	<u>-</u>	<u>96,700</u>
5	Rate Base before Working Capital	2,167,838	-	2,167,838
6	Working Capital Requirement			
7	Total Operating Expenses	1,892,967	-	1,892,967
8	Less: Depreciation Expense	<u>410,052</u>	<u>-</u>	<u>410,052</u>
9	Total WC Operating Expense	<u>1,482,915</u>	<u>-</u>	<u>1,482,915</u>
10	WC OE Requirement	185,364	-	185,364
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>185,364</u>	<u>-</u>	<u>185,364</u>
13	Total Rate Base	<u>2,353,202</u>	<u>-</u>	<u>2,353,202</u>
14	Total Operating Revenues	2,113,078	-	2,113,078
15	Less: Illinois High Cost Fund	<u>329,796</u>	<u>-</u>	<u>329,796</u>
16	Net Operating Revenues	1,783,282	-	1,783,282
17	Total Operating Expenses	1,892,094	-	1,892,094
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>17,098</u>	<u>-</u>	<u>17,098</u>
20	Net Op Inc before Income Taxes	(125,910)	-	(125,910)
21	Income Tax Expense	<u>(50,666)</u>	<u>-</u>	<u>(50,666)</u>
22	Net Operating Income	<u>(75,244)</u>	<u>-</u>	<u>(75,244)</u>
23	Return on Rate Base	<u>-3.20%</u>	<u>0.00%</u>	<u>-3.20%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>219,789</u>	<u>-</u>	<u>219,789</u>
26	Adj to Achieve Target Return on RB	295,033	-	295,033
27	Gross Revenue Conversion Factor	<u>1.6734</u>	<u>0.0000</u>	<u>1.6734</u>
28	Staff ROR Deficiency	<u>493,708</u>	<u>-</u>	<u>493,708</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(125,910)	-	(125,910)
31	Illinois Income Tax Expense	<u>(11,961)</u>	<u>-</u>	<u>(11,961)</u>
32	Net Op Inc before Fed Inc Tax	(113,949)	-	(113,949)
33	Federal Income Tax Expense	<u>(38,705)</u>	<u>-</u>	<u>(38,705)</u>
34	Total Imputed Income Tax Expense	<u>(50,666)</u>	<u>-</u>	<u>(50,666)</u>
35	Gross Revenue Conversion Factor	<u>1.6734</u>		<u>1.6734</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Hamilton County Telephone Co-op
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 4,052,363	\$ -	\$ 4,052,363
2	Materials and Supplies Inventory	523,655	-	523,655
3	Customer Deposits	9,225	-	9,225
4	ADIT - Regulated Plant	-	-	-
5	Rate Base before Working Capital	4,566,793	-	4,566,793
6	Working Capital Requirement			
7	Total Operating Expenses	2,148,141	-	2,148,141
8	Less: Depreciation Expense	843,693	-	843,693
9	Total WC Operating Expense	1,304,448	-	1,304,448
10	WC OE Requirement	163,056	-	163,056
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	163,056	-	163,056
13	Total Rate Base	4,729,849	-	4,729,849
14	Total Operating Revenues	2,358,100	-	2,358,100
15	Less: Illinois High Cost Fund	-	-	-
16	Net Operating Revenues	2,358,100	-	2,358,100
17	Total Operating Expenses	2,148,141	-	2,148,141
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	5,599	-	5,599
20	Net Op Inc before Income Taxes	204,360	-	204,360
21	Income Tax Expense	-	-	-
22	Net Operating Income	204,360	-	204,360
23	Return on Rate Base	4.32%	0.00%	4.32%
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	441,768	-	441,768
26	Adj to Achieve Target Return on RB	237,408	-	237,408
27	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000
28	Staff ROR Deficiency	237,408	-	237,408
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	204,360	-	204,360
31	Illinois Income Tax Expense	-	-	-
32	Net Op Inc before Fed Inc Tax	204,360	-	204,360
33	Federal Income Tax Expense	-	-	-
34	Total Imputed Income Tax Expense	-	-	-
35	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Harrisonville Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

Line No.	Description (a)	2009 Company Amount (b)	Staff Adjustment (c)	Staff Amount (d)
1	Net Regulated Plant	\$ 39,073,371	\$ -	\$ 39,073,371
2	Materials and Supplies Inventory	472,913	-	472,913
3	Customer Deposits	8,687	-	8,687
4	ADIT - Regulated Plant	<u>4,371,912</u>	-	<u>4,371,912</u>
5	Rate Base before Working Capital	35,165,685	-	35,165,685
6	Working Capital Requirement			
7	Total Operating Expenses	15,568,714	-	15,568,714
8	Less: Depreciation Expense	<u>3,885,211</u>	-	<u>3,885,211</u>
9	Total WC Operating Expense	<u>11,683,503</u>	-	<u>11,683,503</u>
10	WC OE Requirement	1,460,438	-	1,460,438
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>1,460,438</u>	-	<u>1,460,438</u>
13	Total Rate Base	<u>36,626,123</u>	-	<u>36,626,123</u>
14	Total Operating Revenues	19,438,626	-	19,438,626
15	Less: Illinois High Cost Fund	<u>595,008</u>	-	<u>595,008</u>
16	Net Operating Revenues	18,843,618	-	18,843,618
17	Total Operating Expenses	15,568,714	-	15,568,714
18	Other Operating Inc and Exp - Net	10,769	-	10,769
19	Other Operating Taxes	<u>126,068</u>	-	<u>126,068</u>
20	Net Op Inc before Income Taxes	3,138,067	-	3,138,067
21	Income Tax Expense	<u>1,263,699</u>	-	<u>1,263,699</u>
22	Net Operating Income	<u>1,874,368</u>	-	<u>1,874,368</u>
23	Return on Rate Base	<u>5.12%</u>		<u>5.12%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>3,420,880</u>	-	<u>3,420,880</u>
26	Adj to Achieve Target Return on RB	1,546,512	-	1,546,512
27	Gross Revenue Conversion Factor	<u>1.6742</u>	<u>0.0000</u>	<u>1.6742</u>
28	Staff ROR Deficiency	<u>2,589,170</u>	-	<u>2,589,171</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	3,138,067	-	3,138,067
31	Illinois Income Tax Expense	<u>298,116</u>	-	<u>298,116</u>
32	Net Op Inc before Fed Inc Tax	2,839,951	-	2,839,951
33	Federal Income Tax Expense	<u>965,583</u>	-	<u>965,583</u>
34	Total Imputed Income Tax Expense	<u>1,263,700</u>	-	<u>1,263,700</u>
35	Gross Revenue Conversion Factor	<u>1.6742</u>	<u>0.0000</u>	<u>1.6742</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Home Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 4,726,690	\$ -	\$ 4,726,690
2	Materials and Supplies Inventory	104,467	-	104,467
3	Customer Deposits	1,650	-	1,650
4	ADIT - Regulated Plant	<u>598,713</u>	-	<u>598,713</u>
5	Rate Base before Working Capital	4,230,794	-	4,230,794
6	Working Capital Requirement			
7	Total Operating Expenses	3,476,235	-	3,476,235
8	Less: Depreciation Expense	<u>659,285</u>	-	<u>659,285</u>
9	Total WC Operating Expense	<u>2,816,950</u>	-	<u>2,816,950</u>
10	WC OE Requirement	352,119	-	352,119
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>352,119</u>	-	<u>352,119</u>
13	Total Rate Base	<u>4,582,913</u>	-	<u>4,582,913</u>
14	Total Operating Revenues	4,041,539	-	4,041,539
15	Less: Illinois High Cost Fund	<u>633,540</u>	-	<u>633,540</u>
16	Net Operating Revenues	3,407,999	-	3,407,999
17	Total Operating Expenses	3,476,235	-	3,476,235
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>19,701</u>	-	<u>19,701</u>
20	Net Op Inc before Income Taxes	(87,937)	-	(87,937)
21	Income Tax Expense	<u>(35,412)</u>	-	<u>(35,412)</u>
22	Net Operating Income	<u>(52,525)</u>	-	<u>(52,525)</u>
23	Return on Rate Base	<u>-1.15%</u>	<u>0.00%</u>	<u>-1.15%</u>
24	After-tax Cost of Capital	9.34%	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>428,044</u>	-	<u>428,044</u>
26	Adj to Achieve Target Return on RB	480,569	-	480,569
27	Gross Revenue Conversion Factor	<u>1.6742</u>	<u>1.6742</u>	<u>1.6742</u>
28	Staff ROR Deficiency	<u>804,569</u>	-	<u>804,569</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(87,937)	-	(87,937)
31	Illinois Income Tax Expense	<u>(8,354)</u>	-	<u>(8,354)</u>
32	Net Op Inc before Fed Inc Tax	(79,583)	-	(79,583)
33	Federal Income Tax Expense	<u>(27,058)</u>	-	<u>(27,058)</u>
34	Total Imputed Income Tax Expense	<u>(35,412)</u>	-	<u>(35,412)</u>
35	Gross Revenue Conversion Factor	<u>1.6742</u>	<u>1.6742</u>	<u>1.6742</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

LaHarpe Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u> (a)	<u>2009 Company</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
		<u>Amount</u> (b)	(c)	(d)
1	Net Regulated Plant	\$ 2,841,332	\$ -	\$ 2,841,332
2	Materials and Supplies Inventory	78,016	-	78,016
3	Customer Deposits	225	-	225
4	ADIT - Regulated Plant	<u>207,476</u>	<u>(207,476)</u>	<u>-</u>
5	Rate Base before Working Capital	2,711,647	207,476	2,919,123
6	Working Capital Requirement			
7	Total Operating Expenses	1,605,649	-	1,605,649
8	Less: Depreciation Expense	<u>355,654</u>	<u>-</u>	<u>355,654</u>
9	Total WC Operating Expense	<u>1,249,995</u>	<u>-</u>	<u>1,249,995</u>
10	WC OE Requirement	156,249	-	156,249
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>156,249</u>	<u>-</u>	<u>156,249</u>
13	Total Rate Base	<u>2,867,896</u>	<u>207,476</u>	<u>3,075,372</u>
14	Total Operating Revenues	2,001,717	-	2,001,717
15	Less: Illinois High Cost Fund	<u>209,028</u>	<u>-</u>	<u>209,028</u>
16	Net Operating Revenues	1,792,689	-	1,792,689
17	Total Operating Expenses	1,605,649	-	1,605,649
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>3,977</u>	<u>-</u>	<u>3,977</u>
20	Net Op Inc before Income Taxes	183,063	-	183,063
21	Income Tax Expense	<u>49,024</u>	<u>(46,278)</u>	<u>2,746</u>
22	Net Operating Income	<u>134,039</u>	<u>46,278</u>	<u>180,317</u>
23	Return on Rate Base	<u>4.67%</u>	<u>0.00%</u>	<u>5.86%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>267,862</u>	<u>19,378</u>	<u>287,240</u>
26	Adj to Achieve Target Return on RB	133,823	(26,900)	106,923
27	Gross Revenue Conversion Factor	<u>1.3657</u>	<u>(0.3505)</u>	<u>1.0152</u>
28	Staff ROR Deficiency	<u>182,761</u>		<u>108,548</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	183,063	-	183,063
31	Illinois Income Tax Expense	<u>11,899</u>	<u>(9,153)</u>	<u>2,746</u>
32	Net Op Inc before Fed Inc Tax	171,164	9,153	180,317
33	Federal Income Tax Expense	<u>37,125</u>	<u>(37,125)</u>	<u>-</u>
34	Total Imputed Income Tax Expense	<u>49,025</u>	<u>(46,278)</u>	<u>2,746</u>
35	Gross Revenue Conversion Factor	<u>1.3657</u>	<u>(0.3505)</u>	<u>1.0152</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

LaHarpe Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement
 Adjustment to S-Corporation Income Taxes

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
<u>State Income Taxes</u>			
1	State Income Taxes per Staff	\$ 2,746	Staff Ex. 5.0S
2	State Income Taxes per Company	<u>11,899</u>	Co. Sch. 1.01 (as revised 3/23/12)
3	Difference-Staff Adjustment	<u>\$ (9,153)</u>	Line 1 minus line 2
<u>Federal Income Taxes</u>			
4	Federal Income Taxes per Staff	\$ -	Staff Ex. 5.0S
5	Federal Income Taxes per Company	<u>37,125</u>	Co. Sch. 1.01 (as revised 3/23/12)
6	Difference-Staff Adjustment	<u>\$ (37,125)</u>	Line 4 minus line 5
<u>GCRF</u>			
7	Gross Revenue Conversion Factor per Staff	1.0152	Staff Ex. 5.0S
8	Gross Revenue Conversion Factor per Company	<u>1.3657</u>	Co. Sch. 1.01 (as revised 3/23/12)
9	Difference-Staff Adjustment	<u>\$ (0.3505)</u>	Line 7 minus line 8
<u>ADIT</u>			
10	ADIT per Staff	\$ -	Staff Ex. 5.0S
11	ADIT per Company	<u>207,476</u>	Co. Sch. 1.01 (as revised 3/23/12)
12	Difference-Staff Adjustment	<u>\$ (207,476)</u>	Line 10 minus line 11

Leaf River Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 2,713,515		\$ 2,713,515
2	Materials and Supplies Inventory	93,366	-	93,366
3	Customer Deposits	2,050	-	2,050
4	ADIT - Regulated Plant	<u>45,754</u>	<u>(45,754)</u>	<u>-</u>
5	Rate Base before Working Capital	2,759,077	45,754	2,804,831
6	Working Capital Requirement			
7	Total Operating Expenses	1,285,124	-	1,285,124
8	Less: Depreciation Expense	<u>338,757</u>	<u>-</u>	<u>338,757</u>
9	Total WC Operating Expense	<u>946,367</u>	<u>-</u>	<u>946,367</u>
10	WC OE Requirement	118,296	-	118,296
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>118,296</u>	<u>-</u>	<u>118,296</u>
13	Total Rate Base	<u>2,877,373</u>	<u>45,754</u>	<u>2,923,127</u>
14	Total Operating Revenues	1,602,711	-	1,602,711
15	Less: Illinois High Cost Fund	<u>264,360</u>	<u>-</u>	<u>264,360</u>
16	Net Operating Revenues	1,338,351	-	1,338,351
17	Total Operating Expenses	1,285,124	-	1,285,124
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>18,633</u>	<u>-</u>	<u>18,633</u>
20	Net Op Inc before Income Taxes	34,594	-	34,594
21	Income Tax Expense	<u>10,048</u>	<u>(9,529)</u>	<u>519</u>
22	Net Operating Income	<u>24,546</u>	<u>9,529</u>	<u>34,075</u>
23	Return on Rate Base	<u>0.85%</u>		<u>1.17%</u>
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	<u>268,747</u>	<u>4,273</u>	<u>273,020</u>
26	Adj to Achieve Target Return on RB	244,201	(5,256)	238,945
27	Gross Revenue Conversion Factor	<u>1.4093</u>	<u>(0.3941)</u>	<u>1.0152</u>
28	Staff ROR Deficiency	<u>344,162</u>		<u>242,587</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	34,594	-	34,594
31	Illinois Income Tax Expense	<u>2,757</u>	<u>(2,238)</u>	<u>519</u>
32	Net Op Inc before Fed Inc Tax	31,837	2,238	34,075
33	Federal Income Tax Expense	<u>7,291</u>	<u>(7,291)</u>	<u>-</u>
34	Total Imputed Income Tax Expense	<u>10,048</u>	<u>(9,529)</u>	<u>519</u>
35	Gross Revenue Conversion Factor	<u>1.4093</u>	<u>(0.3941)</u>	<u>1.0152</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Leaf River Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement
 Adjustment to S-Corporation Income Taxes

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
<u>State Income Taxes</u>			
1	State Income Taxes per Staff	\$ 519	Staff Ex. 5.0S
2	State Income Taxes per Company	<u>2,757</u>	Co. Sch. 1.01 (as revised 3/23/12)
3	Difference-Staff Adjustment	<u>\$ (2,238)</u>	Line 1 minus line 2
<u>Federal Income Taxes</u>			
4	Federal Income Taxes per Staff	\$ -	Staff Ex. 5.0S
5	Federal Income Taxes per Company	<u>7,291</u>	Co. Sch. 1.01 (as revised 3/23/12)
6	Difference-Staff Adjustment	<u>\$ (7,291)</u>	Line 4 minus line 5
<u>Accumulated Deferred Income Taxes</u>			
7	Accumulated Deferred Income Taxes per Staff	\$ -	Staff Ex. 5.0S
8	Accumulated Deferred Income Taxes per Company	<u>45,754</u>	Co. Sch. 1.01 (as revised 3/23/12)
9	Difference-Staff Adjustment	<u>\$ (45,754)</u>	Line 7 minus line 8
<u>GCRF</u>			
10	Gross Revenue Conversion Factor per Staff	1.0152	Staff Ex. 5.0S
11	Gross Revenue Conversion Factor per Company	<u>1.4093</u>	Co. Sch. 1.01 (as revised 3/23/12)
12	Difference-Staff Adjustment	<u>\$ (0.3941)</u>	Line 10 minus line 11

Madison Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company</u>		<u>Staff Amount</u>
		<u>Amount</u>	<u>Staff Adjustment</u>	
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 11,739,953	\$ -	\$ 11,739,953
2	Materials and Supplies Inventory	95,821	-	95,821
3	Customer Deposits	15,084	-	15,084
4	ADIT - Regulated Plant	<u>617,043</u>	<u>(617,043)</u>	-
5	Rate Base before Working Capital	11,203,647	617,043	11,820,690
6	Working Capital Requirement			
7	Total Operating Expenses	9,020,851	-	9,020,851
8	Less: Depreciation Expense	<u>1,783,077</u>	-	<u>1,783,077</u>
9	Total WC Operating Expense	<u>7,237,774</u>	-	<u>7,237,774</u>
10	WC OE Requirement	904,722	-	904,722
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>904,722</u>	-	<u>904,722</u>
13	Total Rate Base	<u>12,108,369</u>	<u>617,043</u>	<u>12,725,412</u>
14	Total Operating Revenues	8,876,802	-	8,876,802
15	Less: Illinois High Cost Fund	<u>783,924</u>	-	<u>783,924</u>
16	Net Operating Revenues	8,092,878	-	8,092,878
17	Total Operating Expenses	9,020,851	-	9,020,851
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>31,271</u>	-	<u>31,271</u>
20	Net Op Inc before Income Taxes	(959,244)	-	(959,244)
21	Income Tax Expense	<u>(304,207)</u>	<u>289,817</u>	<u>(14,390)</u>
22	Net Operating Income	<u>(655,037)</u>	<u>(289,817)</u>	<u>(944,854)</u>
23	Return on Rate Base	<u>-5.41%</u>		<u>-7.42%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>1,130,922</u>	<u>57,632</u>	<u>1,188,553</u>
26	Adj to Achieve Target Return on RB	1,785,959	347,449	2,133,407
27	Gross Revenue Conversion Factor	<u>1.4644</u>	<u>(0.4492)</u>	<u>1.0152</u>
28	Staff ROR Deficiency	<u>2,615,380</u>		<u>2,165,835</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(959,244)	-	(959,244)
31	Illinois Income Tax Expense	<u>(63,406)</u>	<u>49,016</u>	<u>(14,390)</u>
32	Net Op Inc before Fed Inc Tax	(895,838)	(49,016)	(944,854)
33	Federal Income Tax Expense	<u>(240,801)</u>	<u>240,801</u>	-
34	Total Imputed Income Tax Expense	<u>(304,207)</u>	<u>289,817</u>	<u>(14,390)</u>
35	Gross Revenue Conversion Factor	<u>1.4644</u>	<u>(0.4492)</u>	<u>1.0152</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Madison Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement
 Adjustment to S-Corporation Income Taxes

<u>Line</u> <u>No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
<u>State Income Taxes</u>			
1	State Income Taxes per Staff	\$ (14,390)	Staff Ex. 5.0S
2	State Income Taxes per Company	<u>(63,406)</u>	Co. Sch. 1.01 (as revised 3/23/12)
3	Difference-Staff Adjustment	<u>\$ 49,016</u>	Line 1 minus line 2
<u>Federal Income Taxes</u>			
4	Federal Income Taxes per Staff	\$ -	Staff Ex. 5.0S
5	Federal Income Taxes per Company	<u>(240,801)</u>	Co. Sch. 1.01 (as revised 3/23/12)
6	Difference-Staff Adjustment	<u>\$ 240,801</u>	Line 4 minus line 5
<u>Accumulated Deferred Income Taxes</u>			
7	Accumulated Deferred Income Taxes per Staff	\$ -	Staff Ex. 5.0S
8	Accumulated Deferred Income Taxes per Company	<u>617,043</u>	Co. Sch. 1.01 (as revised 3/23/12)
9	Difference-Staff Adjustment	<u>\$ (617,043)</u>	Line 7 minus line 8
<u>GCRF</u>			
10	Gross Revenue Conversion Factor per Staff	1.0152	Staff Ex. 5.0S
11	Gross Revenue Conversion Factor per Company	<u>1.4644</u>	Co. Sch. 1.01 (as revised 3/23/12)
12	Difference-Staff Adjustment	<u>\$ (0.4492)</u>	Line 10 minus line 11

Metamora Telephone Cooperative
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 5,404,676	\$ -	\$ 5,404,676
2	Materials and Supplies Inventory	324,246	-	324,246
3	Customer Deposits	24,126	-	24,126
4	ADIT - Regulated Plant	<u>410,637</u>	-	<u>410,637</u>
5	Rate Base before Working Capital	5,294,159	-	5,294,159
6	Working Capital Requirement			
7	Total Operating Expenses	2,555,595	-	2,555,595
8	Less: Depreciation Expense	<u>790,104</u>	-	<u>790,104</u>
9	Total WC Operating Expense	<u>1,765,491</u>	-	<u>1,765,491</u>
10	WC OE Requirement*	220,686	-	220,686
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>220,686</u>	-	<u>220,686</u>
13	Total Rate Base	<u>5,514,845</u>	-	<u>5,514,845</u>
14	Total Operating Revenues	2,946,612	-	2,946,612
15	Less: Illinois High Cost Fund	<u>354,556</u>	-	<u>354,556</u>
16	Net Operating Revenues	2,592,056	-	2,592,056
17	Total Operating Expenses	2,555,595	-	2,555,595
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>51,664</u>	-	<u>51,664</u>
20	Net Op Inc before Income Taxes	(15,203)	-	(15,203)
21	Income Tax Expense	<u>(6,122)</u>	-	<u>(6,122)</u>
22	Net Operating Income	<u>(9,081)</u>	-	<u>(9,081)</u>
23	Return on Rate Base	<u>-0.16%</u>		<u>-0.16%</u>
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	<u>515,087</u>	-	<u>515,087</u>
26	Adj to Achieve Target Return on RB	524,168	-	524,168
27	Gross Revenue Conversion Factor	<u>1.6742</u>	<u>1.6742</u>	<u>1.6742</u>
28	Staff ROR Deficiency	<u>877,562</u>	-	<u>877,562</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(15,203)	-	(15,203)
31	Illinois Income Tax Expense	<u>(1,444)</u>	-	<u>(1,444)</u>
32	Net Op Inc before Fed Inc Tax	(13,759)	-	(13,759)
33	Federal Income Tax Expense	<u>(4,678)</u>	-	<u>(4,678)</u>
34	Total Imputed Income Tax Expense	<u>(6,122)</u>	-	<u>(6,122)</u>
35	Gross Revenue Conversion Factor	<u>1.6742</u>	<u>1.6742</u>	<u>1.6742</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

McDonough Telephone Cooperative
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 12,269,894	\$ -	\$ 12,269,894
2	Materials and Supplies Inventory	322,997	-	322,997
3	Customer Deposits	375	-	375
4	ADIT - Regulated Plant	-	-	-
5	Rate Base before Working Capital	12,592,516	-	12,592,516
6	Working Capital Requirement			
7	Total Operating Expenses	5,416,535	-	5,416,535
8	Less: Depreciation Expense	1,493,331	-	1,493,331
9	Total WC Operating Expense	3,923,204	-	3,923,204
10	WC OE Requirement	490,400	-	490,400
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	490,400	-	490,400
13	Total Rate Base	13,082,916	-	13,082,916
14	Total Operating Revenues	6,676,787	-	6,676,787
15	Less: Illinois High Cost Fund	926,664	-	926,664
16	Net Operating Revenues	5,750,123	-	5,750,123
17	Total Operating Expenses	5,416,535	-	5,416,535
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	19,445	-	19,445
20	Net Op Inc before Income Taxes	314,143	-	314,143
21	Income Tax Expense	-	-	-
22	Net Operating Income	314,143	-	314,143
23	Return on Rate Base	2.40%	0.00%	2.40%
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	1,221,944	-	1,221,944
26	Adj to Achieve Target Return on RB	907,801	-	907,801
27	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000
28	Staff ROR Deficiency	907,801	-	907,801
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	314,143	-	314,143
31	Illinois Income Tax Expense	-	-	-
32	Net Op Inc before Fed Inc Tax	314,143	-	314,143
33	Federal Income Tax Expense	-	-	-
34	Total Imputed Income Tax Expense	-	-	-
35	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

McNabb Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 499,397	\$ -	\$ 499,397
2	Materials and Supplies Inventory	16,384	-	16,384
3	Customer Deposits	5,030	-	5,030
4	ADIT - Regulated Plant	<u>35,775</u>	<u>-</u>	<u>35,775</u>
5	Rate Base before Working Capital	474,976	-	474,976
6	Working Capital Requirement			
7	Total Operating Expenses	670,994	-	670,994
8	Less: Depreciation Expense	<u>107,361</u>	<u>-</u>	<u>107,361</u>
9	Total WC Operating Expense	<u>563,633</u>	<u>-</u>	<u>563,633</u>
10	WC OE Requirement	70,454	-	70,454
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>70,454</u>	<u>-</u>	<u>70,454</u>
13	Total Rate Base	<u>545,430</u>	<u>-</u>	<u>545,430</u>
14	Total Operating Revenues	598,463	-	598,463
15	Less: Illinois High Cost Fund	<u>62,940</u>	<u>-</u>	<u>62,940</u>
16	Net Operating Revenues	535,523	-	535,523
17	Total Operating Expenses	670,994	-	670,994
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>10,571</u>	<u>-</u>	<u>10,571</u>
20	Net Op Inc before Income Taxes	(146,042)	-	(146,042)
21	Income Tax Expense	<u>(36,128)</u>	<u>-</u>	<u>(36,128)</u>
22	Net Operating Income	<u>(109,914)</u>	<u>-</u>	<u>(109,914)</u>
23	Return on Rate Base	<u>-20.15%</u>	<u>0.00%</u>	<u>-20.15%</u>
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	<u>50,943</u>	<u>-</u>	<u>50,943</u>
26	Adj to Achieve Target Return on RB	160,857	-	160,857
27	Gross Revenue Conversion Factor	<u>1.3287</u>	<u>0.0000</u>	<u>1.3287</u>
28	Staff ROR Deficiency	<u>213,731</u>		<u>213,731</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(146,042)	-	(146,042)
31	Illinois Income Tax Expense	<u>(13,874)</u>	<u>-</u>	<u>(13,874)</u>
32	Net Op Inc before Fed Inc Tax	(132,168)	-	(132,168)
33	Federal Income Tax Expense	<u>(22,254)</u>	<u>-</u>	<u>(22,254)</u>
34	Total Imputed Income Tax Expense	<u>(36,128)</u>	<u>-</u>	<u>(36,128)</u>
35	Gross Revenue Conversion Factor	<u>1.3287</u>	<u>0.0000</u>	<u>1.3287</u>

Mid-Century Telephone Cooperative
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 15,946,283	\$ -	\$ 15,946,283
2	Materials and Supplies Inventory	42,825	-	42,825
3	Customer Deposits	-	-	-
4	ADIT - Regulated Plant	-	-	-
5	Rate Base before Working Capital	15,989,108	-	15,989,108
6	Working Capital Requirement			
7	Total Operating Expenses	4,971,800	-	4,971,800
8	Less: Depreciation Expense	1,707,653	-	1,707,653
9	Total WC Operating Expense	3,264,147	-	3,264,147
10	WC OE Requirement	408,018	-	408,018
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	408,018	-	408,018
13	Total Rate Base	16,397,126	-	16,397,126
14	Total Operating Revenues	5,536,625	-	5,536,625
15	Less: Illinois High Cost Fund	166,464	-	166,464
16	Net Operating Revenues	5,370,161	-	5,370,161
17	Total Operating Expenses	4,971,800	-	4,971,800
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	83,748	-	83,748
20	Net Op Inc before Income Taxes	314,613	-	314,613
21	Income Tax Expense	-	-	-
22	Net Operating Income	314,613	-	314,613
23	Return on Rate Base	1.92%	0.00%	1.92%
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	1,531,492	-	1,531,492
26	Adj to Achieve Target Return on RB	1,216,879	-	1,216,879
27	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000
28	Staff ROR Deficiency	1,216,879	-	1,216,879
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	314,613	-	314,613
31	Illinois Income Tax Expense	-	-	-
32	Net Op Inc before Fed Inc Tax	314,613	-	314,613
33	Federal Income Tax Expense	-	-	-
34	Total Imputed Income Tax Expense	-	-	-
35	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Montrose Mutual Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 1,211,283	\$ -	\$ 1,211,283
2	Materials and Supplies Inventory	286,850	-	286,850
3	Customer Deposits	1,600	-	1,600
4	ADIT - Regulated Plant	<u>322,676</u>	<u>-</u>	<u>322,676</u>
5	Rate Base before Working Capital	1,173,857	-	1,173,857
6	Working Capital Requirement			
7	Total Operating Expenses	1,558,097	-	1,558,097
8	Less: Depreciation Expense	<u>228,193</u>	<u>-</u>	<u>228,193</u>
9	Total WC Operating Expense	<u>1,329,904</u>	<u>-</u>	<u>1,329,904</u>
10	WC OE Requirement	166,238	-	166,238
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>166,238</u>	<u>-</u>	<u>166,238</u>
13	Total Rate Base	<u>1,340,095</u>	<u>-</u>	<u>1,340,095</u>
14	Total Operating Revenues	1,558,979	-	1,558,979
15	Less: Illinois High Cost Fund	<u>257,688</u>	<u>-</u>	<u>257,688</u>
16	Net Operating Revenues	1,301,291	-	1,301,291
17	Total Operating Expenses	1,558,097	-	1,558,097
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>7,889</u>	<u>-</u>	<u>7,889</u>
20	Net Op Inc before Income Taxes	(264,695)	-	(264,695)
21	Income Tax Expense	<u>(95,995)</u>	<u>-</u>	<u>(95,995)</u>
22	Net Operating Income	<u>(168,700)</u>	<u>-</u>	<u>(168,700)</u>
23	Return on Rate Base	<u>-12.59%</u>		<u>-12.59%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>125,165</u>	<u>-</u>	<u>125,165</u>
26	Adj to Achieve Target Return on RB	293,865	-	293,865
27	Gross Revenue Conversion Factor	<u>1.5690</u>	<u>0.0000</u>	<u>1.5690</u>
28	Staff ROR Deficiency	<u>461,074</u>		<u>461,074</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(264,695)	-	(264,695)
31	Illinois Income Tax Expense	<u>(25,146)</u>	<u>-</u>	<u>(25,146)</u>
32	Net Op Inc before Fed Inc Tax	(239,549)	-	(239,549)
33	Federal Income Tax Expense	<u>(70,849)</u>	<u>-</u>	<u>(70,849)</u>
34	Total Imputed Income Tax Expense	<u>(95,995)</u>	<u>-</u>	<u>(95,995)</u>
35	Gross Revenue Conversion Factor	<u>1.5690</u>	<u>0.0000</u>	<u>1.5690</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Moultrie Independent Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 1,749,579	\$ -	\$ 1,749,579
2	Materials and Supplies Inventory	46,485	-	46,485
3	Customer Deposits	-	-	-
4	ADIT - Regulated Plant	-	-	-
5	Rate Base before Working Capital	1,796,064	-	1,796,064
6	Working Capital Requirement			
7	Total Operating Expenses	1,969,627	-	1,969,627
8	Less: Depreciation Expense	277,671	-	277,671
9	Total WC Operating Expense	1,691,956	-	1,691,956
10	WC OE Requirement	211,495	-	211,495
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	211,495	-	211,495
13	Total Rate Base	2,007,559	-	2,007,559
14	Total Operating Revenues	2,459,246	-	2,459,246
15	Less: Illinois High Cost Fund	593,724	-	593,724
16	Net Operating Revenues	1,865,522	-	1,865,522
17	Total Operating Expenses	1,969,627	-	1,969,627
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	1,607	-	1,607
20	Net Op Inc before Income Taxes	(105,712)	-	(105,712)
21	Income Tax Expense	(41,629)	-	(41,629)
22	Net Operating Income	(64,083)	-	(64,083)
23	Return on Rate Base	-3.19%		-3.19%
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	187,506	-	187,506
26	Adj to Achieve Target Return on RB	251,589	-	251,589
27	Gross Revenue Conversion Factor	1.6496	0.0000	1.6496
28	Staff ROR Deficiency	415,021		415,021
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(105,712)	-	(105,712)
31	Illinois Income Tax Expense	(10,043)	-	(10,043)
32	Net Op Inc before Fed Inc Tax	(95,669)	-	(95,669)
33	Federal Income Tax Expense	(31,586)	-	(31,586)
34	Total Imputed Income Tax Expense	(41,629)	-	(41,629)
35	Gross Revenue Conversion Factor	1.6496	0.0000	1.6496

Sources:

Column (b): Company Exhibit 1.01 Revised, column labeled "Adjusted Amount"

New Windsor Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 1,281,930	\$ -	\$ 1,281,930
2	Materials and Supplies Inventory	28,377	-	28,377
3	Customer Deposits	6,486	-	6,486
4	ADIT - Regulated Plant	<u>252,788</u>	-	<u>252,788</u>
5	Rate Base before Working Capital	1,051,033	-	1,051,033
6	Working Capital Requirement			
7	Total Operating Expenses	520,792	-	520,792
8	Less: Depreciation Expense	<u>166,234</u>	-	<u>166,234</u>
9	Total WC Operating Expense	<u>354,558</u>	-	<u>354,558</u>
10	WC OE Requirement	44,320	-	44,320
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>44,320</u>	-	<u>44,320</u>
13	Total Rate Base	<u>1,095,353</u>	-	<u>1,095,353</u>
14	Total Operating Revenues	661,367	-	661,367
15	Less: Illinois High Cost Fund	<u>85,714</u>	-	<u>85,714</u>
16	Net Operating Revenues	575,653	-	575,653
17	Total Operating Expenses	520,792	-	520,792
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>9,065</u>	-	<u>9,065</u>
20	Net Op Inc before Income Taxes	45,796	-	45,796
21	Income Tax Expense	<u>15,565</u>	-	<u>15,565</u>
22	Net Operating Income	<u>30,231</u>	-	<u>30,231</u>
23	Return on Rate Base	<u>2.76%</u>		<u>2.76%</u>
24	After-tax Cost of Capital	9.34%	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>102,306</u>	-	<u>102,306</u>
26	Adj to Achieve Target Return on RB	72,075	-	72,075
27	Gross Revenue Conversion Factor	<u>1.5149</u>	<u>0.0000</u>	<u>1.5149</u>
28	Staff ROR Deficiency	<u>109,186</u>		<u>109,186</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	45,796	-	45,796
31	Illinois Income Tax Expense	<u>4,351</u>	-	<u>4,351</u>
32	Net Op Inc before Fed Inc Tax	41,445	-	41,445
33	Federal Income Tax Expense	<u>11,214</u>	-	<u>11,214</u>
34	Total Imputed Income Tax Expense	<u>15,565</u>	-	<u>15,565</u>
35	Gross Revenue Conversion Factor	<u>1.5149</u>	<u>0.0000</u>	<u>1.5149</u>

Sources:

Column (b): Company Exhibit 1.01 Revised, column labeled "Adjusted Amount"

Oneida Telephone Exchange
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>2009 Company</u> <u>Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 1,107,324	\$ -	\$ 1,107,324
2	Materials and Supplies Inventory	32,167	-	32,167
3	Customer Deposits	3,500	-	3,500
4	ADIT - Regulated Plant	-	-	-
5	Rate Base before Working Capital	1,135,991	-	1,135,991
6	Working Capital Requirement			
7	Total Operating Expenses	741,588	-	741,588
8	Less: Depreciation Expense	222,415	-	222,415
9	Total WC Operating Expense	519,173	-	519,173
10	WC OE Requirement	64,897	-	64,897
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	64,897	-	64,897
13	Total Rate Base	1,200,888	-	1,200,888
14	Total Operating Revenues	862,153	-	862,153
15	Less: Illinois High Cost Fund	122,486	-	122,486
16	Net Operating Revenues	739,667	-	739,667
17	Total Operating Expenses	741,588	-	741,588
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	7,681	-	7,681
20	Net Op Inc before Income Taxes	(9,602)	-	(9,602)
21	Income Tax Expense	-	-	-
22	Net Operating Income	(9,602)	-	(9,602)
23	Return on Rate Base	-0.80%	0.00%	-0.80%
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	112,163	-	112,163
26	Adj to Achieve Target Return on RB	121,765	-	121,765
27	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000
28	Staff ROR Deficiency	121,765	-	121,765
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(9,602)	-	(9,602)
31	Illinois Income Tax Expense	-	-	-
32	Net Op Inc before Fed Inc Tax	(9,602)	-	(9,602)
33	Federal Income Tax Expense	-	-	-
34	Total Imputed Income Tax Expense	-	-	-
35	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000

Reynolds Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 1,743,549	\$ -	\$ 1,743,549
2	Materials and Supplies Inventory	22,793	-	22,793
3	Customer Deposits	2,800	-	2,800
4	ADIT - Regulated Plant	<u>142,446</u>	-	<u>142,446</u>
5	Rate Base before Working Capital	1,621,096	-	1,621,096
6	Working Capital Requirement			
7	Total Operating Expenses	492,280	-	492,280
8	Less: Depreciation Expense	<u>138,331</u>	-	<u>138,331</u>
9	Total WC Operating Expense	<u>353,949</u>	-	<u>353,949</u>
10	WC OE Requirement	44,244	-	44,244
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>44,244</u>	-	<u>44,244</u>
13	Total Rate Base	<u>1,665,340</u>	-	<u>1,665,340</u>
14	Total Operating Revenues	535,817	-	535,817
15	Less: Illinois High Cost Fund	<u>-</u>	-	<u>-</u>
16	Net Operating Revenues	535,817	-	535,817
17	Total Operating Expenses	492,280	-	492,280
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>3,438</u>	-	<u>3,438</u>
20	Net Op Inc before Income Taxes	40,099	-	40,099
21	Income Tax Expense	<u>15,290</u>	-	<u>15,290</u>
22	Net Operating Income	<u>24,809</u>	-	<u>24,809</u>
23	Return on Rate Base	<u>1.49%</u>	<u>0.00%</u>	<u>1.49%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>155,543</u>	-	<u>155,543</u>
26	Adj to Achieve Target Return on RB	130,734	-	130,734
27	Gross Revenue Conversion Factor	<u>1.6164</u>	<u>0.0000</u>	<u>1.6164</u>
28	Staff ROR Deficiency	<u>211,312</u>		<u>211,312</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	40,099	-	40,099
31	Illinois Income Tax Expense	<u>3,809</u>	-	<u>3,809</u>
32	Net Op Inc before Fed Inc Tax	36,290	-	36,290
33	Federal Income Tax Expense	<u>11,481</u>	-	<u>11,481</u>
34	Total Imputed Income Tax Expense	<u>15,290</u>	-	<u>15,290</u>
35	Gross Revenue Conversion Factor	<u>1.6164</u>	<u>0.0000</u>	<u>1.6164</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Shawnee Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 22,815,147	\$ -	\$ 22,815,147
2	Materials and Supplies Inventory	181,634	-	181,634
3	Customer Deposits	108,859	-	108,859
4	ADIT - Regulated Plant	<u>269,783</u>	<u>-</u>	<u>269,783</u>
5	Rate Base before Working Capital	22,618,139	-	22,618,139
6	Working Capital Requirement			
7	Total Operating Expenses	7,867,730	-	7,867,730
8	Less: Depreciation Expense	<u>1,876,412</u>	<u>-</u>	<u>1,876,412</u>
9	Total WC Operating Expense	<u>5,991,318</u>	<u>-</u>	<u>5,991,318</u>
10	WC OE Requirement	748,915	-	748,915
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>748,915</u>	<u>-</u>	<u>748,915</u>
13	Total Rate Base	<u>23,367,054</u>	<u>-</u>	<u>23,367,054</u>
14	Total Operating Revenues	10,358,234	-	10,358,234
15	Less: Illinois High Cost Fund	<u>810,480</u>	<u>-</u>	<u>810,480</u>
16	Net Operating Revenues	9,547,754	-	9,547,754
17	Total Operating Expenses	7,867,730	-	7,867,730
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>24,287</u>	<u>-</u>	<u>24,287</u>
20	Net Op Inc before Income Taxes	1,655,737	-	1,655,737
21	Income Tax Expense	<u>666,765</u>	<u>-</u>	<u>666,765</u>
22	Net Operating Income	<u>988,972</u>	<u>-</u>	<u>988,972</u>
23	Return on Rate Base	<u>4.23%</u>	<u>0.00%</u>	<u>4.23%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>2,182,483</u>	<u>-</u>	<u>2,182,483</u>
26	Adj to Achieve Target Return on RB	1,193,511	-	1,193,511
27	Gross Revenue Conversion Factor	<u>1.6742</u>	<u>1.6742</u>	<u>1.6742</u>
28	Staff ROR Deficiency	<u>1,998,176</u>	<u>-</u>	<u>1,998,176</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	1,655,737	-	1,655,737
31	Illinois Income Tax Expense	<u>157,295</u>	<u>-</u>	<u>157,295</u>
32	Net Op Inc before Fed Inc Tax	1,498,442	-	1,498,442
33	Federal Income Tax Expense	<u>509,470</u>	<u>-</u>	<u>491,444</u>
34	Total Imputed Income Tax Expense	<u>666,765</u>	<u>-</u>	<u>648,739</u>
35	Gross Revenue Conversion Factor	<u>1.6742</u>	<u>1.6742</u>	<u>1.6742</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Viola Home Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 1,226,901	\$ -	\$ 1,226,901
2	Materials and Supplies Inventory	21,427	-	21,427
3	Customer Deposits	208	-	208
4	ADIT - Regulated Plant	<u>108,689</u>	-	<u>108,689</u>
5	Rate Base before Working Capital	1,139,431	-	1,139,431
6	Working Capital Requirement			
7	Total Operating Expenses	661,537	-	661,537
8	Less: Depreciation Expense	<u>143,832</u>	-	<u>143,832</u>
9	Total WC Operating Expense	<u>517,705</u>	-	<u>517,705</u>
10	WC OE Requirement	64,713	-	64,713
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>64,713</u>	-	<u>64,713</u>
13	Total Rate Base	<u><u>1,204,144</u></u>	-	<u><u>1,204,144</u></u>
14	Total Operating Revenues	600,888	-	600,888
15	Less: Illinois High Cost Fund	<u>32,860</u>	-	<u>32,860</u>
16	Net Operating Revenues	568,028	-	568,028
17	Total Operating Expenses	664,574	-	664,574
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>9,786</u>	-	<u>9,786</u>
20	Net Op Inc before Income Taxes	(106,332)	-	(106,332)
21	Income Tax Expense	<u>(41,663)</u>	-	<u>(41,663)</u>
22	Net Operating Income	<u>(64,669)</u>	-	<u>(64,669)</u>
23	Return on Rate Base	<u>-5.37%</u>	<u>0.00%</u>	<u>-5.37%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>112,467</u>	-	<u>112,467</u>
26	Adj to Achieve Target Return on RB	177,136	-	177,136
27	Gross Revenue Conversion Factor	<u>1.6345</u>	<u>0.0000</u>	<u>1.6345</u>
28	Staff ROR Deficiency	<u><u>289,529</u></u>		<u><u>289,529</u></u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(106,332)	-	(106,332)
31	Illinois Income Tax Expense	<u>(10,102)</u>	-	<u>(10,102)</u>
32	Net Op Inc before Fed Inc Tax	(96,230)	-	(96,230)
33	Federal Income Tax Expense	<u>(31,561)</u>	-	<u>(31,561)</u>
34	Total Imputed Income Tax Expense	<u>(41,663)</u>	-	<u>(41,663)</u>
35	Gross Revenue Conversion Factor	<u>1.6345</u>	<u>0.0000</u>	<u>1.6345</u>

Source:

Viola Home Telephone Company Exhibit A, Schedule A.01

Wabash Telephone Cooperative
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 11,898,052	\$ -	\$ 11,898,052
2	Materials and Supplies Inventory	384,764	-	384,764
3	Customer Deposits	13,990	-	13,990
4	ADIT - Regulated Plant	-	-	-
5	Rate Base before Working Capital	12,268,826	-	12,268,826
6	Working Capital Requirement			
7	Total Operating Expenses	5,687,683	-	5,687,683
8	Less: Depreciation Expense	1,886,630	-	1,886,630
9	Total WC Operating Expense	3,801,053	-	3,801,053
10	WC OE Requirement	475,132	-	475,132
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	475,132	-	475,132
13	Total Rate Base	12,743,958	-	12,743,958
14	Total Operating Revenues	5,799,285	-	5,799,285
15	Less: Illinois High Cost Fund	711,204	-	711,204
16	Net Operating Revenues	5,088,081	-	5,088,081
17	Total Operating Expenses	5,687,683	-	5,687,683
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	38,698	-	38,698
20	Net Op Inc before Income Taxes	(638,300)	-	(638,300)
21	Income Tax Expense	-	-	-
22	Net Operating Income	(638,300)	-	(638,300)
23	Return on Rate Base	-5.01%	0.00%	-5.01%
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	1,190,286	-	1,190,286
26	Adj to Achieve Target Return on RB	1,828,586	-	1,828,586
27	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000
28	Staff ROR Deficiency	1,828,586		1,828,586
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	(638,300)	-	(638,300)
31	Illinois Income Tax Expense	-	-	-
32	Net Op Inc before Fed Inc Tax	(638,300)	-	(638,300)
33	Federal Income Tax Expense	-	-	-
34	Total Imputed Income Tax Expense	-	-	-
35	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Woodhull Telephone Company
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>2009 Company</u> <u>Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 1,951,462	\$ -	\$ 1,951,462
2	Materials and Supplies Inventory	24,901	-	24,901
3	Customer Deposits	-	-	-
4	ADIT - Regulated Plant	<u>106,260</u>	-	<u>106,260</u>
5	Rate Base before Working Capital	1,870,103	-	1,870,103
6	Working Capital Requirement			
7	Total Operating Expenses	751,661	-	751,661
8	Less: Depreciation Expense	<u>169,069</u>	-	<u>169,069</u>
9	Total WC Operating Expense	<u>582,592</u>	-	<u>582,592</u>
10	WC OE Requirement	72,824	-	72,824
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>72,824</u>	-	<u>72,824</u>
13	Total Rate Base	<u>1,942,927</u>	-	<u>1,942,927</u>
14	Total Operating Revenues	857,123	-	857,123
15	Less: Illinois High Cost Fund	<u>51,614</u>	-	<u>51,614</u>
16	Net Operating Revenues	805,509	-	805,509
17	Total Operating Expenses	751,661	-	751,661
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>6,310</u>	-	<u>6,310</u>
20	Net Op Inc before Income Taxes	47,538	-	47,538
21	Income Tax Expense	<u>18,626</u>	-	<u>18,626</u>
22	Net Operating Income	<u>28,912</u>	-	<u>28,912</u>
23	Return on Rate Base	<u>1.49%</u>	<u>0.00%</u>	<u>1.49%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>181,469</u>	-	<u>181,469</u>
26	Adj to Achieve Target Return on RB	152,557	-	152,557
27	Gross Revenue Conversion Factor	<u>1.6442</u>	<u>0.0000</u>	<u>1.6442</u>
28	Staff ROR Deficiency	<u>250,840</u>	-	<u>250,840</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	47,538	-	47,538
31	Illinois Income Tax Expense	<u>4,516</u>	-	<u>4,516</u>
32	Net Op Inc before Fed Inc Tax	43,022	-	43,022
33	Federal Income Tax Expense	<u>14,110</u>	-	<u>14,110</u>
34	Total Imputed Income Tax Expense	<u>18,626</u>	-	<u>18,626</u>
35	Gross Revenue Conversion Factor	<u>1.6442</u>	<u>0.0000</u>	<u>1.6442</u>

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

Frontier Communications - Illinois
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 10,397,000	\$ -	\$ 10,397,000
2	Materials and Supplies Inventory	-	-	-
3	Customer Deposits	-	-	-
4	ADIT - Regulated Plant	774,881	-	774,881
5	Rate Base before Working Capital	9,622,119	-	9,622,119
6	Working Capital Requirement			
7	Total Operating Expenses	2,356,911	-	2,356,911
8	Less: Depreciation Expense	1,068,094	-	1,068,094
9	Total WC Operating Expense	1,288,817	-	1,288,817
10	WC OE Requirement	161,102	-	161,102
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	161,102	-	161,102
13	Total Rate Base	9,783,221	-	9,783,221
14	Total Operating Revenues	2,821,737	-	2,821,737
15	Less: Illinois High Cost Fund	11,316	-	11,316
16	Net Operating Revenues	2,810,421	-	2,810,421
17	Total Operating Expenses	2,356,911	-	2,356,911
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	40,272	-	40,272
20	Net Op Inc before Income Taxes	413,238	-	413,238
21	Income Tax Expense	160,410	6,001	166,411
22	Net Operating Income	252,828	(6,001)	246,827
23	Return on Rate Base	2.58%	0.00%	2.52%
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	913,753	-	913,753
26	Adj to Achieve Target Return on RB	660,925	6,001	666,926
27	Gross Revenue Conversion Factor	1.6345	0.0397	1.6742
28	Staff-calculated ROR Deficiency ¹	1,080,282		1,116,567
28a	Staff ROR Deficiency at Requested Amounts by Frontier			182,494
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	413,238	-	413,238
31	Illinois Income Tax Expense	30,166	9,092	39,258
32	Net Op Inc before Fed Inc Tax	383,072	(9,092)	373,980
33	Federal Income Tax Expense	130,244	(3,091)	127,153
34	Total Imputed Income Tax Expense	160,410	6,001	166,411
35	Gross Revenue Conversion Factor	1.6345	0.0397	1.6742

Sources:

Column (b): Company Exhibit 2.03, column labeled "Adjusted Amount"

Note¹ Frontier Companies' 2009 Schedule 1.01 supports a higher level of funding than it requested. Frontier Companies' requested funding level is included in the total Staff ROR funding requirement

FC Illinois
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement
 Adjustment to State Income Tax Rate

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
<u>State Income Taxes</u>			
1	State Income Taxes per Staff	\$ 39,258	Staff Ex. 5.0S
2	State Income Taxes per Company	<u>30,166</u>	Co. Schedule 2.03
3	Difference-Staff Adjustment	<u>\$ 9,092</u>	Line 1 minus line 2
<u>Federal Income Taxes</u>			
4	Federal Income Taxes per Staff	\$ 127,153	Staff Ex. 5.0S
5	Federal Income Taxes per Company	<u>130,244</u>	Co. Schedule 2.03
6	Difference-Staff Adjustment	<u>\$ (3,091)</u>	Line 4 minus line 5
<u>GCRF</u>			
10	Gross Revenue Conversion Factor per Staff	\$ 1.6742	Staff Ex. 5.0S
11	Gross Revenue Conversion Factor per Company	<u>1.6345</u>	Co. Schedule 2.03
12	Difference-Staff Adjustment	<u>\$ 0.0397</u>	Line 10 minus line 11

Frontier Communications - Midland, Inc.
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 8,894,605	\$ -	\$ 8,894,605
2	Materials and Supplies Inventory	-	-	-
3	Customer Deposits	-	-	-
4	ADIT - Regulated Plant	644,023	-	644,023
5	Rate Base before Working Capital	8,250,582	-	8,250,582
6	Working Capital Requirement			
7	Total Operating Expenses	2,604,250	-	2,604,250
8	Less: Depreciation Expense	1,115,656	-	1,115,656
9	Total WC Operating Expense	1,488,594	-	1,488,594
10	WC OE Requirement	186,074	-	186,074
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	186,074	-	186,074
13	Total Rate Base	8,436,656	-	8,436,656
14	Total Operating Revenues	3,476,116	-	3,476,116
15	Less: Illinois High Cost Fund	329,056	-	329,056
16	Net Operating Revenues	3,147,060	-	3,147,060
17	Total Operating Expenses	2,604,250	-	2,604,250
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	46,261	-	46,261
20	Net Op Inc before Income Taxes	496,549	-	496,549
21	Income Tax Expense	192,750	7,210	199,960
22	Net Operating Income	303,799	(7,210)	296,589
23	Return on Rate Base	3.60%	0.00%	3.52%
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	787,984	-	787,984
26	Adj to Achieve Target Return on RB	484,185	7,210	491,395
27	Gross Revenue Conversion Factor	1.6345	0.0397	1.6345
28	Staff ROR Deficiency	791,400		803,185
28a	Staff ROR Deficiency at Requested Amounts by Frontier			160,596
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	496,549	-	496,549
31	Illinois Income Tax Expense	36,248	10,924	47,172
32	Net Op Inc before Fed Inc Tax	460,301	(10,924)	449,377
33	Federal Income Tax Expense	156,502	(3,714)	152,788
34	Total Imputed Income Tax Expense	192,750	7,210	199,960
35	Gross Revenue Conversion Factor	1.6345	0.0397	1.6345

Sources:

Column (b): Company Exhibit 1.01 (as Revised 3/23/12), column labeled "Adjusted Amount"

FC Midland
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement
 Adjustment to State Income Tax Rate

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
<u>State Income Taxes</u>			
1	State Income Taxes per Staff	\$ 47,172	Staff Ex. 5.0S
2	State Income Taxes per Company	<u>36,248</u>	Co. Schedule 2.03
3	Difference-Staff Adjustment	<u>\$ 10,924</u>	Line 1 minus line 2
<u>Federal Income Taxes</u>			
4	Federal Income Taxes per Staff	\$ 152,788	Staff Ex. 5.0S
5	Federal Income Taxes per Company	<u>156,502</u>	Co. Schedule 2.03
6	Difference-Staff Adjustment	<u>\$ (3,714)</u>	Line 4 minus line 5
<u>GCRF</u>			
7	Gross Revenue Conversion Factor per Staff	\$ 1.6742	Staff Ex. 5.0S
8	Gross Revenue Conversion Factor per Company	<u>1.6345</u>	Co. Schedule 2.03
9	Difference-Staff Adjustment	<u>\$ 0.0397</u>	Line 7 minus line 8

Frontier Communications - Lakeside
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 1,054,000	\$ -	\$ 1,054,000
2	Materials and Supplies Inventory	-	-	-
3	Customer Deposits	-	-	-
4	ADIT - Regulated Plant	113,097	-	113,097
5	Rate Base before Working Capital	940,903	-	940,903
6	Working Capital Requirement			
7	Total Operating Expenses	364,279	-	364,279
8	Less: Depreciation Expense	150,593	-	150,593
9	Total WC Operating Expense	213,686	-	213,686
10	WC OE Requirement	26,711	-	26,711
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	26,711	-	26,711
13	Total Rate Base	967,614	-	967,614
14	Total Operating Revenues	473,034	-	473,034
15	Less: Illinois High Cost Fund	-	-	-
16	Net Operating Revenues	473,034	-	473,034
17	Total Operating Expenses	364,279	-	364,279
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	3,615	-	3,615
20	Net Op Inc before Income Taxes	105,140	-	105,140
21	Income Tax Expense	40,813	1,527	42,340
22	Net Operating Income	64,327	(1,527)	62,800
23	Return on Rate Base	6.65%	0.00%	6.49%
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	90,375	-	90,375
26	Adj to Achieve Target Return on RB	26,048	1,527	27,575
27	Gross Revenue Conversion Factor	1.6345	0.0397	1.6742
28	Staff ROR Deficiency	42,576		46,166
28a	Staff ROR Deficiency at Requested Amounts by Frontier			10,403
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	105,140	-	105,140
31	Illinois Income Tax Expense	7,675	2,313	9,989
32	Net Op Inc before Fed Inc Tax	97,465	(2,313)	95,151
33	Federal Income Tax Expense	33,138	(786)	32,352
34	Total Imputed Income Tax Expense	40,813	1,527	42,340
35	Gross Revenue Conversion Factor	1.6345	0.0397	1.6742

Sources:

Column (b): Company Exhibit 2.03, column labeled "Adjusted Amount"

FC Lakeside
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement
 Adjustment to State Income Tax Rate

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
<u>State Income Taxes</u>			
1	State Income Taxes per Staff	\$ 9,988	Staff Ex. 5.0S
2	State Income Taxes per Company	<u>7,675</u>	Co. Schedule 2.03
3	Difference-Staff Adjustment	<u>\$ 2,313</u>	Line 1 minus line 2
<u>Federal Income Taxes</u>			
4	Federal Income Taxes per Staff	\$ 32,352	Staff Ex. 5.0S
5	Federal Income Taxes per Company	<u>33,138</u>	Co. Schedule 2.03
6	Difference-Staff Adjustment	<u>\$ (786)</u>	Line 4 minus line 5
<u>GCRF</u>			
7	Gross Revenue Conversion Factor per Staff	\$ 1.6742	Staff Ex. 5.0S
8	Gross Revenue Conversion Factor per Company	<u>1.6345</u>	Co. Schedule 2.03
9	Difference-Staff Adjustment	<u>\$ 0.0397</u>	Line 7 minus line 8

Frontier Communications - Mt Pulaski
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 5,928,000	\$ -	\$ 5,928,000
2	Materials and Supplies Inventory	-	-	-
3	Customer Deposits	-	-	-
4	ADIT - Regulated Plant	212,813	-	212,813
5	Rate Base before Working Capital	5,715,187	-	5,715,187
6	Working Capital Requirement			
7	Total Operating Expenses	1,060,106	-	1,060,106
8	Less: Depreciation Expense	535,959	-	535,959
9	Total WC Operating Expense	524,147	-	524,147
10	WC OE Requirement	65,518	-	65,518
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	65,518	-	65,518
13	Total Rate Base	5,780,705	-	5,780,705
14	Total Operating Revenues	1,152,908	-	1,152,908
15	Less: Illinois High Cost Fund	-	-	-
16	Net Operating Revenues	1,152,908	-	1,152,908
17	Total Operating Expenses	1,060,106	-	1,060,106
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	17,613	-	17,613
20	Net Op Inc before Income Taxes	75,189	-	75,189
21	Income Tax Expense	29,187	1,092	30,279
22	Net Operating Income	46,002	(1,092)	44,910
23	Return on Rate Base	0.80%	0.00%	0.78%
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	539,918	-	539,918
26	Adj to Achieve Target Return on RB	493,916	1,092	495,007
27	Gross Revenue Conversion Factor	1.6345	0.0397	1.6345
28	Staff ROR Deficiency	807,306	43	809,090
28a	Staff ROR Deficiency at Requested Amounts by Frontier Companies			121,793
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	75,189	-	75,189
31	Illinois Income Tax Expense	5,489	1,654	7,143
32	Net Op Inc before Fed Inc Tax	69,700	(1,654)	68,046
33	Federal Income Tax Expense	23,698	(562)	23,136
34	Total Imputed Income Tax Expense	29,187	1,092	30,279
35	Gross Revenue Conversion Factor	1.6345	0.0397	1.6345

Sources:

Column (b): Company Exhibit 2.03, column labeled "Adjusted Amount"

FC Mt Pulaski
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement
 Adjustment to State Income Tax Rate

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
<u>State Income Taxes</u>			
1	State Income Taxes per Staff	\$ 7,143	Staff Ex. 5.0S
2	State Income Taxes per Company	<u>5,489</u>	Co. Schedule 2.03
3	Difference-Staff Adjustment	<u>\$ 1,654</u>	Line 1 minus line 2
<u>Federal Income Taxes</u>			
4	Federal Income Taxes per Staff	\$ 23,136	Staff Ex. 5.0S
5	Federal Income Taxes per Company	<u>23,698</u>	Co. Schedule 2.03
6	Difference-Staff Adjustment	<u>\$ (562)</u>	Line 4 minus line 5
<u>GCRF</u>			
7	Gross Revenue Conversion Factor per Staff	\$ 1.6742	Staff Ex. 5.0S
8	Gross Revenue Conversion Factor per Company	<u>1.6345</u>	Co. Schedule 2.03
9	Difference-Staff Adjustment	<u>\$ 0.0397</u>	Line 7 minus line 8

Frontier Communications - Schuyler
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>2009 Company</u> <u>Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 6,057,000	\$ -	\$ 6,057,000
2	Materials and Supplies Inventory	-	-	-
3	Customer Deposits	-	-	-
4	ADIT - Regulated Plant	<u>1,243,371</u>	-	<u>1,243,371</u>
5	Rate Base before Working Capital	4,813,629	-	4,813,629
6	Working Capital Requirement			
7	Total Operating Expenses	1,400,955	-	1,400,955
8	Less: Depreciation Expense	<u>635,403</u>	-	<u>635,403</u>
9	Total WC Operating Expense	<u>765,552</u>	-	<u>765,552</u>
10	WC OE Requirement	95,694	-	95,694
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	<u>95,694</u>	-	<u>95,694</u>
13	Total Rate Base	<u>4,909,323</u>	-	<u>4,909,323</u>
14	Total Operating Revenues	1,938,031	-	1,938,031
15	Less: Illinois High Cost Fund	<u>152,652</u>	-	<u>152,652</u>
16	Net Operating Revenues	1,785,379	-	1,785,379
17	Total Operating Expenses	1,400,955	-	1,400,955
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	<u>15,379</u>	-	<u>15,379</u>
20	Net Op Inc before Income Taxes	369,045	-	369,045
21	Income Tax Expense	<u>143,256</u>	5,359	<u>148,615</u>
22	Net Operating Income	<u>225,789</u>	<u>(5,359)</u>	<u>220,430</u>
23	Return on Rate Base	<u>4.60%</u>	<u>0.00%</u>	<u>4.49%</u>
24	After-tax Cost of Capital	<u>9.34%</u>	<u>9.34%</u>	<u>9.34%</u>
25	Target Net Operating Income	<u>458,531</u>	-	<u>458,531</u>
26	Adj to Achieve Target Return on RB	232,742	5,359	238,100
27	Gross Revenue Conversion Factor	<u>1.6345</u>	<u>0.0397</u>	<u>1.6345</u>
28	Staff ROR Deficiency	<u>380,416</u>	<u>213</u>	<u>389,175</u>
28a	Staff ROR Deficiency at Requested Amounts by Frontier			<u>71,517</u>
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	369,045	-	369,045
31	Illinois Income Tax Expense	<u>26,940</u>	8,119	<u>35,060</u>
32	Net Op Inc before Fed Inc Tax	342,105	(8,119)	333,985
33	Federal Income Tax Expense	<u>116,316</u>	<u>(2,761)</u>	<u>113,555</u>
34	Total Imputed Income Tax Expense	<u>143,256</u>	5,359	<u>148,615</u>
35	Gross Revenue Conversion Factor	<u>1.6345</u>	<u>0.0397</u>	<u>1.6345</u>

Sources:

Column (b): Company Exhibit 2.03, column labeled "Adjusted Amount"

FC Schuyler
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement
 Adjustment to State Income Tax Rate

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
<u>State Income Taxes</u>			
1	State Income Taxes per Staff	\$ 35,059	Staff Ex. 5.0S
2	State Income Taxes per Company	<u>26,940</u>	Co. Schedule 2.03
3	Difference-Staff Adjustment	<u>\$ 8,119</u>	Line 1 minus line 2
<u>Federal Income Taxes</u>			
4	Federal Income Taxes per Staff	\$ 113,555	Staff Ex. 5.0S
5	Federal Income Taxes per Company	<u>116,316</u>	Co. Schedule 2.03
6	Difference-Staff Adjustment	<u>\$ (2,761)</u>	Line 4 minus line 5
<u>GCRF</u>			
7	Gross Revenue Conversion Factor per Staff	\$ 1.6742	Staff Ex. 5.0S
8	Gross Revenue Conversion Factor per Company	<u>1.6345</u>	Co. Schedule 2.03
9	Difference-Staff Adjustment	<u>\$ 0.0397</u>	Line 7 minus line 8

Frontier Communications - Orion
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement

<u>Line No.</u>	<u>Description</u>	<u>2009 Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Amount</u>
	(a)	(b)	(c)	(d)
1	Net Regulated Plant	\$ 2,148,000	\$ -	\$ 2,148,000
2	Materials and Supplies Inventory	-	-	-
3	Customer Deposits	-	-	-
4	ADIT - Regulated Plant	162,942	-	162,942
5	Rate Base before Working Capital	1,985,058	-	1,985,058
6	Working Capital Requirement			
7	Total Operating Expenses	824,302	-	824,302
8	Less: Depreciation Expense	260,430	-	260,430
9	Total WC Operating Expense	563,872	-	563,872
10	WC OE Requirement	70,484	-	70,484
11	Commission-Ordered Cash Balance Requirement	-	-	-
12	Total Working Capital Requirement	70,484	-	70,484
13	Total Rate Base	2,055,542	-	2,055,542
14	Total Operating Revenues	886,030	-	886,030
15	Less: Illinois High Cost Fund	-	-	-
16	Net Operating Revenues	886,030	-	886,030
17	Total Operating Expenses	824,302	-	824,302
18	Other Operating Inc and Exp - Net	-	-	-
19	Other Operating Taxes	10,965	-	10,965
20	Net Op Inc before Income Taxes	50,763	-	50,763
21	Income Tax Expense	19,705	737	20,442
22	Net Operating Income	31,058	(737)	30,321
23	Return on Rate Base	1.51%	0.00%	1.48%
24	After-tax Cost of Capital	9.34%	9.34%	9.34%
25	Target Net Operating Income	191,988	-	191,988
26	Adj to Achieve Target Return on RB	160,930	737	161,667
27	Gross Revenue Conversion Factor	1.6345	0.0397	1.6345
28	Staff ROR Deficiency	263,039	29	264,245
28a	Staff ROR Deficiency at Requested Amounts by Frontier Companies			40,230
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	50,763	-	50,763
31	Illinois Income Tax Expense	3,706	1,116	4,822
32	Net Op Inc before Fed Inc Tax	47,057	(1,116)	45,941
33	Federal Income Tax Expense	15,999	(379)	15,620
34	Total Imputed Income Tax Expense	19,705	737	20,442
35	Gross Revenue Conversion Factor	1.6345	0.0397	1.6345

Sources:

Column (b): Company Exhibit 2.03, column labeled "Adjusted Amount"

FC Orion
 Illinois Universal Service Funding Calculation
 Staff Calculated Funding Requirement
 Adjustment to State Income Tax Rate

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
<u>State Income Taxes</u>			
1	State Income Taxes per Staff	\$ 4,822	Staff Ex. 5.0S
2	State Income Taxes per Company	<u>3,706</u>	Co. Schedule 2.03
3	Difference-Staff Adjustment	<u>\$ 1,116</u>	Line 1 minus line 2
<u>Federal Income Taxes</u>			
4	Federal Income Taxes per Staff	\$ 15,620	Staff Ex. 5.0S
5	Federal Income Taxes per Company	<u>15,999</u>	Co. Schedule 2.03
6	Difference-Staff Adjustment	<u>\$ (379)</u>	Line 4 minus line 5
<u>GCRF</u>			
7	Gross Revenue Conversion Factor per Staff	\$ 1.6742	Staff Ex. 5.0S
8	Gross Revenue Conversion Factor per Company	<u>1.6345</u>	Co. Schedule 2.03
9	Difference-Staff Adjustment	<u>\$ 0.0397</u>	Line 7 minus line 8