

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

ILLINOIS INDEPENDENT TELEPHONE ASSOCIATION)	
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Petition for initiation and 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.)	Docket No. 00-0233
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ILLINOIS COMMERCE COMMISSION On Its Own Motion)	
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Investigation into the necessity of and, if Appropriate, the establishment of a Universal Service Support Fund pursuant to Section 13-301(d) of the Public Utilities Act.)	Docket No. 00-0335
)	
)	

DIRECT TESTIMONY
OF
LEIGH C. SICKINGER

ON BEHALF OF
LAHARPE TELEPHONE COMPANY, INC.

OFFICIAL FILE April 20, 2001

ILLINOIS COMMERCE COMMISSION, 00-0233/0335
LaHarpe Telephone Co. 1
Date 6-19-01 Reporter CB

1. Q. Please state your name and business address.

A. My name is Leigh C. Sickinger. My business address is 993 Clocktower Drive, Suite A, Springfield, Illinois 62704.

2. Q. By whom are you employed and in what capacity?

A. I am a Certified Public Accountant and a partner in the firm of Kiesling Associates LLP. In addition to our Springfield, Illinois office, the firm has offices located in Wisconsin, Iowa and Colorado. The firm was founded in 1952 in Madison, Wisconsin and is currently providing accounting, auditing, consulting and other financial services to over 200 telecommunications and public utility entities.

3. Q. Please outline your educational background and business experience.

A. I graduated from the University of Wisconsin-Madison in 1966 with Bachelor of Business Administration degree with a major in accounting. Upon graduation, I was employed by Kiesling Associates in the firm's Madison, Wisconsin office. I was involved in providing accounting, auditing, financing and other financial services including testifying before the Wisconsin Public Service Commission as an expert witness on behalf of our Wisconsin clients for construction authority, financing, rate increases and other matters.

In June of 1978, I transferred to the Springfield office as Partner-in-Charge and remained in that position through December 31, 2000. During this time and up to the current date, I have been involved in providing auditing, accounting, consulting, financing and other services to the Firm's Illinois clients including

testifying before the Illinois Commerce Commission on numerous occasions as an expert witness regarding financing, rate matters, and other financial matters. In addition, I was the principal compiler of the draft of the small companies cost allocation manual, which was submitted by the Illinois Telephone Association to the Illinois Commerce Commission's staff for review, revision, and finalization prior to the subsequent issuance of an order by this Commission establishing 83 Ill. Adm. Code Part 712, Cost Allocation for Small Local Exchange Carriers.

4. Q. Have you previously presented testimony before regulatory commissions?
- A. Yes. As mentioned above, I have presented testimony before the Wisconsin Public Service Commission and Illinois Commerce Commission on numerous occasions.
5. Q. What is your relationship with LaHarpe Telephone Company, Inc.?
- A. I am an independent CPA providing auditing, accounting, income tax, financial statement preparation, consulting and other related accounting and regulatory services to the Company.
6. Q. What is the purpose of your testimony?
- A. The purpose of my testimony is to present the results of an earnings analysis for LaHarpe Telephone Company, Inc. This analysis is being presented to determine whether the Company qualifies for state universal service support based on its rate of return.

7. Q. Does your testimony include any exhibits, and were these prepared by you or under your direction?
- A. Yes, my testimony includes LaHarpe Telephone Company, Inc. Exhibit 1, Schedule 1.01, which is the earnings analysis of the Company that I prepared or was prepared under my supervision.
8. Q. What is the source of the amounts used in the Company's earnings analysis?
- A. LaHarpe Telephone Company, Inc. Exhibit 1, Schedule 1.01, Page 1 of 3 attached to my testimony shows the results of the Company's earnings analysis. The sources of the amounts used in this analysis are from the Annual Report of LaHarpe Telephone Company, Inc. to the Illinois Commerce Commission for the Calendar Year Ended December 31, 2000 and from the Company's underlying records including an ICC Trial Balance Report December 31, 2000 generated from our accounting software. The Company has provided a copy of the ICC Trial Balance Report December 31, 2000 to the Commission Staff in support of the Company's Exhibit 1, Schedule 1.01.
9. Q. Please summarize the results of the Company's earnings analysis shown on LaHarpe Telephone Company, Inc. Exhibit 1, Schedule 1.01, Page 1 of 3, as it relates to the intrastate universal service fund proposed to be established at the conclusion of this proceeding.
- A. The analysis shows that the Company has a return on rate base, or rate of return (ROR) of 5.42%. This is shown on line 23. The computations shown on lines 24 through 35 indicate that the Company has an ROR funding deficiency including

income taxes of \$297,391. This amount is shown on line 28. This means the Company has a need for state universal service support based on the Company's earnings level in the amount of \$297,391. These results reflect an adjustment to total operating revenues by subtracting Illinois high cost funds received by the Company during 2000 and an adjustment to net regulated plant.

10. Q. Why are total year 2000 operating revenues shown on line 14 of Schedule 1.01 reduced by an amount for Illinois high cost funds received during 2000 on line 15?
- A. The \$225,900 amount on line 15 is the total support LaHarpe Telephone Company, Inc. received from the Illinois Universal Service Fund and DEM Fund for the year 2000. Since these funds expire on September 30, 2001, the amounts the Company received from these funds during 2000 must be subtracted from operating revenues for purposes of this presentation.
11. Q. Please explain the adjustments you have made in the earnings analysis shown on line 1 of Schedule 1.01 increasing net regulated plant in the amount of \$15,795?
- A. This amount represents the investment in RTB Class B stock. This is Standard Adjustment #1 covered by testimony presented by Robert C. Schoonmaker in this proceeding. The amount is reflected in Account 1402.19 as shown on the Company's trial balance presented by the Company to the Staff of the Illinois Commerce Commission in this proceeding.
12. Q. Does the Company's ICC Trial Balance Report December 31, 2000 and Form 23A reflect true and actual results?

A. As stated in our Accountant's Report that is included in Form 23A as filed with the Illinois Commerce Commission for the year 2000, we have prepared the financial statements and supplementary information included in the prescribed form, Illinois Commerce Commission Form 23A in accordance with Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We compiled these financial statements from financial statements for the same period, which we previously audited as indicated in our Auditors' Report dated January 30, 2001. The Company's financial statements and records are in accordance with Generally Accepted Accounting Principles (GAAP) and 83 Ill. Adm. Code Part 710, Uniform Accounts for Telecommunications Carriers.

13. Q. Are you aware of any other known and measurable changes to the Company's actual calendar year 2000 results that would impact the earnings analysis?

A. No. I am not aware of any other changes that are known and measurable.

14. Q. Please summarize your testimony?

A. The earnings analysis for LaHarpe Telephone Company, Inc. shows a ROR Funding Deficiency based on actual results for the year ended December 31, 2000 plus known and measurable changes. The amount of this deficiency is \$297,391. Based on the results of this earnings analysis, LaHarpe Telephone Company, Inc. should receive annual state universal service support in the amount of \$297,391.

15. Q. Does that conclude your Direct Testimony?

A. Yes.

LaHarpe Telephone Company
 Illinois Universal Service Funding Calculation
 Based upon ICC Form 23A Report Data for December 31, 2000

<u>Line #</u>	<u>Description</u>	<u>Source</u>	<u>Amount</u>	<u>Adjustment</u>	<u>Adjusted Amount</u>
1	Net Regulated Plant	Form 23A, P 8, Net Plant	\$ 2,960,300	\$ 15,795	\$ 2,976,095
2	Materials and Supplies Inventory	Page 2, 13-Month Average	78,784		78,784
3	Customer Deposits	Form 23A, P 8, 4040	8,062	-	8,062
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	-	-	-
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			3,046,817
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 14, Total	1,144,362	-	1,144,362
8	Less: Depreciation Expense	Form 23A, P 13, 6560	326,183	-	326,183
9	Total WC Operating Expense	line 7 - line 8	818,179	-	818,179
10	WC OE Requirement	line 9 * 45 / 360			102,272
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			102,272
13	Total Rate Base	line 5 + line 12			3,149,089
14	Total Operating Revenues	Form 23A, P 11, Total	1,652,303	-	1,652,303
15	Less: Illinois High Cost Fund		225,900	-	225,900
16	Net Operating Revenues	line 14 - line 15	1,426,403	-	1,426,403
17	Total Operating Expenses	Form 23A, P 14, Total	1,144,362	-	1,144,362
18	Other Operating Inc and Exp - Net	Form 23A, P 15, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 15, 7240	3,181	-	3,181
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	278,860	-	278,860
21	Income Tax Expense	line 34			108,027
22	Net Operating Income	line 20 - line 21			170,833
23	Return on Rate Base	line 22 / line 13			5.42%
24	After-tax Cost of Capital				11.21%
25	Target Net Operating Income	line 24 * line 13			353,013
26	Adj to Achieve Target Return on RB	line 25 - line 22			182,180
27	Gross Revenue Conversion Factor	line 35			1.6324
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			297,391
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			278,860
31	Illinois Inc & Rep Tax Expense	line 30 * 7.18%			20,022
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			258,838
33	Federal Income Tax Expense	line 32 * 34.00%			88,005
34	Total Imputed Income Tax Expense	line 31 + line 33			108,027
35	Gross Revenue Conversion Factor	1 / ((1 - .0718) * (1 - .34))			1.6324

LaHarpe Telephone Company
Illinois Universal Service Funding Calculation
Based upon ICC Form 23A Report Data for December 31, 2000
Material & Supplies Worksheet and Other Information

Line #		
1	December-99	\$79,806
2	January-00	\$79,806
3	February-00	\$79,806
4	March-00	\$79,806
5	April-00	\$79,806
6	May-00	\$79,806
7	June-00	\$78,090
8	July-00	\$78,090
9	August-00	\$78,090
10	September-00	\$78,090
11	October-00	\$78,090
12	November-00	\$78,090
13	December-00	\$76,821
14	13 Month Average	\$78,784

Sale/Lease Back Arrangement

- The company does not have any sale(s)/lease back arrangement.
 The company does have sale(s)/lease back arrangement and has provided additional information to staff.

Lease Agreement with Affiliates

- The company does not have any lease agreements with affiliates.
 The company does have lease agreements with affiliates and has provided additional information to staff.

Trial Balances

The Company has provided a copy of its 12/31/2000 trial balance in support of the attached exhibits.

LaHarpe Telephone Company
 Illinois Universal Service Funding Calculation
 Based upon ICC Form 23A Report Data for December 31, 2000
 Operating Revenues By Category

<u>Line #</u>		<u>Source</u>	<u>Amount</u>
1	Local Revenues	Form 23A, P 10, Total Local Network Service Revenues	\$ 190,228
2	State Subscriber Line Charges	Trial Balance 12/31/00	\$ 113,443
3	State Access Revenues	Trial Balance 12/31/00	\$ 141,427
4	State High Cost Support	Exhibit X, Line 15	\$ 225,900
5	State Special Access Revenues	Trial Balance 12/31/00	\$ 7,047
6	Total State Access & Local Revenues	Sum (Ln 1 - 5)	\$ 678,045
7	Federal Subscriber Lines Charges	Trial Balance 12/31/00	\$ 50,474
8	Federal Access Revenues	Trial Balance 12/31/00	\$ 294,560
9	Federal High Cost Support	Trial Balance 12/31/00	\$ 603,342
10	Federal Special Access Revenues	Trial Balance 12/31/00	\$ 4,879
11	Total Federal Access Revenues	Sum (Ln 7 - 10)	\$ 953,255
12	Misc Revenues	Trial Balance 12/31/00	\$ 21,003
13	Total Operating Revenues	Ln 6 + Ln 11 + Ln 12	<u>\$ 1,652,303</u>