

PUBLIC

Frontier Communications Corporation
Form 1.01 - IL SUSF Funding Deficiency Calculation

Docket No. 16-0378
Frontier Ex. 2.07

Frontier Communications - DePue
 Illinois Universal Service Funding Calculation
 Based upon ICC Form 23A Report Data for December 31, 2015

| <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 | Materials and Supplies Inventory | Page 2, 13-Month Average | | | |
| 3 | Customer Deposits | Form 23A, P 8, 4040 | | - | |
| 4 | ADIT - Regulated Plant | Form 23A, P 8, 4100 + 4340 | | - | |
| 5 | Rate Base before Working Capital | line 1 + line 2 - line 3 - line 4 | | | |
| 6 | Working Capital Requirement | | | | |
| 7 | Total Operating Expenses | Form 23A, P 11, Total | | - | |
| 8 | Less: Depreciation Expense | Form 23A, P 11, 6560 | | - | |
| 9 | Total WC Operating Expense | line 7 - line 8 | | - | |
| 10 | WC OE Requirement | line 9 * 45 / 360 | | | |
| 11 | Commission-Ordered Cash Balance Requirement | | | - | |
| 12 | Total Working Capital Requirement | line 10 + line 11 | | | |
| 13 | Total Rate Base | line 5 + line 12 | | | |
| 14 | Total Operating Revenues | Form 23A, P 9, Total | | - | |
| 15 | Less: Illinois Universal Service Fund | Page 3, Line 4 | | - | |
| 16 | Net Operating Revenues | line 14 - line 15 | | - | |
| 17 | Total Operating Expenses | Form 23A, P 11, Total | | - | |
| 18 | Other Operating Inc and Exp - Net | Form 23A, P 12, 7100 | | - | |
| 19 | Other Operating Taxes | Form 23A, P 12, 7240 | | - | |
| 20 | Net Op Inc before Income Taxes | line 16 - lines 17, 18, & 19 | | - | |
| 21 | Income Tax Expense | line 34 | | | |
| 22 | Net Operating Income | line 20 - line 21 | | | |
| 23 | Return on Rate Base | line 22 / line 13 | | | |
| 24 | After-tax Cost of Capital | | | | |
| 25 | Target Net Operating Income | line 24 * line 13 | | | |
| 26 | Adj to Achieve Target Return on RB | line 25 - line 22 | | | |
| 27 | Gross Revenue Conversion Factor | line 35 | | | |
| 28 | ROR Funding Deficiency Including Inc Taxes | line 26 * line 27 | | | |
| 29 | Calculation of Income Tax Expense | | | | |
| 30 | Net Op Inc before Inc Taxes | line 20 | | | |
| 31 | Illinois Inc & Rep Tax Expense | line 30 * 7.75% | | | |
| 32 | Net Op Inc before Fed Inc Tax | line 30 - line 31 | | | |
| 33 | Federal Income Tax Expense | line 30 * 34% | | | |
| 34 | Total Imputed Income Tax Expense | line 31 + line 33 | | | |
| 35 | Gross Revenue Conversion Factor | 1 / ((1 - 0.0775) * (1 - 0.34)) | | | |