

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
RATE OF RETURN
HISTORICAL COST ANALYSIS SUMMARY (\$000)

----- COMMON LINE -----						
HISTORICAL DATA PERIOD 2009		SUBJECT TO SEPARATIONS	PAY PHONE	INSIDE WIRE	BFP	TOTAL COMMON LINE
		(D)	(I)	(J)	(K)	(L)
<u>REVENUES</u>						
100	Network Access	N/A	N/A	N/A	N/A	544,523
110	Uncollectibles	N/A	N/A	N/A	N/A	10
120	Common Line Support	N/A	N/A	N/A	N/A	0
130	Long Term Support * (NOTE 1)	N/A	N/A	N/A	N/A	0
135	Interstate Common Line Support * (NOTE 1)	N/A	N/A	N/A	N/A	839,827
140	Transitional	N/A	N/A	N/A	N/A	0
150	Miscellaneous	N/A	N/A	N/A	N/A	0
160	Net Revenues	N/A	N/A	N/A	N/A	1,384,340
<u>EXPENSES</u>						
170	Plant Specific	1,102,280	0	0	168,222	168,222
171	Network Support	21,622	0	0	3,755	3,755
172	General Support	251,738	0	0	43,671	43,671
173	Central Office	585,392	0	0	27,804	27,804
174	Operator Systems	298	0	0	0	0
175	COE Switching	410,417	0	0	0	0
176	COE Transmission	174,676	0	0	27,804	27,804
177	IOT	96	0	0	6	6
178	Cable & Wire Facilities	418,109	0	0	92,985	92,985
180	Plant Non Specific excl Depr & Amort	354,227	0	0	62,091	62,091
190	Depreciation/Amortization	1,322,378	0	0	223,692	223,692
200	Customer Operations	461,814	0	0	47,580	47,580
201	Marketing	97,454	0	0	15,646	15,646
202	Local Business Office	192,785	0	0	26,760	26,760
203	Revenue Accounting	131,734	0	0	3,116	3,116
204	Other Billing and Collections	61,670	0	0	3,087	3,087
210	Access	N/A	N/A	N/A	N/A	0
215	Universal Service Contributions* (NOTE 2)	N/A	N/A	N/A	N/A	80,377
220	Corporate Operations	875,852	0	0	146,917	146,917
230	AFUDC	18,593	0	0	3,407	3,407
240	Other Expenses and Adjustments	(1,143)	0	0	12	12
250	Taxes Other than FIT	149,358	0	0	33,455	33,455
260	Total Expenses and Other Taxes	4,246,172	0	0	678,562	758,939
<u>NECA ADJUSTMENTS</u>						
261	NECA Administrative Expenses	N/A	0	0	29,539	29,539
262	Average Schedule Settlements	N/A	0	0	235,580	235,580
263	Adjustment for Line Port/TIC	0	0	0	129,766	129,766
264	Total NECA Adjustments	0	0	0	394,885	394,885
<u>FIT ADJUSTMENTS</u>						
270	Adjustments for FIT	153,274	0	0	28,801	28,801
280	Amortized ITC	45	0	0	(13)	(13)
290	Federal Income Taxes	241,151	0	0	44,854	44,854
300	TOTAL EXPENSES AND TAXES	4,487,323	0	0	1,118,300	1,198,677
<u>TELEPHONE PLANT IN SERVICE</u>						
310	General Support	2,918,941	0	0	504,835	504,835
320	Central Office Equipment - Switch	2,477,127	0	0	0	0
321	Operator Systems	7,420	0	0	0	0
322	Tandem Switching	85,236	0	0	0	0
323	Local Switching Cat 3	2,380,279	0	0	0	0
324	Equal Access	4,192	0	0	0	0
330	Central Office Equipment - Trans	4,773,646	0	0	696,231	696,231
331	Subscriber Line	3,825,924	0	0	696,231	696,231
332	Exchange Circuit	947,722	0	0	0	0
333	Interexchange Circuit	2,839,460	0	0	0	0
334	Host Remote	160,955	0	0	0	0
340	Cable and Wire	13,353,442	0	0	2,963,657	2,963,657
341	Subscriber Line	12,035,246	0	0	2,963,657	2,963,657
342	Exchange	773,629	0	0	0	0
343	Interexchange Circuit	383,612	0	0	0	0
344	Host Remote	160,955	0	0	0	0
350	Info Orig/Term Equipment	4,636	0	0	1,151	1,151
360	Amortizable Assets	112,004	0	0	14,626	14,626
370	Total Plant in Service	23,639,797	0	0	4,180,499	4,180,499
<u>ADJUSTMENTS TO TPIS</u>						
380	Depreciation/Amortization Reserve	15,161,282	0	0	2,574,038	2,574,038
390	Accum. Deferred Income Tax	353,718	0	0	61,154	61,154
400	Other Rate Base Adjustments	609,586	0	0	105,021	105,021
<u>RETURN DATA</u>						
410	Average Rate Base	8,734,383	0	0	1,650,329	1,650,329
420	Return	982,618	0	0	185,662	185,662
430	Rate of Return	11.25%	11.25%	11.25%	11.25%	11.25%

NOTE 1: Effective 7/1/04, Long-Term Support is folded into Interstate Common Line Support (ICLS). ICLS is recovered.

NOTE 2: Universal service include amounts for both Cost and Average Schedule companies.