

Apportionment Methods and Percents to SPNP

Fort Bend Telephone Company
 SPNP

Investments	Required Function	Part 32 Account	Apportionment Method	Percent SPNP	End User Service	Database Query
PC for Database	Required for Database Queries	2124	Direct	100%	0%	100%
SPNP Hardware	Capability to Store SPNP Records Provide Ability to Set-up Customer Accounts & Billing	2212	Direct	100%	99.5%	0.5%
SPNP Software	Software Upgrades for SPNP	2212	Direct	100%	99.5%	0.5%

Expenses	Required Function	Part 32 Account	Apportionment Method	Percent SPNP	End User Service	Database Query
Modify & Upgrade Switch	Labor to Upgrade SPNP Hardware & Software	6212	Direct	100%	99.5%	0.5%
SPNP Design, Testing and Implementation	System Design, Testing & Maintenance	6212	Direct	100%	99.5%	0.5%
Programming	Internal Programming Labor to Modify Systems	6212	Direct	100%	99.5%	0.5%
SPNP Charges	Interim Fees Paid to SWB Prior to SPNP Implementation	6212	Direct	100%	100%	0%
Database Query Charges	External Fees from Database Vendor	6212	Direct	100%	0%	100%
Database Connectivity	Transport Fees to Connect to SPNP Database	6212	Direct	100%	100%	0%
Project Management	Planning & Coordination of Implementation	6212	Direct	100%	99.5%	0.5%

Chart 1

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Total Installed Investment and Expenses

Total Installed Investment Dedicated	Account	Total	Year 1	Year 2	Year 3	Year 4	Year 5
PC Computer for Database	2124	4,000	4,000	0	0	0	0
Switch Hardware Upgrade	2212	140,000	140,000	0	0	0	0
Switch Software Upgrade	2212	220,000	220,000	0	0	0	0
Total Investment		364,000	364,000	0	0	0	0

Total Expenses Dedicated	Account	Total	Year 1	Year 2	Year 3	Year 4	Year 5
Modify & Upgrade Switch	6212	13,708	13,708	0	0	0	0
SPNP Design, Testing and Implementation	6212	39,958	15,958	6,000	6,000	6,000	6,000
Programming	6212	220,048	180,048	10,000	10,000	10,000	10,000
SPNP Charges	6212	140	140	0	0	0	0
Database Query Charges	6212	4,733	207	426	878	1,357	1,864
Database Connectivity	6212	76,878	22,759	12,936	13,324	13,724	14,135
Project Management	6728	17,060	17,060	0	0	0	0
Total Expenses		372,525	249,880	29,362	30,202	31,081	31,999

Chart 2

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Apportionment of Costs

Apportionment of Investment to End User Service	Apportionment Method	Apportionment Percent	Total	Year 1	Year 2	Year 3	Year 4	Year 5
Switch Hardware Upgrade	Direct Assignment	99%	138,600	138,600	0	0	0	0
Switch Software Upgrade	Direct Assignment	99%	217,800	217,800	0	0	0	0
Total Investment			356,400	356,400	0	0	0	0

Apportionment of Expenses to End User Service	Apportionment Method	Apportionment Percent	Total	Year 1	Year 2	Year 3	Year 4	Year 5
Modify & Upgrade Switch	Direct Assignment	99%	13,571	13,571	0	0	0	0
SPNP Design, Testing and Implementation	Direct Assignment	99%	39,558	15,798	5,940	5,940	5,940	5,940
SPNP Charges	Direct Assignment	100%	140	140	0	0	0	0
Database Connectivity	Direct Assignment	100%	76,878	22,759	12,936	13,324	13,724	14,135
Programming	Direct Assignment	99%	217,848	178,248	9,900	9,900	9,900	9,900
Project Management	Direct Assignment	99%	16,889	16,889	0	0	0	0
Total Expenses			364,884	247,405	28,776	29,164	29,564	29,975

Apportionment of Investment to Database Query	Apportionment Method	Apportionment Percent	Total	Year 1	Year 2	Year 3	Year 4	Year 5
PC Computer for Database	Direct Assignment	100%	4,000	4,000	0	0	0	0
Switch Hardware Upgrade	Direct Assignment	1%	1,400	1,400	0	0	0	0
Switch Software Upgrade	Direct Assignment	1%	2,200	2,200	0	0	0	0
Total Investment			7,600	7,600	0	0	0	0

Apportionment of Expenses to Database Query	Apportionment Method	Apportionment Percent	Total	Year 1	Year 2	Year 3	Year 4	Year 5
Modify & Upgrade Switch	Direct Assignment	1%	137	137	0	0	0	0
SPNP Design, Testing and Implementation	Direct Assignment	1%	400	160	60	60	60	60
Programming	Direct Assignment	1%	2,200	1,800	100	100	100	100
Database Query Charges	Direct Assignment	100%	4,733	207	426	878	1,357	1,864
Project Management	Direct Assignment	1%	171	171	0	0	0	0
Total Expenses			7,641	2,475	586	1,038	1,517	2,024

Chart 3

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End User Service

Revenue Requirement	Source	Total	Year 1	Year 2	Year 3	Year 4	Year 5
Investment Costs							
1. Installed Investment	Chart 2 Total Investment	356,400	356,400	356,400	356,400	356,400	356,400
2. Power & Common Plant	Line 1 * .04	14,256	14,256	14,256	14,256	14,256	14,256
3. Total Investment	Line 1 + Line 2	370,656	370,656	370,656	370,656	370,656	370,656
4. Capacity Investment	Line 3 / .9	411,840	411,840	411,840	411,840	411,840	411,840
5. Utilized Investment	Line 4 * 1	411,840	411,840	411,840	411,840	411,840	411,840
Capital Costs							
6. Salvage		0	0	0	0	0	0
7. Depreciation Expense	Straight Line 5 Years	411,840	82,368	82,368	82,368	82,368	82,368
8. Depreciation Reserve	L7 (Prev LTD + Cur/2)	205,920	41,184	123,552	205,920	288,288	370,656
9. Net Investment	Line 5 - Line 8	205,920	370,656	288,288	205,920	123,552	41,184
10. Return on Investment	Line 9 * 11.35%	115,830	41,699	32,432	23,166	13,900	4,633
11. Income Taxes	Line 10 * 38%	44,016	15,846	12,324	8,803	5,282	1,761
12. Property Taxes	Line 5 * 1.4%	28,830	5,766	5,766	5,766	5,766	5,766
13. Total Capital Costs	L7 + L10 + L11 +L12	600,516	145,679	132,890	120,103	107,316	94,528
Annual Expenses							
14. Recurring SPNP Expenses	Chart 2 Expense Total	364,884	247,405	28,776	29,164	29,564	29,975
15. Maintenance Expenses	Line 5 * 6.67%	24,337	16,502	1,919	1,945	1,972	1,999
16. Total Annual Expenses	Line 14 + Line 15	389,221	263,907	30,695	31,109	31,536	31,974
Annualized Cost							
17. Present Worth Factors	1/(1 + 0.1125)^year		1.0000	0.8989	0.8080	0.7263	0.6528
18. Capital Cost Present Worth	Line 13 * Line 17	501,829	145,679	119,455	97,043	77,944	61,708
19. Expenses Present Worth	Line 16 * Line 17	360,412	263,907	27,592	25,136	22,904	20,873
20. Capital & Expenses Cost	Line 18 + Line 19	862,241	409,586	147,047	122,179	100,848	82,581
21. Overhead Costs	Line 20 * 31.57%	272,210	129,306	46,423	38,572	31,838	26,071
22. Levelized Total Annual Costs	Line 20 + Line 21	1,134,451	538,892	193,470	160,751	132,686	108,652
Rate Development							
23. Annual Costs	Line 22	1,134,451	538,892	193,470	160,751	132,686	108,652
24. Portable Lines	Demand Worksheet	199,212	46,205	42,780	39,607	36,671	33,949
25. 5-Year Annual Cost per Portable Line	Line 21 / Line 24	\$5.69	\$11.66	\$4.52	\$4.06	\$3.62	\$3.20

26. Monthly Cost per Portable Line

\$0.47

Chart 4

Fort Bend Telephone Company
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Database Query

Revenue Requirement	Source	Total	Year 1	Year 2	Year 3	Year 4	Year 5
Investment Costs							
1. Installed Investment	Chart 2 Total Investment	7,600	7,600	7,600	7,600	7,600	7,600
2. Power & Common Plant	Line 1 * .04	304	304	304	304	304	304
3. Total Investment	Line 1 + Line 2	7,904	7,904	7,904	7,904	7,904	7,904
4. Capacity Investment	Line 3 / .9	8,782	8,782	8,782	8,782	8,782	8,782
5. Utilized Investment	Line 4 * 1	8,782	8,782	8,782	8,782	8,782	8,782
Capital Costs							
6. Salvage		0	0	0	0	0	0
7. Depreciation Expense	Straight Line 5 Years	8,782	1,756	1,756	1,756	1,756	1,756
8. Depreciation Reserve	L7 (Prev LTD + Cur/2)	4,391	878	2,635	4,391	6,147	7,904
9. Net Investment	Line 5 - Line 8	4,391	7,904	6,147	4,391	2,635	878
10. Return on Investment	Line 9 * 11.35%	2,470	889	692	494	296	99
11. Income Taxes	Line 10 * 38%	939	338	263	188	112	38
12. Property Taxes	Line 5 * 1.4%	615	123	123	123	123	123
13. Total Capital Costs	L7 + L10 + L11 +L12	12,806	3,106	2,834	2,561	2,287	2,016
Annual Expenses							
14. Recurring SPNP Expenses	Chart 2 Expense Total	7,641	2,475	586	1,038	1,517	2,024
15. Maintenance Expenses	Line 5 * 6.67%	509	165	39	69	101	135
16. Total Annual Expenses	Line 14 + Line 15	8,150	2,640	625	1,107	1,618	2,159
Annualized Cost							
17. Present Worth Factors	$1/(1 + 0.1125)^{\text{year}}$		1.0000	0.8989	0.8080	0.7263	0.6528
18. Capital Cost Present Worth	Line 13 * Line 17	10,701	3,106	2,548	2,070	1,661	1,316
19. Expenses Present Worth	Line 16 * Line 17	6,681	2,640	562	895	1,175	1,409
20. Capital & Expenses Cost	Line 18 + Line 19	17,382	5,746	3,110	2,965	2,836	2,725
21. Overhead Costs	Line 20 * 31.57.89%	5,487	1,814	982	936	895	860
22. Levelized Total Annual Costs	Line 20 + Line 21	22,869	7,560	4,092	3,901	3,731	3,585
Rate Development							
23. Annual Costs	Line 22	22,869	7,560	4,092	3,901	3,731	3,585
24. Annual Database Queries		1,563,619	92,410	171,118	316,859	440,051	543,182
25. Monthly Cost per Query	Line 21 / Line 24	\$0.014626	\$0.081809	\$0.023913	\$0.012311	\$0.008479	\$0.006600

Overhead Cost Loadings

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Account Description (a)	Account (b)	Retail Percent (c)	Annual 2001 (d)
1 Product Management	6611	90%	425,602
2 Sales	6612	90%	1,011,913
3 Advertising	6613	90%	180,425
4 Call Completion Services	6621	100%	13,349
5 Number Services	6622	100%	704,373
6 Customer Services	6623	90%	3,300,641
7 Total Marketing & Service Expense	Sum L1 Thru L6		5,636,303
8 Retail Marketing & Service Expense	Sum L1c * L1d Thru L6c * L6d		5,144,445
9 Wholesale Marketing Service & Expense	L7 - L8		491,858
10 Total Expenses	6000		31,569,281
11 Ratio of Retail Expense to Total Expense	L9 / L10		1.56%
12 Executive	6711		2,018,667
13 Planning	6712		13,426
14 Accounting & Finance	6721		1,331,627
15 External Relations	6722		474,868
16 Human Resources	6723		577,437
17 Information Mangement	6724		1,980,357
18 Legal	6725		97,114
19 Procurement	6726		88,779
20 Research & Development	6727		0
21 Other General & Administrative	6728		176,831
22 Total Executive & Administration	Sum L12 thru L21		6,759,106
23 Support Asset Cost	L22 * L23c	10.27%	694,160
24 Total Executive & Administration	L22 +L23		7,453,266
25 Retail Portion of Common	L24 * L11		116,124
26 Executive & Administrative less Retail	L24 - L25		7,337,142
27 Network Operations	6534		689,378
28 Wholesale Marketing Service & Expense	L9 / L10		491,858
29 Total Common Costs	Sum L26 thru L28		8,518,378
30 Commission Assessment	L29 * L30c	0.60%	51,110
31 Total Adjusted Common Costs	L29 + L30		8,569,488
32 Levelized Inflation Factor			100.00%
33 Total Forward Looking Common Costs	L31 * L32		8,569,488
34 Total Forward Looking Element Expenses	(L10-L7-L24-L27) * L32		17,790,334
35 Total Revenue	5000		35,590,101
36 Total Revenue Less Common Costs	L35 - L33		27,020,613
37 Common Cost Allocator (% of Revenues)	L33 / L36		31.71%

Demand Units

Fort Bend Telephone Company
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Description	Source	Total	Year 1	Year 2	Year 3	Year 4	Year 5
Present Worth Factor							
1. Year							
2. Present Worth Factor	$1/(1 + 0.1125)^{\text{year}}$		1.0000	0.8989	0.8080	0.7263	0.6528
Portable Lines							
3. Total Access Lines	L1 + L2 - L3	245,310	46,205	47,591	49,019	50,490	52,005
4. PW Units in Service	L2 * L6	199,212	46,205	42,780	39,607	36,671	33,949
Database Query							
5. Units per Year		2,112,886	92,410	190,364	392,152	605,880	832,080
6. PW Units in Service	L2 * L5	1,563,619	92,410	171,118	316,859	440,051	543,182

Demand Assumptions

7. Assume all lines SPNP capable in 2002
8. Estimated queries per line per day: 2 in 2002, 4 in 2003, 8 on 2004, 12 in 2005, 16 in 2006
9. Estimated Access line growth of 1%

SPNP Cost Support

Fort Bend Direct Costs

	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
<u>Switching</u>					
Software Upgrade	2212	220,000			
Hardware Upgrade	2212	140,000			
		360,000	0	0	0
<u>Direct Fort Bend Costs</u>					
Modify Switch	6212	5,272			
SPNP Design Support	6212	4,394			
SPNP Testing	6212	4,394			
Process Training	6212	2,636			
Change Mangement	6212	879			
Implementation Support	6212	3,515			
Non-Labor Loadings	6212	8,436			
SS7 Connectivity	6212	2,959	3,048	3,139	3,234
Annual Maintenance	6212		6,000	6,000	6,000
Total		32,485	9,048	9,139	9,234
				9,234	9,331
<u>Database Query Charges</u>		207	426	878	1,357
				1,357	1,864
<u>Direct From Corporate</u>					
Computer Equipment	2124	4,000	0	0	0
Programming	6212	180,048	10,000	10,000	10,000
Database Connectivity	6212	19,800	9,888	10,185	10,490
Project Management	6728	17,060	0	0	0
Summary of Fort Bend Costs					
<u>Investments</u>					
Computers	2124	4,000	4,000	4,000	4,000
Switching Software	2212	220,000	220,000	220,000	220,000
Swiching Hardware	2212	140,000	140,000	140,000	140,000
Total Assets		364,000	364,000	364,000	364,000
<u>Expenses</u>					
Modify Switch	6212	13,708	0	0	0
SPNP Design Support	6212	4,394	0	0	0
SPNP Testing	6212	4,394	0	0	0
SPNP Costs	6212	140	0	0	0
Process Training	6212	2,636	0	0	0
Change Management	6212	879	0	0	0
Implemenetation Support	6212	3,515	0	0	0
Annual Maintenance	6212	0	6,000	6,000	6,000
Corporate Programming	6212	180,048	10,000	10,000	10,000
Database Connectivity	6212	19,800	9,888	10,185	10,490
Database Query Charges	6212	207	426	878	1,357
Project Management	6728	17,060	0	0	0
Total Expenses		246,781	26,314	27,063	27,847
				27,847	28,669

SPNP Rate Design

Fort Bend Direct Labor

	Days of Work	Labor Rate	Cost
Modifications to Switch	12.0	\$54.92	5,272.32
Katy			
Design			
Design Statement Completed	2.0	\$54.92	878.72
Design Statement Sign Off	2.0	\$54.92	878.72
Change ILEC Codes to Portable in 5ESS	2.0	\$54.92	878.72
Post Design Documents Completed	2.0	\$54.92	878.72
Post Design Documents Sign Off	2.0	\$54.92	878.72
			4,393.60
Testing			
Testing Plan Completed	2.0	\$54.92	878.72
Unit Test	2.0	\$54.92	878.72
System Test	2.0	\$54.92	878.72
Quality Assurance Test	2.0	\$54.92	878.72
User Acceptance Test	2.0	\$54.92	878.72
			4,393.60
Process Training			
SPNP Overview-Cust Srvc and Op Srvc	2.0	\$54.92	878.72
Port Out and Port In Process - Cust Srvc	2.0	\$54.92	878.72
Operator Services - Trouble on Ported Out Numbers	2.0	\$54.92	878.72
			2,636.16
Change Management Request Completed	2.0	\$54.92	878.72
			878.72
Implementation			
Implementation Planning	2.0	\$54.92	878.72
Implementation	2.0	\$54.92	878.72
Production Support Turnover	2.0	\$54.92	878.72
Post Implementation Support	2.0	\$54.92	878.72
			3,514.88

SPNP Net Income Worksheet

Fort Bend Telephone Company

Initial Costs

Description	Total	Year 1	Year 2	Year 3	Year 4	Year 5
1. Total SPNP Investment	364,000	364,000	0	0	0	0
2. Total SPNP Expenses	372,525	249,880	29,362	30,202	31,081	31,999

Cost Summary

Annualized 5-Year Costs	End User Service	Database Query
3. Capital Costs Present Worth	501,829	10,701
4. Expenses Present Worth	360,412	6,681
5. Overhead Costs	272,210	5,487
6. Total 5-Year Levelized Costs	1,134,451	22,869
7. Total 5-Year Billable Units	199,212	1,563,619
8. ILEC Monthly Rate	\$0.47	\$0.014626

Annual Revenue

Description	Total	Year 1	Year 2	Year 3	Year 4	Year 5
9. End User Service Billable Units	199,212	46,205	42,780	39,607	36,671	33,949
10. End User Service Rate	\$0.47	\$0.47	\$0.47	\$0.47	\$0.47	\$0.47
11. End User Service Revenue	\$1,134,468	\$263,124	\$243,624	\$225,552	\$208,836	\$193,332
12. Database Query Billable Units	1,563,619	92,410	171,118	316,859	440,051	543,182
13. Database Query Rate	\$0.014626	\$0.014626	\$0.014626	\$0.014626	\$0.014626	\$0.014626
14. Database Query Revenue	\$22,869	\$1,352	\$2,503	\$4,634	\$6,436	\$7,944
15. Total Revenue	\$1,157,337	\$264,476	\$246,127	\$230,186	\$215,272	\$201,276

Annual Costs

16. Total End User Service Costs	1,134,451	538,892	193,470	160,751	132,686	108,652
17. Total Database Query Costs	22,869	7,560	4,092	3,901	3,731	3,585
18. Total Costs	1,157,320	546,452	197,562	164,652	136,417	112,237

Net Income

19. Total End User Service Net Income	\$17	(\$275,768)	\$50,154	\$64,801	\$76,150	\$84,680
20. Total Database Query Net Income	\$0	(\$6,208)	(\$1,589)	\$733	\$2,705	\$4,359
21. Total Net Income	\$17	(\$281,976)	\$48,565	\$65,534	\$78,855	\$89,039