

Chart 1

Lufkin Conroe Telephone Company

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	4,699	4,699	0	0	0	0
Switch Hardware Upgrade	2212	292,982	140,000	0	0	152,982	0
Switch Software Upgrade	2212	460,400	220,000	0	0	240,400	0
Total Investment		758,081	364,699	0	0	393,382	0

Total Expenses Dedicated	Account	Total	Year 1	Year 2	Year 3	Year 4	Year 5
Modify & Upgrade Switch	6212	43,409	43,409	0	0	0	0
LNP Design, Testing and Implementation	6212	88,861	40,861	12,000	12,000	12,000	12,000
Programming	6212	134,166	107,434	5,874	5,874	7,492	7,492
SPNP Charges	6212	508	508	0	0	0	0
Database Query Charges	6212	624,318	93,021	101,865	111,156	154,990	163,286
Database Connectivity	6212	75,922	21,960	12,113	12,476	14,469	14,903
Project Management	6728	20,043	20,043	0	0	0	0
Total Expenses		987,227	327,236	131,852	141,506	188,952	197,681

Chart 2

Lufkin Conroe Telephone Company

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
PC Computer for Database	Direct Assignment	0%	0	0	0	0	0	0
Switch Hardware Upgrade	Direct Assignment	99%	290,052	138,600	0	0	151,452	0
Switch Software Upgrade	Direct Assignment	99%	455,796	217,800	0	0	237,996	0
Total Investment			745,848	356,400	0	0	389,448	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%	42,975	42,975	0	0	0	0
LNP Design, Testing and Implementation	Direct Assignment	99%	87,972	40,452	11,880	11,880	11,880	11,880
SPNP Charges	Direct Assignment	100%	508	508	0	0	0	0
Database Connectivity	Direct Assignment	100%	75,922	21,960	12,113	12,476	14,469	14,903
Database Query Charges	Direct Assignment	93%	578,394	86,179	94,372	102,979	143,589	151,275
Programming	Direct Assignment	99%	132,824	106,360	5,815	5,815	7,417	7,417
Project Management	Direct Assignment	99%	19,842	19,842	0	0	0	0
Total Expenses			938,437	318,276	124,180	133,150	177,356	185,475

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%	4,699	4,699	0	0	0	0
Switch Hardware Upgrade	Direct Assignment	1%	2,930	1,400	0	0	1,530	0
Switch Software Upgrade	Direct Assignment	1%	4,604	2,200	0	0	2,404	0
Total Investment			12,233	8,299	0	0	3,934	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%	434	434	0	0	0	0
LNP Design, Testing and Implementation	Direct Assignment	1%	889	409	120	120	120	120
Programming	Direct Assignment	1%	1,342	1,074	59	59	75	75
Database Query Charges	Direct Assignment	7%	45,924	6,842	7,493	8,176	11,401	12,011
Project Management	Direct Assignment	1%	201	201	0	0	0	0
Total Expenses			48,790	8,961	7,672	8,355	11,596	12,206

Chart 3

Lufkin Conroe Telephone Company

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	745,848	356,400	356,400	356,400	745,848	745,848
2. Power & Common Plant	Line 1 * .04	29,834	14,256	14,256	14,256	29,834	29,834
3. Total Investment	Line 1 + Line 2	775,682	370,656	370,656	370,656	775,682	775,682
4. Capacity Investment	Line 3 / .9 (set to 1 if N/A)	775,682	370,656	370,656	370,656	775,682	775,682
5. Utilized Investment	Line 4 * 1	775,682	370,656	370,656	370,656	775,682	775,682
Capital Costs							
6. Salvage		0	0	0	0	0	0
7. Depreciation Expense	Straight Line 5 Years	775,682	74,131	74,131	74,131	276,644	276,644
8. Depreciation Reserve	L7 (Prev LTD + Cur/2)	266,333	37,066	111,197	185,328	360,716	637,360
9. Net Investment	Line 5 - Line 8	509,349	333,590	259,459	185,328	414,966	138,322
10. Return on Investment	Line 9 * 11.25%	149,812	37,529	29,189	20,849	46,684	15,561
11. Taxable Return	Line 10 * .00736002	98,011	24,552	19,096	13,640	30,542	10,181
12. Income Taxes	Line 11 * 61%	60,071	15,048	11,704	8,360	18,719	6,240
13. Property Taxes	Line 5 * 1.4%	37,287	5,189	5,189	5,189	10,860	10,860
14. Total Capital Costs	L7 + L10 + L12 +L13	1,022,852	131,897	120,213	108,529	352,907	309,305
Annual Expenses							
15. Recurring LNP Expenses	Chart 2 Expense Total	938,437	318,276	124,180	133,150	177,356	185,475
16. Maintenance Expenses	Line 5 * 6.67%	62,594	21,229	8,283	8,881	11,830	12,371
17. Total Annual Expenses	Line 15 + Line 16	1,001,031	339,505	132,463	142,031	189,186	197,846
Annualized Cost							
18. Present Worth Factors	1/(1 + 0.1125)^year		1.0000	0.8989	0.8080	0.7263	0.6528
19. Capital Cost Present Worth	Line 14 * Line 18	785,879	131,897	108,060	87,692	256,316	201,914
20. Expenses Present Worth	Line 17 * Line 18	839,897	339,505	119,071	114,761	137,406	129,154
21. Capital & Expenses Cost	Line 19 + Line 20	1,625,776	471,402	227,131	202,453	393,722	331,068
22. Overhead Costs	N/A	0	0	0	0	0	0
23. Levelized Total Annual Costs	Line 21 + Line 22	1,625,776	471,402	227,131	202,453	393,722	331,068
Rate Development							
24. Annual Costs	Line 23	1,625,776	471,402	227,131	202,453	393,722	331,068
25. Portable Lines	Demand Worksheet	376,790	65,783	59,724	54,221	103,294	93,769
26. 5-Year Annual Cost per Portable Line	Line 24 / Line 25	\$4.31	\$7.17	\$3.80	\$3.73	\$3.81	\$3.53

27. Monthly Cost per Portable Line \$0.36

Chart 4

Lufkin Conroe Telephone Company

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	12,233	8,299	8,299	8,299	12,233	12,233
2. Power & Common Plant	Line 1 * .04	489	332	332	332	489	489
3. Total Investment	Line 1 + Line 2	12,722	8,631	8,631	8,631	12,722	12,722
4. Capacity Investment	Line 3 / .9 (set to 1 if N/A)	12,722	8,631	8,631	8,631	12,722	12,722
5. Utilized Investment	Line 4 * 1	12,722	8,631	8,631	8,631	12,722	12,722
Capital Costs							
6. Salvage		0	0	0	0	0	0
7. Depreciation Expense	Straight Line 5 Years	12,722	1,726	1,726	1,726	2,544	4,999
8. Depreciation Reserve	L7 (Prev LTD + Cur/2)	4,888	863	2,589	4,316	6,451	10,223
9. Net Investment	Line 5 - Line 8	7,834	7,768	6,042	4,316	6,271	2,500
10. Return on Investment	Line 9 * 11.35%	3,026	874	680	485	706	281
11. Taxable Return	Line 10 * .0736002	1,980	572	445	318	462	184
12. Income Taxes	Line 11 * 61%	752	217	169	121	175	70
13. Property Taxes	Line 5 * 1.4%	822	138	138	138	204	204
14. Total Capital Costs	L7 + L10 + L12 +L13	17,322	2,955	2,713	2,470	3,629	5,554
Annual Expenses							
15. Recurring LNP Expenses	Chart 2 Expense Total	48,790	8,961	7,672	8,355	11,596	12,206
16. Maintenance Expenses	Line 5 * 6.67%	2,488	457	391	426	591	623
17. Total Annual Expenses	Line 15 + Line 16	51,278	9,418	8,063	8,781	12,187	12,829
Annualized Cost							
18. Present Worth Factors	1/(1 + 0.1125)^year		1.0000	0.8989	0.8080	0.7263	0.6528
19. Capital Cost Present Worth	Line 14 * Line 18	13,652	2,955	2,439	1,996	2,636	3,626
20. Expenses Present Worth	Line 17 * Line 18	40,987	9,418	7,248	7,095	8,851	8,375
21. Capital & Expenses Cost	Line 19 + Line 20	54,639	12,373	9,687	9,091	11,487	12,001
22. Overhead Costs	N/A	0	0	0	0	0	0
23. Levelized Total Annual Costs	Line 21 + Line 22	54,639	12,373	9,687	9,091	11,487	12,001
Rate Development							
24. Annual Costs	Line 22	54,639	12,373	9,687	9,091	11,487	12,001
25. Annual Database Queries	Demand Worksheet	16,207,864	988,240	1,829,957	2,541,378	5,038,760	5,809,529
26. Monthly Cost per Query	Line 24 / Line 25	\$0.003371	\$0.012520	\$0.005294	\$0.003577	\$0.002280	\$0.002066

Demand Units

Lufkin Conroe Telephone Company

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	485,189	65,783	66,441	67,105	142,219	143,641
4. PW Units in Service	L2 * L6	376,790	65,783	59,724	54,221	103,294	93,769
Database Query							
5. Units per Year		278,713,395	41,527,266	45,475,401	49,623,050	69,192,084	72,895,593
6. PW Units in Service	L2 * L5	220,340,983	41,527,266	40,877,838	40,095,425	50,254,211	47,586,243
Database Query - Local							
5. Units per Year		256,707,137	40,539,027	43,439,628	46,477,780	62,254,510	63,996,192
6. PW Units in Service	L2 * L5	204,133,119	40,539,027	39,047,882	37,554,046	45,215,451	41,776,714
Database Query - N-1							
5. Units per Year		22,006,258	988,240	2,035,774	3,145,270	6,937,574	8,899,401
6. PW Units in Service	L2 * L5	16,207,864	988,240	1,829,957	2,541,378	5,038,760	5,809,529

Demand Assumptions

7. Assume Katy & Conroe lines LNP capable in Year 1.
8. Assume Lufkin Lines LNP capable in Year 4.
9. Estimated queries per 7 day traffic study
10. Estimated Access line growth of 1%