

**Chart 1**

Lufkin Conroe Telephone Company

**Total Installed Investment and Expenses**

<b>Total Installed Investment Dedicated</b>	<b>Account</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
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

  

<b>Total Expenses Dedicated</b>	<b>Account</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
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**

<b>Apportionment of Investment to End User Service</b>	<b>Apportionment Method</b>	<b>Apportion Percent</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
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

<b>Apportionment of Expenses to End User Service</b>	<b>Apportionment Method</b>	<b>Apportion Percent</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
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

<b>Apportionment of Investment to Database Query</b>	<b>Apportionment Method</b>	<b>Apportion Percent</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
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

<b>Apportionment of Expenses to Database Query</b>	<b>Apportionment Method</b>	<b>Apportion Percent</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
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**

<b>Revenue Requirement</b>	<b>Source</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Investment Costs</b>							
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
<b>Capital Costs</b>							
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
<b>Annual Expenses</b>							
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
<b>Annualized Cost</b>							
18. Present Worth Factors	$1/(1 + 0.1125)^{\text{year}}$		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
<b>Rate Development</b>							
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**

<b>Revenue Requirement</b>	<b>Source</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Investment Costs</b>							
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
<b>Capital Costs</b>							
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
<b>Annual Expenses</b>							
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
<b>Annualized Cost</b>							
18. Present Worth Factors	$1/(1 + 0.1125)^{\text{year}}$		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
<b>Rate Development</b>	<b>Source</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
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
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**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%