

Hargray Telephone Company
JSI Transmittal 85
Recap of Expense Changes

Total Company Unseparated Operating Expense

	2001 Cost Study	Source	2002 Cost Study	Source	Change	% Change
Total Company Account 6720 General and Administrative Expense	\$ 4,733,720	6/17/02 Att 7, Fm 10, Ln 180	\$ 11,949,827	6/16/03 Att 7, Fm 10, Ln 180	\$ 7,216,107	152.4%
Total Company Operating Expenses	\$ 38,433,853	6/17/02 Att 7, Fm 10, Ln 182	\$ 40,115,676	6/16/03 Att 7, Fm 10, Ln 182	\$ 1,681,823	4.4%

Total Company Interstate Operating Expenses

	2002/2003 Prospective Cost Study	Source	2003/2004 Prospective Cost Study	Source	Change	% Change
Total Company Account 6720 General and Administrative Expense	\$ 1,378,495	6/17/02 Att 2, Fm 9, Ln 182	\$ 3,587,594	6/16/03 Att 2, Fm 9, Ln 182	\$ 2,209,099	160.3%
Total Company Operating Expenses)	\$ 12,893,414	6/17/02 Att 2, Fm 9, Ln 184	\$ 12,708,698	6/16/03 Att 2, Fm 9, Ln 184	\$ (184,716)	-1.4%

Hargray Telephone Company
Analysis of Change in Accounting for General and Administrative Expenses
2002 Actual Cost Study Compared with 2001 Actual Cost Study

			(A) 2001 Study Balance As Filed 6/17/02	(B) Reversal of 2001 6720 Reclass for Comparison	(C) Restated 2001 Study Balance with Reversal of 6720 Reclass	(D) 2002 Study Balance As Filed 6/16/03	(E) = (D) - (C) 2002 Change from Restated 2001	(F) = (E)/(C) 2002 Change as % of Restated of 2001
Account	Description							
1	6110	Network Support	127,591	0	127,591	33,715	-93,876	-73.58%
2	6120	General Support	5,459,086	-1,423,625	4,035,461	3,939,897	-95,564	-2.37%
3	6210.1	Central Office Switch - Equal Access	0	0	0	0	0	
4	6210	Central Office Switch-All Other	2,807,533	-983,458	1,824,075	1,896,779	72,704	3.99%
5	6220	Operator Systems	35,415	-1,329	34,086	34,000	-86	-0.25%
6	6230	Central Office Transmission	567,333	-50,380	516,953	555,298	38,345	7.42%
7	6310	Info Orig / Term - Customer Premise	0	0	0	0	0	
8	6310	Info Orig / Term - Other	3,648	0	3,648	3,981	333	9.13%
9	6410	Cable and Wire Facilities	1,965,090	-543,972	1,421,118	1,360,332	-60,786	-4.28%
10		Total Plant Specific	10,965,696	-3,002,764	7,962,932	7,824,002	-138,930	-1.74%
11	6510	Other Property, Plant & Equipment	246,338	-28,606	217,732	231,418	13,686	6.29%
12	6530	Network Operations	3,266,328	-843,520	2,422,808	2,832,057	409,249	16.89%
13	6540	Access Expense	166,444		166,444	664,836	498,392	299.44%
14	6561	Depreciation	11,161,029		11,161,029	11,194,874	33,845	0.30%
15	6562	Dep Exp - Property Held for Future t	0		0	0		
16	6563	Amortization - Tangible	0		0	0		
17	6564	Amortization - Intangible	0		0	0		
18	6565	Amortization - Acquisition	0		0	0		
19	6560	Depreciation & Amortization	11,161,029		11,161,029	11,194,874	33,845	0.30%
20		Total Plant Non-Specific Operations	14,840,139	-872,126	13,968,013	14,923,185	955,172	6.84%
21	6610	Marketing	561,936	-289,757	272,179	58,589	-213,590	-78.47%
22	6620	Services	6,165,860	-1,512,163	4,653,697	4,476,732	-176,965	-3.80%
23		Total Customer Operations	6,727,796	-1,801,920	4,925,876	4,535,321	-390,555	-7.93%
24	6710	Executive and Planning	1,166,502	-463,664	702,838	883,341	180,503	25.68%
25	6720	General and Administrative	4,733,720	6,140,474	10,874,194	11,949,827	1,075,633	9.89%
26		Total Corporate Operations	5,900,222	5,676,810	11,577,032	12,833,168	1,256,136	10.85%
27	7240	Ad Valorem	1,504,802	0	1,504,802	1,420,068	-84,734	-5.63%
28	7370	Special Charges	96,668	0	96,668	9,287	-87,381	-90.39%
29	7999	Total Operating Expenses & Taxes	40,035,323	0	40,035,323	41,545,031	1,509,708	3.77%

Hargray Telephone Company
Analysis of Interstate Account 6720 - 2002/2003 to 2003/2004

Ln	Acct	Description	Allocation	Total Interstate	Common Line		Switched Access			Special Access	B&C	IX
					BFP	Pay / Other	Local Sw	Information	Transport			
<u>Projected Interstate 2003/2004 as Filed 6/16/2003</u>												
1	6720	General & Administrative	6/16//2003 Att 2, Form 9, Line 182	3,587,594	1,300,948	4,039	649,196	1,073	482,207	723,017	417,248	9,866
2		All Other Operating Expenses	Calculated: L3 - L1	9,121,104	3,269,405	22,497	1,581,307	1,773	1,317,937	2,222,762	689,128	16,295
3		Total Operating Expenses	6/16//2003 Att 2, Form 9, Line 184	12,708,698	4,570,353	26,536	2,230,503	2,846	1,800,144	2,945,779	1,106,376	26,161
<u>Projected Interstate 2002/2003 as Filed 6/17/2002</u>												
4	6720	General & Administrative	6/16//2003 Att 2, Form 9, Line 182	1,378,495	512,978	1,647	320,339	994	195,471	206,666	137,610	2,790
5		All Other Operating Expenses	Calculate: L6 - L4	11,514,919	4,779,968	10,251	2,279,019	5,247	1,732,716	1,966,797	726,199	14,722
6		Total Operating Expenses	6/16//2003 Att 2, Form 9, Line 184	12,893,414	5,292,946	11,898	2,599,358	6,241	1,928,187	2,173,463	863,809	17,512
<u>Increase (Decrease) for 2003/2004 Projected over 2002/2003 Projected</u>												
7	6720	General & Administrative	L1 - L4	2,209,099	787,970	2,392	328,857	79	286,736	516,351	279,638	7,076
8		All Other Operating Expenses	L2 - L5	(2,393,815)	(1,510,563)	12,246	(697,712)	(3,474)	(414,779)	255,965	(37,071)	1,573
9		Total Operating Expenses	L3 - L6	(184,716)	(722,593)	14,638	(368,855)	(3,395)	(128,043)	772,316	242,567	8,649
<u>% Increase -Decrease in Interstate Allocation</u>												
10	6720	General & Administrative	L7 / L1	61.58%	60.57%	59.22%	50.66%	7.36%	59.46%	71.42%	67.02%	71.72%
11		All Other Operating Expenses	L8 / L2	-26.24%	-46.20%	54.43%	-44.12%	-195.94%	-31.47%	11.52%	-5.38%	9.65%
12		Total Operating Exp & Taxes	L9 / L3	-1.45%	-15.81%	55.16%	-16.54%	-119.29%	-7.11%	26.22%	21.92%	33.06%
13		2003/2004 Interstate Net Investment	6/17/02 Att 2, Form 2, L43	15,931,543	5,745,210	9,609	3,006,009	0	2,519,297	4,651,414	0	4
14		2002/2003 Interstate Net Investment	6/16/02 Att 3, Form 2, L43	14,178,874	4,839,581	(18,131)	3,010,159	0	3,164,632	3,182,627	0	6
15		Increase (Decrease)	L13 - L14	1,752,669	905,629	27,740	(4,150)	0	(645,335)	1,468,787	0	(2)
				11.00%	15.76%	288.69%	-0.14%		-25.62%	31.58%		-50.00%