

RATE OF RETURN  
PROSPECTIVE COST ANALYSIS SUMMARY (\$000)

----- COMMON LINE -----						
TEST YEAR FORECAST 2007/2008		SUBJECT TO SEPARATIONS	PAY PHONE	INSIDE WIRE	BFP	TOTAL
		(D)	(I)	(J)	(K)	(L)
<u>REVENUES</u>						
100	Network Access	N/A	N/A	N/A	N/A	1,135,181
110	Uncollectibles	N/A	N/A	N/A	N/A	19
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	1,004,916
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	2,140,078
<u>EXPENSES</u>						
170	Plant Specific	1,752,786	0	0	267,515	267,515
171	Network Support	36,506	0	0	6,180	6,180
172	General Support	391,192	0	0	65,020	65,020
173	Central Office	821,415	0	0	31,923	31,923
174	Operator Systems	743	0	0	0	0
175	COE Switching	588,234	0	0	0	0
176	COE Transmission	232,438	0	0	31,923	31,923
177	IOT	5,285	0	0	189	189
178	Cable & Wire Facilities	498,388	0	0	164,203	164,203
180	Plant Non Specific excl Depr & Amort	575,789	0	0	96,708	96,708
190	Depreciation/Amortization	2,443,383	0	0	485,299	485,299
200	Customer Operations	831,175	0	0	76,933	76,933
201	Marketing	173,285	0	0	26,866	26,866
202	Local Business Office	379,497	0	0	43,461	43,461
203	Revenue Accounting	185,325	0	0	4,793	4,793
204	Other Billing and Collections	91,635	0	0	4,091	4,091
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	115,720
220	Corporate Operations	1,373,418	0	0	213,912	213,912
230	AFUDC	17,287	0	0	2,877	2,877
240	Other Expenses and Adjustments	(31,013)	0	0	(4,053)	(4,053)
250	Taxes Other than FIT	331,780	0	0	68,414	68,414
260	Total Expenses and Other Taxes	7,260,032	0	0	1,201,851	1,317,572
<u>NECA ADJUSTMENTS</u>						
261	NECA Administrative Expenses	N/A	0	0	30,837	30,837
262	Average Schedule Settlements	N/A	0	0	254,103	254,103
263	Adjustment for Line Port/TIC	0	0	0	214,304	214,304
264	Total NECA Adjustments	0	0	0	499,244	499,244
<u>FIT ADJUSTMENTS</u>						
270	Adjustments for FIT	179,484	0	0	31,358	31,358
280	Amortized ITC	3,605	0	0	281	281
290	Federal Income Taxes	429,575	0	0	78,447	78,447
300	TOTAL EXPENSES AND TAXES	7,689,607	0	0	1,779,542	1,895,262
<u>TELEPHONE PLANT IN SERVICE</u>						
310	General Support	4,226,792	0	0	695,636	695,636
320	Central Office Equipment - Switch	5,302,076	0	0	0	0
321	Operator Systems	9,963	0	0	0	0
322	Tandem Switching	292,031	0	0	0	0
323	Local Switching Cat 3	5,000,083	0	0	0	0
324	Equal Access	9,330	0	0	0	0
330	Central Office Equipment - Trans	7,630,153	0	0	1,104,419	1,104,419
331	Subscriber Line	6,421,522	0	0	1,104,419	1,104,419
332	Exchange Circuit	1,208,631	0	0	0	0
333	Interexchange Circuit	4,496,162	0	0	0	0
334	Host Remote	289,450	0	0	0	0
340	Cable and Wire	21,883,740	0	0	4,906,561	4,906,561
341	Subscriber Line	20,218,509	0	0	4,906,561	4,906,561
342	Exchange	634,705	0	0	0	0
343	Interexchange Circuit	741,076	0	0	0	0
344	Host Remote	289,450	0	0	0	0
350	Info Orig/Term Equipment	16,602	0	0	4,129	4,129
360	Amortizable Assets	221,795	0	0	31,285	31,285
370	Total Plant in Service	39,281,159	0	0	6,742,029	6,742,029
<u>ADJUSTMENTS TO TPIS</u>						
380	Depreciation/Amortization Reserve	27,290,385	0	0	4,497,553	4,497,553
390	Accum. Deferred Income Tax	968,560	0	0	162,247	162,247
400	Other Rate Base Adjustments	500,267	0	0	93,910	93,910
<u>RETURN DATA</u>						
410	Average Rate Base	11,522,482	0	0	2,176,139	2,176,139
420	Return	1,296,279	0	0	244,816	244,816
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 from the universal service support program.

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