

**XYZ Telephone Company**  
**Impact of Broadband Reform on Rural ILEC's**

**A. Impact Resulting from Freezing Rural ILEC ICLS**

Line	Description	YEAR : 2009	YEAR : 2010	YEAR : 2011	YEAR : 2012	YEAR : 2013	YEAR : 2014	YEAR : 2015	YEAR : 2016	YEAR : 2017	YEAR : 2018	YEAR : 2019	YEAR : 2020	YEAR : 2021
LN 1	Projected Annual ICLS (unfrozen):	\$1,199,042	\$1,191,229	\$1,263,530	\$1,273,958	\$1,264,071	\$1,211,055	\$1,155,511	\$1,141,474	\$1,125,215	\$1,108,626	\$1,092,036	\$1,075,447	\$1,058,857
LN 2	Projected Retail Voice Lines (assuming historical line loss):	2,966	2906	2848	2791	2736	2681	2627	2575	2523	2473	2423	2373	2323
LN 3	ICLS Support Per Line- Unfrozen (Ln 1 / Ln 2)	\$404	\$410	\$444	\$456	\$462	\$452	\$440	\$443	\$446	\$448	\$451	\$453	\$456
LN 4	ICLS Support Per Line- Frozen at 2010 levels:		\$410	\$410	\$410	\$410	\$410	\$410	\$410	\$410	\$410	\$410	\$410	\$410
LN 5	ICLS Annual Support - frozen (Ln 2 x Ln 4)	\$1,199,042	\$1,191,229	\$1,167,454	\$1,144,089	\$1,121,543	\$1,098,997	\$1,076,862	\$1,055,546	\$1,034,230	\$1,013,734	\$993,238	\$972,742	\$0
LN 6	Difference in ICLS Support- Frozen versus Actuals (Ln5 - Ln 1):			(\$96,076)	(\$129,869)	(\$142,528)	(\$112,058)	(\$78,649)	(\$85,928)	(\$90,986)	(\$94,892)	(\$98,799)	(\$102,705)	(\$1,058,857)
LN 7	Difference in ICLS Per Line- Frozen versus Actuals (Ln6 / Ln 2):			(\$34)	(\$47)	(\$52)	(\$42)	(\$30)	(\$33)	(\$36)	(\$38)	(\$41)	(\$43)	(\$456)
LN 8	Difference From 2010 ICLS Amounts- Frozen 2010 Lns vs Projected Lns:			(\$23,775)	(\$47,141)	(\$69,687)	(\$92,232)	(\$114,368)	(\$135,684)	(\$157,000)	(\$177,496)	(\$197,992)	(\$218,488)	(\$1,191,229)

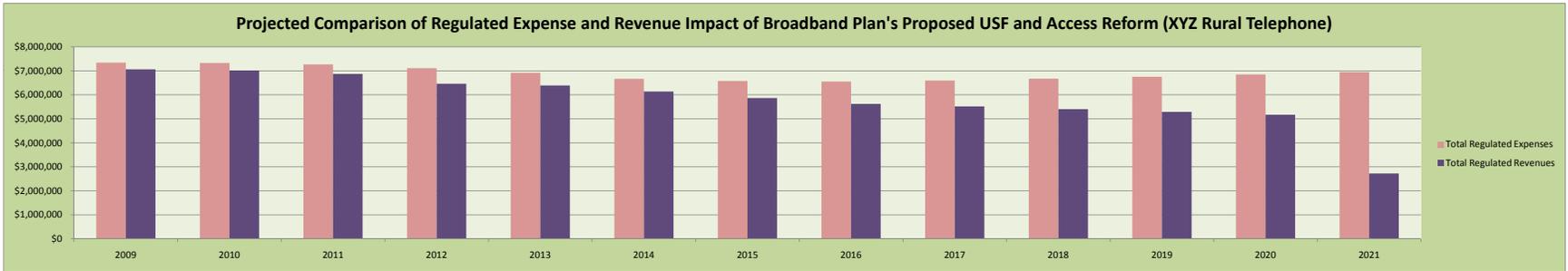
**B. Annual Regulated Revenue Projections Resulting from Broadband Reform - Assuming No Future Investment (Frozen ICLS and phase-out of Switched Access)**

Line	Description	YEAR : 2009	YEAR : 2010	YEAR : 2011	YEAR : 2012	YEAR : 2013	YEAR : 2014	YEAR : 2015	YEAR : 2016	YEAR : 2017	YEAR : 2018	YEAR : 2019	YEAR : 2020	YEAR : 2021
LN 9	<b>Operating Revenues:</b> Local Revenues	\$808,064	\$743,401	\$736,787	\$730,239	\$723,961	\$717,632	\$711,371	\$705,396	\$699,476	\$693,777	\$688,077	\$682,378	\$676,679
LN 10	<b>Federal USF:</b> High Cost Loop, Safety Net Additive, and Safety Valve Support:	\$1,425,109	\$1,536,972	\$1,498,332	\$1,367,435	\$1,423,573	\$1,395,698	\$1,224,625	\$1,066,243	\$1,040,905	\$1,014,780	\$988,655	\$962,530	\$0
LN 11	ICLS (FROZEN PER LINE AMOUNT: LN5):	\$1,199,042	\$1,191,229	\$1,167,454	\$1,144,089	\$1,121,543	\$1,098,997	\$1,076,862	\$1,055,546	\$1,034,230	\$1,013,734	\$993,238	\$972,742	\$0
LN 12	LSS:	\$532,274	\$501,853	\$473,702	\$457,491	\$444,220	\$366,107	\$362,008	\$379,151	\$401,516	\$410,222	\$418,928	\$427,634	\$0
LN 13	Connect America Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LN 14	<b>Subtotal Federal USF (LN10 through LN13):</b>	<b>\$3,156,425</b>	<b>\$3,230,054</b>	<b>\$3,139,488</b>	<b>\$2,969,014</b>	<b>\$2,989,336</b>	<b>\$2,860,803</b>	<b>\$2,663,494</b>	<b>\$2,500,940</b>	<b>\$2,476,651</b>	<b>\$2,438,736</b>	<b>\$2,400,820</b>	<b>\$2,362,905</b>	<b>\$0</b>
LN 15	<b>State USF:</b>	\$971,109	\$971,109	\$971,109	\$971,109	\$971,109	\$971,109	\$971,109	\$971,109	\$971,109	\$971,109	\$971,109	\$971,109	\$971,109
LN 16	<b>Access Revenues:</b> <b>Interstate Access Revenues:</b> Interstate Switched Access Revenues:	\$474,151	\$610,560	\$598,943	\$410,820	\$366,900	\$316,533	\$275,751	\$233,265	\$189,600	\$144,620	\$99,641	\$54,661	\$0
LN 17	Interstate Special Access Revenues:	\$1,417,855	\$1,237,457	\$1,215,883	\$1,192,370	\$1,170,280	\$1,125,846	\$1,117,374	\$1,107,726	\$1,099,450	\$1,092,724	\$1,085,998	\$1,079,273	\$1,072,547
LN 18	<b>Subtotal Interstate Access Revenues (LN16 + LN17):</b>	<b>\$1,892,005</b>	<b>\$1,848,017</b>	<b>\$1,814,826</b>	<b>\$1,603,190</b>	<b>\$1,537,180</b>	<b>\$1,442,379</b>	<b>\$1,393,125</b>	<b>\$1,340,991</b>	<b>\$1,289,050</b>	<b>\$1,237,344</b>	<b>\$1,185,639</b>	<b>\$1,133,934</b>	<b>\$1,072,547</b>
LN 19	<b>Intrastate Access Revenues:</b>	\$234,593	\$222,508	\$210,470	\$189,423	\$168,376	\$147,329	\$126,282	\$105,235	\$84,188	\$63,141	\$42,094	\$21,047	\$0
LN 20	<b>Total Access Revenues (LN 20+ LN 21):</b>	<b>\$2,126,598</b>	<b>\$2,070,526</b>	<b>\$2,025,296</b>	<b>\$1,792,613</b>	<b>\$1,705,555</b>	<b>\$1,589,708</b>	<b>\$1,519,407</b>	<b>\$1,446,226</b>	<b>\$1,373,237</b>	<b>\$1,300,485</b>	<b>\$1,227,733</b>	<b>\$1,154,981</b>	<b>\$1,072,547</b>
LN 21	<b>Total Operating Revenues (LN9 +LN14+LN15+LN20):</b>	<b>\$7,062,196</b>	<b>\$7,015,090</b>	<b>\$6,872,680</b>	<b>\$6,462,975</b>	<b>\$6,389,962</b>	<b>\$6,139,252</b>	<b>\$5,865,381</b>	<b>\$5,623,670</b>	<b>\$5,520,473</b>	<b>\$5,404,106</b>	<b>\$5,287,740</b>	<b>\$5,171,373</b>	<b>\$2,720,335</b>

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**C. Annual Expense - Assuming 2% Annual Increase in Variable Expenses**

Line	Description	YEAR : 2009	YEAR : 2010	YEAR : 2011	YEAR : 2012	YEAR : 2013	YEAR : 2014	YEAR : 2015	YEAR : 2016	YEAR : 2017	YEAR : 2018	YEAR : 2019	YEAR : 2020	YEAR : 2021
<b>Variable Expenses:</b>														
LN 22	General Support Expense:	\$119,139	\$121,521	\$123,952	\$126,431	\$128,959	\$131,539	\$134,169	\$136,853	\$139,590	\$142,382	\$145,229	\$148,134	\$151,096
LN 23	Network Operation, COE , and C&WF Expense:	\$1,002,359	\$1,022,407	\$1,042,855	\$1,063,712	\$1,084,986	\$1,106,686	\$1,128,820	\$1,151,396	\$1,174,424	\$1,197,912	\$1,221,871	\$1,246,308	\$1,271,234
LN 24	Customer Operations Expense:	\$311,158	\$317,381	\$323,728	\$330,203	\$336,807	\$343,543	\$350,414	\$357,422	\$364,571	\$371,862	\$379,300	\$386,885	\$394,623
LN 25	Corporate Expense	\$2,241,498	\$2,286,328	\$2,332,054	\$2,378,695	\$2,426,269	\$2,474,795	\$2,524,291	\$2,574,776	\$2,626,272	\$2,678,797	\$2,732,373	\$2,787,021	\$2,842,761
LN 26	Salary Expenses Related to Construction	\$44,269	\$45,154	\$46,057	\$46,978	\$47,918	\$48,876	\$49,854	\$50,851	\$51,868	\$52,905	\$53,964	\$55,043	\$56,144
LN 27	<b>Total Variable Costs (Ln 22 through LN 26):</b>	<b>\$3,718,422</b>	<b>\$3,792,791</b>	<b>\$3,868,647</b>	<b>\$3,946,020</b>	<b>\$4,024,940</b>	<b>\$4,105,439</b>	<b>\$4,187,548</b>	<b>\$4,271,299</b>	<b>\$4,356,725</b>	<b>\$4,443,859</b>	<b>\$4,532,736</b>	<b>\$4,623,391</b>	<b>\$4,715,859</b>
<b>Fixed Expenses:</b>														
LN 28	Depreciation Expense:	\$1,745,433	\$1,698,930	\$1,630,836	\$1,569,001	\$1,214,914	\$854,908	\$854,908	\$854,908	\$838,517	\$816,556	\$794,594	\$772,633	\$750,672
LN 29	Property Tax Expense:	\$368,688	\$304,685	\$244,150	\$185,998	\$149,020	\$128,344	\$107,667	\$86,991	\$67,295	\$48,209	\$21,963	\$15,775	\$9,587
LN 30	<b>Total Fixed Costs:</b>	<b>\$2,114,120</b>	<b>\$2,003,615</b>	<b>\$1,874,986</b>	<b>\$1,754,998</b>	<b>\$1,363,934</b>	<b>\$983,252</b>	<b>\$962,576</b>	<b>\$941,899</b>	<b>\$905,812</b>	<b>\$864,765</b>	<b>\$816,558</b>	<b>\$788,408</b>	<b>\$760,258</b>
LN 31	Principle and Interest Related to Regulated Debt	\$1,135,691	\$1,162,317	\$1,192,124	\$1,222,709	\$1,254,092	\$1,286,296	\$1,263,997	\$1,296,792	\$1,330,452	\$1,364,999	\$1,400,333	\$1,436,477	\$1,473,452
LN 32	Income Taxes:	\$376,130	\$369,783	\$332,715	\$187,397	\$278,463	\$295,518	\$162,466	\$41,270	\$0	\$0	\$0	\$0	\$0
LN 33	<b>Total Expenses(Included Income Taxes and Loan Payments) (LN27+LN30+LN31+LN32):</b>	<b>\$7,344,363</b>	<b>\$7,328,506</b>	<b>\$7,268,471</b>	<b>\$7,111,124</b>	<b>\$6,921,430</b>	<b>\$6,670,506</b>	<b>\$6,576,587</b>	<b>\$6,551,260</b>	<b>\$6,592,988</b>	<b>\$6,673,623</b>	<b>\$6,749,627</b>	<b>\$6,848,276</b>	<b>\$6,949,569</b>
LN 34	<b>Regulated Net Income and Principle Payment (LN 21 - LN 32):</b>	<b>(\$282,168)</b>	<b>(\$313,416)</b>	<b>(\$395,791)</b>	<b>(\$648,149)</b>	<b>(\$531,468)</b>	<b>(\$531,254)</b>	<b>(\$711,206)</b>	<b>(\$927,590)</b>	<b>(\$1,072,515)</b>	<b>(\$1,269,516)</b>	<b>(\$1,461,888)</b>	<b>(\$1,676,903)</b>	<b>(\$4,229,234)</b>

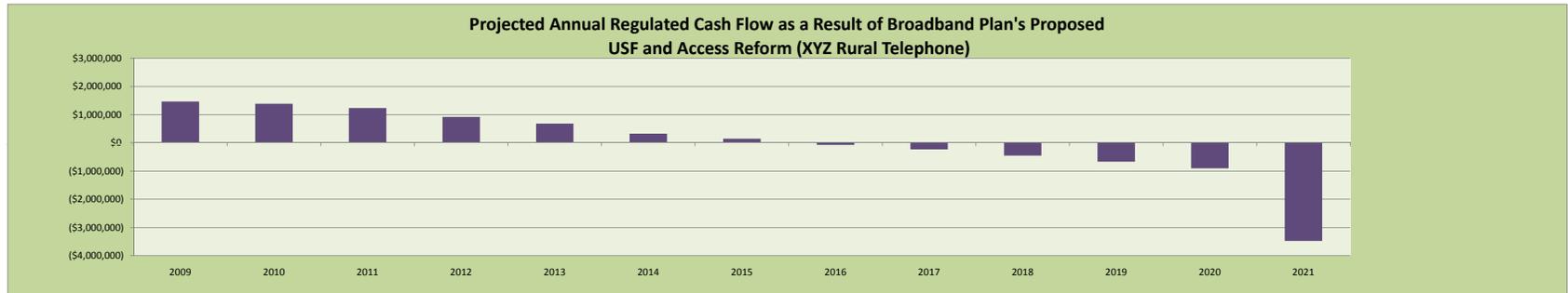


Total Regulated Expenses include Principle and Interest Payments on Long Term Debt

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**D. ANALYSIS OF REGULATED CASH FLOW**

Line	Description	YEAR : 2009	YEAR : 2010	YEAR : 2011	YEAR : 2012	YEAR : 2013	YEAR : 2014	YEAR : 2015	YEAR : 2016	YEAR : 2017	YEAR : 2018	YEAR : 2019	YEAR : 2020	YEAR : 2021
LN 35	Total Regulated Net Income (including Income Taxes and Principle Payments (LN34):	(\$282,168)	(\$313,416)	(\$395,791)	(\$648,149)	(\$531,468)	(\$531,254)	(\$711,206)	(\$927,590)	(\$1,072,515)	(\$1,269,516)	(\$1,461,888)	(\$1,676,903)	(\$4,229,234)
LN 36	Add: Depreciation Expense:	\$1,745,433	\$1,698,930	\$1,630,836	\$1,569,001	\$1,214,914	\$854,908	\$854,908	\$854,908	\$838,517	\$816,556	\$794,594	\$772,633	\$750,672
LN 37	<b>Annual Increase or Decrease in Cash (LN 35+LN36):</b>	<b>\$1,463,265</b>	<b>\$1,385,513</b>	<b>\$1,235,044</b>	<b>\$920,852</b>	<b>\$683,446</b>	<b>\$323,655</b>	<b>\$143,703</b>	<b>(\$72,681)</b>	<b>(\$233,998)</b>	<b>(\$452,960)</b>	<b>(\$667,293)</b>	<b>(\$904,270)</b>	<b>(\$3,478,563)</b>



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**E. Projected Consumer and Community Impact of Broadband Plan's Proposed USF and Access Reform (XYZ Rural Telephone)**

Line	Description	Amount:
<b><u>Jobs Lost by 2021:</u></b>		
LN 38	Current Telephone Company Employees:	23
LN 39	Associated Job Loss (Outside Resources, Legal, Billing, Engineering, Construction, Etc):	6
<b><u>Impact on Customers:</u></b>		
LN 40	Projected Telephone Plant Improvements and Replacement that Would Not Occur Without USF and Access Funding:	\$10,901,945
<b><u>Impact on Community:</u></b>		
LN 41	Loss of Property Tax (Current Property Taxes)	\$370,564
LN 42	Loss of Utilities (Current Utilities Being Paid)	\$153,333
<b><u>Other Monetary Impacts to the Local Communities:</u></b>		
LN 43	Direct Impact	\$982,569
LN 44	Indirect Impact	\$1,965,138
LN 45	<b><u>Amount of Outstanding Long Term Debt that Cannot be Paid after 2020</u></b>	\$1,766,324