

June 24, 2011

Filed Via ECFS

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Notice of Ex parte regarding: WC Docket Nos. 10-90, 07-135, 05-337 and 03-109, GN Docket No. 09-51 and CC Docket Nos. 01-92 and 96-45 in the matter of Connect America Fund, a National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-cost Universal Support, developing a Unified Intercarrier Compensation Regime, federal-State Joint Board on Universal Service, Lifeline and Link-up

Dear Ms Dortch:

On June 23, 2011, Archie Macias of Wheat State Telephone Company, Mary Meyer of Madison Telephone LLC, Tony Duet of Lafourche Telephone Company LLC, Stuart Polikoff of The Organization for the Promotion and Advancement of Small Telecommunication Companies (OPASTCO), and Andy Denzer of Warinner, Gesinger and Associates, LLC met with the following members of the Federal Communications Commission's Wireline Competition Bureau, Jennifer Prime, Greg Seigel, Katie King, Kevin King, and Margaret Mc Carthy of Commissioner Copp's Office, and Angela Kronenberg of Commissioner Clyburn's Office to discuss the FCC's pending universal service and inter-carrier compensation notice of proposed rulemaking in the referenced dockets. The discussion was both in general and how the proposed changes impact Wheat State specifically.

Wheat State previously filed comments on April 18, 2011 in the mentioned dockets and on July 12, 2010 in the additional WC Docket Nos. 10-90 and 05-337, and GN Docket 09-51.

Archie Macias presented the company statics; financial information related to regulated and non-regulated operations; the analysis of the impact of the FCC's proposed USF and inter-carrier compensation reform as presented in comments filed on April 18, 2011, including the supporting documentation. In addition, information was presented regarding the fact that Kansas established a Kansas Universal Service Fund and statewide average local rates fifteen years ago, and that Kansas's approved intrastate access charges are in parity with interstate access charges.

On behalf of Wheat State Telephone Company and pursuant to Section 1.1206(b) of the Commission's rules, a redacted version of this submission is filed for inclusion in the public record of the referenced proceeding.

Sincerely,



Andrew A. Denzer, Principal
WARINNER, GESINGER & ASSOCIATES, LLC

cc: Archie Macias, Wheat State Telephone Company

Midwest

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WHEAT STATE TELEPHONE, INC.

EX PARTE PRESENTATION TO FCC WIRELINE COMPETITION BUREAU STAFF

**CONFIDENTIAL INFORMATION SUBJECT TO
PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKET
NOS. 05-337, 07-135, AND 10-90 AND GN DOCKET NO. 09-51 BEFORE THE FCC**

**Washington, D.C.
June 23, 2011**



AGENDA

- I. INTRODUCTIONS
- II. PURPOSE OF VISIT
- III. WHEAT STATE INFORMATION
- IV. WHEAT STATE COMMENTS TO FCC PROPOSALS
- V. KANSAS INTRASTATE INFORMATION
- VI. QUESTIONS
- VII. CONCLUSIONS

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

I. INTRODUCTIONS

Archie Macias, General Manager
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CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

II. PURPOSE OF VISIT

- A. Address impact of USF and ICC Reform on Wheat State Telephone
- B. Provide Company specific data
- C. Support for the Rural Association's Plan for Rate of Return RLEC's
- D. Highlight FCC Comments filed by Wheat State Telephone
- E. Provide Kansas information on intrastate access rates and KUSF

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

III. WHEAT STATE INFORMATION

A. Wheat State Associations/Memberships

OPASTCO, NECA,

State Independent Telephone Association of Kansas (SITA),
Kansas Telecommunications Industry Association (KTIA)

B. Services Offered:

Voice

Long Distance

Broadband

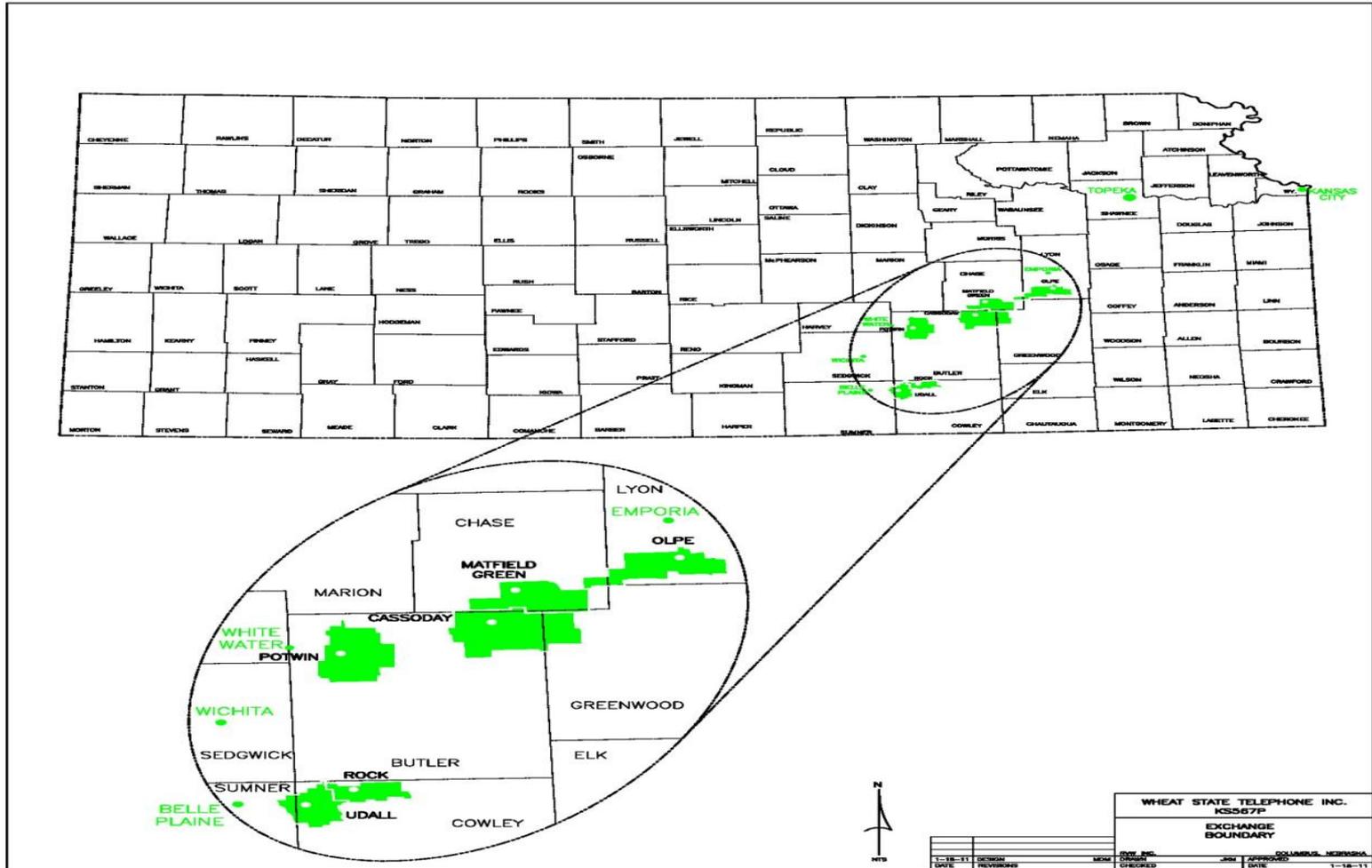
Cable Television (one exchange only)

C. Other:

Member of Kansas Fiber Network, a Kansas statewide backbone network facilities and tandem switching provider

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

D. Map



CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

E. Company Statistics

1. Wheat State Telephone began its service to the Central/South Central Kansas area in 1950. Wheat State's rural exchanges covers square miles with a customer density at customers per square mile.
2. Wheat State's network currently is a combination of copper and fiber. All trunk and loop plant to "city" customers is provisioned over fiber. The majority of the Company's rural copper is over years old (fully depreciated in) and is planned to be replaced.
3. The population in the Wheat State serving area is 2,054. As of June 1, 2011 Wheat State serves residential and business lines including Life Line customers.
4. Wheat State's office is in Udall, Kansas and has employees with years combined experience in telecommunications. The average length of employment is years. Many of our staff live in the exchanges we serve and are very involved in the communities.

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92



E. Company Statistics (continued)

5. Wheat State offers wireline voice service, long distance service and ADSL service. Approximately [redacted] of Wheat State Telephone customers can get up to [redacted] Mbps of service.
6. Wheat State is planning a major investment using fiber to-the-home technology beginning in [redacted]. Wheat State plans to offer [redacted] Mbps and are targeting [redacted] Mbps as customer demand increases and fiber is built to anchor institutions.
7. Currently Wheat State has [redacted] DSL subscribers with a penetration rate of [redacted] %.
8. Wheat State's 2010 Total Plant in Service is \$ [redacted].
Wheat State's 2010 Net Plant is \$ [redacted].

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

E. Company Statistics (continued)

9. 2010 Income Statement

OPERATING REVENUES

- Local network services
- Network access services
- Long distance services
- Internet services
- Miscellaneous
- Uncollectible

OPERATING EXPENSES

- Plant specific/nonspecific operations
- Cost of long distance services
- Cost of internet services
- Depreciation
- Customer operations
- Corporate operations
- General taxes

OPERATING INCOME

OTHER INCOME/EXPENSE

- Interest income
- Interest expense
- Other, net

INCOME BEFORE INCOME TAXES

INCOME TAXES

NET INCOME

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

E. Company Statistics (continued)

10. 2010 Non-regulated Net Income

| | |
|---------------------------------|-------|
| Internet | |
| Long Distance | |
| Cable Television | _____ |
| Total Non-regulated Revenue | _____ |
| Internet Backbone Costs | |
| Other Internet Connection Costs | |
| LD Wholesale Costs | |
| Cable TV Programing and Other | _____ |
| Total Non-Regulated Expenses | _____ |
| Non-regulated Income | |
| Non-regulated Labor Costs | _____ |
| Net Income(Loss) | ===== |

11. Wheat State is currently planning a FTTH project. At the time comments were filed, it was anticipated that the Plant in Service would be \$. (Refer to Exhibit III-2).

Wheat State's Net Plant would be \$.

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

E. Company Statistics (continued)

12. Rates

| | <u>Subscriber Line Charge</u> | | | | | |
|------------------------|-------------------------------|----------------|---------------|---------------|--------------|--|
| <u>Local</u> | <u>Basic</u> | <u>Federal</u> | <u>Kansas</u> | <u>Other*</u> | <u>Total</u> | |
| Residential | 16.25 | 6.50 | 1.45 | 5.54 | 29.74 | |
| Business - Single Line | 19.25 | 6.50 | 1.45 | 5.22 | 32.42 | |
| Business - Multi Line | 19.25 | 9.20 | 1.45 | 5.57 | 35.47 | |

* Includes Kansas USF charge at 6.8% on Intrastate LD

| | |
|------------------|--------------|
| Broadband Speeds | <u>Total</u> |
| Unbundled Rates | |
| Subscriber Count | |

| <u>Access</u> | <u>Interstate</u> | <u>Intrastate</u> |
|-----------------------|-------------------|-------------------|
| Rate Band | 8 | 8 |
| Local Switching | 0.036899 | 0.036899 |
| TST | 0.001029 | 0.001029 |
| TST Facility | 0.000198 | 0.000198 |
| Information Surcharge | 0.000380 | 0.000380 |
| Federal USF | 14.90% | |

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

F. Other

Wheat State serves lifeline customers. The median income of the Wheat State area is \$33,958 versus \$47,326 for the City of Wichita, a major metropolitan city in Kansas. Median price for housing is \$46,283 versus \$75,000 for the same two demographics cited above.

Cellular companies are some of our best business customers. Wheat State's wireline network is used to provide wireless backhaul to towers using special access high capacity circuits.

Wheat State takes its Carrier of Last Resort obligations very seriously. We take pride in offering high level voice and broadband services to our subscribers who are our neighbors.

“USF support is needed for backbone costs. Backbone bandwidth demands continue to increase as existing customers change their online habits as depicted in the following graphs.”

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

BANDWIDTH USAGE

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92



IV. WHEAT STATE COMMENTS TO FCC PROPOSALS

A. Wheat State Telephone filed comments on July 12, 2010 regarding CAF, National Broadband Plan and USF.

Summary of comments:

1. The proposed changes to USF without an adequate and sustainable revenue replacement will jeopardize the financial viability of Wheat State Telephone.
2. Wheat State serves a very high-cost area and to achieve the universal goal of affordable, comparable rates, Wheat State requires USF (or CAF) at levels which will be sufficient to maintain affordable quality services to our customers.
3. Even if local rates are set at comparable rates to urban landline providers or wireless providers, the revenues generated by Wheat State lines will not cover expenses.

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

IV. WHEAT STATE COMMENTS TO FCC PROPOSALS (Continued)

4. The FCC's proposals to cap legacy high cost support at 2010 levels and phase out high cost support by 2010 will negatively affect the affordable and dependable voice and broadband services for our customers.

B. Wheat State Telephone filed comments on April 18, 2011 regarding the FCC's NPRM regarding USF Support and ICC (used data through 2010 as well as forward looking projections).

Summary of comments:

1. Wheat State provided information on the financial impact of specific proposed rule changes in Appendix A of the NPRM. This information has been revised based on the final amount of the requested RUS loan.
2. Wheat State disagrees with the need to limit or eliminate corporate operations expenses includable in USF (or CAF), LSS and ICLS, as these expenses are essential to any business.

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92



IV. WHEAT STATE COMMENTS TO FCC PROPOSALS (Continued)

3. The impact of proposed USF/ICC changes would require Wheat State to increase end user rates by _____ by \$ _____ per line per month. Consumers cannot be expected to absorb these increases.
4. Wheat State supports the Rural Association's comments and efforts to assist the FCC in designing a reasonable solution to USF and ICC reform.
5. The FCC should consider alternatives such as raising all SLCs to the maximum allowed to pay for the deployment of broadband networks before USF is redirected from the high-cost rural ILECs (e.g. AT&T's residential and single line business SLC is only \$5.48, rather than standard \$6.50). Refer to Exhibit IV from the rural ILEC of attached supporting data from Wheat State's comments.

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

V. KANSAS INTRASTATE INFORMATION

- A. Kansas is in its 15th year of the Kansas USF which was implemented to address State access charges.
- B. Every other year Kansas intrastate access rates are set to mirror interstate access rates. Currently, the rates agree with NECA's rates effective July 1, 2010.
- C. As part of the KUSF, the Kansas Corporation Commission establishes LEC statewide benchmark local rates. Effective March 1, 2011 these rates are \$16.25 for residential and \$19.25 for business.
- D. LECs provide funding for the KUSF based on an assessment per line. Effective March 1, 2011, this assessment is \$2.04 for ATT; \$1.91 for Century Link; and \$1.45 for rural LECs.

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

VI. QUESTIONS



CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

VII. CONCLUSIONS

- Rate-of-Return regulation and current USF rules have worked well to bring quality voice and broadband service to rural America. Rate-of-Return regulation should be maintained for Rural ILEC's.
- We support the Rural Association's efforts designing a plan for Rate-of-Return RLEC's.
- Wheat State serves a high-cost area and our subscribers should have comparable affordable rates and telecommunications services.
- A new Connect America Fund, should be a replacement for USF in our high cost area and contribute to ongoing operations, maintenance and upgrades.

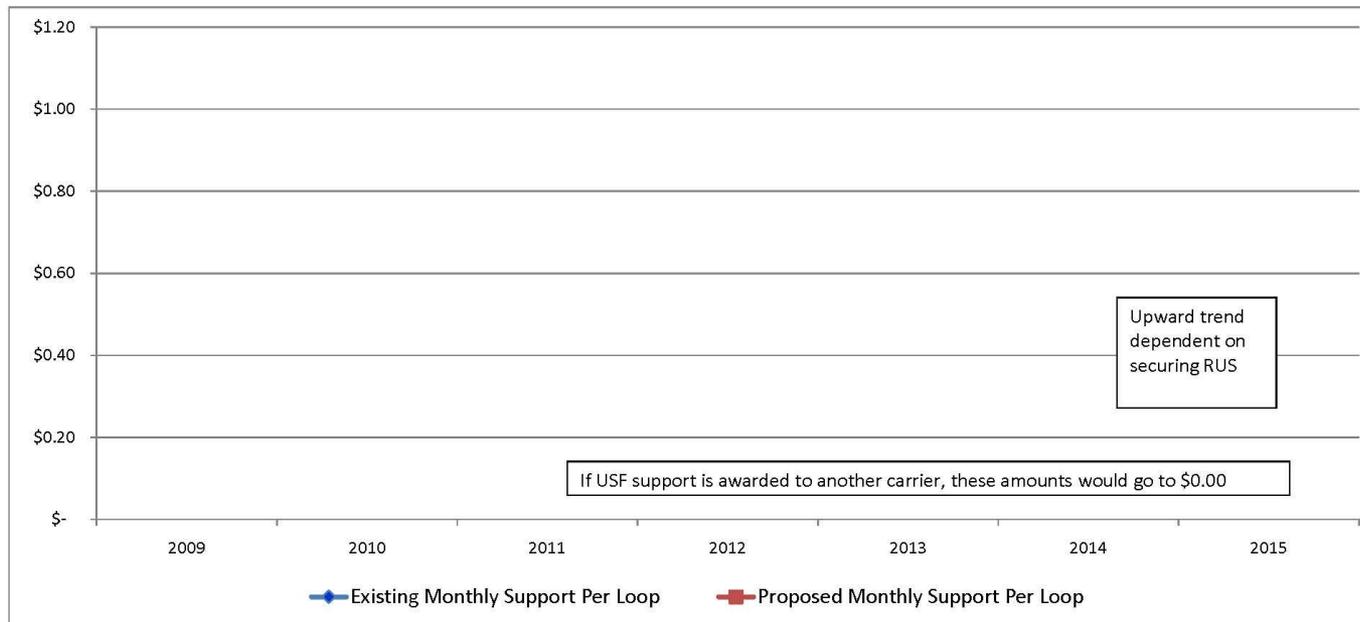
CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

VII. CONCLUSIONS (Continued)

- The potential losses of USF and ICC revenues for Wheat State from proposed changes is too large (i.e. \$ by from USF changes) to pass on to consumers; accordingly, we must have a “restructure” mechanism; otherwise, jobs will be lost and quality of service will suffer or, in the extreme, we will be out of business.

CONFIDENTIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN DOCKETS WC 10-90, 05-337, 07-135, GN 09-51, CC 01-92

Wheat State Telephone Company, Inc.
 Impact Of Proposed FCC Changes
 To Monthly High Cost Support Per Loop

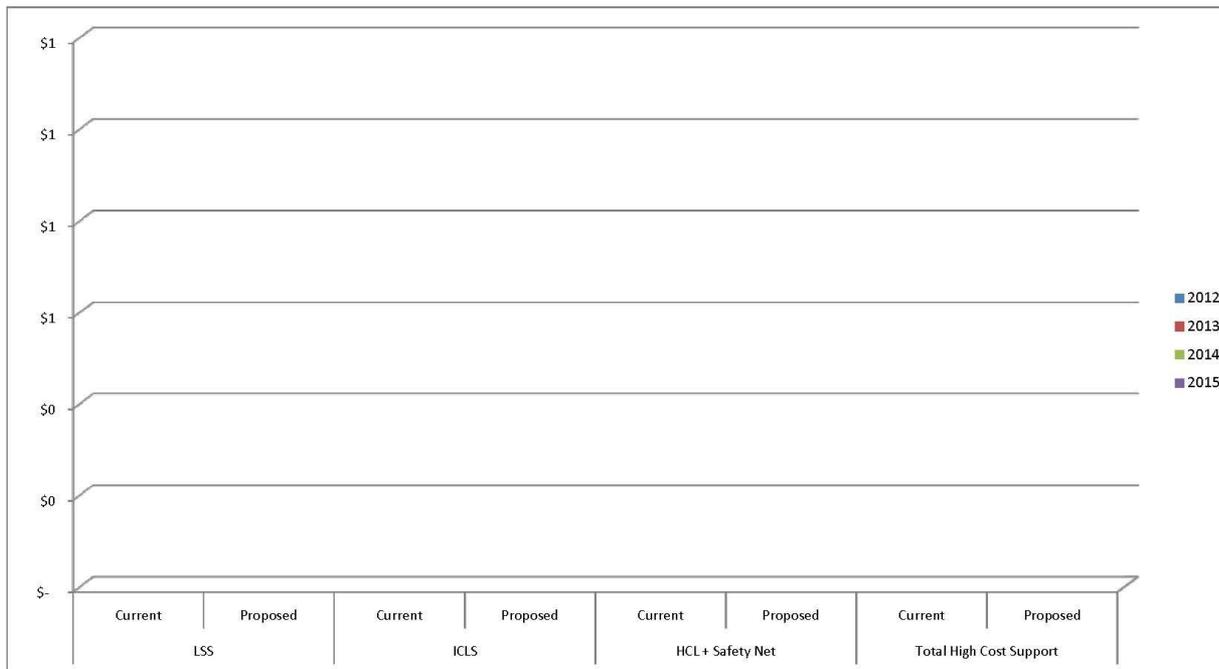


| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------|------|------|------|------|------|------|
| Existing Monthly Support Per Loop | | | | | | | |
| Proposed Monthly Support Per Loop | | | | | | | |
| Impact of Proposed Changes Per Loop Per Month | | | | | | | |
| Cumulative Impact Per Loop Per Month | | | | | | | |

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKETS NOS. 05-337, 07-135 AND 10-90 AND GN DOCKET NO. 09-51 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION



Wheat State Telephone Company, Inc.
 Impact Of Proposed FCC Changes
 To High Cost Support



| | LSS | | ICLS | | HCL + Safety Net | | Total High Cost Support | | Difference | Per Ln Per Mo. |
|------|---------|----------|---------|----------|------------------|----------|-------------------------|----------|------------|----------------|
| | Current | Proposed | Current | Proposed | Current | Proposed | Current | Proposed | | |
| 2012 | | | | | | | | | | |
| 2013 | | | | | | | | | | |
| 2014 | | | | | | | | | | |
| 2015 | | | | | | | | | | |

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKETS NOS. 05-337, 07-135 AND 10-90 AND GN DOCKET NO. 09-51 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION



Wheat State Telephone Company, Inc
Study Area 411847
Remaining Life Schedule - 2010

| Account | Description | 2010 Balances | | Net Book Value (c = a + b) | Depreciation Rate (d) | Reserve Ratio (e = b / a) | Average Useful Life (f = 1.00 / d) | Average Life Used (g = e * f) | Remaining Life (h = f - g) |
|------------|--------------------------------------|----------------------|------------------------------------|-------------------------------|-----------------------------|---------------------------------|--|-------------------------------------|----------------------------------|
| | | Plant Balance (a) | Accumulated Depreciation (b) | | | | | | |
| 2112.000.0 | VEHICLES | | | | 26.27% | | | | |
| 2116.000.0 | OTHER WORK EQUIPMENT | | | | 23.98% | | | | |
| 2121.001.0 | BUILDINGS | | | | 5.02% | | | | |
| 2121.002.0 | MOBILE PHONE BUILDINGS | | | | 5.02% | | | | |
| 2122.000.0 | OFFICE FURNITURE | | | | 15.57% | | | | |
| 2123.000.0 | OFFICE EQUIPMENT | | | | 18.10% | | | | |
| 2124.000.0 | OFFICE COMPUTERS | | | | 18.57% | | | | |
| 2124.100.0 | COMPUTER SOFTWARE | | | | 18.57% | | | | |
| 2212.100.0 | SWITCHING EQUIPMENT - CIRCUIT | | | | 11.58% | | | | |
| 2232.100.0 | CIRCUIT EQUIPMENT - ELECTRONIC | | | | 15.53% | | | | |
| 2232.200.0 | CIRCUIT EQUIPMENT - OPTICAL | | | | 15.53% | | | | |
| 2385.000.0 | DSL EQUIPMENT | | | | 5.00% | | | | |
| 2351.000.0 | PAYSTATIONS | | | | 19.58% | | | | |
| 2375.000.0 | INTERNET EQUIPMENT | | | | 20.00% | | | | |
| 2421.000.0 | AERIAL CABLE | | | | 17.58% | | | | |
| 2422.000.0 | UNDER GROUND CABLE | | | | 5.38% | | | | |
| 2423.000.0 | BURIED CABLE | | | | 5.68% | | | | |
| 2423.001.0 | BURIED CABLE-FIBER OPTIC | | | | 5.68% | | | | |
| 2423.002.0 | BURIED FIBER CABLE - SKT FIBER LEASE | | | | 5.68% | | | | |
| 2111.000.0 | LAND | | | | | | | | |
| | TOTAL PLANT IN SERVICE | | | | | | | | |

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKETS NOS. 05-337, 07-135 AND 10-90 AND GN DOCKET NO. 09-51 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

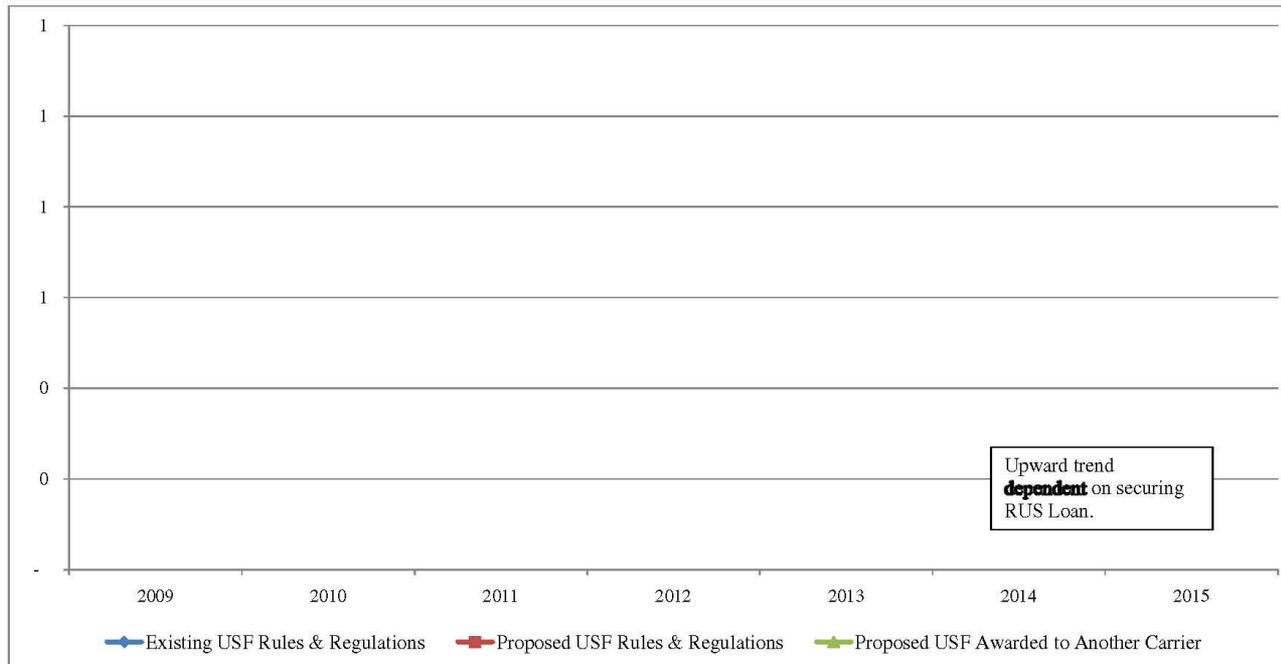


Wheat State Telephone Company, Inc
Study Area 411847
Remaining Life Schedule - 2015

| Account | Description | 2015 Balances | | Net Book Value | Depreciation Rate | Reserve Ratio | Average Useful Life | Average Life Used | Remaining Life |
|------------|--------------------------------------|----------------------|---------------------------------|----------------|-------------------|---------------|---------------------|-------------------|----------------|
| | | Plant Balance (a) | Accumulated Depreciation (b) | | | | | | |
| 2112.000.0 | VEHICLES | | | | 26.27% | | | | |
| 2116.000.0 | OTHER WORK EQUIPMENT | | | | 23.98% | | | | |
| 2121.001.0 | BUILDINGS | | | | 5.02% | | | | |
| 2121.002.0 | MOBILE PHONE BUILDINGS | | | | 5.02% | | | | |
| 2122.000.0 | OFFICE FURNITURE | | | | 15.57% | | | | |
| 2123.000.0 | OFFICE EQUIPMENT | | | | 18.10% | | | | |
| 2124.000.0 | OFFICE COMPUTERS | | | | 18.57% | | | | |
| 2124.100.0 | COMPUTER SOFTWARE | | | | 18.57% | | | | |
| 2212.100.0 | SWITCHING EQUIPMENT - CIRCUIT | | | | 11.58% | | | | |
| 2216.000.0 | TEST EQUIPMENT | | | | 15.53% | | | | |
| 2232.100.0 | CIRCUIT EQUIPMENT - ELECTRONIC | | | | 15.53% | | | | |
| 2232.200.0 | CIRCUIT EQUIPMENT - OPTICAL | | | | 15.53% | | | | |
| 2385.000.0 | DSL EQUIPMENT | | | | 5.00% | | | | |
| 2375.000.0 | PAYSTATIONS | | | | 19.58% | | | | |
| 2351.000.0 | INTERNET EQUIPMENT | | | | 20.00% | | | | |
| 2421.000.0 | AERIAL CABLE | | | | 17.58% | | | | |
| 2422.000.0 | UNDER GROUND CABLE | | | | 5.38% | | | | |
| 2423.000.0 | BURIED CABLE | | | | 5.68% | | | | |
| 2423.001.0 | BURIED CABLE-FIBER OPTIC | | | | 5.68% | | | | |
| 2423.002.0 | BURIED FIBER CABLE - SKT FIBER LEASE | | | | 5.68% | | | | |
| 2111.000.0 | LAND | | | | | | | | |
| | TOTAL PLANT IN SERVICE | | | | | | | | |

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKETS NOS. 05-337, 07-135 AND 10-90 AND GN DOCKET NO. 09-51 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Wheat State Telephone Company Net Income Under Proposed USF Changes



| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------|------|------|------|------|------|------|
| Existing USF Rules & Regulations | | | | | | | |
| Proposed USF Rules & Regulations | | | | | | | |
| Proposed USF Awarded to Another Carrier | | | | | | | |

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKETS NOS. 05-337, 07-135 AND 10-90 AND GN DOCKET NO. 09-51 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION



Wheat State Telephone Company, Inc
Study Area 411847
Summary of Estimated NPRM Impact

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01492, WC DOCKETS NO 05-337, 07-135 AND GNDOCKET NO 09-51 BEFORE THE FCC

| Line | Calc | Description | USAC / Cost Studies | | NECA Forecast | | Projections | | |
|---|---------------------------|--|---------------------|------|---------------|------|-------------|------|------|
| | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| <u>Existing Universal Service Support</u> | | | | | | | | | |
| 1 | USAC or RMS | Local Switching Support (LSS) | | | | | | | |
| 2 | USAC or RMS | Interstate Common Line Support (ICLS) | | | | | | | |
| 3 | USAC or RMS | High Cost Loop Support (2 year lag) | | | | | | | |
| 4 | USAC or RMS | Safety-net Additive | | | | | | | |
| 5 | Sum 1 to 4 | Annual Support | | | | | | | |
| 6 | HCL Ln 070 | Category 1,3 Loops | | | | | | | |
| 7 | Ln 5 / Ln 6 | Existing Annual Support per Loop | | | | | | | |
| 7a | Ln 7 / 12 | Existing Monthly Support per Loop | | | | | | | |
| <u>Revised Support based on FCC Proposals</u> | | | | | | | | | |
| 8 | Input and Calc Ln 40 | LSS - Corp Op Phase-out | | | | | | | |
| 9 | Input and Calc Ln 41 | LSS - Corp Op and Total Phase-out | | | | | | | |
| 10 | Input and Calc Ln 44 | ICLS - Corp Op Phase-out | | | | | | | |
| 11 | Input and Calc Ln 56 | HCL - Revised %s | | | | | | | |
| 12 | Input and Calc Ln 56 | HCL - Corp Op Phase-out | | | | | | | |
| 13 | Input and Calc Ln 56 | HCL - Corp Ops + Reduced %s + NACPL Adj | | | | | | | |
| 14 | Estimated Impact Ln 30 | Safety-net Additive | | | | | | | |
| 15 | Ln 9 + 10 + 13 + 14 | Proposed Annual Support | | | | | | | |
| 16 | Ln 15 / Ln 6 / 12 | Proposed Monthly Support Per Loop | | | | | | | |
| <u>Impact of Support Changes</u> | | | | | | | | | |
| 17 | Ln 8 - Ln 1 | LSS - Corp Op Phase-out | | | | | | | |
| 18 | Ln 9 - Ln 8 | LSS Phase-out of LSS | | | | | | | |
| 19 | Ln 10 - Ln 2 | ICLS - Corp Op Phase-out | | | | | | | |
| 20 | Ln 11 - Ln 3 | HCL - Revised %s | | | | | | | |
| 21 | Ln 12 - Ln 3 | HCL - Corp Op Phase-out | | | | | | | |
| 22 | Ln 13 - Ln 3 | HCL - Corp Ops + Reduced %s + NACPL Adj | | | | | | | |
| 23 | Ln 14 - Ln 4 | Safety-net Additive | | | | | | | |
| 24 | Ln 17 + 18 + 19 + 22 + 23 | Annual Support Reduction | | | | | | | |
| <u>Impact Per USE Loop</u> | | | | | | | | | |
| 25 | Ln 17 / Ln 6 | LSS - Corp Op Phase-out | | | | | | | |
| 26 | Ln 18 / Ln 6 | LSS Phase-out of LSS | | | | | | | |
| 27 | Ln 19 / Ln 6 | ICLS - Corp Op Phase-out | | | | | | | |
| 28 | Ln 20 / Ln 6 | HCL - Revised %s | | | | | | | |
| 29 | Ln 21 / Ln 6 | HCL - Corp Op Phase-out | | | | | | | |
| 30 | Ln 22 / Ln 6 | HCL - Corp Ops + Reduced %s | | | | | | | |
| 31 | Ln 23 / Ln 6 | Safety-net Additive | | | | | | | |
| 32 | Ln 17 + 18 + 19 + 22 + 23 | Annual Support Reduction Per Loop (Recovery Unknown) | | | | | | | |
| 33 | Ln 32 / 12 | Monthly Support Reduction per Loop (Recovery Unknown) | | | | | | | |
| 34 | Accum Ln 33 | Cumulative Impact Per Loop Per Month | | | | | | | |
| <u>Comparison of Current Local Rates to Proposed Benchmark</u> | | | | | | | | | |
| 35 | Estimated Impact Ln 44 | Current Average Local Rate without Additional Charges | | | | | | | |
| 36 | NPRM | Proposed National Benchmark w/o Additional Charges | | | | | | | |
| 37 | Ln 35 - Ln 36 | Difference - Amount Over the Proposed National Benchmark | | | | | | | |

Wheat State Telephone Company, Inc
Study Area 411847
Comparison of Income and Cash Flow for Investing

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN CCDOCKET NO. 01-92, WCDOCKET NO 05-337, 07-135 AND GNDOCKET NO 09-51 BEFORE THE FCC

| Line | Source | Description | USAC/Cost Studies | | RUS Projections | | | | | |
|---|-------------------------|---|-------------------|------|-----------------|------|------|------|------|--|
| | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | |
| Income Statement as Existing USF Rules | | | | | | | | | | |
| 1 | RUS Analysis | Revenues | | | | | | | | |
| 2 | Summary of Impact Ln 5 | Existing USF Support (Included in Line 1) | | | | | | | | |
| 3 | RUS Analysis | Expenses without depreciation | | | | | | | | |
| 4 | Ln 1 - Ln 3 | EBITDA | | | | | | | | |
| 5 | RUS Analysis | Depreciation Expense | | | | | | | | |
| 6 | Ln 4 - Ln 5 | Earnings Before Interest and Taxes | | | | | | | | |
| 7 | RUS Analysis | Interest | | | | | | | | |
| 8 | RUS Analysis | Other Income | | | | | | | | |
| 9 | Ln 6 - Ln 7 + Ln 8 | Income Before Taxes | | | | | | | | |
| 10 | RUS Analysis | Other Operating Taxes | | | | | | | | |
| 11 | RUS Analysis | Income Taxes | | | | | | | | |
| 12 | Ln 9 - Ln 10 - Ln 12 | Net Income - Existing USF Rules & Regulations | | | | | | | | |
| Income Statement with Changes to USF Rules - Appendix A of NPRM | | | | | | | | | | |
| 13 | Summary of Impact Ln 15 | Proposed USF Support | | | | | | | | |
| 13a | Ln 13 - Ln 2 | USF Support Reduction | | | | | | | | |
| 14 | Ln 9 - Ln 2 + Ln 13 | Income Before Taxes | | | | | | | | |
| 15 | Ln 10 | Other Operating Taxes | | | | | | | | |
| 16 | Ln 13a * ETR | Support Reduction Net of Income Tax | | | | | | | | |
| 17 | Ln 12 + Ln 16 | Net Income - Proposed USF Rules & Regulations | | | | | | | | |
| Income Statement with Changes to USF Rules - Appendix A of NPRM - CAF Awarded to Another Carrier | | | | | | | | | | |
| 18 | Ln 14 - Ln 13 | Income Before Taxes (No USF Support) | | | | | | | | |
| 18a | Ln 13 | Proposed USF Support Excluded from Net Income (FYI) | | | | | | | | |
| 19 | Ln 10 | Other Operating Taxes | | | | | | | | |
| 20 | Ln 18a * ETR | Income Tax on Reduced Net Income; \$9.00 due to negative income | | | | | | | | |
| 21 | Ln 12 + Ln 20 | Net Income - Proposed USF Awarded to Another Carrier | | | | | | | | |
| Operative Cash Flow | | | | | | | | | | |
| 21 | Ln 12 + Ln 5 | Existing USF Rules | | | | | | | | |
| 22 | Ln 17 + Ln 5 | Proposed USF Rules | | | | | | | | |
| 23 | Ln 21 + Ln 5 | USF/CAF Awarded to Another Carrier | | | | | | | | |
| 24 | RUS Analysis | Principle Payment on Long-term Debt | | | | | | | | |
| Cash-flow for Investing | | | | | | | | | | |
| 25 | Ln 21 - Ln 24 | Existing USF Rules | | | | | | | | |
| 26 | Ln 22 - Ln 24 | Proposed USF Rules | | | | | | | | |
| 27 | Ln 23 - Ln 24 | USF/CAF Awarded to Another Carrier | | | | | | | | |
| Times Interest Earned Ratio (TIER) | | | | | | | | | | |
| 28 | Ln 12 + Ln 7 / Ln 7 | Existing USF Rules | | | | | | | | |
| 29 | Ln 17 + Ln 7 / Ln 7 | Proposed USF Rules | | | | | | | | |
| 30 | Ln 47 + Ln 7 / Ln 7 | USF/CAF Awarded to Another Carrier | | | | | | | | |
| Return on Investment | | | | | | | | | | |
| 31 | RUS Analysis | Net Plant (Excludes CWC) | | | | | | | | |
| 32 | Ln 12 + Ln 7 - Ln 8 | Operating Income - Existing USF Rules | | | | | | | | |
| 33 | Ln 17 + Ln 7 - Ln 8 | Operating Income - Proposed USF Rules | | | | | | | | |
| 34 | Ln 21 + Ln 7 - Ln 8 | Operating Income - USF/CAF Awarded to Another Carrier | | | | | | | | |
| 35 | Ln 32 / Ln 31 | Existing USF Rules | | | | | | | | |
| 36 | Ln 33 / Ln 31 | Proposed USF Rules | | | | | | | | |
| 37 | Ln 34 / Ln 31 | USF/CAF Awarded to Another Carrier | | | | | | | | |
| 38 | | Effective Tax Rate (ETR) | | | | | | | | |