

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing an Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Line-Up	)	WC Docket No. 03-109
	)	
Universal Service Reform – Mobility Fund	)	WT Docket No. 10-208

**APPENDICES TO PETITION OF ALLBAND COMMUNICATIONS  
COOPERATIVE FOR WAIVER OF PART 54.302 AND THE FRAMEWORK  
TO LIMIT REIMBURSABLE CAPITAL AND OPERATING COSTS**

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**APPENDIX 1**

Allband Communications Cooperative  
Financial Analysis in Support of Petition for FCC Waiver

**Allband Communications Cooperative**  
**Summary of Net Income and Impacts of FCC Ordered Cap on Support Per Line**

**TABLE 1 - The FCC Cap Prescribed in 54.302 Will Have Detrimental Financial Consequences**

The table below summarizes total company Net Income amounts for Allband Communications Cooperative. The 2010 amounts reflect audited financial data. The 2011 column is a Pro Forma year and includes known and measurable changes to revenues, expenses and rate base. The basic format and procedures associated with these calculations are consistent with those required by the Kansas Commission in earnings reviews. All regulated and nonregulated income sources are included in the calculations. As a Cooperative, Allband is exempt from Federal and State income taxes. The Pro Forma amounts included in the 2012 through 2014 columns are shown to incorporate revenue reductions associated with the FCC's Order that limits Allband's Universal Service Support to \$3,000 per line (FCC Rule Section 54.302).

This table clearly demonstrates that the FCC Ordered reduction in Allband's existing high-cost support will result in net losses so significant that Allband ultimately will not be able to provide voice service to customers in its service area.

Impact of \$3,000 Annual USF Support Cap	Actual 2010 (a)	Pro Forma 2011 (b)	Pro Forma - FCC Order Impacts		
			2012 (c)	2013 (d)	2014 (e)
Revenue	\$1,421,102	\$ 1,655,995	\$ 1,655,995	\$ 1,655,995	\$ 1,655,995
FCC Order Revenue Impact			(302,576)	(605,152)	(907,728)
Expense	1,011,938	1,245,379	1,245,379	1,245,379	1,245,379
Net Income Before Interest	\$ 409,164	\$ 410,616	\$ 108,040	\$ (194,536)	\$ (497,112)
Interest Expense	336,669	344,652	324,913	308,887	292,042
Net Income (Loss)	\$ 72,495	\$ 65,964	\$ (216,873)	\$ (503,423)	\$ (789,154)
Net Investment	6,000,471	6,246,327	6,246,327	6,246,327	6,246,327
Rate of Return Before Interest	6.8%	6.6%	1.7%	-3.1%	-8.0%
Rate of Return After Interest	1.2%	1.1%	-3.5%	-8.1%	-12.6%
TIER Ratio	1.22	1.19	0.33	(0.63)	(1.70)

Sources:

(a) and (b) - See Schedules 1, 2 and 3

(c) (d) and (e) - 2011 amounts were restated to include the impact of FCC Ordered Cap on Support  
See Schedule 4

**TABLE 2 - The FCC Cap Prescribed in 54.302 Would Contravene Section 254 of the Act**

The table below demonstrates Allbands' rates are already above the Nationwide Benchmark Rate and that recovery of the shortfall created by the FCC Order would drive customers' rates to levels that wouldn't conform to the requirements of Section 254 of the Act. Section 254 states that quality service should be available at just, reasonable, and affordable rates. Customer rates of over \$400 per month would not meet this standard. Moreover, without the USF support eliminated by the FCC Ordered \$3,000 cap, Allband's net losses (Table 1) would prevent Allband from investing in a quality network capable of providing advanced services.

Description	2012	2013	2014
Nationwide Rate Benchmark	\$ 10.00	\$ 14.00	\$ 15.62
Current Allband Rate	19.90	19.90	19.90
FCC Order Revenue Impact	(302,576)	(605,152)	(907,728)
No. of Allband Customers	163	163	163
Monthly Support Lost Per Customer	\$ (154.69)	\$ (309.38)	\$ (464.07)

**TABLE 3 - The Cap in 54.302 Would Cause Allband to Default on Its RUS Loan Payments**

The table below demonstrates that absent the support eliminated by the \$3,000 per line USF cap, Allband would ultimately default on its existing loans and become insolvent. In fact, in year three of phase in of the USF support reductions Allband would have no income available for payment of either principle or interest on the long term debt. Renegotiation of the loan provisions would be pointless if there is no income available for payments.

Description	2012	2013	2014
Net Income before Interest (Table 1)	108,040	(194,536)	(497,112)
Non -Cash Expense - Depreciation (Schedule 3, L22)	354,849	354,849	354,849
Total Income Available for Debt Payment	462,889	160,313	(142,263)
<u>Long Term Debt (Appendix 3)</u>			
Principal	313,234	329,260	346,105
Interest	324,913	308,887	292,042
Total Debt Payment	638,147	638,147	638,147
Shortfall in Income Necessary for Debt Payment	(175,258)	(477,834)	(780,410)

**Allband Communications Cooperative**  
**Summary of Net Income and Impacts of FCC Ordered Limits on Capital and Operating Costs**

**TABLE 4 - The Limits on Capital and Operating Costs Impose Severe Financial Consequences**

The table below summarizes total company Net Income amounts for Allband Communications Cooperative. The 2010 amounts reflect audited financial data. The 2011 column is a Pro Forma year and includes known and measurable changes to revenues, expenses and rate base. The basic format and procedures associated with these calculations are consistent with those required by the Kansas Commission in earnings reviews. Both regulated and nonregulated income sources are included in the calculations. As a Cooperative, Allband is exempt from Federal and State income taxes. The Pro Forma amounts included in the 2012 through 2014 columns are shown to incorporate revenue reductions associated with the FCC's Order that limits Allband's Universal Service Support based upon regression calculations (FCC Order, Paragraph 210).

This table clearly demonstrates that the FCC Ordered reduction in Allband's existing high-cost support will result in net losses so significant that Allband ultimately will not be able to provide voice service to customers in its service area.

Impact of Regression on USF Support	Actual 2010 (a)	Pro Forma 2011 (b)	Pro Forma - FCC Order Impacts		
			2012 (c)	2013 (d)	2014 (e)
Revenue	\$ 1,421,102	\$ 1,655,995	\$ 1,655,995	\$ 1,655,995	\$ 1,655,995
FCC Order Revenue Impact			(398,435)	(398,435)	(398,435)
Expense	1,011,938	1,245,379	1,245,379	1,245,379	1,245,379
Net Income Before Interest	\$ 409,164	\$ 410,616	\$ 12,181	\$ 12,181	\$ 12,181
Interest Expense	336,669	344,652	324,913	308,887	292,042
Net Income (Loss)	\$ 72,495	\$ 65,964	\$ (312,732)	\$ (296,706)	\$ (279,861)
Net Investment	6,000,471	6,246,327	6,246,327	6,246,327	6,246,327
Rate of Return Before Interest	6.8%	6.6%	0.2%	0.2%	0.2%
Rate of Return After Interest	1.2%	1.1%	-5.0%	-4.8%	-4.5%
TIER Ratio	1.22	1.19	0.04	0.04	0.04

Sources:

(a) and (b) - See Schedules 1, 2 and 3

(c) (d) and (e) - 2011 amounts were restated to include the impact of FCC Ordered Cap on Support  
See schedule 4

**TABLE 5 - Limits on Capital and Operating Costs Would Contravene Section 254 of the Act**

The table below demonstrates Allbands' rates are already above the Nationwide Benchmark Rate and that recovery of the shortfall created by the FCC Order through increases in customer rates would drive the current rates up to levels that would not conform to the rules in Section 254 of the Act. Section 254 states that quality service should be available at just, reasonable, and affordable rates. Customer rates over \$200 per month would not meet this standard. Moreover, without the USF support eliminated by the FCC Ordered regression reductions, Allband's net losses (Table 1) would prevent Allband from investing in a quality network capable of providing advanced services.

Description	2012	2013	2014
Nationwide Rate Benchmark	\$ 10.00	\$ 14.00	\$ 15.62
Current Allband Rate	19.90	19.90	19.90
FCC Order Revenue Impact	(398,435)	(398,435)	(398,435)
No. of Allband Customers	163	163	163
Monthly Support Lost Per Customer	\$ (203.70)	\$ (203.70)	\$ (203.70)

**TABLE 6 - Limits on Capital and Operating Costs Would Cause Allband to Default on Its RUS Loan Payments**

The table below demonstrates that absent the support eliminated by the regression analysis, Allband would ultimately default on its existing loans and become insolvent. In fact, Allband could only pay its interest payments and almost nothing toward the principle. Renegotiation of the loan provisions would be fruitless with so little funds left for application to principle.

Description	2012	2013	2014
Net Income before Interest	12,181	12,181	12,181
Non -Cash Expense - Depreciation	354,849	354,849	354,849
Total Income Available for Debt Payment	367,030	367,030	367,030
<u>Long Term Debt</u>			
Principal	313,234	329,260	346,105
Interest	324,913	308,887	292,042
Total Debt Payment	638,147	638,147	638,147
Shortfall in Income Necessary for Debt Payment	(271,117)	(271,117)	(271,117)

Allband Communications Cooperative  
Revenue Deficiency in Support of Petition for FCC Waiver

Summary of rate base, operating income and rate of return

Page A

RATE BASE, OPERATING INCOME AND RATE OF RETURN  
FOR THE TEST YEAR ENDED DECEMBER 31, 2010 AND  
PRO FORMA YEAR 2011

	<u>TOTAL COMPANY</u>	<u>TOTAL INTRASTATE</u>	<u>TOTAL INTERSTATE</u>	<u>NONREGULATED</u>
<b>Regulated Rate Base</b>				
1 Telecommunications Plant in Service	\$ 6,762,376	\$ 4,576,579	\$ 2,185,797	\$ -
2 Accumulated Depreciation and Amortization	(1,075,384)	(642,438)	(432,946)	
3 Materials and Supplies	305,051	227,503	77,549	
4 Telecommunications Plant Under Construction	221,905	149,918	71,987	
5 Cash Working Capital	48,423	29,328	19,094	
6 Total Regulated Rate Base (Sum of lines 1 through 5)	<u>\$ 6,262,371</u>	<u>\$ 4,340,890</u>	<u>\$ 1,921,481</u>	<u>\$ -</u>
<b>Nonregulated Investment</b>				
7 Investment in Affiliated Company *	\$ (41,690)	\$ -	\$ -	\$ (41,690)
8 Nonregulated investments	25,647	-	-	25,647
9 Total Nonregulated Investment (Sum of lines 7 and 8)	<u>\$ (16,044)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,044)</u>
10 Total Rate Base (Sum of lines 6 and 9)	<u>\$ 6,246,327</u>	<u>\$ 4,340,890</u>	<u>\$ 1,921,481</u>	<u>\$ (16,044)</u>
<b>Regulated Operating Revenue</b>				
11 Local Network Services	\$ 34,593	\$ 34,593	\$ -	\$ -
12 Federal Universal Service Support	1,396,728	-	1,396,728	
13 State Universal Service Support	-	-	-	
14 Network Access	146,668	32,052	114,616	
15 Billing and Collection	-	-	-	
16 Miscellaneous	1,792	1,792	-	
17 Total Regulated Opr. Revenue (Sum of lines 11 through 16)	<u>\$ 1,579,780</u>	<u>\$ 68,436</u>	<u>\$ 1,511,344</u>	<u>\$ -</u>
<b>Nonregulated Operating Revenue</b>				
18 Long Distance Service	\$ 26,885	\$ -	\$ -	\$ 26,885
19 Internet - Affiliated Company	42,345	-	-	42,345
20 Miscellaneous	6,985	-	-	6,985
21 Total Nonregulated Opr. Revenue (Sum of lines 18 through 20)	<u>\$ 76,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,215</u>
22 Total Revenue (Sum of lines 17 and 21)	<u>\$ 1,655,995</u>	<u>\$ 68,436</u>	<u>\$ 1,511,344</u>	<u>\$ 76,215</u>
<b>Regulated Operating Expense</b>				
23 Plant Specific Operations	\$ 126,970	\$ 78,850	\$ 48,119	\$ -
24 Plant Non-Specific Operations	489,371	306,417	182,953	
25 Customer Operations	16,638	12,480	4,158	
26 Corporate Operations	415,966	226,037	189,929	
27 Total Regulated Opr. Expense (Sum of lines 23 through 26)	<u>\$ 1,048,945</u>	<u>\$ 623,784</u>	<u>\$ 425,160</u>	<u>\$ -</u>
<b>Nonregulated Operating Expense</b>				
28 Internet - Affiliated Company	66,668	-	-	66,668
29 Long Distance Service	18,776	-	-	18,776
30 Miscellaneous	19,315	-	-	19,315
31 Total Nonregulated Opr. Expense (Sum of lines 28 through 30)	<u>\$ 104,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,760</u>
32 Total Operating Expense (Sum of lines 27 and 31)	<u>\$ 1,153,705</u>	<u>\$ 623,784</u>	<u>\$ 425,160</u>	<u>\$ 104,760</u>
<b>Regulated Other Expense</b>				
33 Other Taxes	\$ 105,924	\$ 71,562	\$ 34,362	\$ -
34 AFUDC	(14,250)	(9,627)	(4,623)	
35 Total Regulated Other Expense (Sum of lines 33 and 34)	<u>\$ 91,674</u>	<u>\$ 61,935</u>	<u>\$ 29,740</u>	<u>\$ -</u>
36 Total Expense (Sum of lines 32 and 35)	<u>\$ 1,245,379</u>	<u>\$ 685,719</u>	<u>\$ 454,900</u>	<u>\$ 104,760</u>
37 Federal High Cost Loop Support Income Adjustment		<u>\$ 937,860</u>	<u>\$ (937,860)</u>	
38 Income (Loss) (line 17 minus line 36 plus line 37)	<u>\$ 410,616</u>	<u>\$ 320,577</u>	<u>\$ 118,584</u>	<u>\$ (28,545)</u>
39 EARNED RETURN (line 38 divided by line 10)	<u>6.57%</u>	<u>7.39%</u>	<u>6.17%</u>	<u>0.00%</u>

\* Affiliate Company Losses

Allband Communications Cooperative  
Revenue Deficiency in Support of Petition for FCC Waiver

Page B

REVENUE REQUIREMENT CALCULATION  
FOR THE TEST YEAR ENDED DECEMBER 31, 2010 AND  
PRO FORMA YEAR 2011

Revenue Requirement Calculation		<u>TOTAL COMPANY</u>	<u>TOTAL INTRASTATE</u>	<u>TOTAL INTERSTATE</u>	<u>NONREGULATED</u>
1	Total Rate Base	<i>Page A, line 10</i> \$ 6,246,327	\$ 4,340,890	\$ 1,921,481	\$ (16,044)
2	Return on Rate Base	11.25%	11.25%	11.25%	11.25%
3	Net Income	<i>line 1 * line 2</i> \$ <u>702,712</u>	<u>\$ 488,350</u>	<u>\$ 216,167</u>	<u>\$ (1,805)</u>
4	Operating Expense	<i>Page A, line 32</i> \$ 1,153,705	\$ 623,784	\$ 425,160	\$ 104,760
5	AFUDC	<i>Page A, line 34</i> \$ (14,250)	\$ (9,627)	\$ (4,623)	\$ -
6	Other Taxes	<i>Page A, line 33</i> \$ <u>105,924</u>	<u>\$ 71,562</u>	<u>\$ 34,362</u>	<u>\$ -</u>
7	Revenue Requirement	<i>(line 3+(Lines 4...6)</i> \$ 1,948,091	\$ 1,174,069	\$ 671,066	\$ 102,955
8	Revenues	<i>Page A, line 22</i> 1,655,995	68,436	1,511,344	\$ 76,215
9	Federal High Cost Loop Support Income Adjustment		<u>937,860</u>	<u>(937,860)</u>	
10	Surplus/ (Deficiency)	<i>line 8 plus line 9 minus line 7</i> \$ <u>(292,096)</u>	<u>\$ (167,773)</u>	<u>\$ (97,583)</u>	<u>\$ (26,740)</u>

Allband Communications Cooperative  
Revenue Deficiency in Support of Petition for FCC Waiver

Appendix 1, Schedule 2

PRO FORMA RATE BASE  
FOR THE TEST YEAR ENDED DECEMBER 31, 2010

Plant investments  
(Source - Audited financial information and company records)

Line No.	Acct	Description	A Balance Per Books	Telephone Plant Adjustment Number	B Cost Study Adjustments	C Regulated Balance	D Pro Forma Number Pro Forma Adjustments	E Pro Forma Balance	F Other Adjustments	G Adjusted Balance	H Intrastate Percentages	I Intrastate Total
1	2111	Land	\$ 9,887	6	\$ (292)	\$ 9,594		\$ -	\$ 9,594	\$ -		\$ -
2	2112	Vehicles	36,674	8	(2,500)	34,174		34,174		34,174		-
3	2116	Other work equipment	47,854	8	(3,262)	44,593	(IV) 6,000	50,593		50,593		-
4	2121	Buildings	269,699	6	(7,971)	261,727		261,727		261,727		-
5	2122	Furniture	-		-	-		-		-		-
6	2123	Office equipment	19,700	7	(582)	19,117		19,117		19,117		-
7	2124	General purpose computers	4,087	7	(121)	3,966		3,966		3,966		-
8		Total general support facilities	\$ 387,900		\$ (14,728)	\$373,172	\$ 6,000	\$ 379,172	\$ -	\$ 379,172	0.675595	\$ 256,167
9	2212	Digital electric switching equip.	\$ 473,317	2	\$ (11,573)	\$ 461,744		461,744	\$ -	\$ 461,744		\$ -
10	2232	Circuit equipment	357,202			357,202	(IV) (10,000)	347,202		347,202		-
11	2232	Internet equipment	57,837	1,2	\$ (6,974)	50,863		50,863		50,863		-
12		Total central office equipment	\$ 888,357		\$ (18,547)	\$ 869,810	\$ (10,000)	\$ 859,810	\$ -	\$ 859,810	0.241727	\$ 207,839
13	2311	Station apparatus	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
14	2321	Customer premise wiring	-		-	-		-		-		-
15	2351	Public telephone equipment	-		-	-		-		-		-
16	2362	Other terminal equipment	-		-	-		-		-		-
17		Total info orig/term equipment	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
18	2411	Poles	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
19	2421	Aerial cable	-		-	-		0		-		-
20	2422	Fiber optic cable	5,299,073	4	(4,429)	5,294,644	(IV) 50,000	5,344,644		5,344,644		-
21	2423	Buried cable	81,924		-	81,924	(IV) 1,500	83,424		83,424		-
22	2431	Aerial wire	-		-	-		0		0		-
23	2441	Conduit systems	-		-	-		0		0		-
24		Total cable and wire facilities	\$ 5,380,997		\$ (4,429)	\$ 5,376,568	\$ 51,500	\$ 5,428,068	\$ -	\$ 5,428,068	0.745785	\$ 4,048,171

Allband Communications Cooperative  
Revenue Deficiency in Support of Petition for FCC Waiver

Appendix 1, Schedule 2

PRO FORMA RATE BASE  
FOR THE TEST YEAR ENDED DECEMBER 31, 2010

Plant investments  
(Source - Audited financial information and company records)

Line No.	Acct	Description	A Balance Per Books	Telephone Plant Adjustment Number	B Cost Study Adjustments	C Regulated Balance	D Pro Forma Number	Pro Forma Adjustments	E Pro Forma Balance	F Other Adjustments	G Adjusted Balance	H Intrastate Percentages	I Intrastate Total
25	2682	Leasehold improvements	\$ -			\$ -		\$ -	\$ -	\$ -	\$ -	-	\$ -
26	2690	Intangibles	-	3	95,327	\$ 95,327			95,327		95,327	0.675595	64,402
27		Gross telephone plant	\$ 6,657,253		\$ 57,623	\$ 6,714,876		\$ 47,500	\$ 6,762,376	\$ -	\$ 6,762,376		\$ 4,576,579
28	3100	Accumulated depreciation	\$ (984,869)	1,2,4,6,7,8	\$ 9,145	\$ (975,724)	(V)	\$ (23,399)	\$ (999,123)	-	\$ (999,123)	0.591435	\$ (590,916)
29	3500	Accumulated amortization	-	3	(76,261)	(76,261)			(76,261)		(76,261)	0.675595	(51,522)
30		Net telephone plant	\$ 5,672,385		\$ (9,494)	\$ 5,662,891		\$ 24,101	\$ 5,686,992	\$ -	\$ 5,686,992		\$ 3,934,141
31	1220	Materials and supplies	\$ 288,548		\$ -	\$ 288,548	(IV)	\$ 16,503	\$ 305,051	\$ -	\$ 305,051	0.745785	\$ 227,503
32	1402	Investment in affiliate	(17,366)		\$ -	\$ (17,366)	(X)	(24,324)	(41,690)		(41,690)	-	-
33	1406	Nonregulated investment	-	2,4,6,7,8	25,647	\$ 25,647			25,647		25,647	-	-
34	2003	TPUC - short term	56,905		-	56,905	(IV)	165,000	221,905	-	221,905	0.675595	149,918
35	4340	Deferred	-		-	-		-	-	-	-	-	-
36	4310	OPEB	-		-	-		-	-	-	-	-	-
37	4040	Customer deposits	-		-	-		-	-	-	-	-	-
38	MISC	Other credit accounts	-		-	-		-	-	-	-	-	-
39		Net investment	\$ 6,000,471		\$ 16,153	\$ 6,016,625		\$ 181,280	\$ 6,197,905	\$ -	\$ 6,197,905		\$ 4,311,562
40		Cash working capital		5	\$ 42,407	\$ 42,407	(VIII)	\$ 6,016	\$ 48,423	\$ -	\$ 48,423	0.605675	29,328
41		Total rate base	\$ 6,000,471		\$ 58,561	\$ 6,059,032		\$ 187,295	\$ 6,246,327	\$ -	\$ 6,246,327		\$4,340,890

\* See section 12 for detailed separations categories and allocation information.  
Balances in Section 4 are per the G/L account balances, and do not reflect separations categorizations.

Telephone plant adjustments (TPAs): (For explanation of nonregulated allocations please refer to narrative in Section 12)

- #1 To adjust nonregulated expense improperly booked to account 2232.1
- #2 To remove CALEA investment
- #3 To record start up costs as of 12/31/2010
- #4 To allocate a portion of the C&WF for inside wire investment
- #5 To record the allowance for cash working capital
- #6 To reclassify land & building investment associated with inside employees to nonregulated
- #7 To reclassify investment in general support assets associated with inside employees to nonregulated
- #8 To reclassify investment associated with outside employees to nonregulated

Pro forma adjustments:

- (IV) To recognize additional investment made during 2011
- (V) To record a full year of depreciation expense
- (VIII) To adjust Cash Working Capital to reflect the effect of other Pro Forma adjustments.
- (X) To recognize 2011 changes in nonregulated activities and interest levels

Allband Communications Cooperative  
Revenue Deficiency in Support of Petition for FCC Waiver

**PRO FORMA OPERATING INCOME STATEMENT  
FOR THE TEST YEAR ENDED DECEMBER 31, 2010**

Test year and pro forma income statements

(Source - Audited financial information and company records)

Line No.	Acct. No.	Description	A Balance Per Books	SSA/ TPA Number	B Cost Study Adjustments	C Regulated Balance	D Proforma Number	E Proforma Amount	F Proforma Balance	G Other Adjustments	H Adjusted Balance	I Intrastate Percentages	J Intrastate Access	K Local	Intrastate Total
<b>Operating Revenues</b>															
1	5000	Local network services revenues	\$ 36,613			\$ 36,613	(III)	\$ (2,020)	\$ 34,593	\$ -	\$ 34,593			\$ 34,593	\$ 34,593
2	5069	Federal high cost support	605,963			605,963	(II)	331,897	937,860	458,868	1,396,728			-	-
3	5084	State Universal service support	0			0		0	0	0	0		0	0	0
4	5080	Network access revenue	753,826	4	494	754,320	(VI)	(148,785)	605,536	(458,868)	146,668		32,052		32,052
5	5100	Long distance network service revenue	22,908	14	(22,908)	0		0	0	0	0		0	0	0
6	5270	Billing and collection	0			0		0	0	0	0		0	0	0
7	52XX	Miscellaneous revenue	1,792			1,792		1,792	1,792	1,792	1,792			1,792	1,792
8	5280	Non-regulated revenue	0			0		0	0	0	0			0	0
9	5300	Uncollectible revenue	0			0		0	0	0	0			0	0
10		Total operating revenues	\$ 1,421,102		\$ (22,414)	\$ 1,398,688		\$ 181,092	\$ 1,579,780	\$ -	\$ 1,579,780		\$ 32,052	\$ 36,384	\$ 68,436
<b>Plant Specific Operations Expenses</b>															
11	6110	Network support expense	\$ -			\$ -		\$ -	\$ -	\$ -	\$ -				\$ -
12	6120	General support expense	56,989	11,12	(367)	56,623	(VII)	19,300	75,923	75,923	75,923	0.675595			51,293
13	6210	Central office switching expense	11,246			11,246	(VII)	(4,000)	7,246	7,246	7,246	0.241727			1,752
14	6230	Central office transmission expense	39,701	10	(27,791)	11,910	(VII)	1,700	13,610	13,610	13,610	0.241727			3,290
15	6362	Network monitoring	9,835	1	(9,835)	0		0	0	0	0			0	-
16	6362	Toll resale	24,307	2	(24,307)	-		-	-	-	-			-	-
17	6422	Cable expense	-	10	27,791	27,791	(VII)	2,400	30,191	30,191	30,191	0.745785			22,516
18		Total plant specific operations expense	\$ 142,078		\$ (34,509)	\$ 107,570		\$ 19,400	\$ 126,970	\$ -	\$ 126,970				\$ 78,850
<b>Plant Non-Specific Operations Expense</b>															
19	6510	Other plant expense	\$ -			\$ -		\$ -	\$ -	\$ -	\$ -				\$ -
20	6530	Network operations expense	72,206			72,206	(VII)	40,500	112,706	112,706	112,706	0.675595			76,144
21	6540	Access expense	141	5	(141)	0		0	0	0	0			0	0
22	6560	Depreciation and amortization	334,356	3,7,9,11,12,13	(2,906)	331,450	(V)	23,399	354,849	354,849	354,849	0.607400			215,536
23	6565	Amortization expense	2,750	8	19,065	21,815		21,815	21,815	21,815	21,815	0.675595			14,738
24		Total plant non-specific operations exp.	\$ 409,453		\$ 16,019	\$ 425,471		\$ 63,899	\$ 489,371	\$ -	\$ 489,371				\$ 306,417
<b>Customer Operations Expense</b>															
25	6610	Marketing expense	\$ 777			\$ 777	(VII)	\$ 1,500	\$ 2,277	\$ -	\$ 2,277	0.654100			\$ 1,489
26	6621	Operator services	-			-		-	-	-	-			-	-
27	6622	Directory expense	402			402		402	402	402	402	1.000000			402
28	6623	Services expense	6,073	4,6	(113)	5,959	(VII)	8,000	13,959	13,959	13,959	0.758541			10,589
29		Total customer operations expense	\$ 7,251		\$ (113)	\$ 7,138		\$ 9,500	\$ 16,638	\$ -	\$ 16,638				\$ 12,480
<b>Corporate Operations Expense</b>															
30	6710	Executive and planning expense	\$ 67,348			\$ 67,348	(VII)	\$ (55,000)	\$ 12,348	\$ -	\$ 12,348	0.618123			\$ 7,632
31	6720	General and administrative expense	311,118			311,118	(VII)	72,500	383,618	383,618	383,618	0.569328			218,405
32	6720	Gen. and adm. - waiver expenses	-			-	(I)	20,000	20,000	20,000	20,000	0.000000			0
33		Total corporate operations expense	\$ 378,466		\$ -	\$ 378,466		\$ 37,500	\$ 415,966	\$ -	\$ 415,966				\$ 226,037

Allband Communications Cooperative  
Revenue Deficiency in Support of Petition for FCC Waiver

**PRO FORMA OPERATING INCOME STATEMENT  
FOR THE TEST YEAR ENDED DECEMBER 31, 2010**

Test year and pro forma income statements

(Source - Audited financial information and company records)

Line No.	Acct. No.	Description	A Balance Per Books	SSA/ TPA Number	B Cost Study Adjustments	C Regulated Balance	D Proforma Number	E Proforma Amount	F Proforma Balance	G Other Adjustments	H Adjusted Balance	I Intrastate Percentages	J Intrastate Access	K Local	Intrastate Total
<b>Operating Taxes &amp; Other Operating Expenses</b>															
34	7210	Amortization of ITC	\$ -			\$ -		\$ -	\$ -	\$ -	\$ -				\$ -
35	7220	Operating federal income taxes	-			-		-	-	-	-				-
36	7230	Operating state income taxes	-			-		-	-	-	-				-
37	7240	Other operating taxes	70,249	7,9,11,12,13	(324)	69,924	(VII)	36,000	105,924		105,924	0.675595			71,562
38	7250	Deferred operating income taxes	-			-		-	-	-	-				-
39	7340	Allow. for funds used during const.	(14,250)			(14,250)		(14,250)	(14,250)		(14,250)	0.675595			(9,627)
40	7370	Contributions and fees	-			0		0	0		0				0
42		Total oper. taxes & other oper. exp.	\$ 55,999		\$ (324)	\$ 55,674		\$ 36,000	\$ 91,674	\$ -	\$ 91,674				\$ 61,935
43		Total operating expenses	\$ 993,247		\$ (18,928)	\$ 974,319		\$ 166,299	\$ 1,140,619	\$ -	\$ 1,140,619				\$ 685,719
44		Federal High Cost Loop Support											\$937,860		\$937,860
45		Net operating income	\$ 427,854		\$ (3,486)	\$ 424,369		\$ 14,793	\$ 439,161	\$ -	\$ 439,161				\$ 320,577
<b>Nonoperating/Nonregulated</b>															
46	5100	Long distance revenue	\$ -	14	\$ (22,908)	\$ (22,908)	(X)	(3,977)	\$ (26,885)		\$ (26,885)	0.000000			\$ -
47	799X	Long distance expense	-	2	24,307	24,307	(X)	(5,531)	18,776		18,776	0.000000			-
48	7310	Interest income	(48)			(48)		(48)	(48)		(48)	0.000000			-
49	7510	Interest	336,669			336,669	(X)	7,983	344,652		344,652	0.692106			238,536
50	7365	Affiliate loss (expense) - (internet service)	17,366			17,366	(X)	6,957	24,323		24,323	0.000000			-
51	799X	Nonregulated expense	1,372	1,3,5,6,7,9,11-13	16,936	18,308	(X)	(5,930)	12,378		12,378	0.000000			-
52		Total Nonoperating/Nonregulated	\$ 355,360		\$ 18,336	\$ 373,695		\$ (498)	\$ 373,197	\$ -	\$ 373,197				\$ 238,536
53		Net Income	\$ 72,495		\$ (21,822)	\$ 50,673		\$ 15,291	\$ 65,964	\$ -	\$ 65,964				\$ 82,042

Separations study adjustments (SSAs):

- #1 To reclassify nonregulated internet expense
- #2 To reclassify toll resale expense to nonregulated
- #3 To adjust nonregulated expenses that were incorrectly booked
- #4 To adjust access revenues for CABS expense
- #5 To remove nonregulated expenses
- #6 To spread customer service expense
- #7 To allocate a portion of COE for CALEA investment
- #8 To amortize startup costs
- #9 To allocate a portion of C&WF for inside wire
- #10 To reclassify a portion of lease to C&WF
- #11 To allocation a portion of land and building to nonregulated
- #12 To allocate a portion of general support facilities to nonregulated
- #13 To allocate a portion of vehicles and OWE to nonregulated
- #14 To reclassify toll revenue to nonregulated

Pro forma adjustments:

- Section 9(ii) - adjustments for known and measurable changes in revenue and expenses:
- (I) To recognize Waiver application costs
  - (II) To recognize increase in federal high cost loop support
  - (III) To reflect known and measurable changes in intrastate local revenues
  - (V) To record a full year of depreciation expense
  - (VI) To recognize 2011 reductions in interstate access revenues
  - (VII) To recognize 2011 changes in expense levels
  - (X) To recognize 2011 changes in nonregulated and nonoperating activities

Other adjustments:

The accounting records only include High Cost Loop Support in the Federal High Cost Support, Account 5069. The ICLS and LSS are included in the accounting records in Network Access. This adjustment removes LSS and ICLS from the Network Access Account and moves it to the Federal High Cost Support Account

Allband Communications Cooperative

Schedule 4

Impact Analysis of the \$3000 USF per line support Cap – FCC Rule Section 54.302

From USF Forecasted 2012 Support Amounts

Line	Description	Annual Support	Annual Support per Line	Monthly Support	Monthly Support per Line
1	Working Loops <sup>(1)</sup>	163			
2	USF High Cost Loop Support <sup>(2)</sup>	\$937,860	\$5,754	\$78,155	\$479.48
3	USF ICLS Support <sup>(2)</sup>	\$371,028	\$2,276	\$30,919	\$189.69
4	USF LSS Support <sup>(2)</sup>	\$87,840	\$539	\$7,320	\$44.91
<b>5</b>	<b>Total 2012 USF Support Before Cap (LN5 = LN 1 Through LN 4)</b>	<b>\$1,396,728</b>	<b>\$8,569</b>	<b>\$116,394</b>	<b>\$714.07</b>
6	Annual \$3000 per line Support Cap (163 lines * \$3,000)	\$489,000	\$3,000	\$40,750	\$250.00
7	USF Support Exceeding Cap (LN7 = LN6 - LN5)	(\$907,728)	(\$5,569)	(\$75,644)	(\$464.07)
8	Impact Effective 7/1/2012 (LN7 *1/3)	(\$302,576)	(\$1,856)	(\$25,215)	(\$155)
9	Impact Effective 7/1/2013 (LN 7 *2/3)	(\$605,152)	(\$3,713)	(\$50,429)	(\$309)
10	Impact Effective 7/1/2014 (LN 7)	(\$907,728)	(\$5,569)	(\$75,644)	(\$464)

<sup>(1)</sup> Working Loops from USAC FCC USF Filing Appendix HC05-1Q2012

<sup>(2)</sup> USF Support amounts from USAC FCC USF Filing Appendix HC01-1Q2012

ALLBAND COMMUNICATIONS COOPERATIVE

Calculation of High Cost Fund Support Before and After Regression Caps  
 Projected 2012 Support Amounts

	USF Support Before Regression Cap		USF Support After Regression Cap		Net Difference
National Average Unseparated Revenue Requirement Per Loop	\$ 506		\$ 506		
Study Area Revenue Requirement Per Loop	8,283.18		5,024		(3,259)
Company Access Lines	163		163		
<u>Calculation of USF Support</u>	<u>USF Support Per Line</u>		<u>USF Support Per Line</u>		
0 - 115% of National Average	\$ -		\$ -		
115% - 150% of National Average	115.11		115.11		
Over 150% of National Average	5,643.17		3,198.78		
Total USF HCL Support Per Line	<b>\$ 5,758</b>		<b>\$ 3,314</b>		<b>\$ (2,444)</b>
<u>Calculated Total Support</u>	<u>USF Support Before Regression Cap</u>		<u>USF Support After Regression Cap</u>		<u>Projected Change in Payments</u>
Annual Amount (Line 3 X Line 7)	\$938,599		\$540,164		(\$398,435)
Monthly Amount	\$78,217		\$45,014		(\$33,203)