

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of Rainbow)	
Telecommunications Association, Inc.'s)	
Application for Additional Support From)	Docket No. 17-RNBT-555-KSF
the Kansas Universal Service Fund)	
)	

REDACTED DIRECT TESTIMONY
OF
ANN DIGGS
ON BEHALF OF
KANSAS CORPORATION COMMISSION STAFF
October 26, 2017

I. INTRODUCTION

Q: Please state your name, occupation and business address.

A: My name is Ann Diggs. I am self-employed as the owner of the certified public accounting firm, Ann Diggs, CPA. My business address is 107 Chestnut Street, Wilmington, NC 28401.

Q: Please discuss your professional background and regulatory experience.

A: I received a B.B.A. Degree with a Major in Accounting in 1982 from Washburn University in Topeka, Kansas. I am a CPA licensed to practice in North Carolina. My thirty years of auditing and accounting experience includes nine years of public utility electric, gas and telecommunications regulatory experience with the Staff of the Kansas Corporation Commission (Commission), where I held various positions progressing to Chief of Accounting and Financial Analysis. A summary of my work and utility regulatory experience is included in Attachment AD-1.

Q: Have you previously testified before the Commission?

A: Yes, I have presented written and oral expert witness testimony before the Commission on issues including cost of service, acquisition premium recovery, allocation of jurisdictional overhead costs, affiliate transactions, corporate and general service facility cost study adjustments, merger savings analysis, and Kansas Universal Service Fund (KUSF) audits.

Q: Please state on whose behalf you are appearing.

A: I am appearing on behalf of Commission Staff (Staff).

1 **Q: Please describe your responsibilities and the procedures you performed in**
2 **this docket.**

3 A: My responsibilities in this docket were to analyze Rainbow Telecommunications
4 Association, Inc.'s (Rainbow, RTA, or Company) filing, sponsor Staff
5 adjustments, and in conjunction with Staff provide recommendations to the
6 Commission. I reviewed the Company's filing and responses to data requests
7 issued by Staff and participated in an on-site visit at the Company's offices in
8 Everest, Kansas for the purpose of inspecting records, touring the Company's
9 offices and facilities, and meeting with the Company's employees and consultants.
10 I also participated in phone conferences with Staff, and reviewed other
11 Commission dockets and materials relevant to the issues I am addressing.

12 **Q: Please describe the purpose and scope of your testimony.**

13 A: I generally describe the Company's corporate structure, the services and
14 transactions between the Company and its affiliates, and the assignment and
15 allocation of costs to its non-regulated operations and affiliates. I sponsor Staff's
16 adjusted allocation factors. Staff adjustments to the Company's cost of service,
17 and proffer recommendations regarding the Company's affiliate transactions and
18 cost allocation procedures.

19 **Q: Please identify the additional attachments to your testimony.**

20 A: Attachment AD-2 contains a summary and support of Staff's allocation factors,
21 used to apportion shared costs between the Company's regulated and non-
22 regulated operations. AD-3 contains work papers supporting my sponsored Rate

1 Base and Income Statement adjustments, identified by adjustment number. AD-4
2 contains data requests (DR) that are referenced in my testimony.

3 **II. EXECUTIVE SUMMARY**

4 **Q: Please summarize your sponsored adjustments.**

5 A: My sponsored Rate Base (RB) and Income Statement (IS) adjustments are
6 summarized in the following table, along with each adjustment's increase or
7 (decrease) to the Company's total-company and intrastate revenue requirement.

8

ADJ #	DESCRIPTION	TOTAL COMPANY ADJUSTMENT	INTRASTATE ADJUSTMENT
RB-1	Reverse Company's Non-Regulated Allocation of GSF Assets and Accumulated Depreciation	\$ 321,600	\$ 244,530
RB-2	Staff's Non-Regulated Allocation of GSF Assets and Accumulated Depreciation	\$ (463,440)	\$ (350,958)
RB-3	Remove Balance of Prepaid Retirement Benefits	\$ (350,684)	\$ (237,214)
IS-11	Reverse Company's Non-Regulated Allocation of GSF Expense	\$ 166,677	\$ 109,430
IS-12	Staff's Non-Regulated Allocation of GSF Expense	\$ (177,667)	\$ (110,301)
IS-13	Reverse Company's Payroll and Benefit Normalization Adjustment	\$ (117,555)	\$ (70,496)
IS-14	Staff's Salary Normalization Adjustment	\$ 10,177	\$ 3,890
IS-15	Staff's Employee Benefit Normalization Adjustment	\$ 3,313	\$ 554
IS-16	Deferred Compensation Expense	\$ (9,319)	\$ (5,833)
IS-17	Board Expense Allocation Adjustment	\$ (27,944)	\$ (17,015)
IS-18	Billing & Collection Software Allocation Adjustment	\$ (18,652)	\$ (10,789)

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1 Each of the above adjustments is described in detail in Section V – Rate Base
2 Adjustments and Section VI – Income Statement Adjustments, of my testimony.
3 The adjustments are further supported by my workpapers in Attachment AD-3
4 which are an integral part of my testimony.

5 **Q: Please summarize your findings and recommendations regarding the**
6 **Company’s affiliate transactions and cost allocation procedures.**

7 A: Staff found that generally the Company was in compliance with FCC affiliate
8 transaction and cost allocation rules, and had met the required procedures as set
9 out in the Commission’s Order on Stipulation and Agreement in the Company’s
10 last KUSF docket No. 11-RNBT-608-KSF. Procedures initiated after the
11 Company’s last KUSF audit included (1) the performance and documentation of
12 annual time studies, (2) meeting with employees and providing a written policy to
13 emphasize the importance of accurate time reporting, (3) updating affiliate
14 agreements and filing copies with the Commission. Staff also found that the
15 Company prepared detailed analysis of labor costs and cost study adjustments
16 supporting the allocation of general support services between regulated and non-
17 regulated operations.

18 Staff has findings and recommendations in the following two areas:

19 1. Affiliate Agreements. Staff recommends the existing Management and
20 Operational Service Arrangement Between Rainbow Telecommunications
21 Association and Carson Communications, LLC, dated January 1, 2012, be revised
22 and updated to reflect the current affiliated entity name, Rainbow

1 Communications LLC (Communications), as well as any other necessary changes.
2 This Management Agreement addresses the provision and reimbursement of
3 services the Company provides to Communications.

4 Staff was not provided with a formal agreement between the Company
5 and Communications addressing the provision and reimbursement of services
6 Communications provides to the Company, including labor, office space,
7 furniture, equipment, and other support services. Staff recommends the provision
8 of such services and their reimbursement be addressed in a formal written
9 Agreement between the affiliates.

10 In addition, if goods or services are provided between the Company and
11 its newly-formed affiliate, Harvest Video LLC, Staff recommends the Company
12 enter into a formal agreement for such goods and/or services.

13 Staff further recommends the Company be required to file copies of each
14 of the above-referenced revised and new Agreements with the Commission
15 pursuant to K.S.A. 66-1402.

16 2. Board of Directors expense allocation. Staff found the Company is
17 using a factor to allocate Board of Directors' expenses between the Company's
18 regulated operations and Communications non-regulated operations that is based
19 on an undocumented review of Board of Directors minutes performed after the
20 Company's last KUSF audit in 2011. Staff recommends that the Company should
21 conduct current, annual reviews of the Board of Directors minutes to update and
22 document the time spent by the Board on regulated and non-regulated operations.

1 **III. CORPORATE STRUCTURE AND AFFILIATED ENTITIES**

2 **Q: Please provide a brief description of the Company and its affiliated entities.**

3 A: The Company is a rural Independent Local Exchange Carrier, headquartered in
4 Everest, Kansas. In 2005, the Company purchased a cable television provider,
5 Carson Communications, L.L.C. (Carson). In 2014, Carson's name changed to
6 Rainbow Communications L.L.C. The Company and Communications, its
7 wholly-owned subsidiary, do business as Rainbow Communications, and have
8 offices in Hiawatha, Seneca, Sabetha, and Horton, Kansas. Harvest Video L.L.C.
9 (Harvest) was organized in 2017 as a wholly-owned subsidiary of
10 Communications¹. Harvest has two employees and produces educational, product
11 line, and public awareness videos. In addition, Communications owns a 99%
12 membership equity interest in Landover Eastern Kansas, L.L.C. (Landover),
13 which was formed in September 2010 to acquire construction permits and FCC
14 licenses for Low Power TV Channels for use by Rainbow or its affiliates in the
15 construction and development of wireless communications services.

16 **Q: Please describe the Company's operations.**

17 A: The Company is a rural independent local exchange carrier operating as a not-for
18 profit cooperative. It provides regulated local exchange telephone service to
19 approximately 1,485 customers in eight exchanges in northeast Kansas, and offers
20 direct trunking, switched access, special access, wholesale broadband and

¹ Information regarding Harvest Video was not included in the Company's filing, but was provided in response to Staff DR 107, attached.

1 wholesale ethernet services through tariffs and agreements with other carriers and
2 internet service providers.

3 **Q: Please describe the operations of the Company's affiliates.**

4 A: Non-regulated services provided by Communications include the following:

- 5 • CLEC provider of local exchange telecommunication services to
- 6 approximately 4,725 customers
- 7 • Long distance services
- 8 • Basic Cable TV services
- 9 • Digital IPTV services (HD TV, DVR, and Pay Per View)
- 10 • Dial up, Cable Modem, DSL, and Wireless Internet services
- 11 • Security alarm and surveillance system sales, service, and installations
- 12 • Phone system sales, service, and installations
- 13 • Computer repair services
- 14 • Business technology solutions and networking services
- 15 • Television channel with local programming

16 Harvest Video

- 17 • Video production

18 **Q: How are the accounting books and records maintained for the Company and**
19 **Communications?**

20 A: The Company and Communications maintain separate accounting books through
21 a common accounting system. Expenses and other accounting transactions can be
22 directly recorded to each company, allocated between the companies by journal

1 entries or by labor distributions set up in the system, or expenses can be paid by
2 one company and charged to the other through intercompany billings.

3 **Q: Describe the types of expenses and resources shared between the companies.**

4 A: The Company and Communications both employ personnel. Each company's
5 employees share office space and may perform functions that benefit both
6 Rainbow and Communications. For example, Customer Service Representatives
7 who are Communications employees have offices at Rainbow's Headquarters in
8 Everest, and perform functions that benefit both regulated and non-regulated
9 activities.

10 Each company also separately owns general support facility (GSF) assets,
11 such as buildings, furniture, and equipment, which benefit both regulated and
12 non-regulated operations regardless of ownership. Expenses relating to these
13 general support assets are shared by the companies, as well as expenses relating to
14 other services which benefit both Rainbow and Communications, such as human
15 resources, executive, planning, accounting, and billing and collection.

16 **Q: How did the Company assign or allocate expenses and resources between**
17 **Rainbow and Communications in its filing?**

18 A: The following is a broad overview of procedures the Company used to assign or
19 allocate costs to regulated and non-regulated operations. A more detailed analysis
20 of the Company's allocations and methodology is presented in my testimony
21 relating to individual adjustments.

1 1. Direct Assignment. Costs which can be identified as relating to a
2 specific regulated or non-regulated activity are directly recorded. For example,
3 cable programming costs would be recorded to an account on Communication's
4 non-regulated books.

5 2. Allocate Labor Costs Within Accounting System. By entering time
6 directly reported by employees, or by setting up allocation factors for employees
7 into the payroll accounting system, labor distributions are automatically generated
8 for wages and related benefits and payroll taxes.

9 3. Allocate Costs with Journal Entries. The Company can record journal
10 entries to allocate a percentage of shared expenses to non-regulated operations.

11 4. Allocating Expenses When Paid. The Company reviews certain
12 expenses and allocates them to regulated or non-regulated accounts at the time the
13 expenses are paid. Examples include training and travel expenses, and expenses
14 relating to billing and collections.

15 The Book Balances contained in the Company's filing include the amount
16 of regulated assets, expenses, and revenues remaining after the above non-
17 regulated allocation procedures have been performed.² Assets, revenues, and
18 expenses recorded on Communication's books are considered non-regulated, and
19 not included in the Company's filing. Although Rainbow's books may include

² Section 4, Sch. 1, Col. (A); Section 5, Sch. 1, Col. (A); Section 9, Sch. 1, Col. (A)

1 both regulated and non-regulated assets, revenues, and expenses, only regulated
2 accounts should be included in the Company's filing.

3 5. General Support Facility Cost Study Adjustments. The Company
4 additionally performs an allocation of GSF assets and expenses through its annual
5 Cost Study Adjustments.³ This allocation removes non-regulated assets, related
6 accumulated depreciation, and other expenses recorded on the Company's books
7 which benefit non-regulated operations and were not previously assigned or
8 allocated. The Cost Study Adjustments also add regulated GSF assets and
9 expenses to the filing which were recorded to Communications' books.

10 Other Cost Study Adjustments or Normalizing Adjustments may be made
11 by the Company which may affect the regulated amount of assets, expenses, or
12 revenues. The resulting Normalized Balance is then allocated between the
13 Company's Interstate and Intrastate operations to determine the Company's Cost
14 of Service.

15

16 **IV. AFFILIATE TRANSACTIONS AND COST ALLOCATIONS**

17 **Q: Please identify transactions which occur between the Company and its**
18 **affiliates.**

19 **A:** The Company records transactions for the following goods or services sold or
20 purchased from its affiliates:

³ Section 4, Sch. 1, Col. (B); Section 5, Sch. 1, Col. (B); Section 9, Sch. 1, Col. (B)

1 (1) Management, support, and technical services provided by the Company to

2 Communications. Services are provided pursuant to a Management and

3 Operational Service Arrangement Between Rainbow Telecommunications

4 Association and Carson Communications, LLC, dated January 1, 2012.

5 Although not provided with the Company's application, the Company

6 provided this Agreement in a Supplement response to Staff DR 14 (attached).

7 The Management Agreement addresses the provision of the following services

8 from the Company to Carson:

- 9 • Executive Management
- 10 • Operational Supervision
- 11 • Engineering/Construction Services
- 12 • Network Administration
- 13 • Professional Services
- 14 • Accounting Services
- 15 • Financial Services
- 16 • Data Programming and Processing Services
- 17 • Technical Services
- 18 • Customer Services
- 19 • Outside Plant Technicians
- 20 • Vehicles
- 21 • Community Development

- Provisioning
- Advisory Services

The Management Agreement further addresses the reimbursement of costs to the Company of providing these services to Carson using the Attributable Cost Method of Fully Distributed Cost Allocation referred to in the Company's Cost Allocation Manual.

(2) Support and technical services provided from Communications to the Company. Communications provides labor, office space, furniture, equipment, and other support services to the Company. The Company did not present a formal agreement addressing the provision and reimbursement of these services in this docket.

(3) Tariff rate services provided by the Company to Carson. The Company provides Digital Subscriber Line Services, IPTV and Dial-up Access Services, and Ethernet Transport Services to Carson under FCC tariff rates.

(4) Fiber Lease. The Company leases fiber cables to Communications pursuant to a Fiber Lease dated January 1, 2016. The payments for the fiber lease are based on the Company's fully distributed cost.

(5) Switching Services. Per a Switching Agreement dated January 20, 2017, the Company provides switching, fiber terminal and interexchange trunk services to Communications at a monthly rate per access line developed on the Company's fully distributed cost.

1 **Q: Are the transactions for goods and services between the Company and its**
2 **affiliates subject to the FCC’s affiliate transaction rules?**

3 A: Yes. Transactions between the entities are subject to the FCC’s affiliate
4 transaction rules as required in 47 C.F.R. §64.902 and set out in 47 C.F.R.
5 §32.27(c). Pursuant to 47 C.F.R. §32.9000, “affiliated companies” means:

6 [C]ompanies [the accounting entity] that directly or indirectly
7 through one or more intermediaries, control or are controlled by, or
8 are under common control with, the accounting company.
9 [Referencing “Control”] . . . Control . . . means the possession
10 directly or indirectly, of the power to direct or cause the direction
11 of the management and policies of a company . . . whether such
12 power is established through a majority or minority ownership or
13 voting of securities, common directors, officers . . .or any other
14 direct or indirect means.

15
16 In addition, pursuant to K.S.A. 66-1401(2), affiliated interests include “[e]very
17 corporation which has one or more officers or one or more directors in common
18 with such utility corporation” and include “[e]very person who is an officer or
19 director of such utility corporation . . .”

20 **Q: Please describe the FCC’s rules regarding affiliate transactions.**

21 A: The FCC’s affiliate transaction rules require services provided to or received from
22 affiliates to be recorded in the following manner:

23 1. Services sold or transferred from the Company to its affiliates. Unless
24 services are provided at a tariff rate or qualify for prevailing price valuation, the
25 FCC requires services sold or transferred from a carrier and its affiliate to be

1 recorded at no less than fully distributed cost (FDC)⁴. This requirement applies to
2 the Company's provision of management, support, and technical services
3 provided to its non-regulated affiliate as set out in the Management Agreement.

4 2. Services sold or transferred to the Company from its affiliates. Unless
5 services are provided at a tariff rate or qualify for prevailing price valuation,
6 services sold or transferred to a carrier from its affiliate are required to be
7 recorded at no greater than FDC⁵. This requirement applies to the support and
8 technical services provided from non-regulated affiliates to the Company.

9 **Q: Please explain how the Company records affiliate transactions for the**
10 **management, support, and technical services it provides to its non-regulated**
11 **affiliates.**

12 A: The Company recovers costs through the assignment and allocation of costs by
13 (1) directly assigning costs to Communications, (2) allocating labor, and benefits
14 related to the provision of these services to Communications, and (3) allocating
15 shared assets and other expenses to Communications based on payroll and other
16 factors in the Company's annual Cost Study adjustments.

17 **Q: Please explain how the Company records affiliate transactions for the**
18 **support and technical services it receives from Communications.**

⁴ 47 C.F.R. §32.27(c)

⁵ 47 C.F.R. §32.27(c)

1 A: The Company uses the same methodology to assign and allocate costs for the
2 services it receives from Communications. Communication employees' labor and
3 benefits, as well as other expenses and assets related to the provision of services
4 to the Company are allocated to the Company's regulated operations.

5 **Q: Please summarize Staff's recommendations regarding the Company's**
6 **affiliate transactions.**

7 Staff recommends the existing Management and Operational Service
8 Arrangement Between Rainbow Telecommunications Association and Carson
9 Communications, LLC, dated January 1, 2012, be revised and updated to reflect
10 the current affiliated entity name, Rainbow Communications LLC, as well as any
11 other necessary changes. This Management Agreement addresses the provision
12 and reimbursement of services the Company provides to Communications.

13 Staff was not provided with a formal agreement between the Company
14 and Communications addressing the provision and reimbursement of services
15 Communications provides to the Company, including labor, office space,
16 furniture, equipment, and other support services. Staff recommends the provision
17 of such services and their reimbursement be addressed in a formal written
18 Agreement between the affiliates.

19 In addition, if goods or services are provided between the Company and
20 its newly-formed affiliate, Harvest Video LLC, Staff recommends the Company
21 enter into a formal agreement for such goods and/or services.

1 Staff further recommends the Company be required to file copies of each
2 of the above-referenced revised and new Agreements with the Commission
3 pursuant to K.S.A. 66-1402.

4 **V. RATE BASE ADJUSTMENTS**

5 **Q: Please discuss Staff's Adjustment RB-1 to reverse the Company's non-**
6 **regulated allocation of General Support Facility (GSF) assets and**
7 **accumulated depreciation.**

8 A: The Company allocates general support facility rate base between regulated and
9 non-regulated operations in its annual cost study adjustments. Non-regulated
10 factors are calculated to allocate Company-owned GSF assets and associated
11 accumulated depreciation to Communications, and regulated factors are
12 calculated to allocate Communications-owned GSF assets and related
13 accumulated depreciation to the Company. The Company's total GSF
14 adjustment is the net of these two amounts.

15 Staff's adjustment reverses the Company's GSF allocation cost study
16 adjustment to facilitate the presentation of Staff's allocation of GSF assets and
17 accumulated depreciation in Staff Adjustment RB-2.

18 Staff's reversal of the Company's non-regulated allocation of GSF assets
19 and accumulated depreciation increases Rate Base by \$321,600 on a total-
20 company basis, and by \$244,530 on an intrastate basis.

21 **Q: Please discuss Staff's Adjustment RB-2 to allocate non-regulated GSF assets**
22 **and accumulated depreciation.**

1 A: The Company owns General Service Facilities which are shared by its non-
2 regulated operations, including the following: land and buildings, vehicles, work
3 equipment, furniture, office and communications equipment, and general-purpose
4 computers. Similarly, GSF assets owned by Communications are shared with the
5 Company's regulated operations. Staff allocated the allocation factors for these
6 shared assets and the associated accumulated depreciation based on Staff's
7 building study which used updated pro forma wages and distribution data.

8 **Q: Please explain why Staff's allocation adjustment of GSF rate base items is**
9 **more appropriate than the Company's cost study adjustments to allocate**
10 **GSF rate base between regulated and non-regulated operations.**

11 A: There are various reasons for the differences between Staff's and the Company's
12 allocation of GSF rate base, including the following:

13 Staff developed allocations factors using payroll expense and distribution
14 data that included the most current pay rates and employee levels, normalization
15 of overtime hours, and other factors which result in more appropriate allocation
16 factors.

17 In addition, Staff applied its updated allocation factors to the balance of
18 GSF rate base accounts at December 31, 2016. The Company's adjustment
19 omitted some items in GSF rate base accounts that it stated were not used for joint
20 purposes. For example, certain work equipment items such as a ditch witch and
21 backhoe were not included in the Company's allocation to non-regulated
22 operations although these items are available to support Communications' non-

1 regulated CLEC operations. By including all GSF rate base items in its
2 calculations, Staff ensures all assets available for both regulated and non-
3 regulated operations are properly allocated.

4 **Q: Please summarize the effects of Staff's Adjustment RB-2 to allocate non-**
5 **regulated GSF assets and accumulated depreciation.**

6 A: Staff's total adjustment to GSF assets, net of accumulated depreciation, decreases
7 Rate Base by \$463,440 on a total-company basis, and by \$350,958 on an
8 intrastate basis.

9 **Q: Please summarize Staff's Adjustment RB-3 to remove the balance of Account**
10 **1410, NTCA Retirement and Security (R&S) Prefunding.**

11 A: Staff's Adjustment RB-3 removes the balance of Account 1410, NTCA R&S
12 Prefunding as of December 31, 2016, reducing total company rate base by
13 \$350,684 or \$237,214 on an intrastate basis.

14 **Q: Please describe the Company's Retirement and Security plan and the**
15 **purpose of the Prefunding account.**

16 A: The Company participates in a multiemployer retirement plan for RTA employees
17 through NTCA. During the test year, the required contributions to the NTCA
18 R&S program were recognized as benefit expense.

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6 **Q: Why is Staff removing the NTCA R&S Prefunding account?**

7 A: The account simply functions as a cash account. It is not necessary to meet
8 regulatory requirements, does not have ratemaking implications, and was
9 established solely at the discretion of management. By establishing this account
10 and initiating a cash transfer to be included in the test year prior to filing for an
11 increase in KUSF, and including the account in rate base, the Company has
12 attempted to earn a return on funds that otherwise would not be eligible for rate
13 base inclusion.

14 **Q: Has the Commission previously addressed the inclusion of prefunding**
15 **pension accounts in rate base?**

16 A: Yes. The Commission issued a Policy Order for pension and OPEB expense
17 trackers for gas and electric utilities that included the following support for
18 adopting its policy⁶:

19 “...no rate base treatment should be afforded the regulatory asset or
20 liability resulting from the difference between pension and OPEB amounts
21 collected in rates and amount booked under GAAP. The regulatory asset or
22 liability generated will not have a cash impact on the utility, and therefore should

⁶ Docket No. 07-GIMX-1041-GIV, Order Stating Commission Policy for Pension and OPEB Expense Trackers and Approving Stipulation and Agreement for Kansas City Power & Light Trackers, August 17, 2011, ¶¶29-30.

1 not be included in rate base because funding requirements will match the amount
2 collected in rates.”
3

4 **Q:**



7 A: The Company prepared a cost study adjustment to allocate \$321,485 of the
8 Prefunding account to non-regulated operations. However, due to an input error,
9 the Company’s cost study adjustment was omitted from its schedules as discussed
10 in DR-68 (attached). In her Direct Testimony, Staff witness Roxie McCullar is
11 sponsoring an adjustment to decrease account 1410 by \$321,485. The remaining
12 balance in account 1410 after the Company’s cost study adjustment is \$350,684,
13 the amount of Staff Adjustment RB-3.⁷
14

15 **VII. INCOME STATEMENT ADJUSTMENTS**

16 **Q: Please discuss Staff’s Adjustment IS-11 to reverse the Company’s non-**
17 **regulated allocation of GSF expense.**

18 A: This adjustment reverses the Company’s GSF expense allocation adjustments.
19 Staff reversed these cost study adjustments to more clearly present Staff’s
20 allocations of GSF expenses in Staff Adjustment IS-2 below.

1 Staff's adjustment to reverse the Company's non-regulated allocation of
2 GSF expense increases the Company's total regulated expenses by \$166,677 and
3 increases the Company's regulated intrastate expenses by \$109,430.

4 **Q: Please discuss Staff's Adjustment IS-12 to allocate the Company's GSF**
5 **expenses to non-regulated operations.**

6 A: GSF expenses benefit both the regulated operations of the Company and the non-
7 regulated operations of Communications. Staff allocated the Company's GSF
8 expenses recorded to the Company's books to non-regulated operations using
9 factors consisting of pro forma wage and distribution calculations. Similarly, Staff
10 allocated GSF expenses recorded to Communication's books to the Company's
11 regulated operations based on pro forma wage and distribution calculations.
12 Staff also included the allocation of depreciation expense and property tax
13 expense related to GSF assets in its adjustment. The basis of the allocation
14 factors used to allocate general support and property tax expenses are presented in
15 Staff Workpaper IS-12.1 and the basis of the allocation factors used to allocate
16 depreciation expense are presented in Staff Workpaper RB-2.1.

17 **Q: Please explain why Staff's allocation adjustment of GSF expense items is**
18 **more appropriate than the Company's cost study adjustments to allocate**
19 **GSF expenses between regulated and non-regulated operations.**

20 A: Similar to my discussion of the allocation of GSF rate base, there are various
21 reasons for the differences between Staff's and the Company's allocation of GSF
22 expenses, including Staff's use of updated payroll expense and distribution data

1 and the inclusion of all GSF expense account balances in the allocation between
2 regulated and non-regulated operations. It is also interesting to note that there is
3 less than \$1,000 difference between the results of Staff's and the Company's GSF
4 expense allocation. Staff allocated \$110,301 versus the Company's \$109,430
5 allocation to non-regulated operations.

6 **Q: Please summarize the effects of Staff Adjustment IS-12 for the non-regulated**
7 **allocation of GSF expenses.**

8 A: Staff's adjustment decreases GSF and property tax expense by \$70,802 on a total-
9 company basis. Depreciation expense related to GSF assets is decreased by
10 \$106,865 on a total-company basis. The total effect of Staff's adjustment
11 decreases the Company's regulated expenses by \$177,667 on a total-company
12 basis, and decreases the Company's intrastate expenses by \$110,301.

13 **Q: Please discuss Staff's adjustment IS-13 to reverse the Company's pro forma**
14 **payroll normalization adjustment.**

15 A: In its filing, the Company included Pro Forma Adjustment IS-4 to normalize both
16 salary and employee benefit expenses in the following Total Company amounts.

17	Increase to Salary Expense	\$ 69,442
18	Increase to Benefit Expense	<u>\$ 48,114</u>
19	Total Payroll Adjustment Per Company	\$117,555

20 Staff reversed the Company's payroll normalization adjustment to clarify the
21 results of Staff's salary normalization adjustment IS-14 and employee benefit
22 adjustment IS-15 on the Company's test year salary and benefit expenses.

1 **Q: Please summarize the effects of Staff's adjustment IS-13 to reverse the**
2 **Company's pro forma payroll normalization adjustment.**

3 A: Staff's adjustment decreases the Company's total regulated expenses by \$117,555
4 and decreases the Company's intrastate expenses by \$70,496.

5 **Q: Please discuss Staff's adjustment IS-14 to normalize the Company's test year**
6 **salary expense.**

7 A: Employees providing services for regulated telephone operations are employed by
8 both the Company and by Communications, so it is necessary to include
9 employees of both companies in calculating normalized labor expense

10

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12 Staff began its calculation of a normalized, or on-going, level of salary
13 expense with the basic format used in the Company's payroll normalization
14 adjustment. In general, salary rates were updated from test year levels, and
15 resulting salaries were distributed based on the most current 2016 time study data
16 which became effective in 2017.

17 **Q: Please describe the differences between the Company's and Staff's salary**
18 **normalization adjustments.**

19 A: Staff's calculation of pro forma salaries and distribution included the following
20 adjustments:

1 1. Additional new and terminated positions. Staff made adjustments for
2 employees who were hired and/or terminated subsequent to the test year which
3 were not included in the Company's labor normalization adjustment.

4 2. Changes to current wage rates. Staff adjusted salary rates using the
5 most currently available paycheck data.

6 3. Overtime hours. Staff adjusted the overtime hours of several
7 employees whose 2016 overtime levels were inconsistent with prior years. For
8 those employees, Staff used the average of 2013 through 2015 overtime hours to
9 calculate a normalized, on-going level of compensation.

10 4. Time study results. Staff adjusted the time study allocations for three
11 employees who reported significant time during the time study period on
12 activities that skewed the time study results. For example, one employee attended
13 a two-day conference which was recorded to regulated expense. This non-routine
14 activity accounted for 20% of the 10-day time study period, and skewed this
15 employee's time allocation results. Although attending conferences may be a
16 typical activity for this employee, it is probably not typical for the employee to
17 spend 20% of his time annually, or 52 days a year, attending conferences.
18 Staff similarly adjusted the time study results of two other employees who spent a
19 minimum of 8 hours during the time study period on the non-routine activity of
20 visiting ILEC businesses. In these cases, the Company had adjusted the time
21 study results of another employee who had reported this activity, but did not
22 adjust the time of the other two employees who reported the same activity.

1 Staff also noted that the time allocations for the above employees were
2 more aligned to prior years after Staff's adjustments.

3 5. Capitalized salaries. Staff distributed pro forma salaries to Telephone
4 Plant Under Construction (TPUC) based on 2016 hours, and then allocated the
5 remainder to regulated and non-regulated expense accounts using the appropriate
6 time study results, allocation factors, or direct time reported. The Company's
7 payroll normalization adjustment did not allocate any pro forma labor expense to
8 TPUC. This resulted in a higher amount of labor costs allocated among the
9 various expense accounts, and overstated regulated labor expense. To illustrate,
10 in the 2016 test year, labor costs (salaries and benefits) capitalized to TPUC
11 totaled \$73,470. In the Company's payroll normalization adjustment, this level of
12 capitalized labor was expensed.

6. Disallowed expenses

14 [REDACTED] Although
15 the Company may grant such perks to employees as it chooses, this expense is not
16 necessary for the provision of regulated telephone service, and should not be
17 included as an on-going cost of service recoverable through KUSF funding.

18 7. Updated allocation data. Staff updated allocation factors using the
19 most currently available data for those employees whose time is allocated using
20 employee count and subscriber count data.

21 **Q: Please summarize the effects of Staff's payroll adjustment.**

1 A: Staff's total salary normalization adjustment was calculated by taking the
2 difference between its distributed pro forma wages and distributed 2016 test year
3 wages. Staff's adjustment increases the Company's total regulated expenses by
4 \$10,177 and increases the Company's intrastate expenses by \$3,890.

5 **Q: Does Staff have additional information to present to the Commission**
6 **regarding the reasonableness of the Company's labor expenses?**

7 A: Yes. Staff performed a comparison of employee compensation including salaries
8 and bonuses of the Company's employees with compensation reported in the
9 NTCA's 2017 Survey of Compensation and Benefits in the Independent
10 Telecommunications Industry (NTCA Survey). Staff has presented this
11 confidential analysis in Staff Workpaper IS-14. 5.

12 **Q: Explain why Staff selected the NTCA Survey for its compensation**
13 **comparison analysis.**

14 A: Staff selected the NTCA Survey to determine prevailing rates of pay for
15 comparison with the Company's employees for the following reasons:

16 1. The Survey is an independent and reliable source of actual and current
17 compensation data. The NTCA has conducted compensation and benefits
18 studies for more than 40 years.

19 2. The NTCA Study is the largest and most comprehensive source of
20 information covering salaries and benefits in the independent telecommunications
21 industry, and results of annual surveys allow comparisons of the industry's
22 prevailing salaries. The annual Surveys have a consistent high rate of repeat

1 participation which ensures users of the survey a credible and reliable source of
2 salary and benefits data.

3 3. Survey participants reported rates of pay that were in effect January 1,
4 2017, as well as bonus/commission paid in 2016, which is a comparable time
5 period with the Company's payroll data submitted in this filing.

6 4. The Survey profiles compensation data by geographic location, and
7 numerous measures of size including operating revenues, number of access lines,
8 number of employees, as well as employees' length of employment, so the
9 Company's compensation can be compared with companies with similar
10 geographic and size characteristics.

11 **Q: Describe Staff's methodology in selecting comparable company**
12 **compensation data.**

13 A: As noted, the NTCA Survey profiles employee compensation data submitted by
14 over 300 Telco's by region, and by various measures of size including operating
15 revenue, number of access lines, and number of employees, as well as the number
16 of years in the position. For each position, Staff used the above criteria to
17 calculate an average salary and bonus comparable with those positions at other
18 Telco's of similar size and location.

19 **Q: How did Staff determine prevailing compensation?**

20 A: The NTCA Survey breaks down reported salary and bonus data by position by
21 various percentiles. Staff selected the NTCA Survey's reported 75th percentile as
22 the top of the range representing the prevailing rate of pay. The NTCA Survey

1 states, “Together, the 25th percentile and the 75th percentile define the middle
2 50% of all salaries paid for the job. This midrange, based on the reported rates for
3 the position, generally is considered the most reliable indicator of prevailing
4 salaries.”

5 **Q: Is Staff proposing an adjustment to the Company’s payroll expense related**
6 **to the comparative analysis?**

7 A: No, Staff has prepared the analysis for informational purposes to aid the
8 Commission in its determination of the reasonableness of the level of labor costs
9 the Company is seeking to be recovered from the KUSF. The Commission
10 recently emphasized in comments submitted to the FCC⁸ that the level of
11 employee compensation included in the regulated revenue requirement should not
12 burden universal service mechanisms to the benefit of a few. To address this
13 issue, the KCC has more recently relied on a comparison of an executive or
14 employee’s pay to a national average based on data reported by carriers for
15 similar positions at similarly-sized companies.

16 **Q: Please discuss Staff’s Employee Benefit Adjustment IS-15.**

17 A: Staff began its calculation of normalized employee benefit expense with the basic
18 format used in the Company’s labor normalization adjustment. In general, the
19 following employee benefits and payroll taxes were updated from test year levels:
20 employee insurance including health, vision and dental, employer’s contributions

⁸ Comments of the Kansas Corporation Commission Supporting the FCC’s Initiatives Regarding Expenses, Cost Allocations and Affiliate Transactions. WC Docket No. 10-90, WC Docket No. 14-58, CC Docket No. 01-92.

1 to 401(k) plans, and Retirement & Security plans, life, AD&D, and long-term
2 disability insurance, Workers Compensation insurance, FICA Medicare and
3 Social Security, and federal and state unemployment taxes.

4 **Q: Please describe the differences between the Company's and Staff's employee**
5 **benefit normalization adjustments.**

6 A: The Company calculated the level of pro forma benefit expense by employee
7 based on current rates. Staff adopted these individual employee benefit
8 calculations. However, Staff adjusted the Company's employee benefit expense
9 to account for employee terminations and new hires which occurred subsequent to
10 the Company's filing. Additionally, Staff allocated the resulting total pro forma
11 employee benefits to all accounts using the allocation of Staff's pro forma salary
12 distribution.

13 **Q: Please summarize the effects of Staff's Employee Benefit and Payroll Tax**
14 **Adjustment IS-15.**

15 A: After distribution of the total benefit and payroll tax adjustments, Staff's
16 adjustment increases the Company's regulated expenses by \$3,313 on a total
17 company basis, and increases the Company's intrastate expenses by \$554.

18 **Q: Please discuss Staff's Deferred Compensation Expense Adjustment, IS-16.**

19 A:



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10 **Q: Please summarize the effects of Staff's Deferred Compensation Expense**
11 **Adjustment.**

12 A: Staff's adjustment decreases the Company's regulated expenses by \$9,319 and
13 decreases the Company's intrastate expenses by \$5,833.

14 **Q: Please discuss Staff's Board Member Expense Allocation Adjustment,**
15 **IS-17.**

16 A: Communications is a wholly-owned subsidiary of the Company, and as such does
17 not have a separate Board of Directors. Jason Smith, General Manager, and
18 Kathy Ruoff, Controller, are officers of Communications and regularly discuss
19 issues relating to Communications' operations and activities at the Company's
20 monthly Board of Directors meetings.

21 **Q: How does the Company allocate Board Member Expenses to non-regulated**
22 **operations?**

1 A: The Company answered this question in its response to Staff DR 77 (attached), as
2 follows:

3 “After Rainbow’s last KUSF proceeding, the company performed an
4 analysis of the minutes of meetings of the Board of Directors. This analysis
5 revealed that approximately 40% of Board efforts was related to non-regulated
6 activities – and since then that percentage of Board of Director expenses has been
7 allocated to Rainbow Communications.”
8

9 **Q: Does Staff concur with the Company’s 40% allocation of Board Member**
10 **Expense to non-regulated operations?**

11 A: No. Staff’s review of Board meetings during the test year indicated that a
12 significant number of issues discussed by the Board related to non-regulated
13 matters or to matters that affect or benefit the operations of both Rainbow and
14 Communications. Examples of non-regulated issues discussed at Board meetings
15 in 2016 and 2017 include the following:



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Due to the broad scope of discussions regarding non-regulated issues, and given the fact that Rainbow's Board of Directors has responsibility for Communication's operations as a 100% owner of Communications, Staff believes the Company's allocation of 40% of Board member expenses to non-regulated activities is outdated and unreasonably low. The Board of Directors' minutes have clearly demonstrated a continued increase in non-regulated services, activities, and opportunities. Based on Staff's review of recent Board of Directors minutes, plus the fact that the Company's management employees allocate 50% of their time spent on Board activities to non-regulated, Staff proposes a 50% non-regulated allocation of Board of Directors expenses is reasonable.

Q: Does Staff have recommendations regarding the allocation of Board of Directors' expenses?

A: Yes. Staff recommends that the Company conduct an annual analysis of the regulated and non-regulated issues presented and discussed with the Board and update the allocation of Board expenses to non-regulated operations.

Q: Please summarize Staff's Board of Directors Expense Adjustment, IS-17.

1 A: Staff's adjustment decreases the Company's regulated expenses by \$27,944 on a
2 total-company basis, and decreases the Company's intrastate expenses by
3 \$17,015.

4 **Q: Please discuss Staff Adjustment IS-18, Billing and Collection (B&C)**
5 **Software Expense.**

6 A: The Company provides B&C services for Communication's non-regulated
7 services. Although the Company allocated certain common B&C expenses to
8 non-regulated services based on a monthly analysis of regulated and non-
9 regulated billings, B&C and other shared software expense was allocated to non-
10 regulated operations using an unsupported factor of 50%. Staff allocated the
11 Company's monthly software maintenance expenses using a non-regulated
12 allocation factor of 76.42% based on current non-regulated subscribers. Using a
13 factor based on the number of subscribers receiving regulated and non-regulated
14 services represents a causal relationship to the B&C software expense.

15 **Q: Please summarize Staff's B&C Software Expense Adjustment, IS-18.**

16 A: Staff's adjustment decreases the Company's regulated expenses by \$18,652 on a
17 total-company basis, and decreases the Company's intrastate expenses by
18 \$10,789.

19 **Q: Does this conclude your testimony?**

20 A: Yes.

ANN DIGGS

Regulatory Experience and Employment Summary

2003 - Present

Ann Diggs, CPA

Owner of CPA firm offering utility regulation auditing and consulting, as well as general accounting and tax services.

2001 -2003

Accountant, BHI, Ltd., North Carolina

Corporate accounting responsibilities for resort, property management and development company.

1998 - 2000

Controller, Regulatory Action Division (RAD) Trust/

Financial Examiner, North Carolina Department of Insurance

Conducted financial examinations of insurance companies and continuing care facilities. Controller of RAD Trust, established under the supervision of the North Carolina Department of Insurance. Responsible for accounting functions, internal controls, financial reporting, allocation of costs to estates, budget preparation and tax return preparation.

1991 - 1998

Senior Utility Regulatory Auditor, Managing Auditor,

Chief of Accounting & Financial Analysis, Kansas Corporation Commission

Directed professional staff in the timely development, analysis and recommendations of accounting and financial issues in rate cases, mergers and acquisitions of jurisdictional electric, gas and telecommunications companies. Provided written and oral expert witness testimony in technical hearings. Participated in settlement negotiations.

1986 - 1991

Accountant, Topeka Public Schools

Performed accounting, reporting, grant and budget functions.

1984 - 1986

Senior Utility Regulatory Auditor,

Kansas Corporation Commission

Audited construction costs of the Wolf Creek Nuclear Generating Station. Prepared written findings. Assisted in technical hearings before the Commission.

1983 - 1984

Central Accountant, Division of Accounts and Reports,
State of Kansas

Audited vouchers and inventory records for accuracy and compliance.

1982 - 1983

Associate Auditor, Legislative Division of Post Audit, State of Kansas

Performed financial and compliance audits of State agencies. Prepared written findings and recommendations.

Act	Rainbow Asset & Expense Accounts	Basis of Allocation	Reg %	Nonreg %
<u>LAND</u>				
2111	LAND	CALCULATED - LAND & BLDG STUDY	54.26%	45.74%
<u>BUILDINGS</u>				
2121	BUILDINGS - HEADQUARTERS - EVEREST	PRO FORMA EVEREST OFFICE EMPL	41.60%	58.40%
2121	BUILDINGS - OTHER	PRO FORMA WAGES - PLANT EMPL	26.52%	73.48%
2121	BUILDINGS - CENTRAL OFFICES	REGULATED	100.00%	0.00%
2121	BUILDINGS - OVERALL	CALCULATED - LAND & BLDG STUDY	53.26%	46.74%
3121.21	A/D - BUILDINGS	CALCULATED - LAND & BLDG STUDY	53.26%	46.74%
6561	DEPR EXP - BUILDINGS	CALCULATED - LAND & BLDG STUDY	53.26%	46.74%
6121	LAND & BLDG EXP	CALCULATED - LAND & BLDG STUDY	53.26%	46.74%
<u>FURNITURE</u>				
2122	FURNITURE	PRO FORMA WAGES - EVEREST OFFICE	41.60%	58.40%
3121.22	A/D - FURNITURE	PRO FORMA WAGES - EVEREST OFFICE	41.60%	58.40%
6561	DEPR EXP - FURNITURE	PRO FORMA WAGES - EVEREST OFFICE	41.60%	58.40%
6122	FURNITURE EXP	PRO FORMA WAGES - EVEREST OFFICE	41.60%	58.40%
<u>OFFICE EQUIP</u>				
2123	OFFICE EQUIP	PRO FORMA WAGES - EVEREST OFFICE & NOC	46.46%	53.54%
3121.23	A/D - OFFICE EQUIP	PRO FORMA WAGES - EVEREST OFFICE & NOC	46.46%	53.54%
6561	DEPR EXP - OFFICE EQUIP	PRO FORMA WAGES - EVEREST OFFICE & NOC	46.46%	53.54%
6123	OFFICE EQUIP EXP	PRO FORMA WAGES - EVEREST OFFICE & NOC	46.46%	53.54%
<u>COMMUNICATIONS/AUDIO VISUAL EQUIP</u>				
2123.1	COMMUN EQUIP, A/D & DEPR EXP	REGULATED - NO JOINT USE	100.00%	0.00%
2123.2	AUDIO-VISUAL EQUIP, A/D & DEPR EXP	PRO FORMA WAGES - EVEREST OFFICE & NOC	46.46%	53.54%
<u>COMPUTERS & SOFTWARE</u>				
2124	COMPUTERS	PRO FORMA WAGES - ALL EMPL	32.73%	67.27%
3121.24	A/D - COMPUTERS	PRO FORMA WAGES - ALL EMPL	32.73%	67.27%
6561	DEPR EXP - COMPUTERS	PRO FORMA WAGES - ALL EMPL	32.73%	67.27%
6124	COMPUTER EXP	PRO FORMA WAGES - ALL EMPL	32.73%	67.27%
<u>VEHICLES - NONPLANT</u>				
2112	VEHICLES	PRO FORMA WAGES - EVEREST OFFICE	41.60%	58.40%
3121.12	A/D - VEHICLES	PRO FORMA WAGES - EVEREST OFFICE	41.60%	58.40%
6561	DEPR EXP - VEHICLES	PRO FORMA WAGES - EVEREST OFFICE	41.60%	58.40%
6112.1	VEHICLE EXP - EXEC	PRO FORMA WAGE - J. SMITH	50.00%	50.00%
6112.3	VEHICLE EXP	PRO FORMA WAGES - EVEREST OFFICE	41.60%	58.40%
<u>OTHER WORK VEHICLES & EQUIP</u>				
2114	OTHER WORK EQUIP	PRO FORMA WAGES - PLANT EMPL	26.52%	73.48%
3121.14	A/D - OTHER WORK EQUIP	PRO FORMA WAGES - PLANT EMPL	26.52%	73.48%
6561	DEPR EXP - VEH, GARAGE & OTHER EQUIP	PRO FORMA WAGES - PLANT EMPL	26.52%	73.48%
<u>SERVICES EXPENSE</u>				
6623	BILLING & COLLECTION - SOFTWARE MAINT	SUBSCRIBERS	23.58%	76.42%
6623.4	BILLING & COLLECTION EXPENSE	SUBSCRIBERS	23.58%	76.42%
<u>EXECUTIVE, CORPORATE & G&A EXP</u>				
6711	CORP EXPENSE	PRO FORMA WAGES - ALL EMPL	32.73%	67.27%
6711.2	DIRECTORS EXP	BOARD MINUTES REVIEW	50.00%	50.00%
6712	PLANNING	PRO FORMA WAGES - ALL EMPL	32.73%	67.27%
6721.1	ACCOUNTING EXP	PRO FORMA WAGES - ALL EMPL	32.73%	67.27%
6722	EXTERNAL RELATIONS	PRO FORMA WAGES - ALL EMPL	32.73%	67.27%
6722.1	PR COMMUNITY DEVELOPMENT	PRO FORMA WAGES - ALL EMPL	32.73%	67.27%
6723	HUMAN RESOURCES	PRO FORMA WAGES - ALL EMPL	32.73%	67.27%
6728	OTHER G&A EXPENSE	PRO FORMA WAGES - ALL EMPL	32.73%	67.27%

Rainbow Telephone			Land				Buildings				Accumulated Depreciation - Buildings				Depreciation Expense - Buildings					
Description	Basis of Alloc	Non-Reg Allocator	2111.000		Staff Adj		2121.000		Staff Adj		3121.210		Staff Adj		Bldgs Net of A/D	Depr Rate	Depr Exp	Non-Reg	Reg	Staff Adj To/From NR
			Land	Non-Reg	Reg	To/From NR	Building	Non-Reg	Reg	To/From NR	A/D-BLDGS	Non-Reg	Reg	To/From NR						
Huron - CO	All Reg	0.00%	200.00	-	200.00		19,621.85	-	19,621.85											
Muscotah - CO	All Reg	0.00%	200.00	-	200.00		27,950.36	-	27,950.36											
Everest 40 x 50 Steel - South Warehouse on Elm St.	Everest - Plant	73.48%					11,206.80	8,234.91	2,971.89											
Everest 16 x 24 - Old Dial Bldg - Now NOC conference room	Everest - NOC	45.80%					15,361.03	7,036.00	8,325.03											
Everest 30 x 30 - CO - 625 Main	All Reg	0.00%	4,237.92	-	4,237.92		222,126.62	-	222,126.62											
Main	Everest - Plant	73.48%					120,545.41	88,578.43	31,966.98											
Willis - CO	All Reg	0.00%	200.00	-	200.00		17,944.13	-	17,944.13											
Robinson - CO	All Reg	0.00%	700.00	-	700.00		53,868.53	-	53,868.53											
Denton - CO	All Reg	0.00%	200.00	-	200.00		14,121.78	-	14,121.78											
Bendena - CO	All Reg	0.00%	200.00	-	200.00		16,859.55	-	16,859.55											
Whiting - CO	All Reg	0.00%	620.17	-	620.17		18,265.87	-	18,265.87											
N Warehouse - Everest	Everest - Plant	73.48%					112,352.37	82,558.07	29,794.30											
Everest Business Office - 608 Main	Everest - Office	58.40%	23,684.56	13,831.48	9,853.08		937,041.54	547,220.36	389,821.18											
Everest - Network Op Center (NOC)	Everest - NOC	45.80%	289.00	132.37	156.63		139,830.64	64,048.31	75,782.33											
Fiber Splitter Hut	Everest - Plant	73.48%					35,736.28	26,259.51	9,476.77											
Total Rainbow			30,531.65	13,963.86	16,567.79	(13,963.86)	1,762,832.76	823,935.58	938,897.18	(823,935.58)	(955,521.05)	(446,603.79)	(508,917.26)	446,603.79	807,311.71	5.02%	88,494.20	41,361.57	47,132.64	(41,361.57)
% Allocate to Non-Reg				45.74%	54.26%			46.74%	53.26%			46.74%	53.26%					46.74%	53.26%	
Communications																				
Hiawatha Business Office	Hiawatha - Office	88.87%	39,533.32	35,134.62	4,398.70		794,283.54	705,907.00	88,376.54											
Other	All NR	100.00%	2,613.00	2,613.00	-		273,853.73	273,853.73	-											
Total Communications			42,146.32	37,747.62	4,398.70	4,398.70	1,068,137.27	979,760.73	88,376.54	88,376.54	(133,543.06)	(122,493.85)	(11,049.21)	(11,049.21)	934,594.21	5.02%	53,620.49	49,183.99	4,436.50	4,436.50
% Allocate to Reg				89.6%	10.4%			91.7%	8.3%			91.7%	8.3%					91.7%	8.3%	
Total Rainbow + Communications			72,677.97	51,711.47	20,966.50	(9,565.15)	2,830,970.03	1,803,696.31	1,027,273.72	(735,559.04)	(1,089,064.11)	(569,097.64)	(519,966.47)	435,554.58	1,741,905.92		142,114.70	90,545.55	51,569.14	(36,925.06)

Source: GL Account Balances at 12/31/16

Rainbow Telecommunications Association
Docket 17-RNBT-555-KSF
Test Year Ended 12/31/2016

Attachment AD-2.3

Staff Allocation Factors - Subscriber Count and Employee Numbers

Calculation of Subscriber Count Allocator:

Invoice Date	Rainbow	Communications	Total Subscribers	Non-Reg %
	ILEC Subscribers	CLEC Subscribers		
Total				76.42%

Source: DR 15b - Innovative Systems Invoices

Calculation of Employee Count Allocator:

# of Employees RTA		32.08%
# of Employees - Communications		67.92%
# of Employees - Total		100.00%

Staff Workpaper RB-1
Reverse Company's GSF Plant and Accumulated Depreciation Adjustment

ACCOUNT	DESCRIPTION	STAFF ADJ	INTRAST FACTOR	INTRAST ADJ
	<u>Increase (Decrease) to GSF Plant</u>			
2111	Land	\$ 8,335	0.676434	\$ 5,638
2112	Vehicles	\$ 233,013	0.676434	\$ 157,618
2116	Other Work Equipment	\$ 129,742	0.676434	\$ 87,762
2121	Buildings	\$ 544,167	0.676434	\$ 368,093
2122	Furniture	\$ 43,526	0.676434	\$ 29,442
2123	Office Equipment	\$ (192)	0.676434	\$ (130)
2123.2	Communication/Audio Visual Equip	\$ 27,611	0.676434	\$ 18,677
2124	General Purpose Computers	\$ 70,206	0.676434	\$ 47,490
	Total General Support Facilities	<u>\$ 1,056,409</u>		<u>\$ 714,591</u>
	<u>(Increase) Decrease to GSF A/D</u>			
3100	Total A/D - General Support Facilities	\$ (734,808)	0.639705	\$ (470,061)
	TOTAL STAFF ADJ	<u><u>\$ 321,600</u></u>		<u><u>\$ 244,530</u></u>

Staff Workpaper R-1.1
Company's GSF Rate Base Allocation

Per Company's GSF Cost Adjustment												
Rainbow							Communications					
Act	Description	Bal 12/31/16	NR %	REG %	NR Alloc to Comm.	Reg Alloc to Rainbow	Bal 12/31/16	NR %	REG %	NR Alloc to Comm.	Reg Alloc to Rainbow	Company's Net Adj
2111	Land	30,532	39.50%	60.50%	12,059	18,473	42,146	91.16%	8.84%	38,422	3,724	(8,335)
2112	Vehicles	534,097	49.86%	50.14%	266,326	267,771	483,932	93.12%	6.88%	450,618	33,313	(233,013)
2114	Other Wk Equip	424,304	30.58%	69.42%	129,742	294,562	252,607	100.00%	0.00%	252,607	-	(129,742)
2121	Buildings	1,762,833	35.15%	64.85%	619,609	1,143,223	1,068,137	92.94%	7.06%	992,695	75,442	(544,167)
	Towers						488,817	100.00%	0.00%	488,817	-	-
2122	Furniture	95,266	50.29%	49.71%	47,906	47,360	32,456	86.50%	13.50%	28,076	4,380	(43,526)
2123	Office Equip	-			-	-	2,039	90.58%	9.42%	1,847	192	192
2123.1	Company Comm Equip	13,926	0.00%	100.00%	-	13,926	23,443	100.00%	0.00%	23,443	-	-
	Audio Visual Equip	143,150	50.29%	49.71%	71,986	71,164	134,533	67.02%	32.98%	90,159	44,374	(27,611)
	Local Content Equip						92,822	100.00%	0.00%	92,822	-	-
2124	Gen Purp Comp	133,515	67.02%	32.98%	89,476	44,038	58,423	67.02%	32.98%	39,153	19,270	(70,206)
	Virtualization & Backup	23,052	0.00%	100.00%	-	23,052	23,052	100.00%	0.00%	23,052	-	-
	Total GSF Assets	3,160,674	39.14%	60.86%	1,237,104	1,923,569	2,702,407	93.31%	6.69%	2,521,712	180,696	(1,056,409)
3121.12	A/D - Vehicles				(252,861)						(33,313)	219,548
3121.14	A/D - Other Wk Equip				(113,654)						-	113,654
3121.21	A/D - Buildings				(335,828)						(9,430)	326,398
3121.22	A/D - Furniture				(3,646)						-	3,646
3121.23	A/D - Office Equip				-						(2,753)	(2,753)
3121.231	A/D - Co Comm Equip				-						(192)	(192)
3121.232	A/D - Audio Visual Equip				(6,205)						(4,016)	2,189
	A/D - Local Content Equip										-	-
3121.24	A/D - Gen Purp Comp				(89,476)						(17,158)	72,318
3121.241	A/D - Virtualization				-						-	-
	Total GSF A/D				(801,671)						(66,863)	734,808
	Total Assets Net of A/D				435,433						113,833	(321,600)

Staff Workpaper RB-2
GSF Plant and Accumulated Depreciation Adjustment

Act	Description	Staff Adj Total Company	Intrastate Factor	Staff Adj Intrastate
	<u>Increase (Decrease) to GSF Plant</u>			
2111	Land	\$ (9,565)	0.676434	\$ (6,470)
2112	Vehicles	\$ (258,061)	0.676434	\$ (174,561)
2114	Other Work Equip	\$ (283,678)	0.676434	\$ (191,890)
2121	Buildings	\$ (735,559)	0.676434	\$ (497,557)
2122	Furniture	\$ (52,023)	0.676434	\$ (35,190)
2123	Office Equip	\$ 227	0.676434	\$ 153
2123.2	Office Equip - Audio Visual	\$ (61,674)	0.676434	\$ (41,718)
2124	Gen Purp Comp	\$ (83,315)	0.676434	\$ (56,357)
	Total General Support Facilities	<u>\$ (1,483,647)</u>		<u>\$ (1,003,589)</u>
	<u>(Increase) Decrease to GSF A/D</u>			
3100	Total A/D - General Support Facilities	<u>\$ 1,020,207</u>	0.639705	<u>\$ 652,631</u>
	TOTAL STAFF ADJ	<u>\$ (463,440)</u>		<u>\$ (350,958)</u>

Description	% Nonreg	% Reg	Allocation Basis	Assets			Accumulated Depreciation			Staff Adj - Net Allocate to Nonreg (Reg)	Total Assets Net of A/D	Depreciation Expense		
				Act	Bal 12/31/16	Staff Adj Allocate to Nonreg (Reg)	Act	Bal 12/31/16	Staff Adj Allocate to (Nonreg) Reg			Depr Rate	Expense	Staff Adj Allocate to Nonreg (Reg)
RAINBOW														
Land	45.7%		LAND/BLDG STUDY - RAINBOW	2111	30,532	13,964				13,964				
Vehicles	58.4%		PRO FORMA WAGES - EVEREST OFFICE	2112	534,097	311,906	3121.12	(511,025)	(298,432)	13,474	23,072	26.27%	23,072	13,474
Other Wk Equip	73.5%		PRO FORMA WAGES - PLANT EMPL	2114	424,304	311,785	3121.14	(371,691)	(273,124)	38,661	52,614	23.98%	52,614	38,661
Buildings	46.7%		LAND/BLDG STUDY - RAINBOW	2121	1,762,833	823,936	3121.21	(955,521)	(446,604)	377,332	807,312	5.02%	88,494	41,362
Furniture	58.4%		PRO FORMA WAGES - EVEREST OFFICE	2122	95,266	55,634	3121.22	(7,251)	(4,234)	51,400	88,015	15.57%	14,833	8,662
Office Equip - Comm	0.0%		ALL REG	2123.1	13,926	-	3121.23	(1,172)	-	-	12,753	18.10%	2,521	-
Office Equip - AV	53.5%		PRO FORMA WAGES - EVEREST OFFICE & NOC	2123.2	143,150	76,643	3121.231	(12,333)	(6,603)	70,040	130,817	18.10%	25,910	13,872
Gen Purp Comp	67.3%		PRO FORMA WAGES - ALL EMPL	2124	133,515	89,815	3121.24	(133,515)	(89,815)	-	-	18.57%	-	-
TOTAL RAINBOW					3,137,621	1,683,681		(1,992,507)	(1,118,812)	564,870	1,114,583		207,444	116,031
COMMUNICATIONS														
Land	10.4%		LAND/BLDG STUDY - COMMUNICATIONS		42,146	(4,399)				(4,399)				
Vehicles	11.1%		PRO FORMA WAGES - HIAWATHA		483,932	(53,845)		(483,932)	53,845	-	-	26.27%	-	-
Other Wk Equip	11.1%		PRO FORMA WAGES - HIAWATHA		252,607	(28,107)		(221,555)	24,651	(3,455)	31,052	23.98%	31,052	(3,455)
Buildings	8.3%		LAND/BLDG STUDY - COMMUNICATIONS		1,068,137	(88,377)		(133,543)	11,049	(77,327)	934,594	5.02%	53,620	(4,437)
Furniture	11.1%		PRO FORMA WAGES - HIAWATHA		32,456	(3,611)		(15,185)	1,690	(1,922)	17,271	15.57%	5,053	(562)
Office Equip	11.1%		PRO FORMA WAGES - HIAWATHA		2,039	(227)		(2,039)	227	-	-	18.10%	-	-
Company Comm Equip	0.0%		ALL NON-REG		23,443	-		(11,407)	-	-	12,036	18.10%	4,243	-
Office Equip - AV	11.1%		PRO FORMA WAGES - HIAWATHA		134,533	(14,969)		(12,175)	1,355	(13,614)	122,358	18.10%	24,351	-
Gen Purp Comp	11.1%		PRO FORMA WAGES - HIAWATHA		58,423	(6,500)		(52,018)	5,788	(713)	6,405	18.57%	6,405	(713)
TOTAL COMMUNICATIONS					2,097,716	(200,034)		(931,853)	98,605	(101,430)	1,123,716		124,725	(9,166)
TOTAL ADJUSTMENT						1,483,647			(1,020,207)	463,440				106,865

Rainbow Telecommunications Association
Docket 17-RNBT-555-KSF
Test Year Ended 12/31/2016

Attachment AD-3

Staff Workpaper RB-3
Remove Prefunded Retirement & Security Balance

Act	Description	Bal @ 12.31.16	Co's CSA Alloc to NR (1)	Adjusted Bal.	Staff Adj Total Company	Intrastate Factor	Staff Adj Intrastate
1410.100	NTCA R&S Prefunding	\$ 					
1410.110	FMV Adj NTCA R&S Prefunding	\$ 					
1410	Total	<u>\$ </u>		<u></u>	<u>\$ (350,684)</u>	0.676434	<u>\$ (237,214)</u>

(1) The Company calculated this adjustment of account 1410 to non-regulated operations in its cost study adjustments, but omitted the adjustment from its filed schedules by error. Staff witness Roxie McCullar proposes an adjustment in her Direct Testimony to correct the company's omission of this adjustment.

Staff Workpaper IS-11
Reverse Company's GSF Cost Study Adjustments

Description	Act	Company's GSF Cost Study Adjs	Intrastate Factor	Intrastate Adj
PLANT SPECIFIC OPERATIONS EXPENSE				
Network Support Expense	6110		0.676434	\$ -
General Support Expense	6120	\$ 68,061	0.676434	\$ 46,039
Central Office Switching Expense	6210		0.472940	\$ -
Central Office Transmission Expense	6230		0.472940	\$ -
Cable and Wire Facilities Expense	6410		0.729660	\$ -
Total Plant Specific Operations Expense		<u>\$ 68,061</u>		<u>\$ 46,039</u>
PLANT NON-SPECIFIC OPERATIONS EXPENSE				
Other Plant Expense	6510		0.676434	
Network Operations Expense	6530		0.676434	\$ -
Access Expense	6540		-	\$ -
Depreciation & Amortization Expense	6560	\$ 96,796	0.642386	\$ 62,180
Total Plant Non-Specific Operations Expense		<u>\$ 96,796</u>		<u>\$ 62,180</u>
CUSTOMER OPERATIONS EXPENSE				
Marketing Expense	6610		0.565688	\$ -
Services Expense	6620		0.565688	\$ -
Total Customer Operations Expense		<u>\$ -</u>		<u>\$ -</u>
CORPORATE OPERATIONS EXPENSE				
Executive and Planning Expense	6710		0.608890	\$ -
General and Administrative Expense	6720		0.526029	\$ -
Total Corporate Operations Expense		<u>\$ -</u>		<u>\$ -</u>
OPERATING TAXES				
Other Operating Taxes (Property Tax Exp)	7240	<u>1,820</u>	0.665539	<u>\$ 1,211</u>
Total		<u><u>\$ 166,677</u></u>		<u><u>\$ 109,430</u></u>

Staff Workpaper IS-12
GSF Expense Allocation Adjustment

Description	Act	Staff Adj	Intrastate Factor	Intrastate Adj
PLANT SPECIFIC OPERATIONS EXPENSE				
Network Support Expense	6110			\$ -
General Support Expense	6120	\$ (68,317)	0.661834	\$ (45,214)
Central Office Switching Expense	6210			\$ -
Central Office Transmission Expense	6230			\$ -
Cable and Wire Facilities Expense	6410			\$ -
Total Plant Specific Operations Expense		<u>\$ (68,317)</u>		<u>\$ (45,214)</u>
PLANT NON-SPECIFIC OPERATIONS EXPENSE				
Other Plant Expense	6510			
Network Operations Expense	6530			\$ -
Access Expense	6540			\$ -
Depreciation & Amortization Expense	6560	\$ (106,865)	0.593577	\$ (63,433)
Total Plant Non-Specific Operations Expense		<u>\$ (106,865)</u>		<u>\$ (63,433)</u>
CUSTOMER OPERATIONS EXPENSE				
Marketing Expense	6610			\$ -
Services Expense	6620			\$ -
Total Customer Operations Expense		<u>\$ -</u>		<u>\$ -</u>
CORPORATE OPERATIONS EXPENSE				
Executive and Planning Expense	6710			\$ -
General and Administrative Expense	6720			\$ -
Total Corporate Operations Expense		<u>\$ -</u>		<u>\$ -</u>
OPERATING TAXES				
Other Operating Taxes (Property Tax Exp)	7240	<u>(2,485)</u>	0.665539	<u>(1,654)</u>
Total Staff Adjustment		<u><u>\$ (177,667)</u></u>		<u><u>\$ (110,301)</u></u>

				Expense				
Description	% Nonreg	% Reg	Allocation Basis	Act	Bal 12/31/16	Less Labor & Direct Exp (1)	Allocable Non-Labor Exp	Staff Adj Allocate to (NR) / Reg
RAINBOW								
Vehicles - Exec	50.00%		PRO FORMA WAGE - J. SMITH	6112.1	\$ 3,838	\$ -	\$ 3,838	\$ (1,919)
Vehicles - Non-Plant	58.40%		PRO FORMA WAGES - EVEREST OFFICE	6112.3	\$ 10,640	\$ -	\$ 10,640	\$ (6,214)
Land & Bldg Exp	46.74%		LAND/BLDG STUDY - RAINBOW	6121	\$ 75,351	\$ (25,230)	\$ 50,120	\$ (23,426)
Furniture	58.40%		PRO FORMA WAGES - EVEREST OFFICE	6122	\$ 31,921	\$ -	\$ 31,921	\$ (18,641)
Office Equip	53.54%		PRO FORMA WAGES - EVEREST OFFICE & NOC	6123	\$ 43,162	\$ -	\$ 43,162	\$ (23,109)
Gen Purp Comp	67.27%		PRO FORMA WAGES - ALL EMPL	6124	\$ 69,020	\$ (48,127)	\$ 20,893	\$ (14,054)
TOTAL RAINBOW - ALLOC TO NR							160,574	(87,364)
COMMUNICATIONS								
Non-Plant Vehicles	11.13%		PRO FORMA WAGES - HIAWATHA	6112	\$ 5,437	\$ -	\$ 5,437	\$ 605
Land & Bldg Exp - Hiawatha	8.27%		LAND/BLDG STUDY - COMMUNICATIONS	6121			\$ 39,554	\$ 3,273
Land & Bldg Exp - Horton	27.04%		PRO FORMA WAGES - HORTON	6121			\$ 5,400	\$ 1,460
Land & Bldg Exp - Seneca	14.03%		PRO FORMA WAGES - SENECA	6121			\$ 9,415	\$ 1,321
Land & Bldg Exp - Sabetha	12.02%		PRO FORMA WAGES - SABETHA	6121			\$ 5,109	\$ 614
Furniture	11.13%		PRO FORMA WAGES - HIAWATHA	6122	\$ 22,093	\$ -	\$ 22,093	\$ 2,458
Office Equip - Hiawatha	11.13%		PRO FORMA WAGES - HIAWATHA	6123			\$ 31,569	\$ 3,513
Office Equip - Horton	27.04%		PRO FORMA WAGES - HORTON	6123			\$ 3,638	\$ 983
Office Equip - Seneca	14.03%		PRO FORMA WAGES - SENECA	6123			\$ 5,075	\$ 712
Office Equip - Sabetha	12.02%		PRO FORMA WAGES - SABETHA	6123			\$ 3,638	\$ 437
Gen Purp Comp	67.27%		PRO FORMA WAGES - ALL EMPL	6124	\$ 53,337	\$ (46,729)	\$ 6,608	\$ 4,446
TOTAL COMMUNICATIONS - ALLOC TO REG							137,535	19,822
ALLOCATE PROPERTY INSURANCE:								
Rainbow Property Ins	4.17%		NONREG GSF TO TOTAL TPIS PER CO	6120	\$ 28,565	\$ -	\$ 28,565	\$ (1,191)
Comm Property Ins	0.97%		REG GSF TO TOTAL PLANT PER CO	6120	\$ 42,869		\$ 42,869	\$ 416
TOTAL PROPERTY INS ALLOCATION				6120			\$ 71,434	\$ (775)
ALLOCATE PROPERTY TAX:								
Rainbow Property Tax	4.17%		NONREG GSF TO TOTAL TPIS PER CO	7240	\$ 72,554		\$ 72,554	\$ (3,025)
Comm. Property Tax	0.97%		REG GSF TO TOTAL PLANT PER CO	7240	\$ 55,718		\$ 55,718	\$ 540
TOTAL PROPERTY TAX ALLOCATION				7240			\$ 128,272	\$ (2,485)
TOTAL GENERAL SUPPORT EXPENSE				6120				\$ (68,317)
TOTAL DEPRECIATION EXPENSE ON GSF ASSETS (2)				6560				\$ (106,865)
TOTAL ADJUSTMENT - ALLOCATE TO NON-REG								\$ (177,667)

(1) Source: Company's WP's supporting CSA's. DR 48.

(2) Calculation of depreciation expense is presented in Staff WP RB-2.1

Staff Workpaper IS-13
Reverse Company's Payroll and Benefit Pro Forma Adjustment IS-4

Description	Act	Company's Adj IS-4 Salary	Company's Adj IS-4 Benefits	Company's Adj IS-4 Total	Staff Adj To Reverse Co's Salary & Ben Adj	Intrastate Factor	Intrastate Adj
PLANT SPECIFIC OPERATIONS EXPENSE							
Network Support Expense	6110	\$ (2,729)	\$ (678)	\$ (3,407)	\$ 3,407	0.676434	\$ 2,305
General Support Expense	6120	\$ 25,705	\$ 7,857	\$ 33,561	\$ (33,561)	0.676434	\$ (22,702)
Central Office Switching Expense	6210	\$ (3,093)	\$ 601	\$ (2,492)	\$ 2,492	0.472940	\$ 1,178
Central Office Transmission Expense	6230	\$ (5,064)	\$ 2,059	\$ (3,005)	\$ 3,005	0.472940	\$ 1,421
Cable and Wire Facilities Expense	6410	\$ 8,557	\$ 3,445	\$ 12,003	\$ (12,003)	0.729660	\$ (8,758)
Total Plant Specific Operations Expense		<u>\$ 23,376</u>	<u>\$ 13,284</u>	<u>\$ 36,660</u>	<u>\$ (36,660)</u>		<u>\$ (26,556)</u>
PLANT NON-SPECIFIC OPERATIONS EXPENSE							
Other Plant Expense	6510	\$ (3,903)	\$ (1,737)	\$ (5,640)	\$ 5,640	0.676434	\$ 3,815
Network Operations Expense	6530	\$ 14,900	\$ 11,678	\$ 26,578	\$ (32,217)	0.676434	\$ (21,793)
Access Expense	6540			\$ -	\$ -	-	\$ -
Depreciation & Amortization Expense	6560			\$ -	\$ -	0.642386	\$ -
Total Plant Non-Specific Operations Expense		<u>\$ 14,900</u>	<u>\$ 11,678</u>	<u>\$ 26,578</u>	<u>\$ (26,578)</u>		<u>\$ (17,978)</u>
CUSTOMER OPERATIONS EXPENSE							
Marketing Expense	6610	\$ 27,879	\$ 10,001	\$ 37,879	\$ (37,879)	0.565688	\$ (21,428)
Services Expense	6620	\$ 13,703	\$ 7,914	\$ 21,617	\$ (21,617)	0.565688	\$ (12,229)
Total Customer Operations Expense		<u>\$ 41,582</u>	<u>\$ 17,915</u>	<u>\$ 59,497</u>	<u>\$ (59,497)</u>		<u>\$ (33,657)</u>
CORPORATE OPERATIONS EXPENSE							
Executive and Planning Expense	6710	\$ (46,708)	\$ (13,259)	\$ (59,967)	\$ 59,967	0.608890	\$ 36,514
General and Administrative Expense	6720	\$ 36,291	\$ 18,496	\$ 54,787	\$ (54,787)	0.526029	\$ (28,820)
Total Corporate Operations Expense		<u>\$ (10,417)</u>	<u>\$ 5,237</u>	<u>\$ (5,180)</u>	<u>\$ 5,180</u>		<u>\$ 7,694</u>
Total		<u>\$ 69,442</u>	<u>\$ 48,114</u>	<u>\$ 117,555</u>	<u>\$ (117,555)</u>		<u>\$ (70,496)</u>

Staff Workpaper IS-14
Salary Expense Adjustment

Description	Act	Staff Adj	Intrastate Factor	Intrastate Adj
PLANT SPECIFIC OPERATIONS EXPENSE				
Network Support Expense	6110	\$ -	0.676434	\$ -
General Support Expense	6120	\$ 26,567	0.676434	\$ 17,971
Central Office Switching Expense	6210	\$ (2,698)	0.472940	\$ (1,276)
Central Office Transmission Expense	6230	\$ (4,283)	0.472940	\$ (2,026)
Cable and Wire Facilities Expense	6410	\$ (3,038)	0.729660	\$ (2,217)
Total Plant Specific Operations Expense		<u>\$ 16,548</u>		<u>\$ 12,453</u>
PLANT NON-SPECIFIC OPERATIONS EXPENSE				
Other Plant Expense	6510	\$ (4,409)	0.676434	\$ (2,982)
Network Operations Expense	6530	\$ (11,820)	0.676434	\$ (7,995)
Access Expense	6540	\$ -	-	\$ -
Depreciation & Amortization Expense	6560	\$ -	0.642386	\$ -
Total Plant Non-Specific Operations Expense		<u>\$ (16,229)</u>		<u>\$ (10,978)</u>
CUSTOMER OPERATIONS EXPENSE				
Marketing Expense	6610	\$ 18,636	0.565688	\$ 10,542
Services Expense	6620	\$ 10,249	0.565688	\$ 5,798
Total Customer Operations Expense		<u>\$ 28,885</u>		<u>\$ 16,340</u>
CORPORATE OPERATIONS EXPENSE				
Executive and Planning Expense	6710	\$ (47,260)	0.608890	\$ (28,776)
General and Administrative Expense	6720	\$ 28,232	0.526029	\$ 14,851
Total Corporate Operations Expense		<u>\$ (19,028)</u>		<u>\$ (13,925)</u>
Total Staff Adjustment - Regulated Acts		<u>\$ 10,177</u>		<u>\$ 3,890</u>
COMMUNICATIONS		76,648.04		
TPUC		(1,849.65)		
Total Salary Exp Adjustment - All Accounts		<u>\$ 84,975.12</u>		

Actual 2016 Test Year Labor \$																													
Staff Pro Forma Labor \$						(Wages & Paycheck JE)						Staff Adjustment Labor \$ Before Clearing						Total Staff Adjustment Labor \$											
RTA			Comm			Total			RTA			Comm			Total			Spread Clearing Acts			RTA			Comm			Total		
Accounts	Employees		Employees		Employees	Employees			Employees			Employees			C6112.150	R6112.2	R6114.00	Employees			Employees			Employees					
C2003.000	6,369.40		1,893.41		8,262.81	8,240.65		30,128.71	38,369.36	(1,871.25)		(28,235.30)	(30,106.55)	2.10	(21.87)	16.42	(1,876.70)	(28,233.20)	(30,109.90)										
C6121.000	3,233.39		6,090.73		9,324.12	0.00		19,286.54	19,286.54	3,233.39		(13,195.81)	(9,962.42)	6.75	(11.10)	8.34	3,230.63	(13,189.06)	(9,958.43)										
C6124.000	33,155.34		733.52		33,888.85	26,487.23		0.00	26,487.23	6,668.11		733.52	7,401.62	0.81	(113.83)	85.47	6,639.75	734.33	7,374.08										
C6212.000	1,591.37		8,535.87		10,127.24	5,567.22		5,841.03	11,408.25	(3,975.85)		2,694.84	(1,281.01)	9.47	(5.46)	4.10	(3,977.21)	2,704.30	(1,272.91)										
C6240.000	0.00		97,435.62		97,435.62	0.00		87,534.15	87,534.15	0.00		9,901.47	9,901.47	108.05	-	-	-	10,009.52	10,009.52										
C6300.000	250.25		8,365.77		8,616.02	227.97		8,028.52	8,256.49	22.28		337.25	359.53	9.28	(0.86)	0.65	22.07	346.53	368.59										
C6300.100	128.25		19,962.37		20,090.62	118.83		23,817.35	23,936.18	9.42		(3,854.98)	(3,845.56)	22.14	(0.44)	0.33	9.31	(3,832.84)	(3,823.53)										
C6300.200	0.00		5,501.06		5,501.06	0.00		5,278.56	5,278.56	0.00		222.50	222.50	6.10	-	-	-	228.60	228.60										
C6300.201	0.00		7,890.20		7,890.20	0.00		6,902.82	6,902.82	0.00		987.38	987.38	8.75	-	-	-	996.13	996.13										
C6300.300	318.22		4,633.05		4,951.28	300.36		4,643.73	4,944.09	17.86		(10.68)	7.19	5.14	(1.09)	0.82	17.59	(5.54)	12.05										
C6300.301	1,756.91		2,053.81		3,810.72	1,669.45		1,842.28	3,511.73	87.46		211.53	298.99	2.28	(6.03)	4.53	85.96	213.80	299.76										
C6300.400	0.00		28,572.34		28,572.34	0.00		24,234.68	24,234.68	0.00		4,337.66	4,337.66	31.69	-	-	-	4,369.34	4,369.34										
C6300.401	0.00		21,672.14		21,672.14	0.00		18,439.65	18,439.65	0.00		3,232.49	3,232.49	24.03	-	-	-	3,256.53	3,256.53										
C6300.500	0.00		0.00		0.00	0.00		687.77	687.77	0.00		(687.77)	(687.77)	-	-	-	-	(687.77)	(687.77)										
C6300.501	0.00		422.43		422.43	0.00		1,374.61	1,374.61	0.00		(952.18)	(952.18)	0.47	-	-	-	(951.71)	(951.71)										
C6300.502	0.00		2,319.51		2,319.51	0.00		5,629.52	5,629.52	0.00		(3,310.01)	(3,310.01)	2.57	-	-	-	(3,307.43)	(3,307.43)										
C6300.503	0.00		5,256.87		5,256.87	0.00		7,555.90	7,555.90	0.00		(2,299.03)	(2,299.03)	5.83	-	-	-	(2,293.20)	(2,293.20)										
C6300.800	789.43		418.31		1,207.74	761.26		395.82	1,157.08	28.17		22.49	50.66	0.46	(2.71)	2.04	27.50	22.96	50.45										
C6300.801	2,301.05		1,915.96		4,217.02	2,164.44		987.28	3,151.72	136.61		928.68	1,065.30	2.12	(7.90)	5.93	134.64	930.81	1,065.45										
C6300.900	0.00		36,965.70		36,965.70	0.00		25,226.57	25,226.57	0.00		11,739.13	11,739.13	40.99	-	-	-	11,780.12	11,780.12										
C6300.901	0.00		17,644.64		17,644.64	0.00		13,652.21	13,652.21	0.00		3,992.43	3,992.43	19.57	-	-	-	4,011.99	4,011.99										
C6360.000	0.00		7,841.06		7,841.06	0.00		7,563.24	7,563.24	0.00		277.82	277.82	8.70	-	-	-	286.52	286.52										
C6361.000	0.00		0.00		0.00	0.00		17.21	17.21	0.00		(17.21)	(17.21)	-	-	-	-	(17.21)	(17.21)										
C6411.000	0.00		8,627.62		8,627.62	0.00		7,558.47	7,558.47	0.00		1,069.15	1,069.15	9.57	-	-	-	1,078.72	1,078.72										
C6422.000	0.00		67,067.78		67,067.78	0.00		60,642.71	60,642.71	0.00		6,425.07	6,425.07	74.38	-	-	-	6,499.45	6,499.45										
C6423.000	8,895.79		45,178.44		54,074.23	30,535.35		32,035.07	62,570.42	(21,639.56)		13,143.37	(8,496.19)	50.10	(30.54)	22.93	(21,647.17)	13,193.47	(8,453.70)										
C6424.000	8,760.00		3,326.41		12,086.41	0.00		3,355.67	3,355.67	8,760.00		(29.26)	8,730.74	3.69	(30.07)	22.58	8,752.51	(25.57)	8,726.94										
C6425.000	0.00		38,672.15		38,672.15	0.00		34,502.26	34,502.26	0.00		4,169.89	4,169.89	42.89	-	-	-	4,212.77	4,212.77										
C6512.000	24,038.55		15,687.47		39,726.02	27,961.40		14,404.82	42,366.22	(3,922.85)		1,282.65	(2,640.20)	17.40	(82.53)	61.97	(3,943.41)	1,300.05	(2,643.36)										
C6513.000	0.00		4,875.99		4,875.99	0.00		10,386.53	10,386.53	0.00		(5,510.54)	(5,510.54)	5.41	-	-	-	(5,505.13)	(5,505.13)										
C6514.300	0.00		0.00		0.00	0.00		12,832.19	12,832.19	0.00		(12,832.19)	(12,832.19)	-	-	-	-	(12,832.19)	(12,832.19)										
C6515.000	0.00		1,710.77		1,710.77	0.00		4,853.91	4,853.91	0.00		(3,143.14)	(3,143.14)	1.90	-	-	-	(3,141.24)	(3,141.24)										
C6518.000	0.00		2,709.65		2,709.65	0.00		7,392.34	7,392.34	0.00		(4,682.69)	(4,682.69)	3.00	-	-	-	(4,679.69)	(4,679.69)										
C6520.000	13,354.67		0.00		13,354.67	3,306.12		0.00	3,306.12	10,048.55		0.00	10,048.55	-	(45.85)	34.43	10,037.13	-	10,037.13										
C6520.100	0.00		124,827.50		124,827.50	0.00		97,963.57	97,963.57	0.00		26,863.93	26,863.93	138.43	-	-	-	27,002.36	27,002.36										
C6532.000	147,853.74		94,367.99		242,221.73	167,306.97		62,624.64	229,931.61	(19,453.23)		31,743.35	12,290.12	104.65	(507.61)	381.14	(19,579.69)	31,848.00	12,268.31										
C6533.000	446.21		2,301.15		2,747.35	458.23		2,176.97	2,635.20	(12.02)		124.18	112.15	2.55	(1.53)	1.15	(12.40)	126.73	114.32										
C6534.000	14,963.24		49,354.74		64,317.98	17,673.84		45,548.00	63,221.84	(2,710.60)		3,806.74	1,096.14	54.73	(51.37)	38.57	(2,723.40)	3,861.47	1,138.07										
C6542.100	0.00		91.08		91.08	0.00		1,073.88	1,073.88	0.00		(982.80)	(982.80)	0.10	-	-	-	(982.69)	(982.69)										
C6544.100	11,399.52		0.00		11,399.52	0.00		0.00	0.00	11,399.52		0.00	11,399.52	-	(39.14)	29.39	11,389.77	-	11,389.77										
C6611.000	54,434.83		43,290.00		97,724.83	45,568.67		54,546.18	100,114.85	8,866.16		(11,256.18)	(2,390.02)	48.01	(186.88)	140.32	8,819.60	(11,208.17)	(2,388.57)										
C6611.200	0.00		0.00		0.00	0.00		772.00	772.00	0.00		(772.00)	(772.00)	-	-	-	-	(772.00)	(772.00)										
C6612.000	58,892.25		53,839.48		112,731.73	77,059.80		95,623.66	172,683.46	(18,167.55)		(41,784.18)	(59,951.73)	59.71	(202.19)	151.81	(18,217.92)	(41,724.48)	(59,942.40)										
C6623.000	57,082.00		351,311.58		408,394.49	60,579.65		277,199.88	337,779.53	(3,496.75)		74,111.70	70,614.96	389.60	(195.97)	147.15	(3,545.57)	74,501.30	70,955.73										
C6623.600	0.00		430.92		430.92	0.00		0.00	0.00	0.00																			

		Staff Pro Forma Wages																		2016 Actual		Staff Adjustment	
	Per 2016 Time Study	Reg	OT	2016	2017 Est.	Regular	Overtime	Total	Sales	Christmas	Other	Digital Tran:	On Call	Total Posted	Total			Total Posted	Total Labor	Total Wages	Total Posted Paycheck JE	Total Labor	
Rainbow En Departmen	Accts	Percents	Hours	Hours	Wage	Wage	Gross Wage - Use to Alloc	Gross Wage	Wages	Commission:	Bonus	Bonus	Bonus	Wages	Paycheck JE	Labor	Total Wages	Paycheck JE	Total Labor	Total Wages	Paycheck JE	Total Labor	
	Time Study																						
	Time Study																						
	Time Study																						
	Time Studv																						

			Staff Pro Forma Wages																				
Per 2016 Time Study			Reg	OT	2016	2017 Est.	Regular	Overtime	Total	Sales	Christmas	Other	Digital Trans	On Call	Total Posted	Total		2016 Actual		Staff Adjustment			
Rainbow En Departmen	Accts	Percents	Hours	Hours	Wage	Wage	Gross Wage - Use to Alloc	Gross Wage	Wages	Commission:	Bonus	Bonus	Bonus	Wages	Paycheck JE	Labor	Total Wages	Total Posted Paycheck JE	Total Labor	Total Wages	Total Posted Paycheck JE	Total Labor	
Time Study																							
Direct Time Reporting																							
Total																						(23,590.91)	

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Per 2016 Time Study				Staff Pro Forma Wages														Per 2016 Actual			Staff Adjustment															
				2016	OT	2016	2017	Regular	Overtime	Total	Sales	Christmas	Other	Digital Trans	On Call	Total Posted	Total	Posted Paycheck JE	Total Labor	Posted Paycheck JE	Total Labor															
Comm. Empl	Departmen	Accts	Percents	Hours	Hours	Wage	Wage	Gross Wage - Use to Alloc	Gross Wage	Labor	Comm.	Bonus	Bonus	Bonus	Wages	Paycheck JE	Labor	Total Labor	JE	Total Labor																
Total				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
																		108,566.03																		

Employer	Empl Name	Dept	2013 OT HRS	2014 OT HRS	2015 OT HRS	AVG 13-15 OT HRS	2016 OT HRS	INC/(DEC) OT HRS	Staff Adjusted OT HRS
COMMUNICATION EMPLOYEES									
COMM	BECKMANN, DEANNA	NETWORK OP	34.00	37.25	88.00	53.08	165.25	112.17	53.08
COMM	BOECKMAN, COLLETE	ACCTG/BILLING			2.00	2.00	6.00	4.00	
COMM	HERMESCH, JENNIFER	CUST SERVICE	3.75	3.50	2.25	3.17	5.50	2.33	
COMM	TANKING, ALICE	ACCTG/BILLING	0.25	3.75	1.00	1.67	6.00	4.33	
COMM	KIMMI, DAVID	PLANT	30.50	16.00	24.00	23.50	18.00	(5.50)	
COMM	MCKEE, NATHAN	PLANT	129.75	136.25	113.50	126.50	128.00	1.50	
COMM	WELLIVER, RICHARD	PLANT	36.75	61.00	46.50	48.08	55.75	7.67	
COMM	KUHLMAN, TIMOTHY	PLANT	144.65	136.30	170.25	150.40	130.50	(19.90)	
COMM	BECKMANN, KEVIN	PLANT	55.75	46.75	28.25	43.58	34.00	(9.58)	
COMM	MCQUEEN, BRIAN	NETWORK OP	19.75	11.50	23.00	18.08	28.50	10.42	
COMM	DICKSON, LAURENCE	NETWORK OP	93.50	53.50	33.50	60.17	36.00	(24.17)	
COMM	RONNEBAUM, KENT	NETWORK OP	25.00	19.00	40.00	28.00	43.50	15.50	
COMM	KINNEAR, LORI	CUST SERVICE	1.00	3.00	5.50	3.17	14.50	11.33	
COMM	MCCLAIN, SAMANTHA	ADMIN	25.50	28.25	7.00	20.25	11.50	(8.75)	
COMM	BENT, CARMEN	NETWORK OP	57.25	59.50	66.75	61.17	256.50	195.33	61.17
COMM	ENNEKING, JERAD	SALES	1.00	35.25	2.50	12.92	12.00	(0.92)	
COMM	KNUDSON, RACHEL	CUST SERVICE	29.00	38.25	29.50	32.25	44.25	12.00	
COMM	SCHUSTER, SUZANNE	CUST SERVICE	1.00	3.00	3.75	2.58	2.50	(0.08)	
COMM	TWOMBLY, MICHAEL	MANAGEMENT						-	
COMM	MUETING, BYRON	PLANT	214.50	230.00	170.25	204.92	111.25	(93.67)	
COMM	LANTER, DEANNA	CUST SERVICE	1.25	2.00		1.63	-	(1.63)	
COMM	NIOCE, CIARA	MANAGEMENT						-	
COMM	BERGMAN, JULIE	SALES	24.00	51.50	8.25	27.92	34.50	6.58	
COMM	STRUBE, KASEY	NETWORK OP	10.00	15.25	19.75	15.00	25.00	10.00	
COMM	SIMMER, STACY	COMM RELATIONS		107.25	131.75	119.50	76.50	(43.00)	
COMM	CLARK, KALEY	MARKETING		21.50	4.50	13.00	10.00	(3.00)	
COMM	WELCH, STEVEN	PLANT		21.75	156.00	88.88	70.00	(18.88)	
COMM	KIMMI, JUSTINE	CUST SERVICE			9.25	9.25	8.25	(1.00)	
COMM	HARGETT, RICHARD	COMM RELATIONS			65.50	65.50	53.25	(12.25)	
COMM	HEINEN, ZACH	PLANT					41.00	41.00	
COMM	RODVELT, BRIAN	PLANT					110.50	110.50	
COMM	PEABODY, CHRIS	PLANT					61.25	61.25	
COMM	STROHL, KELLY	ACCTG/BILLING					1.25	1.25	
COMMUNICATION EMPLOYEES - BY DEPT									
COMM		ACCTG/BILLING	0.25	3.75	3.00	2.33	13.25	10.92	
COMM		ADMIN	25.50	28.25	7.00	20.25	11.50	(8.75)	
COMM		COMM RELATIONS		107.25	197.25	152.25	129.75	(22.50)	
COMM		CUST SERVICE	36.00	49.75	50.25	45.33	75.00	29.67	
COMM		CUST SERVICE REP	5.25	11.75	2.50	6.50	3.00	(3.50)	
COMM		MANAGEMENT	-	-	-	-	-	-	
COMM		MARKETING	57.25	114.00	25.50	65.58	34.00	(31.58)	
COMM		NETWORK OP	239.50	196.00	271.00	235.50	554.75	319.25	
COMM		PLANT	987.15	935.55	987.50	970.07	929.00	(41.07)	
COMM		SALES	33.25	121.25	32.50	62.33	70.75	8.42	
COMM		TOTAL DEPARTMENTS	1,384.15	1,567.55	1,576.50	1,560.15	1,821.00	260.85	
RAINBOW EMPLOYEES									
RAINBOW	PTOMEY, VICKY	MANAGEMENT	-	-	-	-	-	-	
RAINBOW	ARMSTRONG, BEVERLY	MANAGEMENT	91.75	128.50	100.50	106.92	71.50	(35.42)	
RAINBOW	SMITH, JASON	MANAGEMENT	97.75	120.00	118.75	112.17	134.75	22.58	
RAINBOW	STREETER, PATRICK	MANAGEMENT	-	-	-	-	-	-	
RAINBOW	WELCH, JENNIFER	ADMIN	9.25	10.00	2.00	7.08	6.50	(0.58)	
RAINBOW	PETERSEN, JACKIE	MANAGEMENT	-	-	-	-	-	-	
RAINBOW	WOODS, NATHAN	NETWORK OP	32.00	69.50	31.50	44.33	65.00	20.67	
RAINBOW	KREIDER, ANGELA	MANAGEMENT	-	-	-	-	-	-	
RAINBOW	WILHELM, DAWNA	CUST SERVICE REP	2.75	10.25	3.75	5.58	0.25	(5.33)	
RAINBOW	BEACH, KELLY	ADMIN	12.50	0.50	4.00	5.67	2.75	(2.92)	
RAINBOW	SCHMITT, MARIO	NETWORK OP	35.75	58.25	60.75	51.58	82.50	30.92	
RAINBOW	WHEELER, SCOTT	NETWORK OP	-	-	-	-	-	-	
RAINBOW	HEINEN, JACOB	PLANT	-	15.00	19.50	11.50	12.00	0.50	
RAINBOW	MCMULLEN, CHRIS	MANAGEMENT	-	-	-	-	6.50	6.50	
RAINBOW	CARROLL, RICHARD	NETWORK OP	-	-	-	-	-	-	
RAINBOW	RUOFF, KATHLEEN	MANAGEMENT	-	-	-	-	-	-	
RAINBOW	WILSON, CHASE	PLANT	11.00	9.00	28.50	16.17	18.50	2.33	
RAINBOW EMPLOYEES - BY DEPT									
RAINBOW		ADMIN	23.00	10.50	6.00	13.17	9.25	(3.92)	
RAINBOW		CENTRAL OFFICE	-	-	-	-	-	-	
RAINBOW		CUST SERVICE REP	2.75	10.25	3.75	5.58	0.25	(5.33)	
RAINBOW		MANAGEMENT	190.50	250.00	219.75	220.08	213.75	(6.33)	
RAINBOW		MARKETING	11.50	-	-	3.83	-	(3.83)	
RAINBOW		NETWORK OP	67.75	127.75	92.25	95.92	147.50	51.58	
RAINBOW		PLANT	11.00	24.00	48.00	27.67	30.50	2.83	
RAINBOW		TOTAL DEPARTMENTS	306.50	422.50	369.75	366.25	401.25	35.00	

Employee	Title	Yrs in Position	Gross Wages	TY Bonus	2017 Wages + TY Bonus	Survey Code	Operating Revenues		ILEC+CLEC Access Lines		Region - Plains		Years in Position		Base Salary Avg All Criteria		Bonuses Table B1		Total Prevailing Rate Range Salary + Bonuses (5)		Comparison of Wage + Bonus to Prevailing Rate Range		
							First	Third	First	Third	First	Third	First	Third	First	Third	First	Third	First	Third		First	Third
							Quartile	Quartile	Quartile	Quartile	Quartile	Quartile	Quartile	Quartile	Quartile	Quartile	Quartile	Quartile	Quartile	Quartile		Quartile	Quartile

Total

(1) Operating Revenue for FY 2016 (Ref. Company's Filing, Sec. 15 Audited Financial Statement, Consolidated Statements of Income)
(2) ILEC and CLEC access lines January 2016 per DR 15 (Ref. Staff WP-ALLOC-Subscriber & Employee Counts)
(3) Current Level of Full Time Employees
(4) Survey salaries reported do not include overtime pay. Salaries computed using 2017 pay rate x 2080 hrs
(5) The NTCA Survey states: Together, the 25th percentile and the 75th percentile define the middle 50% of all salaries paid for the job. This midrange, based on the reported rates for the position, generally is considered the most reliable indicator of prevailing rates of pay.

Survey Source: NTCA 2017 Survey reports Compensation and Benefits as of January 1, 2017

Staff Workpaper IS-15
Employee Benefit and PR Tax Adjustment

Description	Act	Staff Adj	Intrastate Factor	Intrastate Adj
PLANT SPECIFIC OPERATIONS EXPENSE				
Network Support Expense	6110	\$ -	0.676434	\$ -
General Support Expense	6120	\$ 6,193	0.676434	\$ 4,189
Central Office Switching Expense	6210	\$ 1,016	0.472940	\$ 481
Central Office Transmission Expense	6230	\$ 38	0.472940	\$ 18
Cable and Wire Facilities Expense	6410	\$ (2,782)	0.729660	\$ (2,030)
Total Plant Specific Operations Expense		<u>\$ 4,466</u>		<u>\$ 2,658</u>
PLANT NON-SPECIFIC OPERATIONS EXPENSE				
Other Plant Expense	6510	\$ (1,964)	0.676434	\$ (1,329)
Network Operations Expense	6530	\$ (3,776)	0.676434	\$ (2,554)
Access Expense	6540	\$ -	-	\$ -
Depreciation & Amortization Expense	6560	\$ -	0.642386	\$ -
Total Plant Non-Specific Operations Expense		<u>\$ (5,741)</u>		<u>\$ (3,883)</u>
CUSTOMER OPERATIONS EXPENSE				
Marketing Expense	6610	\$ 6,503	0.565688	\$ 3,679
Services Expense	6620	\$ 2,566	0.565688	\$ 1,451
Total Customer Operations Expense		<u>\$ 9,069</u>		<u>\$ 5,130</u>
CORPORATE OPERATIONS EXPENSE				
Executive and Planning Expense	6710	\$ (12,000)	0.608890	\$ (7,307)
General and Administrative Expense	6720	\$ 7,518	0.526029	\$ 3,955
Total Corporate Operations Expense		<u>\$ (4,482)</u>		<u>\$ (3,352)</u>
Total Staff Adjustment		<u><u>\$ 3,313</u></u>		<u><u>\$ 554</u></u>

Rainbow Telecommunications Association
Docket 17-RNBT-555-KSF
Test Year Ended 12/31/2016

Staff Workpaper IS-15.1
Employee Benefit Expense Adjustment Distribution

Attachment AD-3

Description	Act	Actual 2016 TY Empl Ben Exp (1)	Calc Pro Forma Ben Exp Alloc		Staff Pro Forma Empl Ben Exp	Total Staff Empl Ben Exp Adj
			Staff Pro Forma Wage & Dist	Staff Pro Forma Wage & Dist		
TELEPHONE PLANT UNDER CONSTRUCTION	2300	\$		0.58%	\$	
PLANT SPECIFIC OPERATIONS EXPENSE						
Network Support Expense	6110	\$				
General Support Expense	6120	\$		2.04%	\$	
Central Office Switching Expense	6210	\$		0.52%	\$	
Central Office Transmission Expense	6230	\$		3.13%	\$	
Cable and Wire Facilities Expense	6410	\$		4.10%	\$	
Total Plant Specific Operations Expense		\$		9.79%	\$	
PLANT NON-SPECIFIC OPERATIONS EXPENSE						
Other Plant Expense	6510	\$		0.23%	\$	
Network Operations Expense	6530	\$		7.06%	\$	
Access Expense	6540	\$		0.00%	\$	
Depreciation & Amortization Expense	6560	\$		0.00%	\$	
Total Plant Non-Specific Operations Expense		\$		7.29%	\$	
CUSTOMER OPERATIONS EXPENSE						
Marketing Expense	6610	\$		1.74%	\$	
Services Expense	6620	\$		3.97%	\$	
Total Customer Operations Expense		\$		5.72%	\$	
CORPORATE OPERATIONS EXPENSE						
Executive and Planning Expense	6710	\$		2.16%	\$	
General and Administrative Expense	6720	\$		6.41%	\$	
Total Corporate Operations Expense		\$		8.57%	\$	
TOTAL - REGULATED EXPENSE		\$		31.37%	\$	
TOTAL COMMUNICATIONS		\$		68.05%	\$	
TOTAL - ALL EMPLOYEES		\$		100.00%	\$	\$ 58,735

(1) Source: Company's PR Normalization Adj Support, DR 84

Method of allocation: 2016 Actual employee benefits - used actual reported by Company in its PR Normalization Adjustment supporting workpapers.
Staff pro forma employee benefits were allocated based on Staff's pro forma payroll allocations.

VSP	Employer BCBS	Wages	401(k)	Retirement & Security	Life	AD&D	LTD	Workman's Comp	FICA Medicare	FICA Social Security	FUTA (First \$7000)	SUTA (First \$14,000)-Carson	SUTA (First \$14,000)-Rainbow	Total Overheads
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	VSP	Employer BCBS	Wages	401(k)	Retirement & Security	Life AD&D LTD	Advance Life Insurance	Workman's Comp	FICA Medicare	FICA Social Security	FUTA (First \$7000)	SUTA (First \$14,000)-Carson	SUTA (First \$14,000)-Rainbow	Total Overheads
						852,219								

Rainbow Telecommunications Association
Docket 17-RNBT-555-KSF
Test Year Ended 12/31/2016

Attachment AD-3

Staff Workpaper IS-16
Remove Test Year Deferred Compensation Expense

Description	Act	Staff Adj	Intrastate Factor	Intrastate Adj
PLANT SPECIFIC OPERATIONS EXPENSE				
Network Support Expense	6110		0.676434	
General Support Expense	6120		0.676434	
Central Office Switching Expense	6210		0.472940	
Central Office Transmission Expense	6230		0.472940	
Cable and Wire Facilities Expense	6410		0.729660	
Total Plant Specific Operations Expense				
PLANT NON-SPECIFIC OPERATIONS EXPENSE				
Other Plant Expense	6510		0.676434	
Network Operations Expense	6530		0.676434	
Access Expense	6540		-	
Depreciation & Amortization Expense	6560		0.642386	
Total Plant Non-Specific Operations Expense				
CUSTOMER OPERATIONS EXPENSE				
Marketing Expense	6610		0.565688	
Services Expense	6620		0.565688	
Total Customer Operations Expense				
CORPORATE OPERATIONS EXPENSE				
Executive and Planning Expense	6710		0.608890	
General and Administrative Expense	6720		0.526029	
Total Corporate Operations Expense				
Total Staff Adjustment		\$ (9,319)		\$ (5,833)

Source: Response to Staff DR 46

Staff Workpaper IS-17
Board of Directors & Accounting Expense Adjustment

DESCRIPTION	ACT	TY AMT DISALLOWED	INTRASTATE FACTOR	INTRASTATE ADJ
PLANT SPECIFIC OPERATIONS EXPENSE				
General Support Expense	6120			\$ -
Central Office Switching Expense	6210			\$ -
Central Office Transmission Expense	6230			\$ -
Cable and Wire Facilities Expense	6410			\$ -
Total Plant Specific Operations Expense		<u>\$ -</u>		<u>\$ -</u>
PLANT NON-SPECIFIC OPERATIONS EXPENSE				
Network Operations Expense	6530			\$ -
Total Plant Non-Specific Operations Expense		<u>\$ -</u>		<u>\$ -</u>
CUSTOMER OPERATIONS EXPENSE				
Marketing Expense	6610			\$ -
Services Expense	6620			\$ -
Total Customer Operations Expense		<u>\$ -</u>		<u>\$ -</u>
CORPORATE OPERATIONS EXPENSE				
Executive and Planning Expense	6710	\$ (27,944)	0.608890	\$ (17,015)
General and Administrative Expense	6720			\$ -
Total Corporate Operations Expense		<u>\$ (27,944)</u>		<u>\$ (17,015)</u>
Total Staff Adjustment		<u>\$ (27,944)</u>		<u>\$ (17,015)</u>

Rainbow Telecommunications Association
Docket 17-RNBT-555-KSF
Test Year Ended 12/31/2016

Staff Workpaper IS-17.1
Board of Directors Expense Allocation Adjustment

Attachment AD-3

Act	Description	TY Exp Rainbow	TY Exp Comm.	TY Exp Total	Staff Nonreg Factor	BASIS	Staff Nonreg Allocation	Staff Adj
6711.2	Board of Directors Expense						\$	27,944

Staff Workpaper IS-18
Billing & Collection Expense Adjustment

Description	Act	Staff Adj	Intrastate Factor	Intrastate Adj
PLANT SPECIFIC OPERATIONS EXPENSE				
Network Support Expense	6110			\$ -
General Support Expense	6120			\$ -
Central Office Switching Expense	6210			\$ -
Central Office Transmission Expense	6230			\$ -
Cable and Wire Facilities Expense	6410	\$ (1,965)	0.729660	\$ (1,434)
Total Plant Specific Operations Expense		<u>\$ (1,965)</u>		<u>\$ (1,434)</u>
PLANT NON-SPECIFIC OPERATIONS EXPENSE				
Network Operations Expense	6530			\$ -
Access Expense	6540			\$ -
Depreciation & Amortization Expense	6560			\$ -
Total Plant Non-Specific Operations Expense		<u>\$ -</u>		<u>\$ -</u>
CUSTOMER OPERATIONS EXPENSE				
Marketing Expense	6610			\$ -
Services Expense	6620	\$ (14,547)	0.565688	\$ (8,229)
Total Customer Operations Expense		<u>\$ (14,547)</u>		<u>\$ (8,229)</u>
CORPORATE OPERATIONS EXPENSE				
Executive and Planning Expense	6710			\$ -
General and Administrative Expense	6720	\$ (2,140)	0.526029	\$ (1,126)
Total Corporate Operations Expense		<u>\$ (2,140)</u>		<u>\$ (1,126)</u>
Total Staff Adjustment		<u><u>\$ (18,652)</u></u>		<u><u>\$ (10,789)</u></u>

Rainbow Telecommunications Association
Docket 17-RNBT-555-KSF
Test Year Ended 12/31/2016

Attachment AD-3

Staff Workpaper IS-18.1
B&C Expense Adjustment Calculation

2016 TY	Rainbow Exp				Comm Exp	Total Exp	Staff Nonreg Factor	Basis
	Act	Act	Act	TOTAL				
Jan	6423	6721.1	6623					
Feb								
Mar								
Apr								
May								
Jun								
Jul								
Aug								
Sep								
Oct								
Nov								
Dec								
TOTAL TY							76.42% Subscribers	
Allocate per Subscribers:								
Staff Adj	(1,965)	(2,140)	(14,547)	(18,652)		-		

**Kansas Corporation Commission
Information Request**

Request No: 46

Company Name RAINBOW TELECOMMUNICATIONS ASSOCIATION, INC. RNBT
Docket Number 17-RNBT-555-KSF
Request Date July 5, 2017
Date Information Needed July 14, 2017

RE: Adjusting Entries

Please Provide the Following:

- a. Please provide all year end adjusting entries for the test year and the year prior to the test year, whether internal or from an external auditor, sources, and supporting documentation, including, but not limited to, auditor workpapers, etc.

b. Please provide all adjusting journal entries made subsequent to the test year, whether internal or from an external auditor, sources, and supporting documentation, including, but not limited to, auditor workpapers, etc.

Submitted By Katie Figs

Submitted To Daniel Meszler

Response:

See Attached.

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: _____ *DM*

Date: _____ *7/14/17*

Rainbow Telecommunications Association
Adjusting Journal Entries
December 2015
#1

DESCRIPTION	ACCOUNT	DR	CR	Income Statement Effect
(1)				
Interstate ADSL	5083.100	1,596.00		(1,596.00)
Interstate - Ethernet Transport (IPTV)	5083.200		1,596.00	1,596.00
<i>To correct adjustment for adopting MM-VCC Option on DSL Wholesale bill Correct for ethernet \$7 fees (FJE#13)</i>				
(2)				
RUS Notes - Prepayments	4210.160	63,393.47		
Interest Income - RUS Cushion Of Credit	7320.000		63,393.47	63,393.47
<i>To record 11/1/15 RUS Cushion of Credit Interest Capitalization</i>				
(3)				
A/R - Carson Comm.	1191.000	8,029.00		
CWIP #2014-10	2003.000		8,029.00	
<i>To reclass payment to AHRs Construction to CLEC</i>				
(4)				
Land & Bldg Exp	6121.000	10,892.49		(10,892.49)
CWIP #2014-10	2003.000		10,892.49	
<i>To expense misc. & moving expenses</i>				
		83,910.96	83,910.96	52,500.98

-

Rainbow Telecommunications Association
Adjusting Journal Entries
December 2015
#2

DESCRIPTION	ACCOUNT	DR	CR	Income Statement Effect
(5)				
A/R - Carson Comm.	1191.000	3,917.41		
Other Gen And Admin Exp	6728.000	1,958.70		(1,958.70)
Intangibles - Software	2692.000		5,876.11	
Intangibles Amortization Reserve - Software	2692.100	4,519.25		
Amortization Expense	6564.000		4,519.25	4,519.25

***To reclass Plixer Intl invoice #P16907 & reverse amortization
Analyzes IP addresses affecting company Intranet & customer Internet
Software & annual maintenance***

(6)				
Circuit Equipment Expense - LBR	6232.000	22,306.88		(22,306.88)
Circuit Equipment Expense - BEN	6232.000	4,442.98		(4,442.98)
Circuit Equipment Expense - CLEAR	6232.000	5,203.58		(5,203.58)
Digital Electronic Expense - LBR	6212.000		22,306.88	22,306.88
Digital Electronic Expense - BEN	6212.000		4,442.98	4,442.98
Digital Electronic Expense - CLEAR	6212.000		5,203.58	5,203.58

To correct Labor, Benefit and Overhead distribution

42,348.80	42,348.80	2,560.55
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Rainbow Telecommunications Association
Adjusting Journal Entries
December 2015
#3

DESCRIPTION	ACCOUNT	DR	CR	Income Statement Effect
(7)				
A/R - Carson Comm.	1191.000	9,867.16		
CWIP #2014-10	2003.000		9,867.16	
<i>To reclass 25% of architect fees to CLEC Renovation workorder #15535</i>				
(8)				
Accrued Retirement Incentive	4125.000	728.43		
A/R - Carson Comm.	1191.000		98.49	
A/R - Carson Comm.	1191.000		94.55	
Buried Cable Expense	6423.000		283.37	283.37
Network Administrative Expense	6532.000		126.01	126.01
Plant Operations Administrative Expense	6534.000		126.01	126.01
<i>To reverse remaining balance of accrued retirement incentive for Jim Streeter</i>				
(9)				
Prepaid Insurance-Health	1310.100	3.04		
Other Gen And Admin Exp	6728.000		3.04	3.04
<i>To adjust balance of prepaid insurance to actual at 12/31/15</i>				
(10)				
Basic Area Revenue	5001.000		394.14	394.14
Lifeline Discount	5001.100	5.40		(5.40)
Voice Mail Revenue	7990.400		45.47	45.47
Advance Billing & Payments	4030.000	434.21		
<i>To adjust advanced billings at 12/31/15</i>				
(11)				
Interest & Dividends Receivable	1210.000	5,301.42		
Interest Income - CD	7320.100		5,331.36	5,331.36
Interest Income - Money Market	7320.300	29.94		(29.94)
<i>To adjust interest receivable to actual at 12/31/15</i>				
		16,369.60	16,369.60	6,274.06
		-		

Rainbow Telecommunications Association
Adjusting Journal Entries
December 2015
#4

DESCRIPTION	ACCOUNT	DR	CR	Income Statement Effect
(12)				
Buried Cable Expense	6423.000	122.98		(122.98)
Tools & Other Work Equipment	6114.000		122.98	122.98
<i>To clear year end balance of clearings account</i>				
(13)				
Circuit Equipment Expense	6232.000	646.40		(646.40)
Buried Cable Expense	6423.000		646.40	646.40
<i>To reclass Westfield Energy invoices to proper account</i>				
(14)				
CWIP #2015-10	2003.000	25,485.00		
Accts Pay - Accrued	4010.181		25,485.00	
COE Transmission Equipment	2230.000	430,070.38		
CWIP #2015-10	2003.000		430,070.38	
<i>To accrue remaining amount due from BTI per bid and close workorder to plant account</i>				
		0.00	0.00	0.00
			-	

Rainbow Telecommunications Association
Adjusting Journal Entries
December 2015
#5

DESCRIPTION	ACCOUNT	DR	CR	Income Statement Effect
(15)				
Other A/R - NECA	1190.200	78,002.00		
Interstate NECA Settlements	5082.000		78,002.00	78,002.00
<i>To record estimated NECA settlement true-up for 2015</i>				
(16)				
Accrued NECA Overearnings	4120.000	16,967.00		
Interstate NECA Settlements	5082.000		16,967.00	16,967.00
<i>To adjust estimated NECA overearnings for 2015</i>				
(17)				
Income From Subsidiary	7310.300	119,709.40		(119,709.40)
Investment In Subsidiary	1401.100		119,709.40	
<i>To record adjusted Income from Subsidiary</i>				
		0.00	0.00	0.00
			-	

Rainbow Telecommunications Association
Adjusting Journal Entries
December 2015
#6

DESCRIPTION	ACCOUNT	DR	CR	Income Statement Effect
(18)				
KC Life Growth Annuity	1160.600	60.80		
Interest Income - Annuity	7320.700		60.80	60.80
<i>To adjust interest income to actual</i>				
(19)				
CWIP #2015-24	2003.000	3,868.00		
Buildings	2121.000		3,868.00	
<i>To reclass down payment on new roof on Everest CO to a W/O</i>				
(20)				
CWIP #2014-10	2003.000	2,017.35		
COE Transmission	2230.000	11,090.09		
Allowance For Funds Used During Constr.	7340.000		13,107.44	13,107.44
<i>To record AFUDC</i>				
(21)				
Other A/R - NECA	1190.200	287.00		
Interstate USF Support	5082.010		287.00	287.00
<i>To record December Revised NECA Statement</i>				
		17,323.24	17,323.24	13,455.24

-

Rainbow Telecommunications Association
Adjusting Journal Entries
December 2015
#7

DESCRIPTION	ACCOUNT	DR	CR	Income Statement Effect
(22)				
A/R - Carson Comm.	1191.000	5,537.14		
Interstate ADSL	5083.100		4,578.74	4,578.74
Interstate - Ethernet Transport (IPTV)	5083.200		147.00	147.00
FUSC (Federal USF Charge)	5084.217		811.40	811.40
<i>To adjust 2015 Intercompany DSL & Ethernet Charges to actual due to incorrect subscriber counts from Innovative</i>				
		5,537.14	5,537.14	5,537.14
			-	

Rainbow Telecommunications Association
Adjusting Journal Entries
December 2015
#8

DESCRIPTION	ACCOUNT	DR	CR	Income Statement Effect
(23)				
Accrued Federal Income Taxes	4070.000	105,628.00		
Accrued State Income Taxes	4070.100		17,721.00	
Operating State Income Taxes	7230.000		4,211.00	4,211.00
Other A/R - Carson Communications	1191.000		83,696.00	
<i>To adjust income tax accrual</i>				
(24)				
Income From Subsidiary	7310.300	178,131.14		(178,131.14)
Investment In Subsidiary	1401.100		178,131.14	
<i>To record adjusted Income from Subsidiary</i>				
		283,759.14	283,759.14	(173,920.14)
		-		

RTA, Inc.
#4030.00 Advanced Billings
December 31, 2016

<u>Acct.#</u>	<u>Acct. Name</u>	<u>Balance Per Audit 12/31/16</u>	<u>Balance Per Audit 12/31/15</u>	<u>Dr. (Cr.) JE#8 Difference</u>	
#5001.000	Basic Area Revenue	(35,220.35)	(36,348.36)	(1,128.01)	Pull from December Billing JE #9
#5001.100	Lifeline Discount	255.30	281.10	25.80	
#7990.400	Voice Mail Revenue	(436.00)	(465.00)	(29.00)	
#4030.000	Total Advanced Billings	<u>(35,401.05)</u>	<u>(36,532.26)</u>	<u>1,131.21</u>	

NOTE: Service shown above is billed in advance of service being provided.
For example, January 2014 services are billed 1/1/14, but recorded in December 2013.
Therefore, the Company must record a liability for these unearned revenues as of December 31,2013.

Rainbow Telecommunications
Fiber Carrying Charge
12/31/2015

CARRYING CHARGE

	<u>CARRYING CHARGE DEVELOPMENT:</u>	<u>2015 NECA STUDY</u>	<u>CARRYING CHARGE %</u>
1	REGULATED RATE OF RETURN		
2	TOTAL CO. RETURN ON INVEST	1,570,163	11.25%
3	/ TOTAL CO. NET RATE BASE	<u>13,957,007</u>	
4			
5			
6	- INCOME TAX (FOR SEPARATIONS)	0	0.00%
7	/ TOTAL COMPANY NET RATE BASE	<u>13,957,007</u>	
8			
9			
10	- DEPRECIATION		
11	EFFECTIVE DEPRECIATION RATE	5.68%	5.68%
12			
13			
14	- PROPERTY TAX		
15	OTHER OPERATING TAXES	96,694	
16	/ PLANT IN SERVICE (TOTAL 2015)	<u>28,183,171</u>	0.34%
17			
18			
19	- MAINTENANCE		
20	CABLE AND WIRE EXPENSE	221,865	
21	/ PLANT IN SERVICE (TOTAL 2015)	<u>28,183,171</u>	0.79%
22			
23			
24	- ADMINISTRATION		
25	CUSTOMER & CORPORATE EXPENSE	1,541,306	
26	/ PLANT IN SERVICE (TOTAL 2015)	<u>28,183,171</u>	5.47%
27			
28			
29			
30	TOTAL CARRYING CHARGE %		<u><u>23.53%</u></u>
31			
32			
33	<u>ANNUAL CARRYING CHARGE:</u>		
34			
35	AVERAGE NET INVESTMENT	\$122,833	
36	RETURN ON INVESTMENT FACTOR	<u>11.25%</u>	
37			
38		\$13,819	
39			
40	GROSS INVESTMENT	\$245,667	
41	EXPENSE CARRYING CHARGE	<u>12.28%</u>	
42			
43		\$30,168	
44			
45	AVERAGE NET INVESTMENT	\$122,833	
46	INCOME TAX FACTOR	<u>0.00%</u>	
47			
48		\$0	
49			
50	TOTAL ANNUAL CHARGE		<u><u>\$43,987</u></u>

Rainbow Telecommunications
Fiber Carrying Charge
12/31/2015

INVESTMENT CALCULATION

	A	B	C	D	E	F	G
		TOTAL COST	LEASE PORTION	(B * C) LEASE INVESTMENT	DEPREC RATES (1)	(D * E) ANNUAL LEASE DEPREC	(F / D) EFFECTIVE DEPREC RATE
1	Fiber Investment	245,667	100.00%	245,667	5.68%	13,954	5.68%
2	2423.2 from '15 CPR			-			
3							
4							
5							
6							
7							
8							
9							
10	TOTAL	<u>245,667</u>		<u>245,667</u>		<u>13,954</u>	<u>5.68%</u>
11							
	TOTAL FIBER			<u>245,667</u>		<u>13,954</u>	<u>5.68%</u>

Rainbow Telecommunications
Fiber Carrying Charge

12/31/2015

SUMMARY

1	AVERAGE NET INVESTMENT		\$122,833
2	ANNUAL RETURN ON INVESTMENT + TAXES		<u>0.1125</u>
3			
4	TOTAL RETURN ON INVESTMENT		<u>\$13,819</u>
5			
6			
7			
8	CARRYING CHARGE:		
9			
10	GROSS INVESTMENT		\$245,667
11	DEPRECIATION FACTOR	0.0568	
12	PROPERTY TAX FACTOR	0.0034	
13	MAINTENANCE FACTOR	0.0079	
14	ADMINISTRATION FACTOR	<u>0.0547</u>	
15			
16	TOTAL EXPENSE FACTORS		<u>0.1228</u>
17			
18	TOTAL EXPENSE FACTORS CARRYING C		<u>\$30,168</u>
19			
20			
21			
22	TOTAL ANNUAL CARRYING CHARGE		\$43,987
23			
24	MONTHLY CARRYING CHARGE		<u>\$3,666</u>
25			
26	Monthly Per Foot Charge		\$0.05

Rainbow Telecommunications
Fiber Carrying Charge
12/31/2015

Adjustment

Monthly Carrying Charge Fiber		\$0.05	
Access Lines	Jan-16	69,709	\$3,665.58
	Feb-16	69,709	\$3,665.58
	Mar-16	69,709	\$3,665.58
	Apr-16	69,709	\$3,665.58
	May-16	69,709	\$3,665.58
	Jun-16	69,709	\$3,665.58
	Jul-16	69,709	\$3,665.58
	Aug-16	69,709	\$3,665.58
	Sep-16	69,709	\$3,665.58
	Oct-16	69,709	\$3,665.58
	Nov-16	69,709	\$3,665.58
	Dec-16	69,709	\$3,665.58
Total Carrying Charge		\$43,987.00	
2400 CWF to remove		(\$43,987.00)	
DEW to remove	Rate		
	5.68%	(\$2,498.46)	
		20,989,145	Total CWF Investment
		(7,948,535)	Accumulated Depreciation

RAINBOW TELECOMMUNICATIONS COOPERATIVE AS
CONTINUING PROPERTY RECORDS
01/01/2015 TO 12/31/2015

Home

	BEGINNING UNITS	UNITS SUBTRACTED	UNITS ADDED	ENDING UNITS	UNIT COST	TOTAL COST
ALL 2423.200 BURIED CABLE - FIBER RING CABLE AND WIRE FACILITIES						
BFO12	1.411	0.000	0.000	1.411	3549.617	5,008.51
BFO24	4.233	0.000	0.000	4.233	3549.615	15,025.52
BFO24	5.644	0.000	0.000	5.644	3581.662	20,214.90
BFO24	1.396	0.000	0.000	1.396	3549.613	4,955.26
BFO24	2.822	0.000	0.000	2.822	3549.617	10,017.02
BFO24	14.288	0.000	0.000	14.288	3549.616	50,716.91
BFO24	5.644	0.000	0.000	5.644	3581.662	20,214.90
BFO24	11.288	0.000	0.000	11.288	3573.646	40,339.32
BFO24	5.644	0.000	0.000	5.644	3581.662	20,214.90
BFO24	11.288	0.000	0.000	11.288	3573.646	40,339.32
BFO24	22.373	0.000	0.000	22.373	3549.616	79,415.56
BFO24	5.644	0.000	0.000	5.644	3581.662	20,214.90
BFO12	2.822	0.000	0.000	2.822	3549.617	10,017.02
BFO24	28.220	0.000	0.000	28.220	3194.654	90,153.14
BFO24	16.932	0.000	0.000	16.932	3576.318	60,554.22
BF08	5.644	0.000	0.000	5.644	3549.616	20,034.03
BFO24	5.644	0.000	0.000	5.644	3581.662	20,214.90
BFO24	37.894	0.000	0.000	37.894	3625.016	137,366.37
BFO24	2.822	0.000	0.000	2.822	3549.617	10,017.02
BFO24	1.411	0.000	0.000	1.411	3549.617	5,008.51
BFO24	11.288	0.000	0.000	11.288	3829.504	43,227.44
BF024	36.686	0.000	0.000	36.686	3576.730	131,215.91
BFO24	5.644	0.000	0.000	5.644	3582.548	20,219.90
BFO24	2.822	0.000	0.000	2.822	3549.617	10,017.02
BFO24	33.864	0.000	0.000	33.864	3280.518	111,091.46
BFO24	8.466	0.000	0.000	8.466	3549.616	30,051.05
BFO24	32.453	0.000	0.000	32.453	3577.480	116,099.95
BFO24	16.932	0.000	0.000	16.932	3576.318	60,554.22

ACCOUNT TOTAL: \$1,202,519.18

Total Cost for BFO Fiber					1,202,519.18
Total Footage for BFO Fiber	341.219	X	1000		341,219
Total Cost Per Foot for BFO Fiber					3.52

	Route	\$/ft	Total strands	Leased Strands	footage	Leased Cable Price Out	Footage Leased	Lease Rate Per Foot	Lease Charge
Hiawatha SPL #13 to Troy SPL #23	Route 1	3.52	24	3	127343	56,098	15918	\$0.05	\$837.00
Hiawatha SPL #13 to Highland SPL #1	Route 2	3.52	24	2	78000	22,907	6500	\$0.05	342.00
Hiawatha SPL #13 to Horton SPL #6	Route 3	3.52	24	2	77192	22,670	6433	\$0.05	338.00
Everest to Horton	Route 4	3.52	24	2	30000	8,810	2500	\$0.05	131.00
Everest to Landcaster	Route 5	3.52	24	2	75000	22,026	6250	\$0.05	329.00
Everest to State Line	Route 6	3.52	24	2	99000	29,075	8250	\$0.05	434.00
Hiawatha to Hwy 9 (near Whiting KS)	Route 7	3.52	24	2	157631	46,293	13136	\$0.05	691.00
Robinson to State Line	Route 8	3.52	24	1	72336	10,622	3014	\$0.05	158.00
Muscotah to HWY 116	Route 9	3.52	24	1	71000	10,425.72	2958	\$0.05	156.00
Troy Tower to Bendena	Route 10	3.52	24	2	32000	9,397.83	2667	\$0.05	140.00
Willis to Horton	Route 11	3.52	24	2	25000	7,342.05	2083	\$0.05	110.00
					844,502.00	245,666.74	69709		\$3,666.00

Rainbow Telecommunications
Switch Carrying Charge
12/31/2015

CARRYING CHARGE

	<u>CARRYING CHARGE DEVELOPMENT:</u>	<u>2015 NECA STUDY</u>	<u>CARRYING CHARGE %</u>
1	REGULATED RATE OF RETURN		
2	TOTAL CO. RETURN ON INVEST	1,570,163	11.25%
3	/ TOTAL CO. NET RATE BASE	<u>13,957,007</u>	
4			
5			
6	- INCOME TAX (FOR SEPARATIONS)	0	0.00%
7	/ TOTAL COMPANY NET RATE BASE	<u>13,957,007</u>	
8			
9			
10	- DEPRECIATION		
11	EFFECTIVE DEPRECIATION RATE	11.58%	11.58%
12			
13			
14	- PROPERTY TAX		
15	OTHER OPERATING TAXES	96,694	
16	/ PLANT IN SERVICE (TOTAL 2015)	<u>28,183,171</u>	0.34%
17			
18			
19	- MAINTENANCE		
20	COE SWITCHING EXPENSE	99,908	
21	/ PLANT IN SERVICE (TOTAL 2015)	<u>28,183,171</u>	0.35%
22			
23			
24	- ADMINISTRATION		
25	CUSTOMER & CORPORATE EXPENSE	1,541,306	
26	/ PLANT IN SERVICE (TOTAL 2015)	<u>28,183,171</u>	5.47%
27			
28			
29			
30	TOTAL CARRYING CHARGE %		<u><u>28.99%</u></u>
31			
32			
33	<u>ANNUAL CARRYING CHARGE:</u>		
34			
35	AVERAGE NET INVESTMENT	\$282,022	
36	RETURN ON INVESTMENT FACTOR	<u>11.25%</u>	
37			
38		\$31,727	
39			
40	GROSS INVESTMENT	\$564,044	
41	EXPENSE CARRYING CHARGE	<u>17.74%</u>	
42			
43		\$100,061	
44			
45	AVERAGE NET INVESTMENT	\$282,022	
46	INCOME TAX FACTOR	<u>0.00%</u>	
47			
48		\$0	
49			
50	TOTAL ANNUAL CHARGE		<u><u>\$131,788</u></u>

Rainbow Telecommunications
Switch Carrying Charge
12/31/2015

INVESTMENT CALCULATION

	A	B	C	D	E	F	G
		TOTAL	LEASE	(B * C)	DEPREC	(D * E)	(F / D)
		COST	PORTION	LEASE	RATES (1)	ANNUAL	EFFECTIVE
				INVESTMENT		LEASE DEPREC	DEPREC RATE
1	Switching Investment	564,044	100.00%	564,044	11.58%	65,316	11.58%
2	CAT 3 FROM PART 36			-			
3							
4							
5							
6							
7							
8							
9							
10	TOTAL	564,044		564,044		65,316	11.58%
11							
	TOTAL Switching			564,044		65,316	11.58%

Rainbow Telecommunications
Switch Carrying Charge
12/31/2015

SUMMARY

1	AVERAGE NET INVESTMENT		\$282,022
2	ANNUAL RETURN ON INVESTMENT + TAXES		<u>0.1125</u>
3			
4	TOTAL RETURN ON INVESTMENT		<u>\$31,727</u>
5			
6			
7			
8	CARRYING CHARGE:		
9			
10	GROSS INVESTMENT		\$564,044
11	DEPRECIATION FACTOR	0.1158	
12	PROPERTY TAX FACTOR	0.0034	
13	MAINTENANCE FACTOR	0.0035	
14	ADMINISTRATION FACTOR	<u>0.0547</u>	
15			
16	TOTAL EXPENSE FACTORS		<u>0.1774</u>
17			
18	TOTAL EXPENSE FACTORS CARRYING C		<u>\$100,061</u>
19			
20			
21			
22	TOTAL ANNUAL CARRYING CHARGE		\$131,788
23			
24	MONTHLY CARRYING CHARGE		<u>\$10,982</u>
25			
26	Monthly Per Line Charge (15,360)		\$0.71

Rainbow Telecommunications
Switch Carrying Charge
12/31/2015

Adjustment

Monthly Carrying Charge by Capacity \$0.71

Access Lines	Jan-16	2,245	\$1,605.17
	Feb-16	2,245	\$1,605.17
	Mar-16	2,230	\$1,594.44
	Apr-16	2,240	\$1,601.59
	May-16	2,223	\$1,589.44
	Jun-16	2,204	\$1,575.85
	Jul-16	2,194	\$1,568.70
	Aug-16	2,191	\$1,566.56
	Sep-16	2,188	\$1,564.41
	Oct-16	2,182	\$1,560.12
	Nov-16	2,167	\$1,549.40
	Dec-16	2,157	\$1,542.25

Total Carrying Charge \$18,923.08

2212 COE to remove (\$18,923.08)

DEC to remove	Rate	
	11.58%	(\$2,191.29)

Per DM is not sure if these are 2016 from Kathy
Should be the CLEC access line counts.
Yes, they are actual CLEC access line counts.

564,044	Total Switch Investment
(543,262)	Accumulated Depreciation PULLED FROM P36

Rainbow Telecommunications Association, Inc.
Deferred Compensation - Acct R4360.000[illegible]

RTCA, Inc.
Actual AFUDC Interest Capitalization
For the Year Ended December 31, 2016

Month	Type	Cumulative Balance				Monthly Average Interest Rate
		Everest Bus Office Remodel 2014-10	Server Virtualization 2016-06	E7 Upgrade 2016-18	Metaswitch Upgrade 2016-23	
Dec '15	Actual	225,507.82				0.73%
Jan '16	Actual	315,639.12				0.73%
Feb '16	Actual	317,695.56				0.73%
March '16	Actual	421,177.89				0.73%
April '16	Actual	434,974.97				0.73%
May '16	Actual	573,175.44	193,165.53			0.73%
June '16	Actual	588,761.82	193,165.53			0.73%
July '16	Actual	0.00	193,165.53			0.73%
Aug '16	Actual		194,902.07			0.73%
Sept '16	Actual		205,232.31	237,057.29		0.73%
Oct '16	Actual		209,169.70	241,123.08		0.73%
Nov '16	Actual		215,552.26	241,123.08	150,567.89	0.73%
Dec '16	Actual		0.00	241,123.08	150,567.89	0.73%
						Total Avoidable Interest
Jan '16		1,969.28	0.00	0.00	0.00	1,969.28
Feb '16		2,304.76	0.00	0.00	0.00	2,304.76
March '16		2,688.83	0.00	0.00	0.00	2,688.83
April '16		3,115.62	0.00	0.00	0.00	3,115.62
May '16		3,668.75	702.95	0.00	0.00	4,371.70
June '16		4,228.40	1,405.90	0.00	0.00	5,634.30
July '16		2,142.56	1,405.90	0.00	0.00	3,548.46
Aug '16		0.00	1,412.21	0.00	0.00	1,412.21
Sept '16		0.00	1,456.13	862.67	0.00	2,318.80
Oct '16		0.00	1,508.05	1,740.14	0.00	3,248.19
Nov '16		0.00	1,545.60	1,754.94	547.93	3,848.47
Dec '16		0.00	784.42	1,754.94	1,095.86	3,635.22
Total		20,118.20	10,221.16	6,112.69	1,643.79	38,095.84
AFUDC			10,221.16	6,112.69	1,643.79	2003.000 Open WO
AFUDC		20,118.20				Plant & Exp Closed WO
		20,118.20	10,221.16	6,112.69	1,643.79	38,095.84

Average Interest Expense:

Average Debt	4,772,895.88	0.00	RTB Interest Exp.
Interest Expense	416,856.47	416,856.47	RUS Interest Exp.

Avg. Interest Rate	8.73%
Monthly Rate	0.73%

Capitalized Interest Expense:

2003.000	10,221.16	2016-06
2003.000	6,112.69	2016-18
2003.000	1,643.79	2016-23
2121.000	12,919.90	
2122.000	2,557.02	
2123.200	3,687.67	
2124.000	28.17	
6121.000	118.70	
6122.000	754.43	
6123.000	32.19	
6124.000	14.08	
6728.000	6.04	
7340.000	(38,095.84)	
	0.00	

**Everest Bus
Office Remodel
2014-10**

2121.000	468,425.59	64.22%	12,919.90
2122.000	92,708.70	12.71%	2,557.02
2123.200	133,753.68	18.33%	3,687.67
2124.000	1,035.50	0.14%	28.17
6121.000	4,326.35	0.59%	118.70
6122.000	27,369.08	3.75%	754.43
6123.000	1,196.68	0.16%	32.19
6124.000	513.23	0.07%	14.08
6728.000	243.92	0.03%	6.04
	729,572.73	100.00%	20,118.20

Rainbow Telecommunications Association
Adjusting Journal Entries
December 2016
#1

	ACCOUNT	DESCRIPTION	DR	CR
		(1)		
Rainbow	6121.000		309.13	
Rainbow	6212.000		309.13	
Rainbow	6232.000		309.13	
Rainbow	6423.000		309.13	
Rainbow	6532.000		309.13	
Rainbow	6623.000		309.13	
Rainbow	6711.000		309.13	
Rainbow	6721.100		582.52	
Carson	6121.000		89.06	
Carson	6240.000		89.06	
Carson	6300.100		89.06	
Carson	6423.000		89.06	
Carson	6532.000		89.07	
Carson	6623.000		89.07	
Carson	6711.000		89.07	
Carson	6721.100		362.47	
Rainbow	6712.000			3,732.35

To allocate the additional cost of the Strategic Management Meeting at TCA

		(2)		
Carson	6532.000		287.00	
Carson	6534.000		1,434.00	
Carson	6611.000		287.00	
Carson	6711.000		3,011.00	
Rainbow	6532.000		717.00	
Rainbow	6534.000		1,721.00	
Rainbow	6611.000		143.00	
Rainbow	6711.000		6,738.00	
Rainbow	4360.000	Deferred Compensation		14,338.00

To record 2016 deferred compensation

		(3)		
Rainbow	2003.000		10,221.16	wo 2016-06
Rainbow	2003.000		6,112.69	wo 2016-18
Rainbow	2003.000		1,643.79	wo 2016-23
Rainbow	2121.000		12,919.90	
Rainbow	2122.000		2,557.02	
Rainbow	2123.200		3,687.67	
Rainbow	2124.000		28.17	
Rainbow	6121.000		118.70	
Rainbow	6122.000		754.43	
Rainbow	6123.000		32.19	
Rainbow	6124.000		14.08	
Rainbow	6728.000		6.04	
Rainbow	7340.000	AFUDC		38,095.84

To record 2016 AFUDC

52,433.84	52,433.84
-----------	-----------

Rainbow Telecommunications Association
Adjusting Journal Entries
December 2016
#2

	ACCOUNT	DESCRIPTION	DR	CR	
		(4)			
Rainbow	3122.300	AD-COE Transmission	390,096.60		
Rainbow	2230.000	COE Transmission		390,096.60	
		<i>To retire 10 GIG network equipment no longer used - See DR26</i>			
		(5)			
Rainbow	3122.300	AD-COE Transmission	65,574.60		
Rainbow	2230.000	COE Transmission		65,574.60	
		<i>To retire 195 ONT's replaced during the year (195 x \$336.28) - See DR26</i>			
		(6)			
Rainbow	2230.000		92,208.57		
Rainbow	2124.100		23,052.15		
Carson	2230.000		92,208.58		
Carson	2124.100		23,052.15		
Rainbow	2230.000			230,521.45	
		<i>To reclass wo#2016-06 Server Virtualization to proper account - See DR23 40/40/10/10</i>			
		(7)			
Rainbow	5240.000	Rent Revenue	26,457.01		Metaswitch Lease
Rainbow	5240.000	Rent Revenue	30,144.00		Fiber Lease
Rainbow	5240.000	Rent Revenue		18,923.08	Metaswitch Lease
Rainbow	5240.000	Rent Revenue		43,987.00	Fiber Lease
Carson	6212.000	COE - Digital Electronic Expense	18,923.08		Metaswitch Lease
Carson	6424.000	Fiber Cable Expense	43,987.00		Fiber Lease
Carson	6212.000	COE - Digital Electronic Expense		26,457.01	Metaswitch Lease
Carson	6424.000	Fiber Cable Expense		30,144.00	Fiber Lease
		<i>To adjust metaswitch lease & fiber lease to calculations based on 2015 cost study</i>			
		(8)			
Rainbow	5001.000	Basic Area Revenue		1,128.01	
Rainbow	5001.100	Lifeline Discount	25.80		
Rainbow	7990.400	Voice Mail Revenue		29.00	
Rainbow	4030.000	Advance Billing & Payments	1,131.21		
		<i>To adjust advanced billings at 12/31/16</i>			
		(9)			
					REVISED - SEE DEC 16-3 TAB
Rainbow	1210.000	Interest & Dividends Receivable	13,311.68		
Rainbow	7320.100	Interest Income - CD		13,310.95	
Rainbow	7320.300	Interest Income - Money Market		0.73	
		<i>To adjust interest receivable to actual at 12/31/16</i>			
			430,075.83	430,075.83	

Rainbow Telecommunications Association
Adjusting Journal Entries
December 2016
#3

	ACCOUNT	DESCRIPTION	DR	CR
		(9)	REVISED	
Rainbow	1210.000	Interest & Dividends Receivable	13,367.60	
Rainbow	7320.100	Interest Income - CD		13,366.87
Rainbow	7320.300	Interest Income - Money Market		0.73
<i>To adjust interest receivable to actual at 12/31/16</i>				
		(10)		
Rainbow	7320.700	Interest Income - Annuity	119.16	
Rainbow	1160.600	KC Life Growth Annuity		119.16
<i>To adjust interest income to actual per annuity statement</i>				
		(11)		
Rainbow	6711.200	Executive - Board of Directors	297.40	
Carson	6711.200	Executive - Board of Directors		297.40
<i>To correct November FJE#15 BOD Allocation to CLEC after AT&T cell phone reallocation</i>				
		(12)		
Rainbow	1310.100	Prepaid Insurance-Health	6.69	
Rainbow	6728.000	Other Gen And Admin Exp		6.69
<i>To adjust balance of prepaid insurance to actual at 12/31/16</i>				
		(13)		
Rainbow	1410.110	FMV Adj. - NRTC R&S Prefunding	5,370.56	
Rainbow	4540.000	Equity - Unrealized Gains/Losses		5,370.56
<i>To record unrealized gain for 4th quarter 2016</i>				
		(14)		
Carson	5260.000	Miscellaneous Revenue	2,323.51	
Rainbow	1190.650	Other A/R - SLC Fund		2,323.51
<i>To writeoff schools & library reimbursements from prior years not received</i>				
		(15)		
Rainbow	7310.300	Income From Subsidiary	247,948.59	
Rainbow	1401.100	Investment in Subsidiary		247,948.59
<i>To record December income/loss from subsidiary</i>				
			269,433.51	269,433.51

Rainbow Telecommunications Association
Adjusting Journal Entries
December 2016
#4

ACCOUNT		DESCRIPTION	DR	CR
(16)				
Rainbow	4070.000	Accrued Federal Income Taxes		240,807.00
Rainbow	4070.100	Accrued State Income Taxes	5,346.00	
Rainbow	7230.000	Operating State Income Taxes		5,212.00
Carson	7220.000	Operating Federal Income Tax Expense	7,757.00	
Carson	7230.000	Operating State Income Tax Expense		52,321.00
Carson	7420.000	Nonoperating Federal Income Tax Expense	233,044.00	
Carson	7430.000	Nonoperating State Income Tax Expense	52,190.00	
Carson	2690.220	Tax Benefit - Goodwill	3.00	
<i>To adjust income tax accrual</i>				
(17)				
Carson	4100.000	Net Current Deferred Operating Income Tax		8,470.00
Carson	4340.000	Net Noncurrent Deferred Operating Income Tax		35,523.00
Carson	4350.000	Net Noncurrent Deferred Nonoperating Income Tax	76,627.00	
Carson	7240.300	Operating Deferred Income Tax	40,993.00	
Carson	7440.400	Nonoperating Deferred Income Tax		73,627.00
<i>To adjust deferred income tax accrual</i>				
(18)				
Rainbow	7310.300	Income From Subsidiary	208,036.00	
Rainbow	1401.100	Investment in Subsidiary		208,036.00
<i>To record final 2016 income/loss from subsidiary</i>				
			623,996.00	623,996.00

-

**Kansas Corporation Commission
Information Request**

Request No: 68

Company Name RAINBOW TELECOMMUNICATIONS ASSOCIATION, INC. RNBT
Docket Number 17-RNBT-555-KSF
Request Date August 7, 2017
Date Information Needed August 16, 2017

RE: Other Noncurrent Assets

Please Provide the Following:

Section 4, Schedule 1 shows no cost study adjustment to the \$672,169 amount for account 1410-Other Noncurrent Assets. The file "RB Support" provided in response to Staff Data Request No. 48 shows a \$321,485.25 "nonreg" credit to that amount (see pages 2 and 3 of the pdf file).

Please explain why the cost study supporting workpapers shows a \$321,485.25 adjustment that is not included in the Section 4, Schedule 1.

Submitted By Roxie McCullar

Submitted To Daniel Meszler

Response:

The adjustment to non-regulated operations was erroneously omitted from the filing.

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: DM

Date: 8/16/17

Kansas Corporation Commission
Information Request

Request No: 77

Company Name RAINBOW TELECOMMUNICATIONS ASSOCIATION, INC. RNBT
Docket Number 17-RNBT-555-KSF
Request Date August 18, 2017
Date Information Needed August 28, 2017

RE: Board of Directors

Please Provide the Following:

Please confirm Staff's understanding of the allocation of Board of Directors' expense to Rainbow Communication:
a. Does the Board of Directors of Rainbow Telecommunications and Rainbow Communication consists of the same Board Members
b. If so, how are costs allocated between the two companies? Please provide any available documentation to support the allocation percentage used

Submitted By Kristina Luke Fry

Submitted To Daniel Meszler

Response:

- a. No. Rainbow Communications is organized as a Limited Liability Corporation with a single shareholder – Rainbow Telecommunications. Jason Smith (General Manager) and Kathy Ruoff (Controller) were appointed officers of Rainbow Communications.
- b. After Rainbow's last KUSF proceeding, the company performed an analysis of the minutes of meetings of the Board of Directors. This analysis revealed that approximately 40% of Board efforts was related to non-regulated activities – and since then that percentage of Board of Director expenses has been allocated to Rainbow Communications.

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: DM

Date: 8/28/17

**Kansas Corporation Commission
Information Request**

Request No: 107

Company Name RAINBOW TELECOMMUNICATIONS ASSOCIATION, INC. RNBT
Docket Number 17-RNBT-555-KSF
Request Date October 4, 2017
Date Information Needed October 16, 2017

RE: Harvest Video, LLC

Please Provide the Following:

Please provide the following information regarding Harvest Video LLC:

- a. The affiliated relationship of Harvest Video with Rainbow and Communications.
- b. The date Harvest Video was organized.
- c. The purpose and activities to be performed by Harvest Video.
- d. Identify the employees who will be performing work or allocating time to Harvest Video.
- e. The effect of Harvest Video on the organizational structure and marketing reorganization of Rainbow and Communications.

Submitted By Ann Diggs

Submitted To Daniel Meszler

Response:

- a. Harvest Video is a wholly owned subsidiary of Rainbow Communications LLC.
- b. May 10, 2017
- c. Video production of educational, product line and public awareness videos.
- d. Michael Twombly and Marshall Slough
- e. Michael, previously Manager of our Local Content division within Rainbow Communications, moved to Harvest Video leaving a vacancy for a manager of local content. This position was awarded to Stacy Slimmer, also of Rainbow Communications. This organizational change has little effect on Rainbow Telecommunications. More of Stacy's time will be spent with Local Content and less time with PR Community Development possibly. The 2017 time studies will reflect the change.

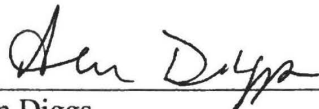
Signed: DM

Date: 10/12/17

VERIFICATION

STATE OF NORTH CAROLINA)
) ss:
COUNTY OF NEW HANOVER)

Ann Diggs, being duly sworn upon her oath deposes and states, that she has read and is familiar with the foregoing *Direct Testimony*, and that the statements contained therein are true and correct to the best of her knowledge, information and belief.

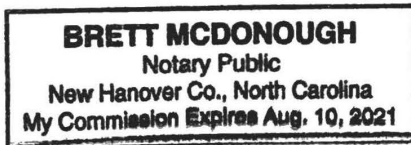


Ann Diggs
Consultant for Staff
State Corporation Commission of the
State of Kansas

SUBSCRIBED AND SWORN to before me this 26th day of October, 2017.



Notary Public



My Appointment Expires: 8/10/21

CERTIFICATE OF SERVICE

17-RNBT-555-KSF

I, the undersigned, certify that a true and correct copy of the above and foregoing Direct Testimony was served by electronic service on this 26th day of October, 2017, to the following:

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/s/ Pamela Griffeth

Pamela Griffeth
Administrative Specialist