

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of an Audit of Twin)	
Valley Telephone, Inc. to Determine its)	
Cost-Based Kansas Universal Service)	Docket No. 15-TWVT-213-AUD
Fund Support Pursuant to K.S.A. 66-2008.)	

DIRECT TESTIMONY
OF
ANN DIGGS
ON BEHALF OF
KANSAS CORPORATION COMMISSION STAFF
SEPTEMBER 4, 2015

REDACTED VERSION

I. INTRODUCTION

1
2 **Q: Please state your name, occupation and business address.**

3 A: My name is Ann Diggs. I am self-employed as the owner of the certified public
4 accounting firm, Ann Diggs, CPA. My business address is 321 South 3rd Street,
5 Wilmington, NC 28401.

6 **Q: Please discuss your professional background and regulatory experience.**

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

15 **Q: Have you previously testified before the Commission?**

16 A: Yes, I have presented written and oral expert witness testimony before the
17 Commission in a number of areas including cost of service, acquisition premium
18 recovery, allocation of jurisdictional overhead costs, affiliate transactions, fuel
19 cost re-pricing, corporate cost allocation studies, merger savings analysis, and
20 Kansas Universal Service Fund (KUSF) audits.

21 **Q: Please state on whose behalf you are appearing.**

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

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

2 A: My responsibilities in this docket were to review and analyze the filing of Twin
3 Valley Telephone, Inc. (TVT or Company), sponsor Staff Rate Base (RB) and
4 Income Statement (IS) adjustments to the Company's filed cost of service,
5 sponsor Staff non-regulated allocation factors, and provide recommendations to
6 the Commission. I reviewed the Company's filed application, testimony, and
7 schedules, issued and reviewed responses to data requests (DR's), participated in
8 an on-site visit to the Company's headquarters in Miltonvale, Kansas for the
9 purpose of inspecting records, touring the Company's offices and facilities, and
10 meeting with the Company's employees and consultants, participated in
11 discussions with Staff, and reviewed other Commission dockets and materials
12 relevant to the issues I am addressing.

13 **Q: Please identify the additional documents filed with your testimony.**

14 A: Attachment AD-2 contains a table summarizing Staff's allocation factors, used to
15 apportion shared costs between the Company's regulated and non-regulated
16 operations. Attachment AD-3 contains work papers supporting my sponsored
17 adjustments, identified by adjustment number. These work papers are an integral
18 part of my testimony and provide details and calculations which may not be
19 specifically addressed in my general discussion of the adjustments. Responses to
20 Staff's Data Requests referenced in my testimony are included in Attachment
21 AD-4.

22

II. EXECUTIVE SUMMARY

Q: Please summarize your sponsored Rate Base and Income Statement adjustments.

A: My sponsored RB and IS adjustments are summarized in the following table along with each adjustment's increase or (decrease) to the Company's total-company and intrastate revenue requirement:

Adj #	Description	Total Company	Intrastate
RB-1	Reverse Company's Non-Regulated Allocation of GSF Assets and Accumulated Depreciation	\$ 255,167	\$ 182,929
RB-2	Staff's Non-Regulated Allocation of GSF Assets and Accumulated Depreciation	\$ (385,895)	\$ (263,701)
IS-2	Interstate Revenue Adjustment	\$ 244,766	\$ 244,766
IS-3	Terminating Access Revenue Adjustment	\$ (16,970)	\$ (16,970)
IS-4	Rental Income Adjustment	\$ (22,620)	\$ (22,620)
IS-5	Reverse Company's Non-Regulated Allocation of GSF, G&A, Marketing, Customer Service, and B&C Expenses	\$ 456,160	\$ 272,186
IS-6	Staff's Non-Regulated Allocation of GSF, G&A, and Marketing Expenses	\$ (507,173)	\$ (276,408)
IS-7	Payroll Normalization and Distribution Adjustment	\$ (709,841)	\$ (384,481)
IS-8	Employee Benefit and Payroll Tax Normalization and Distribution Adjustment	\$ (35,620)	\$ (18,324)
IS-9	Employee Compensation Adjustment	\$ (83,719)	\$ (35,233)
IS-10	Post Retirement Benefit Obligation Adjustment	\$ (69,528)	\$ (28,088)
IS-11	Executive Benefit Adjustment	\$ (80,850)	\$ (41,786)

IS-12	Customer Service and B&C Adjustment	\$ (109,471)	\$ (82,779)
IS-13	Employee Reimbursement Adjustment	\$ (15,015)	\$ (6,768)

1

2

Each of the above adjustments is explained in detail in Section V – Rate Base

3

Adjustments and Section VI – Income Statement Adjustments of my testimony,

4

and further supported in my workpapers in Attachment AD-3.

5

Q: Please summarize Staff’s findings regarding affiliate transactions and non-regulated cost allocations.

6

7

Staff summarizes its findings in the following three general areas:

8

1. Services provided by TVT to its non-regulated affiliates.

9

Staff found that customer service and billing and collection (B&C)

10

services provided by TVT to its non-regulated affiliate Twin Valley

11

Communications, Inc. (TVC) were not in compliance with applicable FCC

12

affiliate transaction rules which require services provided by the Company to an

13

affiliate to be recorded at no less than the greater of fully distributed cost (FDC)

14

and fair market value (FMV), and require services provided by an affiliate to the

15

Company to be recorded at no greater than FDC and FMV.

16

Staff also found that a lease for building space provided by TVT to its

17

non-regulated affiliate ESPI, LLC, (ESPI), was not provided to the Commission

18

pursuant to K.S.A. 66-1402.

1 Staff further found that common general support facility (GSF), general
2 and administrative (G&A), Marketing, and Advertising costs were not fully
3 allocated to non-regulated operations.

4 2. Goods and services provided to TVT by its non-regulated affiliates.

5 Staff found that TVT has not entered and does not plan to enter into a
6 written agreement with its non-regulated affiliate, ISG Technology, LLC (ISG),
7 for goods and technical support services ISG sold to the Company during the test
8 year (DR 87, attached). In addition, TVT could not provide support for the FDC
9 of some of the goods purchased from ISG during the test year to determine if the
10 price TVT paid for the goods was in compliance with applicable affiliate
11 transaction rules.

12 Staff also found that TVT has not entered into a written agreement with its
13 non-regulated affiliate, ESPi, for goods ESPi sold to the Company during the test
14 year. Further TVT could not provide support for the FDC of goods purchased
15 from ESPi during the test year.

16 Written agreements between TVT and its non-regulated affiliates are
17 necessary to establish if guidelines, terms, and pricing of such affiliate
18 transactions are in compliance with applicable FCC rules, are consistently
19 applied, and are submitted to the Commission pursuant to K.S.A. 66-1402.

20 3. Allocations of regulated and non-regulated labor costs.

21 Staff found that the Company's allocation of labor costs between regulated
22 and non-regulated operations during the test year did not capture plant employees

1 time which should have been directly charged to non-regulated services, and did
2 not base allocations of management and office employees on current, objective
3 data.

4 **Q: Please summarize Staff's recommendations regarding affiliate transactions**
5 **and non-regulated cost allocations.**

6 A: The proper accounting of affiliate transactions and non-regulated cost allocations
7 is an important part of Staff's audit and can have a broad impact in many areas of
8 a company's cost of service. Staff has noted the following deficiencies in the
9 Company's treatment and accounting of affiliate transactions and cost allocations
10 and urges the Commission to consider its following recommendations.

11 1. Staff recommends that the Company be required develop and maintain
12 FDC and FMV calculations for all applicable affiliate transactions, and to review,
13 update, and document all studies used in the development of charges and
14 allocations between affiliates and between the Company's regulated and non-
15 regulated operations on at least an annual basis to minimize the risk that the
16 Company's regulated operations are subsidizing non-regulated services, and to
17 ensure compliance with applicable FCC affiliate transaction rules.

18 2. Staff recommends that TVT and its non-regulated affiliates be required
19 to enter into formal, written agreements ensuring the terms and conditions of all
20 affiliate transactions between the parties are in compliance with applicable FCC
21 rules, and that the written agreements be submitted to the Commission pursuant to
22 K.S.A. 66-1402.

1 3. In order for the Company to provide current, objective evidence
2 necessary to support the allocation of labor costs between regulated and non-
3 regulated operations, Staff recommends that the Company be required to
4 implement direct time reporting procedures to enable plant employees to
5 appropriately record time spent on non-regulated services. Staff further
6 recommends that the Company be required to either implement direct time
7 reporting procedures to enable management and office employees to appropriately
8 record time spent on non-regulated services or conduct and document formal time
9 studies for all management and office employees on at least an annual basis.

11 **III. AFFILIATE TRANSACTIONS**

12 **Q: Please provide a brief overview of the Company's operations.**

13 A: TVT is a Kansas rural telephone company providing regulated telephone services
14 to 19 exchanges in its designated service area in and around its headquarters in
15 Miltonvale, Kansas. TVT also provides the following non-regulated services:
16 installation, maintenance, and repair of inside wire, voice mail services, pay
17 phone services, and conference calling services.

18 **Q: Please identify the Company's affiliated entities.**

19 A: TVT is an affiliate of Twin Valley Management, Inc. (TVM), a holding company
20 which owns 100% of TVT, TVC, and ISG, and █████ of ESPi.

21 TVC provides the following non-regulated services: long distance
22 services, cable television services, high speed internet services, competitive

1 telecommunications services, home security services, and hosted and managed
2 services for business including hosted voice, webhosting, and online back-up
3 services.

4 ISG was acquired by TVM in 2011. With headquarters in Lenexa,
5 Kansas, an office in Salina, Kansas, and a multi-state network of data centers,
6 ISG's 161 full time employees provide information technology solution products
7 and services to industries in the Midwest, specializing in all areas of
8 communication and IP technology, including Virtualization and Storage, Unified
9 Communications, Managed Services, Physical Security, Networking, and Cloud
10 and Data offerings.

11 Although not identified as an affiliate in the Company's filing, TVT has
12 an affiliated relationship with ESPi through common ownership and board
13 members. ESPi designs, manufactures, and sells batteries for use with fiber to the
14 home electronics.

15 **Q: Describe the transactions and shared services between the Company and its**
16 **affiliates.**

17 **A:** TVC has no employees. Under an Agreement dated January 1, 2014¹, TVT
18 provides labor, facilities, and other services to TVC's non-regulated operations
19 including installation and maintenance, management, technical and general and
20 administration (G&A) services. TVT also provides customer service and billing

¹ Agreement between Twin Valley Telephone, Inc. and Twin Valley Communications, Inc., provided in Section 12 of Company's filing.

1 and collection (B&C) services to TVC's customers receiving non-regulated
2 services.

3 Under an Agreement dated January 1, 2013², the Company provides labor,
4 facilities, and other costs to ISG including engineering, management,
5 administration or clerical services. Three executive TVT employees³ share
6 management responsibilities with ISG.

7 ISG also provides computer equipment and IT support services to TVT,
8 although the affiliated entities have not entered into a formal written agreement
9 establishing the terms or pricing of the services.

10 TVT rented building space to ESPI during the test year. In addition, TVT
11 purchased batteries from ESPI during the test year to install and replace batteries
12 in its fiber to the home electronics.

13 **Q: Are the above transactions for goods and services between the Company and**
14 **its affiliates subject to the FCC's affiliate transaction rules?**

15 **A:** Yes. Transactions between the entities are subject to the FCC's affiliate
16 transaction rules as required in 47 C.F.R. §64.902 and set out in 47 C.F.R.
17 §32.27(c). Pursuant to 47 C.F.R. §32.9000, "affiliated companies" means:

18 [C]ompanies [the accounting entity] that directly or indirectly
19 through one or more intermediaries, control or are controlled by, or

² Agreement between Twin Valley Telephone, Inc. and ISG Technologies, LLC, provided in Section 12 of Company's filing.

³ Ben Foster, President and CEO of TVT, is Chairman/CEO of ISG

Scott Cissna, CFO of TVT, is CFO of ISG

Eric Tabor, Vice President of Marketing of TVT, is Vice President Marketing & Vendor Management of ISG

1 are under common control with, the accounting company.
2 [Referencing “Control”] . . . Control . . . means the possession
3 directly or indirectly, of the power to direct or cause the direction
4 of the management and policies of a company . . . whether such
5 power is established through a majority or minority ownership or
6 voting of securities, common directors, officers . . . or any other
7 direct or indirect means.
8

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

13 More specifically, regarding TVT’s affiliated relationship with ESPI, Staff
14 found that a director, advisory board member, officer, as well as former and
15 current employees of TVT are listed as owners of ESPI, LLC in its Annual Report
16 filed with the Kansas Secretary of State’s Office. The Company also advised
17 Staff that [REDACTED]

18 [REDACTED]. If any director, officer or employee of TVT has
19 the power directly or indirectly to direct or cause the direction of the management
20 and policies of ESPI, then TVT and ESPI are considered affiliated entities under
21 the FCC definition cited above, and subject to FCC affiliate transaction rules. In
22 addition, if there is any director or officer of TVT who is also a director or officer
23 of ESPI, then TVT and ESPI would be considered to have an affiliated interest
24 under K.S.A. 66-1401(2).

25 **Q: Please discuss the FCC’s rules regarding affiliate transactions.**

1 A: The FCC's affiliate transaction rules require services provided to or received from
2 affiliates to be recorded in the following manner:

3 1. Services sold or transferred from the Company to its affiliates. Unless
4 services are provided at a tariff rate or qualify for prevailing price valuation, the
5 FCC requires services sold or transferred from a carrier and its affiliate to be
6 recorded at no less than the higher of fair market value (FMV) and fully
7 distributed cost (FDC)⁴.

8 2. Services sold or transferred to the Company from its affiliates. Unless
9 services are provided at a tariff rate or qualify for prevailing price valuation,
10 services sold or transferred to a carrier from its affiliate are required to be
11 recorded at no greater than the lower of FMV and FDC⁵.

12 **Q: Please explain fully distributed cost and fair market value.**

13 A: The fully distributed cost of goods or services is the full share of costs directly
14 attributable to it and of general overhead costs. Fair market value is a price that
15 knowledgeable, unaffiliated entities will voluntarily pay for goods or services.

16 **Q: What are Staff's general concerns when reviewing affiliate transactions in a**
17 **KUSF audit?**

18 A: Since transactions between affiliated entities are not negotiated at arms' length,
19 there is an inherent risk when such transactions exist that a company's regulated

⁴ 47 C.F.R. §32.27(c)

⁵ 47 C.F.R. §32.27(c)

1 operations may subsidize its affiliate's non-regulated operations. For example, a
2 subsidy can occur if a regulated telephone company provides resources or
3 services to an affiliate at a price that is below its fully distributed cost (FDC) or
4 fair market value (FMV). A subsidy can also occur if a regulated telephone
5 company is provided resources or services from an affiliate at a cost higher than
6 FDC or FMV.

7 The support a telephone company receives from the KUSF should be used
8 only for its intended purpose of ensuring all customers in rural high-cost areas of
9 the state have access to affordable telephone service. In order to protect KUSF
10 funds from being used to subsidize a telephone company's non-regulated affiliate,
11 it is necessary to ensure affiliate transactions are properly recorded and comply
12 with the FCC's affiliate transaction rules.

13 **Q: What are Staff's findings regarding the Company's compliance with the**
14 **FCC's affiliate transaction rules?**

15 **A:** Staff finds Customer Services and B&C Services provided by the Company to
16 TVC were not in compliance with applicable FCC affiliate transaction rules
17 which require services provided by the Company to an affiliate to be recorded at
18 no less than the higher of fully distributed cost (FDC) and fair market value
19 (FMV), and require services provided by an affiliate to the Company to be
20 recorded at no more than the lower of FDC and FMV. Customer Services and
21 B&C services for customers receiving non-regulated services charged by TVT to

TVC were recorded by TVT in the test year at an amount less than the Company's FDC, as shown in the following table⁶:

	Per TVT	Ref	Per Staff	Ref
Non-Reg Allocation of Customer Svc & B&C - Non-Labor	\$42,033	SSA #12	\$109,471	Attachment AD-2
Non-Reg Allocation of Customer Svc & B&C - Labor	\$69,408	SSA #12	\$236,001	Attachment AD-2
Total Allocation of Customer Svc & B&C	\$111,441		\$345,472	
Difference is Additional NR Allocation Needed to Fully Distribute Customer Svc & B&C Costs to Non Regulated	\$234,031			

Staff discusses and supports an adjustment to Customer Service and B&C expense in Staff Adjustment IS-12.

Q: What other findings did Staff have regarding transactions between TVT and its affiliates?

A: ISG provided monthly support center services and professional computer services to TVT during the test year. The amount TVT recorded for professional services provided by ISG during the test year did not comply with applicable FCC rules, and TVT did not provide adequate support that the goods purchased from ISG during the test year complied with applicable FCC rules. FCC rules require goods and services provided to a company by an affiliate to be recorded at no greater than the lower of FDC or FMV.

⁶ There was not market pricing for similar customer services and B&C services to third party entities available to determine a FMV of these services so Staff used FDC in its analysis.

1 The Company provided Staff with an analysis of ISG's FDC for the
2 services during the audit, however, it was discovered that an employee who was
3 being charged for professional services to TVT also had time allocated to TVT
4 through the payroll distribution process. Staff included an adjustment to correct
5 TVT's double-counting of this employee's time to regulated operations in its
6 Payroll Normalization Adjustment IS-7.

7 Regarding goods TVT purchased from ISG, Staff found that TVT could
8 not provide documentation to support the FDC of computer equipment purchased
9 from ISG during the test year, so the Company was not able to provide evidence
10 that it was in compliance with the FCC affiliate transaction rules. The Company
11 responded in DR 65 (attached), "[REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]." The Company further responded in DR 86
15 (attached), that "[REDACTED]
16 [REDACTED]." Staff found an inconsistency in prices for the goods
17 ISG charged TVT during the test year, ranging from ISG's actual cost to actual
18 cost plus various mark up percentages. Staff has not proposed an adjustment in
19 this docket for the computer equipment ISG sold to TVT, but due to ISG's
20 inconsistencies in pricing and the failure of TVT to determine the FDC of the

⁷ The Company subsequently revised its response to DR 65 to indicate the mark-up was determined to be [REDACTED].

1 goods it purchases from its affiliate which is subject to FCC affiliate transaction
2 rules, Staff recommends that the parties be required to enter into a formal
3 agreement to set out terms and pricing of all goods and services, and implement
4 procedures to develop and maintain FDC calculations to ensure compliance with
5 applicable FCC rules, and that the formal agreement should be filed with the
6 Commission pursuant to K.S.A. 66-1402.

7 Staff also found that ESPi sold batteries to TVT during the test year,
8 however TVT did not provide adequate support that the goods purchased from
9 ESPi during the test year complied with applicable FCC rules which require
10 goods and services provided to a company by an affiliate to be recorded at no
11 greater than the lower of FDC or FMV. In addition, TVT leased a building to
12 ESPi during the test year. On September 3, 2015, the Company supplemented its
13 response to DR 13 (attached), and provided affiliate information regarding ESPi
14 and a copy of a Lease Agreement dated January 1, 2013, between TVT and ESPi.
15 However, the Lease Agreement was not signed by the parties, and had not been
16 filed with the Commission. Staff performed an analysis of TVT's FDC on the
17 building leased to ESPi, and found that the amount of the lease recorded by TVT
18 in the test year was not less than FDC⁸. However, TVT should have FDC and
19 FMV information available to ensure the terms of the lease agreement is in
20 compliance with applicable FCC rules.

⁸ Staff's FDC analysis is presented in Attachment AD-3, Staff Workpaper IS-4.1.

Staff recommends that TVT and ESPi enter into a formal written Agreement setting out the terms and prices of any and all goods and services provided between the affiliates, and that the formal agreements should be filed with the Commission pursuant to K.S.A. 66-1402. Staff also recommends that TVT be required to implement procedures to develop, document, and maintain FMV and FDC calculations for goods and services provided between TVT and ESPi to ensure compliance with applicable FCC rules.

IV. NON-REGULATED COST ALLOCATIONS

Q: Please begin by describing the FCC's rules regarding the allocation of costs between regulated and non-regulated services.

A: The FCC has established the following hierarchy, set out in 47 C.F.R. §64.901, for the assignment or allocation of costs to regulated and non-regulated activities:

(b)(2) Costs shall be directly assigned to either regulated or non-regulated activities whenever possible.

(b)(3) Costs which cannot be directly assigned to either regulated or non-regulated activities will be described as common costs. Common costs shall be grouped into homogeneous cost categories designed to facilitate the proper allocation of costs between a carrier's regulated and non-regulated activities. Each cost category shall be allocated between regulated and non-regulated activities in accordance with the following hierarchy:

(i) Whenever possible, common cost categories are to be allocated based upon direct analysis of the origin of the cost themselves.

(ii) When direct analysis is not possible, common cost categories shall be allocated based upon an indirect, cost causative linkage to another cost category (or group of cost categories) for which a direct assignment or allocation is available.

1 (iii) When neither direct nor indirect measures of cost allocation
2 can be found, the cost category shall be allocated based upon a
3 general allocator computed by using the ratio of all expenses
4 directly assigned or attributed to regulated and non-regulated
5 activities.
6

7 **Q: Please describe how the Company assigns and allocates common or shared**
8 **resources and costs to its non-regulated affiliates.**

9 A: Expenses and investment directly related to non-regulated and affiliate operations
10 are recorded to the Company's non-regulated accounts or affiliate accounts.

11 Labor costs of the Company's plant employees are recorded to regulated and non-
12 regulated activities based on direct time reporting. The Company allocates labor
13 costs of office and management employees using allocation factors developed
14 from discussions with employees and supervisors to reflect the approximate time
15 spent on various activities. Shared GSF investment and related expenses, and
16 G&A, marketing, and advertising expenses are allocated to non-regulated
17 operations either by monthly journal entries using calculated allocation factors, or
18 through adjustments in the Company's annual cost study again using calculated
19 allocation factors.

20 **Q: What are Staff's findings regarding the Company's allocation of common**
21 **assets and costs between its regulated and non-regulated operations?**

22 A: Staff makes the following findings related to the allocation of common assets and
23 expenses between the Company's and TVC's regulated and non-regulated
24 operations:

1 1. Staff finds that the Company failed to fully allocate shared or common
2 costs including GSF investment and expenses, and G&A, marketing, and
3 advertising expenses to its non-regulated affiliate operations. Staff proposes
4 adjustments to allocate common GSF rate base and common GSF, G&A,
5 marketing, and advertising expenses to non-regulated operations using Staff's
6 allocation factors which are summarized in Attachment AD-2.

7 2. Staff finds that the Company failed to provide objective, credible
8 evidence to support the allocation of labor costs of plant, office and management
9 employees between regulated and non-regulated activities. Although plant
10 employees directly report time spent on various activities, the Company's time
11 reporting procedures failed to adequately or reasonably reflect time spent by
12 numerous plant employees on the installation and maintenance of non-regulated
13 services. The Company's methodology of developing allocation factors for
14 management and office employees by asking them or their supervisors to estimate
15 the amount of time they spend on non-regulated activities and services fails by all
16 standards to provide any objective, measurable, or supportable evidence to justify
17 including those costs in regulated operations. The Company has not met its
18 burden to affirmatively prove the labor costs included in its filing were reasonable
19 and necessary for regulated operations.

20 The Commission has previously recognized the importance of
21 documenting and supporting allocations between regulated and non-regulated
22 operations in KUSF support dockets. In Paragraph 31 of its Non-Confidential

1 Order Setting Revenue Requirements in Docket 01-SNKT-544-AUD, the
2 Commission stated, "In recent years, the Commission has seen a marked increase
3 in the number of regulated utilities combining regulated and unregulated
4 operations in the company or by using affiliates or subsidiaries. The difficulty in
5 deciphering how these costs and revenue should be allocated between regulated
6 and unregulated customers is a growing problem in dockets before this
7 Commission." The Commission incorporated its findings in Western Resources
8 Docket No. 01-WSRE-436-RTS, Order on Rate Applications, issued July 25,
9 2001, ¶117: "The Commission cannot stress too strongly the importance of
10 properly allocating costs. The Applicants have the obligation to provide credible
11 evidence to prove how time is spent before asking that ratepayers bear the
12 expenses. Ratepayers should not be at risk for paying expenses for non-regulated
13 activities." (Emphasis added.) The Commission further stated, in Paragraph 42
14 of Docket No. 01-SNKT-544-AUD, "Because this Commission wishes to make
15 clear its expectation for future dockets, including pending audits of rural
16 telephone companies, the Commission emphasizes that regulated utilities have the
17 burden to affirmatively prove expenditures were reasonable and necessary for
18 regulated operations. Utilities cannot rely upon an assumption that all
19 expenditures are deemed reasonable unless Staff proves otherwise. This is
20 particularly true when allocation issues are present." (Emphasis added.)
21 **Q: What are Staff's recommendations regarding non-regulated cost allocations.**

1 A: Staff recommends that the Company be required to review, update, and document
2 all studies and allocation factors used in the development of charges and
3 allocations between affiliates and between the Company's regulated and non-
4 regulated operations on at least an annual basis to minimize the risk that the
5 Company's regulated operations are subsidizing non-regulated services, and to
6 ensure compliance with applicable FCC affiliate transaction rules.

7 In order for the Company to provide current, objective evidence necessary
8 to support the allocation of labor costs between regulated and non-regulated
9 operations, Staff recommends that the Company be required to implement direct
10 time reporting procedures to enable plant employees to appropriately record time
11 spent on non-regulated services to non-regulated accounts. Staff further
12 recommends that the Company be required to either implement direct time
13 reporting procedures to enable management and office employees to appropriately
14 record time spent on non-regulated services or conduct and document formal time
15 studies for all management and office employees on at least an annual basis.

16

17 **V. RATE BASE ADJUSTMENTS**

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

21 A: The Company included cost study adjustments in its filing to allocate GSF assets
22 between regulated and non-regulated operations. Staff reversed these cost study

1 adjustments in order to more clearly present Staff's allocations of GSF assets and
2 accumulated depreciation in Staff Adjustment RB-2.

3 The total effect of Staff's reversal of the Company's non-regulated
4 allocation of GSF assets and accumulated depreciation increases Rate Base by
5 \$255,167 on a total-company basis, and by \$182,929 on an intrastate basis.

6 **Q: Please discuss Staff's Adjustment RB-2 to allocate GSF assets and**
7 **accumulated depreciation between regulated and non-regulated operations.**

8 A: Staff allocated the Company's GSF assets and related accumulated depreciation
9 based on Staff's allocation factors presented in Attachment AD-2. Depreciation
10 expense of general support facility assets and other expenses relating to GSF
11 assets are allocated in Staff's Adjustment IS-6.

12 **Q: What are GSF assets and why do they need to be allocated to non-regulated**
13 **activities?**

14 A: GSF assets include land and buildings located in Miltonvale and Clay Center,
15 vehicles and other work equipment, furniture, office equipment, and general
16 purpose computers. These assets are owned by TVT and used in the provision of
17 both regulated and non-regulated services of TVT and its affiliates. It is
18 necessary to allocate these GSF assets and related accumulated depreciation to
19 non-regulated operations in order to prevent TVT's regulated operations from
20 subsidizing non-regulated operations.

21 **Q: How did Staff allocate GSF assets and related accumulated depreciation**
22 **between regulated and non-regulated operations?**

1 A: Staff developed allocation factors based on Staff's calculations of the regulated
2 and non-regulated percentages of current labor costs for employees using those
3 assets. A summary of Staff's GSF allocation factors and supporting allocation
4 factors are presented in Attachment AD-2.

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

7 A: Staff's adjustment decreases Rate Base by \$385,895 on a total company basis, and
8 by \$263,701 on an intrastate basis. The net effect of Staff's Adjustments RB-1
9 and RB-2 decreases Rate Base by \$130,728 on a total company basis, and by
10 \$80,772 on an intrastate basis.

11

12 **VI. INCOME STATEMENT ADJUSTMENTS**

13 **Q: Please discuss Staff's Interstate Revenue Adjustment, IS-2.**

14 A: During Staff's audit, the Company informed Staff that federal interstate access
15 revenues had erroneously been reported as intrastate revenues in the Company's
16 filed schedules. Staff's adjustment removes End User – FUSF Revenues from the
17 intrastate revenue reported in the Company's schedules, since this revenue should
18 not be included in the Company's intrastate cost of service.

19 **Q: Please summarize the effects of Staff's Interstate Revenue Adjustment, IS-2.**

20 A: Staff's adjustment decreases total-company and intrastate revenue by \$244,766.

21 **Q: Please discuss Staff's Terminating Access Revenue Adjustment, IS-3.**

1 A: Staff's adjustment increases the Company's test year terminating access revenues
2 to reflect the level of revenues for the 12 months ended June 30, 2013. The
3 Kansas Telecommunications Act (KTA), including K.S.A. 66-2005, was
4 amended, effective July 1, 2013. The Commission determined in Docket 12-170⁹,
5 that pursuant to the FCC's Intercarrier Compensation reforms contained in its
6 November 18, 2011, Order and the KTA, as amended, RLECs cannot recover any
7 loss of intrastate terminating access revenue from the KUSF. Staff's adjustment
8 is necessary to prevent recovery of the Company's reduction in intrastate
9 terminating access revenues from the KUSF pursuant to the Commission's Order
10 in Docket 12-170, which states at Paragraph B of Page 16, "The Commission
11 finds consistent with the FCC Order, RLECs are not entitled to KUSF support as
12 a supplement for any revenue shortfall resulting from a reduction of its intrastate
13 terminating access revenue".

14 **Q: When you say that Staff's adjustment "increases the Company's test year**
15 **terminating access revenues to reflect the level of revenues for the 12 months**
16 **ended June 30, 2013," please clarify what you mean?**

17 A: Staff's adjustment is a mechanism to effectively achieve the result of disallowing
18 the recovery of these revenues from the KUSF in this docket.

19 **Q: Please summarize the effects of Staff's Terminating Access Revenue**
20 **Adjustment, IS-3.**

⁹ Order, In the Matter of a General Investigation into the Kansas Universal Service Fund pursuant to K.S.A. 2010 Supp. 66-2008(c), May 29, 2013.

1 A: Staff's adjustment increases total-company and intrastate revenue by \$16,970.

2 **Q: Please discuss Staff's Rental Income Adjustment, IS-4.**

3 A: The Company received payments from ESPi for rental of a building in Clay
4 Center; however the test year rental income was not included in the Company's
5 filing. Staff's adjustment is necessary to properly reflect the test year rental
6 income in the Company's cost of service. Rental payments should be included as
7 regulated revenue in the Company's revenue requirement because the revenue
8 offsets the Company's regulated cost of the leased assets and expenses.

9 **Q: Please summarize the effects of Staff's Rental Income Adjustment, IS-4.**

10 A: Staff's adjustment increases total-company and intrastate revenue by \$22,620.

11 **Q: Please discuss Staff's Adjustment IS-5 to reverse the Company's non-**
12 **regulated allocations of GSF, G&A, Marketing, Advertising, Customer**
13 **Service, and B&C expense.**

14 A: Staff reversed the Company's non-regulated allocation of GSF, G&A, Marketing,
15 and Advertising expense to more clearly present the effects of Staff's allocations
16 of these shared expenses in Staff Adjustment IS-6. Staff reversed the Company's
17 non-regulated allocation of Customer Service and B&C expense to more clearly
18 present the effects of Staff's allocations of these shared expenses in Staff
19 Adjustment IS-12. Staff's adjustment increases the Company's regulated
20 expenses by \$456,160 on a total company basis and by \$272,186 on an intrastate
21 basis.

1 **Q: Please discuss Staff’s Adjustment IS-6 to allocate shared GSF, G&A,**
2 **Marketing and Advertising expenses between regulated and non-regulated**
3 **operations.**

4 A: Staff allocated the following general support facility expenses provided by the
5 Company for both regulated and non-regulated operations: land and building
6 expense, furniture and office equipment expense, and general purpose computer
7 expense. Staff’s allocation of depreciation expense and property tax expense
8 related to the Company’s GSF assets is also included in this adjustment. Staff
9 also allocated non-labor G&A, Marketing, and Advertising shared expenses
10 between the Company’s regulated and non-regulated operations.

11 Staff’s non-regulated allocations for these expenses were developed based
12 on its pro forma payroll distributions and are presented in detail in Attachment
13 AD-2 – Allocation Factor Summary.

14 **Q: Why do these expenses need to be allocated to non-regulated activities?**

15 A: These shared expenses provide or benefit both regulated and non-regulated
16 services of TVT and its affiliates. It is necessary to allocate these shared expenses
17 to non-regulated operations in order to prevent TVT’s regulated operations from
18 subsidizing non-regulated operations.

19 **Q: How did Staff allocate these shared expenses between regulated and non-**
20 **regulated operations?**

21 A: Staff allocated shared expenses to non-regulated operations based on the
22 following causal factors:

1 Land and Building Expenses. Staff allocated shared GSF Land and
2 building expenses in its Land and Building Study which was based on Staff's pro
3 forma payroll and distributions.

4 Other GSF Expenses. Staff allocated shared expenses related to GSF
5 assets, including Furniture, Office Equipment, General Computers, Vehicles, and
6 Other Work Equipment to non-regulated operations based on Staff's pro forma
7 payroll and distributions.

8 G&A Expenses. Staff allocated shared G&A expenses to non-regulated
9 operations based on Staff's pro forma payroll and distributions.

10 Marketing, Advertising and Customer Service Expenses. Staff allocated
11 shared Marketing, Advertising, and Customer Service Expenses based on the
12 number of regulated and non-regulated customer numbers at the end of the test
13 year.

14 Billing and Collection Expenses. Staff allocated shared B&C Expenses
15 based on the number of regulated and non-regulated bills at the end of the test
16 year.

17 A summary of Staff's GSF allocation factors and supporting allocation
18 factors and calculations are presented in Attachment AD-2.

19 **Q: Please summarize the effects of Staff's Adjustment IS-6.**

20 **A:** The total effect of Staff's adjustment to allocate the non-labor shared costs
21 provided by the Company to non-regulated operations decreases the Company's

1 regulated expenses of \$507,173 on a total company basis, and \$276,408 on an
2 intrastate basis.

3 **Q: Please discuss Staff's Payroll Expense Normalization Adjustment, IS-7.**

4 A: Staff updated test year payroll expense for the Company's employees using
5 current 2015 salary levels, and accounted for new employee hires and
6 terminations during and subsequent to the test year. Staff distributed the pro
7 forma labor expense based on labor distributions in 2014, and made adjustments
8 for certain plant and management employees to more objectively reflect time
9 spent on non-regulated activities¹⁰.

10 Staff also disallowed test year expense related to deferred compensation
11 paid to several former management employees under deferred compensation
12 agreements. The Company's regulated telephone operations are not benefitting
13 on a going-forward basis from this test year expense for deferred compensation
14 paid to former employees, therefore these amounts should not be included in the
15 Company's regulated cost of service to be recovered through the KUSF.

16 Staff's total payroll adjustment was calculated as the difference between
17 its distributed pro forma salaries and bonuses and actual distributed salaries and
18 bonuses recorded in the test year.

19 **Q: Please summarize the effects of Staff's payroll expense normalization**
20 **adjustment, IS-7.**

¹⁰ Staff Workpapers for Adjustment IS-7 (Attachment AD-3), provide details of the employees and the basis for Staff's allocation factors.

1 A: Staff's adjustment decreases the Company's total regulated expenses by \$709,841
2 and decreases the Company's intrastate expenses by \$384,481.

3 **Q: Please discuss Staff's Employee Benefit and Payroll Tax Adjustment, IS-8.**

4 A: Staff updated employee benefits based on current 2015 invoices for group
5 insurance, and adjusted the Company's payroll tax expense to reflect Staff's pro
6 forma salary levels at current 2015 pay rates. Staff calculated the Company's
7 current level of employer-paid insurance premiums based on the most current
8 applicable quarterly or monthly billings available, annualized for a twelve-month
9 period. Staff's adjustment is the difference between the current annualized level
10 of premiums and test year expense.

11 Staff's adjustment to payroll tax is the difference between the 7.65%
12 employer's share of FICA and Medicare taxes, taking into account current FICA
13 tax limitations, applied to its pro forma payroll expense and the Company's test
14 year payroll expense.

15 **Q: Please summarize the effects of the above individual adjustments to Staff's**
16 **total Employee Benefit and Payroll Tax Adjustment, IS-8.**

17 A: Staff's adjustment decreases the Company's regulated expenses by \$35,620 and
18 decreases the Company's intrastate expenses by \$18,324.

19 **Q: Please discuss Staff's Compensation Disallowance Adjustment, IS-9.**

20 A: Staff performed a comparison of employee compensation including salaries and
21 bonuses of the Company's employees with compensation reported in the NTCA's
22 2014 Survey of Compensation and Benefits in the Independent

1 Telecommunications Industry (NTCA Survey). Staff's adjustment disallows
2 compensation in excess of prevailing rates of pay for similar positions in
3 comparable telephone companies (telcos). Compensation levels of key
4 management employees in excess of prevailing rates of pay are not necessary to
5 attract and retain qualified employees, and therefore not necessary for the
6 provision of regulated telephone service and not necessary to ensure all customers
7 have access to affordable telephone service.

8 Staff's adjustment to disallow excessive employee compensation does not
9 act to restrict or usurp management's discretion to pay whatever level of salaries
10 and bonuses it desires, but serves to limit the recovery of excessive compensation
11 from KUSF funds.

12 **Q: Explain why Staff selected the NTCA Survey to determine prevailing rates of**
13 **pay for the Company.**

14 **A:** Staff selected the 2014 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 – The Rural Broadband Association has
18 conducted compensation and benefits studies for more than 40 years. The Survey
19 was conducted by ARI, the survey research company that has conducted the
20 survey for 10 years.

21 2. The 2014 edition of the NTCA Study is the largest and most
22 comprehensive source of information covering salaries and benefits in the

1 independent telecommunications industry, and results of annual surveys allow
2 comparisons of the industry's prevailing salaries. 303 telcos submitted data for
3 the 2014 Survey. The annual Surveys have a consistent high rate of repeat
4 participation which ensures users of the survey a credible and reliable source of
5 salary and benefits data.

6 3. Survey participants reported rates of pay that were in effect January 1,
7 2014, as well as bonus/commission paid in 2013, which is a comparable time
8 period with the Company's payroll data submitted in this filing.

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

14 **Q: Describe Staff's methodology in selecting comparable company**
15 **compensation data.**

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

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

1 A: The NTCA Survey breaks down reported salary and bonus data by position by
2 various percentiles. Staff selected the NTCA Survey's reported 75th percentile as
3 the top of the range representing the prevailing rate of pay. The NTCA Survey
4 states at page 206, "Together, the 25th percentile and the 75th percentile define
5 the middle 50% of all salaries paid for the job. This midrange, based on the
6 reported rates for the position, generally is considered the most reliable
7 indicator of prevailing salaries."

8 **Q: Has the Commission addressed excessive employee compensation in prior**
9 **dockets?**

10 A: Yes. In the recent docket 15-MRGT-097-AUD¹¹, the Commission affirmed
11 the Commission's accepted, historical practice of applying comparative analysis
12 to evaluate employee compensation. The Commission accepted the full amount
13 of Staff's proposed adjustment to remove the amount of employee compensation
14 that exceeded Staff's calculations of prevailing rates of pay based on data
15 contained in the 2014 NTCA Survey and using the same methodology as Staff is
16 using in this docket.

17 **Q: Are there any other factors Staff considered in making its compensation**
18 **disallowance in this docket?**

¹¹ Docket No. 15-MRGT-097-AUD. In the Matter of the Application of Moundridge Telephone Company, Inc. for Additional Kansas Universal Service Fund Support. April 27, 2015 Order Setting Annual Cost-Based Universal Service Support For Moundridge Telephone Company, Inc. Use of the NTCA Survey as historical Commission practice is also evidenced by its use in Docket Nos. 13-JBNT-437-KSF, 13-CRKT-268-KSF, 13-PLTT-678-KSF and 14-WTCT-142-KSF.

1 A: Yes. Staff considered the fact that several of the Company's key management
2 employees are also key management employees of ISG, which employs
3 approximately four times the number of employees as TVT, has facilities in
4 multiple states, and offers diverse, competitive services in an IT infrastructure
5 industry with national reach. It would not be surprising if the Board members
6 who are common to TVT, TVC, and ISG, and who exercise oversight of
7 management's compensation levels, desired to offer higher wages and benefits to
8 attract and retain employees with a focus on ISG's environment and needs.
9 However, the KUSF should not be used to fund management salaries and
10 benefits found to be in excess of prevailing rates of pay of comparable telephone
11 companies, otherwise, the Company's regulated operations will be put at risk of
12 subsidizing the Company's non-regulated operations and ventures.

13 **Q: Please summarize the effects of Staff's Compensation Disallowance**
14 **Adjustment, IS-9.**

15 A: After applying Staff's regulated allocation factors to the amount of compensation
16 disallowed, Staff's adjustment decreases the Company's total regulated expenses
17 by \$83,719 and decreases the Company's intrastate expenses by \$35,233.

18 **Q: Please discuss Staff's Post Retirement Benefit Obligation Adjustment, IS-10.**

19 A: The Company made an adjustment at the end of the test year to record additional
20 Post Retirement Benefit Obligation expense; however the adjustment only
21 allocated the expenses to regulated accounts. Staff's adjustment re-allocated the

1 increase in expense between regulated and non-regulated accounts based on
2 Staff's pro forma payroll distribution.

3 **Q: Please summarize the effects of Staff's Post Retirement Benefit Obligation**
4 **Adjustment, IS-10.**

5 **A: Staff's adjustment decreases the Company's regulated expenses by \$69,528 and**
6 **decreases the Company's intrastate expenses by \$28,088.**

7 **Q: Please discuss Staff's Executive Benefit Adjustment, IS-11.**

8 **A: During the test year, the Company entered into** [REDACTED]

9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
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9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]

17 **Q: Please summarize the effects of Staff's Executive Benefit Adjustment, IS-11.**
18 **A:** Staff's adjustment decreases the Company's regulated expenses by \$80,850 and
19 decreases the Company's intrastate expenses by \$41,786.
20 **Q: Please discuss Staff's Customer Service and Billing and Collection Expense**
21 **Adjustment IS-12.**

1 A: The Company provides customer services and B&C services to TVC's customers
2 through terms set out in an affiliate Agreement dated January 1, 2014. The
3 Company's employees provide all customer services for TVC including service
4 ordering, billing, collection, and handling customer inquiries. Through the
5 Company's billing system, customers receive one bill which includes charges for
6 regulated telephone service as well as non-regulated cable TV and high speed
7 internet service. Pursuant to the FCC's affiliate transaction rules, the Company is
8 required to record an amount no less than the higher of the FMV or the FDC of
9 the services provided to TVC.

10 **Q: How does the Company account for customer services and B&C services**
11 **provided to TVC?**

12 A: The Company charges TVC a [REDACTED] monthly per customer rate which is based on
13 an outdated 2007 study using actual and estimated data. The Company then
14 allocates the total per customer charges to TVC for the year between various labor
15 and non-labor customer service, marketing, and advertising accounts in its annual
16 cost study adjustments.

17 **Q. Why is the Company's use of this rate to allocate expenses to non-regulated**
18 **operations in the 2014 test year problematic?**

19 A: The study which is the basis of the calculation of this rate is clearly outdated and
20 as a result does not provide Staff with supportable, competent evidence to
21 determine the amount of customer services and B&C services that should be
22 allocated to the Company's regulated cost of service.

1 **Q: How did Staff account for customer services and B&C services provided to**
2 **TVC in the test year?**

3 A: First, Staff reversed the Company's allocation of the per customer charges in Staff
4 Adjustment IS-5. Staff accounted for the allocation of shared customer service
5 and B&C labor costs in its Payroll Normalization Adjustment, IS-7. This
6 adjustment, IS-12, allocates shared non-labor customer service and B&C costs
7 based on Staff's allocation factors summarized and supported in Attachment AD-
8 2, as follows: Staff allocates shared non-labor customer service accounts by an
9 allocation factor based on the number of customers receiving non-regulated
10 services at the end of the test year. Staff further allocates shared non-labor B&C
11 accounts by an allocation factor based on the number of bills for non-regulated
12 services at the end of the test year.

13 The net result of Staff's adjustments increased the allocation of customer
14 service and B&C costs to non-regulated operations by \$234,031, as presented in
15 the table on page 13 of my testimony. The FMV of the customer service and
16 B&C services provided to TVC is not determinable since TVT does not provide
17 customer service or B&C services to third parties. The FDC of labor and non-
18 labor customer service and B&C services recorded by the company in its filing
19 was \$111,441, and the FDC of labor and non-labor customer service and B&C
20 services calculated by Staff was \$345,472. Therefore, the amounts recorded by
21 the Company for customer services and B&C services provided to its non-

1 regulated affiliate were less than the higher of the FMV and FDC, and do not
2 comply with applicable FCC affiliate transaction rules.

3 **Q: Please summarize Staff's Customer Service and Billing and Collection**
4 **Expense Adjustment, IS-12.**

5 A: Staff Adjustment IS-12, to allocate shared non-labor customer service and B&C
6 services, decreases the Company's regulated expenses by \$109,471 on a total-
7 company basis, and decreases the Company's intrastate expenses by \$82,779.

8 **Q: Please explain why Staff's Adjustment IS-12 of \$109,471 to Customer Service**
9 **and B&C Expense is different than the \$234,031 net result of**
10 **Staff's adjustments to allocate these costs to non-regulated operations that was**
11 **discussed above and presented in the table on page 13.**

12 A: Staff's Adjustment IS-12 of \$109,471, reflects Staff's allocation of non-labor
13 customer service and B&C service expense, and does not include the labor costs
14 associated with customer service and B&C costs. The overall effects of the non-
15 regulated allocation of labor and non-labor Customer Service and B&C costs in
16 the table on page 12 were presented to support Staff's finding that the Company
17 was not in compliance with applicable FCC rules.

18 **Q: Please discuss Staff's Employee Reimbursement Adjustment, IS-13.**

19 A: Staff disallowed various employee reimbursement expenses including expenses
20 incurred for non-regulated, legislative, or non-business related activities. Staff
21 also disallowed [REDACTED]

22 [REDACTED]

1

[REDACTED]

2

[REDACTED]

3

[REDACTED]

4

[REDACTED]

5

[REDACTED]

6

[REDACTED]

7

[REDACTED]

8

[REDACTED]

9 **Q: Please summarize Staff's Employee Reimbursement Adjustment, IS-13.**

10 **A:** Staff's adjustment decreases the Company's regulated expenses by \$15,015 on a
11 total-company basis, and decreases the Company's intrastate expenses by \$6,768.

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

13 **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

Performed 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.

Direct Testimony of Ann Diggs
Docket No. 15-MRGT-097-AUD
January 20, 2015

ATTACHMENT AD-1

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.

PER COMPANY										PER STAFF				STAFF ADJ - INC NR ALLOCC		
COMMON ASSETS			ACT	BAL @ 12/31/14	CSA/JE	BASIS	% OF TOT	REG %	NONREG %	AMT NR	STAFF ADJ #	BASIS	REG %	NONREG %	AMT NR	
ALLOCATE COMMON LAND AND BUILDING ASSETS																
Land	Miltonvale	Corporate Office	2111	\$ 26,703	TPA #1	(1)		87.03%	12.97%	\$ 3,462	RB-B	Building Study	52.31%	47.69%	\$ 12,733	\$ 9,271
Land	Miltonvale	Warehouse/Garage	2111	\$ 8,199	TPA #1	(2)		100.00%	0.00%	\$ -		Miltonvale Plant Empl	83.25%	16.75%	\$ 1,373	\$ 1,373
Land	Clay Center	Cust Svc Office	2111	\$ 226,353	TPA #1	(3)		75.70%	24.30%	\$ 55,009		Clay Center Office Empl	49.29%	50.71%	\$ 114,774	\$ 59,765
Land	Total		2111	\$ 261,255	TPA #1					\$ 58,471			60.76%	39.24%	\$ 128,881	\$ 70,409
Buildings	Miltonvale	Corporate Office	2121	\$ 1,767,035	TPA #1	(1)		87.03%	12.97%	\$ 229,110		Building Study	52.31%	47.69%	\$ 842,612	\$ 613,502
Buildings	Miltonvale	Warehouse/Garage	2121	\$ 408,655	TPA #1	(2)		100.00%	0.00%	\$ -		Miltonvale Plant Empl	83.25%	16.75%	\$ 68,431	\$ 68,431
Buildings	Clay Center	Cust Svc Office	2121	\$ 1,355,262	TPA #1	(3)		75.70%	24.30%	\$ 329,361		Clay Center Office Empl	49.29%	50.71%	\$ 687,199	\$ 357,838
Buildings	Clay Center	Tech Center	2121	\$ 1,071,802	TPA #1	(4)		89.60%	10.40%	\$ 111,479		Clay Center Plant Empl	86.35%	13.65%	\$ 146,260	\$ 34,780
Buildings	Total		2121	\$ 4,602,755	TPA #1					\$ 669,951			67.80%	32.20%	\$ 1,744,502	\$ 1,074,551
Total Land and Buildings				\$ 4,864,010	TPA #1					\$ 728,422			67.43%	32.57%		
Accum Depr	Miltonvale	Corporate Office	3121	\$ (4,378,251)	TPA #1	(1)	27.94%	87.03%	12.97%	\$ (158,617)		Building Study	52.31%	47.69%	\$ (583,353)	\$ (424,737)
Accum Depr	Miltonvale	Warehouse/Garage	3121	\$ (4,378,251)	TPA #1	(2)	6.46%	100.00%	0.00%	\$ -		Miltonvale Plant Empl	83.25%	16.75%	\$ (47,376)	\$ (47,376)
Accum Depr	Clay Center	Cust Svc Office	3121	\$ (4,378,251)	TPA #1	(3)	21.43%	75.70%	24.30%	\$ (228,022)		Clay Center Office Empl	49.29%	50.71%	\$ (475,759)	\$ (247,737)
Accum Depr	Clay Center	Tech Center	3121	\$ (4,378,251)	TPA #1	(4)	16.95%	89.60%	10.40%	\$ (77,179)		Clay Center Plant Empl	86.35%	13.65%	\$ (101,258)	\$ (24,079)
Total Accum Depr - Bldgs										\$ (463,817)			67.80%	32.20%	\$ (1,207,746)	\$ (743,928)
Accum Def Tax	Miltonvale	Corporate Office	4300.2121	\$ (89,085)	TPA #1	(1)	27.94%	87.03%	12.97%	\$ (3,227)		Building Study	52.31%	47.69%	\$ (11,870)	\$ (8,642)
Accum Def Tax	Miltonvale	Warehouse/Garage	4300.2121	\$ (89,085)	TPA #1	(2)	6.46%	100.00%	0.00%	\$ -		Miltonvale Plant Empl	83.25%	16.75%	\$ (964)	\$ (964)
Accum Def Tax	Clay Center	Cust Svc Office	4300.2121	\$ (89,085)	TPA #1	(3)	21.43%	75.70%	24.30%	\$ (4,640)		Clay Center Office Empl	49.29%	50.71%	\$ (9,680)	\$ (5,041)
Accum Def Tax	Clay Center	Tech Center	4300.2121	\$ (89,085)	TPA #1	(4)	16.95%	89.60%	10.40%	\$ (1,570)		Clay Center Plant Empl	86.35%	13.65%	\$ (2,060)	\$ (490)
Total Accum Def Tax										\$ (9,437)			67.80%	32.20%	\$ (24,574)	\$ (15,137)
Total TPA #1										\$ 255,167						
(1) Inside and Outside Employees																
(2) Company did not allocate																
(3) Inside Employees																
(4) Tech Center Employees																
ALLOCATE COMMON GSF ASSETS																
Office Furniture			2122	\$ 399,272	TPA #2	(5)		83.94%	16.06%	\$ 64,127	All Employees		60.46%	39.54%	\$ 157,882	\$ 93,755
Office Equipment			2123	\$ 203,081	TPA #2	(5)		83.94%	16.06%	\$ 32,617		All Employees	60.46%	39.54%	\$ 80,303	\$ 47,687
General Office Computers			2124	\$ 595,683	TPA #2	(5)		83.94%	16.06%	\$ 95,672		All Employees	60.46%	39.54%	\$ 235,548	\$ 139,876
				\$ 1,198,036	TPA #2					\$ 192,415			60.46%	39.54%	\$ 473,733	\$ 281,318
Accum Depr -	Office Furniture		3122	\$ (399,272)	TPA #2	(5)		83.94%	16.06%	\$ (64,127)	All Employees		60.46%	39.54%	\$ (157,882)	\$ (93,755)
Accum Depr -	Office Equipment		3123	\$ (203,081)	TPA #2	(5)		83.94%	16.06%	\$ (32,617)		All Employees	60.46%	39.54%	\$ (80,303)	\$ (47,687)
Accum Depr -	General Office Computers		3124	\$ (595,683)	TPA #2	(5)		83.94%	16.06%	\$ (95,672)		All Employees	60.46%	39.54%	\$ (235,548)	\$ (139,876)
				\$ (1,198,036)	TPA #2					\$ (192,415)			60.46%	39.54%	\$ (473,733)	\$ (281,318)
Total TPA #2										\$ -						

Attachment AD-2

REDACTED

COMMON EXPENSES	ACCOUNT	BAL @ 12/31/14	PER COMPANY				STAFF REF	PER STAFF			STAFF ADJ ALLOC TO NR
			CSA/JE	BASIS	REG %	NONREG %		AMT NR	BASIS	REG %	
Allocate Common Marketing & Advertising Accounts											
Product Mgt & Sales - Travel	6611.150.50		SSA #12	(8)			IS-6	Reg & NR Customer #'s			
Product Mgt & Sales - Meals & Entertain	6611.160.50		SSA #12	(8)			IS-6	Reg & NR Customer #'s			
Product Mgt & Sales - Training	6611.170.50		SSA #12	(8)			IS-6	Reg & NR Customer #'s			
Product Mgt & Sales - Subs & Dues	6611.180.50		SSA #12	(8)			IS-6	Reg & NR Customer #'s			
Product Mgt & Sales - Customer Surveys	6611.740.50		SSA #12	(8)			See below	Reg & NR Customer #'s			
Product Mgt & Sales - Market Research	6611.750.50		SSA #12	(8)			See below	Reg & NR Customer #'s			
Product Mgt & Sales - Web/Twitter/Faceboo	6611.760.50		SSA #12	(8)			See below	Reg & NR Customer #'s			
Product Mgt & Sales - PR & Customer Conta	6611.770.50		SSA #12	(8)			See below	Reg & NR Customer #'s			
Product Mgt & Sales - Demo Equipment	6611.790.50		SSA #12	(8)			See below	Reg & NR Customer #'s			
Product Advertising	6613.700.50		SSA #12	(8)			See below	Reg & NR Customer #'s			
Product Advertising - Mktg Collateral	6613.710.50		SSA #12	(8)			See below	Reg & NR Customer #'s			
Product Advertising - Promotional Items	6613.720.50		SSA #12	(8)			See below	Reg & NR Customer #'s			
Product Advertising - Bill Ins/Dir Mail	6613.730.50		SSA #12	(8)			See below	Reg & NR Customer #'s			
Subtotal	6613										
Product Mgt & Sales - Customer Surveys	6611.740.50		Monthly JE	(10)			IS-6	Reg & NR Customer #'s			
Product Mgt & Sales - Market Research	6611.750.50		Monthly JE	(10)			IS-6	Reg & NR Customer #'s			
Product Mgt & Sales - Web/Twitter/Faceboo	6611.760.50		Monthly JE	(10)			IS-6	Reg & NR Customer #'s			
Product Mgt & Sales - PR & Cust Contact	6611.770.50		Monthly JE	(10)			IS-6	Reg & NR Customer #'s			
Product Mgt & Sales - Demo Equipment	6611.790.50		Monthly JE	(10)			IS-6	Reg & NR Customer #'s			
Product Advertising	6613.700.50		Monthly JE	(10)			IS-6	Reg & NR Customer #'s			
Product Advertising - Mktg Collateral	6613.710.50		Monthly JE	(10)			IS-6	Reg & NR Customer #'s			
Product Advertising - Promotional Items	6613.720.50		Monthly JE	(10)			IS-6	Reg & NR Customer #'s			
Product Advertising - Bill Ins/Dir Mail	6613.730.50		Monthly JE	(10)			IS-6	Reg & NR Customer #'s			
Total Monthly JE							IS-6				
Total Non-Labor Marketing & Advertising Accounts											
Labor Acts included in SSA #12:	6611.010.80		SSA #12	(8), (9)			IS-7	Reg & NR Customer #'s			
Total Marketing & Advertising Accounts											
Allocate Common Customer Service & B&C Accounts											
Number Services - Directory	6622.620.75		SSA #12	(8)			IS-12	Reg & NR Customer #'s			
Cust Service - Travel	6623.150.45		SSA #12	(8)			IS-12	Reg & NR Customer #'s			
Cust Service - Meals & Entertain	6623.160.45		SSA #12	(8)			IS-12	Reg & NR Customer #'s			
Cust Service - Training	6623.170.45		SSA #12	(8)			IS-12	Reg & NR Customer #'s			
Cust Service - Credit Checks	6623.630.45		SSA #12	(8)			IS-12	Reg & NR Customer #'s			
Cust Service - Customer Support	6623.640.45		SSA #12	(8)			IS-12	Reg & NR Customer #'s			
Billing & Coll - Travel	6627.150.40		SSA #12	(8)			IS-12	Reg & NR Services Billed			
Billing & Coll - Meals & Entertain	6627.160.40		SSA #12	(8)			IS-12	Reg & NR Services Billed			
Billing & Coll - Training	6627.170.40		SSA #12	(8)			IS-12	Reg & NR Services Billed			
Billing & Coll - Prof Fees Consulting	6627.560.40		SSA #12	(8)			IS-12	Reg & NR Services Billed			

REDACTED

COMMON EXPENSES	ACCOUNT	BAL @ 12/31/14	PER COMPANY				STAFF REF	PER STAFF			STAFF ADJ ALLOC TO NR
			CSA/JE	BASIS	REG %	NONREG %		AMT NR	BASIS	REG %	
Allocate Common G&A Accounts											
Directors' Compensation	6720.060.10		SSA #18	(5)			IS-6	All Employees			
Directors' Reimbursements	6720.070.10		SSA #18	(5)			IS-6	All Employees			
Directors' Meals & Entertainment	6720.080.10		SSA #18	(5)			IS-6	All Employees			
Travel 10 - Executive	6720.150.10		SSA #18	(5)			IS-6	All Employees			
Travel 15 - Community Affairs	6720.150.15		SSA #18	(5)			IS-6	All Employees			
Travel 60 - Actg/Fin	6720.150.60		SSA #18	(5)			IS-6	All Employees			
Travel 65 - HR	6720.150.65		SSA #18	(5)			IS-6	All Employees			
Meals & Entertainment 10 - Executive	6720.160.10		SSA #18	(5)			IS-6	All Employees			
Meals & Entertainment 15 - Community Affairs	6720.160.15		SSA #18	(5)			IS-6	All Employees			
Meals & Entertainment 60 - Actg/Fin	6720.160.60		SSA #18	(5)			IS-6	All Employees			
Meals & Entertainment 65 - HR	6720.160.65		SSA #18	(5)			IS-6	All Employees			
Training 10 - Executive	6720.170.10		SSA #18	(5)			IS-6	All Employees			
Training 15 - Community Affairs	6720.170.15		SSA #18	(5)			IS-6	All Employees			
Training 60 - Actg/Fin	6720.170.60		SSA #18	(5)			IS-6	All Employees			
Training 65 - HR	6720.170.65		SSA #18	(5)			IS-6	All Employees			
Subscrip & Dues 10 - Executive	6720.180.1		SSA #18	(5)			IS-6	All Employees			
Subscrip & Dues 15 - Community Affairs	6720.180.15		SSA #18	(5)			IS-6	All Employees			
Subscrip & Dues 60 - Actg/Fin	6720.180.60		SSA #18	(5)			IS-6	All Employees			
Subscrip & Dues 65 - HR	6720.180.65		SSA #18	(5)			IS-6	All Employees			
Subscrip & Dues 70 - Company	6720.180.70		SSA #18	(5)			IS-6	All Employees			
Prof Fees/Recruiting	6720.190.65		SSA #18	(5)			IS-6	All Employees			
Employee Clothing	6720.200.70		SSA #18	(5)			IS-6	All Employees			
Employee Appreciation	6720.210.65		SSA #18	(5)			IS-6	All Employees			
Outsourced Services	6720.380.60		SSA #18	(7)			IS-6	All Employees			
Prof Fees/Accounting/Tax	6720.550.60		SSA #18	Direct			O IS-6	Direct			
Prof Fees/Consultants 10 - Executive	6720.560.10		SSA #18	(5)			IS-6	All Employees			
Prof Fees/Consultants 60 - Actg/Fin	6720.560.60		SSA #18	Direct			O IS-6	Direct			
Prof Fees/Consulting HR	6720.560.65		SSA #18	(5)			IS-6	All Employees			
Prof Fees/Legal	6720.570.70		SSA #18	Direct			O IS-6	Direct			
Company Association Dues	6720.590.70		SSA #18				IS-6	All Employees			
State & Federal Fees	6720.600.70		SSA #18	Direct			O IS-6	Direct			
Insurance - Directors	6720.610.10		SSA #18	(5)			IS-6	All Employees			
Insurance	6720.610.70		SSA #18	(5)			IS-6	All Employees			
Total SSA #18											
Phone & Internet	6720.280.70		Mo. JE	(6)			IS-6	All Employees			
Postage	6720.290.70		Mo. JE	(6)			IS-6	All Employees			
Office Supplies	6720.300.70		Mo. JE	(6)			IS-6	All Employees			
Kitchen Supplies	6720.310.70		Mo. JE	(6)			IS-6	All Employees			
Total Common G&A Accounts											

Total All Accounts

- (1) Basis - Building study for Miltonvale Office, Clay Center Tech Center, & Clay Center Service Center
- (2) Basis - Reg/NR Time Study for Miltonvale and Clay Center Tech Building
- (3) 0% NR - General Computers - LAN/WAN Software Act. was included in Co's supporting WP's, but not included in CSA Summary
- (4) Basis - Reg/NR Time Study for Outside Plant Employees
- (5) Basis - Mgmt & Actg
- (6) Basis - YE 2012 CLEC lines to total POTS lines
- (7) Basis - All Employees

The total charges to TVC are spread to the above accounts based on the balance of the account at 12/31/14 to total accounts.

(9) Staff allocated labor accounts in its Pro Forma Payroll and Distribution adjustment.

(10) Basis - 3 year avg of % of TVT and TVC net revenues and net margins (2010 to 2012)

Employee	Position	Location	Plant/Office	Total NR Exp	Total Reg Exp	Total NR + Reg Exp	% NR Exp	% Reg Exp
JACKIE L. FOSTER	Community Ambassador	Clay Center	Office					
KWALONN N. GISSELBECK	Data Specialist	Clay Center	Office					
JEANA R. TAYLOR	Circuit Pricing Analyst	Clay Center	Office					
KAREN S. TREMBLAY	CSR	Clay Center	Office					
SHEILA A. WENDELKEN	CSR	Clay Center	Office					
TAMMY R. TAYLOR	CSR	Clay Center	Office					
JENNIFER A. CAUSEY-DAVIES	CSR	Clay Center	Office					
SHELLEE A. FREDERICK	Lead CSR	Clay Center	Office					
JOSEPH E. GREENE	Mktg & Bus Development Mgr	Clay Center	Office					
SHALEY A. JOHNSON	Marketing Specialist	Clay Center	Office					
CHRISTI L. RICE	CSR	Clay Center	Office					
JANICE P. HOELSCHER	Accounting Clerk	Clay Center	Office					
AARON M. WERTENBERGER	Marketing Specialist	Clay Center	Office					
KADE D. JERMARK	Marketing Help PT	Clay Center	Office					
JACOB J. BECHARD	Marketing Help PT	Clay Center	Office					
TOTAL CLAY CENTER OFFICE								
JOSHUA J. GISSELBECK	OS Plant Super	Clay Center	Plant					
BRETT F. GISSELBECK	OS Plant Tech II	Clay Center	Plant					
CALEB R. BLOOM	OS Plant Tech 1	Clay Center	Plant					
JOEY L. WOODWORTH	Sr OS Plant Tech	Clay Center	Plant					
AARON A. OEHMKE	Network Tech	Clay Center	Plant					
BRENT W. ROGGE	OS Plant Tech 1	Clay Center	Plant					
ZACH N. ELZINGA	OS Plant Tech 1	Clay Center	Plant					
ZACHARY R. DEMARS	OS Plant Help PT	Clay Center	Plant					
IAN M. ROETMAN	OS Plant Help PT	Clay Center	Plant					
JAKE M. YOUNG	OS Plant Tech 1	Clay Center	Plant					
TOTAL CLAY CENTER TECH								
TOTAL EMPLOYEES CLAY CENTER								
KATHY L. COLEMAN	Marketing Specialist	Miltonvale	Office					
BENJAMIN M. FOSTER	President/CEO	Miltonvale	Office					
AMANDA J. NICHOLS	Executive Assistant	Miltonvale	Office					
MICHAEL J. FOSTER	Former CEO	Miltonvale	Office					
JOHN F. GISSELBECK	Community Ambassador	Miltonvale	Office					
PENNY L. GISSELBECK	Community Ambassador	Miltonvale	Office					
DONA N. SCHULTZ	Billing Specialist Assist	Miltonvale	Office					
TIFFANY L. WERTENBERGER	Temp	Miltonvale	Office					
TRACI L. THOMPSON	Billing Services Mgr	Miltonvale	Office					
SCOTT D. LEITZEL	VP Op (TVC/TVT)	Miltonvale	Office					
MICHAEL C. PAYNE	HR/Organization Development	Miltonvale	Office					
ADAM M. GLENDENING	Controller	Miltonvale	Office					
MELISSA K. SHIVERS	Circuit Pricing Analyst	Miltonvale	Office					
LARRY E. MITCHELL	Network Op Mgr	Miltonvale	Office					
SCOTT A. CISSNA	CFO	Miltonvale	Office					
KENDRA L. FOSTER-HOWZE		Miltonvale	Office					
MORGAN D. MAY	Controller	Miltonvale	Office					
COLE M. GISSELBECK	Network Tech II	Miltonvale	Office					
TOTAL MILTONVALE OFFICE								
BILLY R. KOSTER	Bus Service Tech II	Miltonvale	Plant					
MICHAEL W. HAMEL	Network Op Support Mgr	Miltonvale	Plant					
LARRY J. MCKAIN	Purchasing Tech	Miltonvale	Plant					
MARK W. MYER	OS Plant Tech II	Miltonvale	Plant					
BRANDON M. HAMEL	OS Plant Tech II	Miltonvale	Plant					
TOREY S. HAMEL	OS Plant Tech 1	Miltonvale	Plant					
BRIAN S. DEMARS	OS Plant Tech 1	Miltonvale	Plant					

Employee	Position	Location	Plant/Office	Total NR Exp	Total Reg Exp	Total NR + Reg Exp	% NR Exp	% Reg Exp
KEVIN W. THOMPSON	Network Op Engineer	Miltonvale	Plant					
DARREN W. BATES	Network Tech	Miltonvale	Plant					
TRAVIS D. WURTZ	Network Tech II	Miltonvale	Plant					
JUSTIN B. CRAVENS	Network Tech	Miltonvale	Plant					
TOTAL MILTONVALE PLANT								
TOTAL EMPLOYEES MILTONVALE								
RICKEY E. UNDERWOOD	Headend Tech	Bennington	Plant					
JASON A. LOVENDAHL	Sr OS Plant Tech	Bennington	Plant					
TOTAL BENNINGTON PLANT								
ERIC J. TABOR	VP Mktg (TVT/ISG)	Kansas City	Office					
TOTAL EMPL ALL LOCATIONS								
TOTAL OFFICE EMPLOYEES								
TOTAL PLANT EMPLOYEES								
TOTAL OFFICE & PLANT EMPL								

Allocation Workpaper 4 - Customer Numbers

To allocate Reg and NR common B&C charges (MACC Invoices)

Customer #'s @ 12/31/14 (1)			
	Voice Only	Voice + NR	Tot
Total			

To allocate customer service expenses based on number of Reg and NR customers:

Customer #'s @ 12/31/14 (2)	
CLEC	
High Speed Internet	
Television	
Total Non-Reg Cust	
Reg - ILEC Voice (1)	
Total Non-Reg + Voice	

(1) Source: DR 102
(2) Source: DR 14a - DSL Billing & Intercompany Charges
Bill Period Dec 2014

Twin Valley Telephone, Inc.
 15-TWVT-213-AUD
 Test Year Ending December 31, 2014

Allocation Workpaper 5 - Land & Building

Attachment AD-2

LAND & BLDG ALLOCATION

DESC	LOCATION	LAND	BUILDINGS	TOT LAND & BLDG	Reg %	NR %	Land Reg Amt	Bldgs Reg Amt	Tot Land & Bldg Reg Amt
CO	Barnard	\$ 613	\$ 96,000	\$ 96,613	100.00%		613	96,000	96,613
CO	Bennington	\$ 1,050	\$ 73,009	\$ 74,059	100.00%		1,050	73,009	74,059
CO Addition	Bennington	\$ 44,679	\$ 144,409	\$ 189,088	100.00%		44,679	144,409	189,088
Warehouse	Bennington	\$ 171	\$ 18,112	\$ 18,283	86.08%		147	15,590	15,737
Land	Bennington	\$ 6,946	\$ -	\$ 6,946	86.08%		5,979	-	5,979
CO	Beverly	\$ 336	\$ 81,081	\$ 81,417	100.00%		336	81,081	81,417
CO	Greenleaf	\$ 401	\$ 86,929	\$ 87,330	100.00%		401	86,929	87,330
Headquarters & CO	Miltonvale	\$ 26,703	\$ 1,767,035	\$ 1,793,738	46.65%		12,458	824,400	836,859
Pole Yard	Miltonvale	\$ 3,484	\$ -	\$ 3,484	83.25%		2,901	-	2,901
Warehouse/Garage	Miltonvale	\$ 1,916	\$ 201,850	\$ 203,766	83.25%		1,595	168,049	169,644
Additional Warehouse	Miltonvale	\$ 2,799	\$ 206,805	\$ 209,604	83.25%		2,330	172,174	174,505
CO	Tescott	\$ 473	\$ 92,054	\$ 92,526	100.00%		473	92,054	92,526
Pole Yard	Tescott	\$ 113	\$ -	\$ 113	100.00%		113	-	113
Acquired	Sprint	\$ 32,758	\$ 1,129,720	\$ 1,162,478	83.25%		27,272	940,543	967,815
Tech Center	Clay Center	\$ -	\$ 1,071,802	\$ 1,071,802	86.35%		-	925,543	925,543
Office	Clay Center	\$ 226,353	\$ 1,355,262	\$ 1,581,615	49.29%		111,578	668,063	779,642
Total		\$ 348,794	\$ 6,324,069	\$ 6,672,863			\$ 211,925	\$ 4,287,845	\$ 4,499,770
							60.76%	67.80%	67.43%

Sq. Ft. - Miltonvale	Reg %	Reg Amt	Tot Reg %
Offices	2034		
Common	1758		
	3792	52.31%	1,984
CO	2914	100.00%	2,914
Total	10498		4,898 46.65%

Twin Valley Telephone, Inc.
 15-TWVT-213-AUD
 Test Year Ending December 31, 2014

Attachment AD-3

Staff Workpaper RB-1
 Reverse Company's GSF Rate Base Adjustments

	ACT	STAFF ADJ	INTRAST FACTOR	INTRAST ADJ
Land	2111	\$ 58,471	0.579066	\$ 33,859
Motor Vehicles	2112	\$ 141,367	0.579066	\$ 81,861
Other Work Equipment	2116	\$ 133,171	0.579066	\$ 77,115
Buildings	2121	\$ 669,951	0.579066	\$ 387,946
Furniture	2122	\$ 64,127	0.579066	\$ 37,134
Office Equipment	2123	\$ 32,617	0.579066	\$ 18,887
General Purpose Computers/Software	2124	\$ 95,672	0.579066	\$ 55,400
Total GSF Plant		<u>\$ 1,195,376</u>		<u>\$ 692,202</u>
Acc Dep - Motor Vehicles	3100	\$ (141,367)	0.540662	\$ (76,432)
Acc Dep - Other Work Equipment	3100	\$ (133,171)	0.540662	\$ (72,001)
Acc Dep - Buildings	3100	\$ (463,817)	0.540662	\$ (250,768)
Acc Dep - Furniture	3100	\$ (64,127)	0.540662	\$ (34,671)
Acc Dep - Office Equipment	3100	\$ (32,617)	0.540662	\$ (17,635)
Acc Dep - General Purpose Computers	3100	\$ (95,672)	0.540662	\$ (51,726)
Total GSF Accum Depr		<u>\$ (930,771)</u>		<u>\$ (503,233)</u>
Total GSF Plant Net of Accum Depr		<u>\$ 264,605</u>		<u>\$ 188,969</u>
Acc Deferred Tax	4340	<u>\$ (9,437)</u>	0.640034	<u>\$ (6,040)</u>
Total Adjustment		<u>\$ 255,167</u>		<u>\$ 182,929</u>

Source: Staff Workpaper Attachment AD-2 - Rate Base Allocation Factors

Staff Workpaper RB-2
Staff's GSF Rate Base Allocation

	ACT	STAFF ADJ	INTRAST FACTOR	INTRAST ADJ
Land	2111	\$ (70,409)	0.579066	\$ (40,772)
Motor Vehicles	2112	\$ (24,022)	0.579066	\$ (13,910)
Other Work Equipment	2116	\$ (22,629)	0.579066	\$ (13,104)
Buildings	2121	\$ (1,074,551)	0.579066	\$ (622,236)
Furniture	2122	\$ (93,755)	0.579066	\$ (54,291)
Office Equipment	2123	\$ (47,687)	0.579066	\$ (27,614)
General Purpose Computers/Software	2124	\$ (139,876)	0.579066	\$ (80,997)
Total GSF Plant		<u>\$ (1,472,930)</u>		<u>\$ (852,924)</u>
Acc Dep - Motor Vehicles	3100	\$ 24,022	0.540662	\$ 12,988
Acc Dep - Other Work Equipment	3100	\$ 22,629	0.540662	\$ 12,235
Acc Dep - Buildings	3100	\$ 743,928	0.540662	\$ 402,214
Acc Dep - Furniture	3100	\$ 93,755	0.540662	\$ 50,690
Acc Dep - Office Equipment	3100	\$ 47,687	0.540662	\$ 25,782
Acc Dep - General Purpose Computers	3100	\$ 139,876	0.540662	\$ 75,626
Total GSF Accum Depr		<u>\$ 1,071,898</u>		<u>\$ 579,534</u>
Total GSF Plant Net of Accum Depr		<u>\$ (401,032)</u>		<u>\$ (273,389)</u>
Acc Deferred Tax	4340	<u>\$ 15,137</u>	0.640034	<u>\$ 9,688</u>
Total Adjustment		<u>\$ (385,895)</u>		<u>\$ (263,701)</u>

Source: Staff Workpaper Attachment AD-2 - Rate Base Allocation Factors

Twin Valley Telephone, Inc.
15-TWVT-213-AUD
Test Year Ending December 31, 2014

Attachment AD-3

Staff Workpaper IS-2
Interstate Access Revenue Adjustment

	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
Decrease Network Access Revenue	5080	\$ (244,766)	1.000000	\$ (244,766)
Total Staff Adjustment		<u>\$ (244,766)</u>		<u>\$ (244,766)</u>

Source: 2014 General Ledger - Account 5081.100.00

Twin Valley Telephone, Inc.
 15-TWVT-213-AUD
 Test Year Ending December 31, 2014

Attachment AD-3

Staff Workpaper IS-3
 Terminating Access Revenue Adjustment

	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
Increase Network Access Revenue	5080	\$ 16,970	1.000000	\$ 16,970
Total Staff Adjustment		<u>\$ 16,970</u>		<u>\$ 16,970</u>

To Calculate Staff Adjustment:

Terminating Access Revenue - 12 months ended 6/30/13	\$ 153,748
Terminating Access Revenue - 12 months ended 12/31/14	\$ 136,778

Staff Adjustment to Reflect Terminating Access Revenue at
 the level of 12 months ended 6/30/13

\$ 16,970

Source: DR 82

Twin Valley Telephone, Inc.
 15-TWVT-213-AUD
 Test Year Ending December 31, 2014

Attachment AD-3

Staff Workpaper IS-4
 Rent Revenue Adjustment

	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
Total Staff Adjustment		<u> </u> <u> </u>		<u> </u> <u> </u>
Calculation to Increase Rental Revenue:				
Monthly Rent paid by ESPI		<u> </u>		
Annual Test Year Rent		<u> </u> <u> </u>		

Twin Valley Telephone, Inc.
 15-TWVT-213-AUD
 Test Year Ending December 31, 2014

Attachment AD-3

Staff Workpaper IS-4.1
 Calculate FDC of ESPI Building Rental

	Cost of Land & Bldg Leased to ESPI		
	Plant	A/D	Net Plant
	Bal @ 12/31/2014	Bal @ 12/31/2014	Bal @ 12/31/2014
Land			
Building			
Total Land & Bldg			

Accum Depr - Bldg Total Company ESPI Bldg Total Bldgs % ESPI Bldg to Tot Bldg.
--

Staff's Overall ROR 7.26%

Annual Return on Investment

Depreciation Expense:

Building

TVT Depr Rate

Annual Depr Exp

Total Property Taxes

% ESPI Bldg to Tot Bldg

Annual Property Exp

Land & Bldg Exp

% ESPI Bldg to Tot Bldg

Annual Land & Bldg Exp

Total FDC of Land & Bldg Leased to ESPI

Annual Rent Charged to ESPI

Rent charged to ESPI over/(under) FDC

Per FCC regulations:

Goods & services provided to affiliates to be recorded at no less than the higher of FDC/FMV

Twin Valley Telephone, Inc.
 15-TWVT-213-AUD
 Test Year Ending December 31, 2014

Attachment AD-3

Staff Workpaper IS-5
 Reverse Company's Non-Reg Allocation of Shared Expenses

	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
General Support Expense	6120	\$ 43,608	0.579066	\$ 25,252
Central Office Switching Expense	6210		0.311637	\$ -
Central Office Transmission Expense	6230		0.311637	\$ -
Cable and Wire Facilities Expense	6410		0.662319	\$ -
Network Operations Expense	6530		0.579066	\$ -
Access Expense	6540		0.323796	\$ -
Depreciation & Amortization Expense	6560	\$ 35,148	0.614262	\$ 21,590
Marketing Expense	6610	\$ 116,554	0.617651	\$ 71,990
Directory Expense	6622		0.818405	\$ -
Services Expense	6623	\$ 111,441	0.756171	\$ 84,269
Executive and Planning Expense	6710		0.502663	\$ -
General and Administrative Expense	6720	\$ 133,962	0.448945	\$ 60,142
General and Administrative - Audit	6720		1.000000	\$ -
Other Operating Taxes	7240	\$ 15,446	0.579066	\$ 8,944
Total Staff Adjustment		<u>\$ 456,160</u>		<u>\$ 272,186</u>

Source: Staff Workpaper Attachment AD-2.1
 Non-Regulated Expense Allocation Factors &
 GSF, G&A, Marketing, Advertising, Customer Service, B&C Allocations

Staff Workpaper IS-6
Allocate Non-Regulated GSF, G&A, and Marketing Expenses

	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
General Support Expense	6120	\$ (112,304)	0.579066	\$ (65,031)
Central Office Switching Expense	6210		0.311637	\$ -
Central Office Transmission Expense	6230		0.311637	\$ -
Cable and Wire Facilities Expense	6410		0.662319	\$ -
Network Operations Expense	6530		0.579066	\$ -
Access Expense	6540		0.323796	\$ -
Depreciation & Amortization Expense	6560	\$ (104,364)	0.614262	\$ (64,107)
Marketing Expense	6610	\$ (70,000)	0.617651	\$ (43,236)
Directory Expense	6622		0.818405	\$ -
Services Expense	6623		0.756171	\$ -
Executive and Planning Expense	6710		0.502663	\$ -
General and Administrative Expense	6720	\$ (181,773)	0.448945	\$ (81,606)
Other Operating Taxes	7240	\$ (38,732)	0.579066	\$ (22,428)
Total Staff Adjustment		<u>\$ (507,173)</u>		<u>\$ (276,408)</u>

Source: Staff Workpaper Attachment AD-2.1
Non-Regulated Expense Allocation Factors &
GSF, G&A, Marketing, Advertising, Customer Service, B&C Allocations

Twin Valley Telephone, Inc.
15-TWVT-213-AUD
Test Year Ending December 31, 2014

Staff Workpaper IS-7
Payroll Normalization and Distribution Adjustment

Attachment AD-3

	ACT	ACTUAL PR & DIST	CO'S PRO FORMA ADJ VII	PR PER FILING	STAFF PRO FORMA	ACT %	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
General Support Expense	6120	\$ 23,028	\$ 929	\$ 23,957	\$ 13,981	0.40%	\$ (9,976)	0.579066	\$ (5,777)
Central Office Switching Expense	6210	\$ 46,075	\$ 1,355	\$ 47,430	\$ 45,103	1.28%	\$ (2,327)	0.311637	\$ (725)
Central Office Transmission Expense	6230	\$ 744,233	\$ 21,892	\$ 766,125	\$ 625,436	17.72%	\$ (140,688)	0.311637	\$ (43,844)
Cable and Wire Facilities Expense	6410	\$ 219,959	\$ 6,470	\$ 226,429	\$ 206,855	5.86%	\$ (19,574)	0.662319	\$ (12,964)
Network Operations Expense	6530	\$ 552,810	\$ 16,261	\$ 569,071	\$ 487,436	13.81%	\$ (81,635)	0.579066	\$ (47,272)
Marketing Expense	6610	\$ 287,956	\$ 8,470	\$ 296,426	\$ 124,119	3.52%	\$ (172,307)	0.617651	\$ (106,426)
Directory Expense	6622	\$ 3,323	\$ 98	\$ 3,421	\$ 1,466	0.04%	\$ (1,955)	0.818405	\$ (1,600)
Services Expense	6623	\$ 287,654	\$ 8,461	\$ 296,115	\$ 167,381	4.74%	\$ (128,733)	0.756171	\$ (97,344)
Executive and Planning Expense	6710	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	0.502663	\$ -
General and Administrative Expense	6720	\$ 546,517	\$ 16,076	\$ 562,593	\$ 409,947	11.62%	\$ (152,647)	0.448945	\$ (68,530)
Subtotal - Regulated PR Expense		\$ 2,711,553	\$ 80,012	\$ 2,791,565	\$ 2,081,724	58.98%	\$ (709,841)		\$ (384,481)
TPUC PR		\$ 89,645	\$ 2,186	\$ 91,831	\$ 86,067	2.44%	\$ (5,763)		
Non-Regulated PR Exp		\$ 864,513	\$ 25,881	\$ 890,394	\$ 1,361,560	38.58%	\$ 471,166		
Total Payroll		\$ 3,665,710	\$ 108,079	\$ 3,773,789	\$ 3,529,351	100.00%	\$ (244,438)		

Attachment AD-3

Staff Worksheet 15-7-1
2014 Total Year Payroll Distribution

Twin Valley Telephone, Inc.
15-TVALT-213-ALD
Test Year Ending December 31, 2014

SHARED	Sub 2	Sub 3	Sub 4	Sub 5	Sub 6	Sub 7	Sub 8	Sub 9	Sub 10	Sub 11	Sub 12	Sub 13	Sub 14	Sub 15	Sub 16	Sub 17	Sub 18	Sub 19	Sub 20	Sub 21	Sub 22	Sub 23	Sub 24	Sub 25	Sub 26	Sub 27	Sub 28	Sub 29	Sub 30	Sub 31	Sub 32	Sub 33	Sub 34	Sub 35	Sub 36	Sub 37	Sub 38	Sub 39	Sub 40	Sub 41	Sub 42	Sub 43	Sub 44	Sub 45	Sub 46	Sub 47	Sub 48	Sub 49	Sub 50	Sub 51	Sub 52	Sub 53	Sub 54	Sub 55	Sub 56	Sub 57	Sub 58	Sub 59	Sub 60	Sub 61	Sub 62	Sub 63	Sub 64	Sub 65	Sub 66	Sub 67	Sub 68	Sub 69	Sub 70	Sub 71	Sub 72	Sub 73	Sub 74	Sub 75	Sub 76	Sub 77	Sub 78	Sub 79	Sub 80	Sub 81	Sub 82	Sub 83	Sub 84	Sub 85	Sub 86	Sub 87	Sub 88	Sub 89	Sub 90	Sub 91	Sub 92	Sub 93	Sub 94	Sub 95	Sub 96	Sub 97	Sub 98	Sub 99	Sub 100	Sub 101	Sub 102	Sub 103	Sub 104	Sub 105	Sub 106	Sub 107	Sub 108	Sub 109	Sub 110	Sub 111	Sub 112	Sub 113	Sub 114	Sub 115	Sub 116	Sub 117	Sub 118	Sub 119	Sub 120	Sub 121	Sub 122	Sub 123	Sub 124	Sub 125	Sub 126	Sub 127	Sub 128	Sub 129	Sub 130	Sub 131	Sub 132	Sub 133	Sub 134	Sub 135	Sub 136	Sub 137	Sub 138	Sub 139	Sub 140	Sub 141	Sub 142	Sub 143	Sub 144	Sub 145	Sub 146	Sub 147	Sub 148	Sub 149	Sub 150	Sub 151	Sub 152	Sub 153	Sub 154	Sub 155	Sub 156	Sub 157	Sub 158	Sub 159	Sub 160	Sub 161	Sub 162	Sub 163	Sub 164	Sub 165	Sub 166	Sub 167	Sub 168	Sub 169	Sub 170	Sub 171	Sub 172	Sub 173	Sub 174	Sub 175	Sub 176	Sub 177	Sub 178	Sub 179	Sub 180	Sub 181	Sub 182	Sub 183	Sub 184	Sub 185	Sub 186	Sub 187	Sub 188	Sub 189	Sub 190	Sub 191	Sub 192	Sub 193	Sub 194	Sub 195	Sub 196	Sub 197	Sub 198	Sub 199	Sub 200	Sub 201	Sub 202	Sub 203	Sub 204	Sub 205	Sub 206	Sub 207	Sub 208	Sub 209	Sub 210	Sub 211	Sub 212	Sub 213	Sub 214	Sub 215	Sub 216	Sub 217	Sub 218	Sub 219	Sub 220	Sub 221	Sub 222	Sub 223	Sub 224	Sub 225	Sub 226	Sub 227	Sub 228	Sub 229	Sub 230	Sub 231	Sub 232	Sub 233	Sub 234	Sub 235	Sub 236	Sub 237	Sub 238	Sub 239	Sub 240	Sub 241	Sub 242	Sub 243	Sub 244	Sub 245	Sub 246	Sub 247	Sub 248	Sub 249	Sub 250	Sub 251	Sub 252	Sub 253	Sub 254	Sub 255	Sub 256	Sub 257	Sub 258	Sub 259	Sub 260	Sub 261	Sub 262	Sub 263	Sub 264	Sub 265	Sub 266	Sub 267	Sub 268	Sub 269	Sub 270	Sub 271	Sub 272	Sub 273	Sub 274	Sub 275	Sub 276	Sub 277	Sub 278	Sub 279	Sub 280	Sub 281	Sub 282	Sub 283	Sub 284	Sub 285	Sub 286	Sub 287	Sub 288	Sub 289	Sub 290	Sub 291	Sub 292	Sub 293	Sub 294	Sub 295	Sub 296	Sub 297	Sub 298	Sub 299	Sub 300	Sub 301	Sub 302	Sub 303	Sub 304	Sub 305	Sub 306	Sub 307	Sub 308	Sub 309	Sub 310	Sub 311	Sub 312	Sub 313	Sub 314	Sub 315	Sub 316	Sub 317	Sub 318	Sub 319	Sub 320	Sub 321	Sub 322	Sub 323	Sub 324	Sub 325	Sub 326	Sub 327	Sub 328	Sub 329	Sub 330	Sub 331	Sub 332	Sub 333	Sub 334	Sub 335	Sub 336	Sub 337	Sub 338	Sub 339	Sub 340	Sub 341	Sub 342	Sub 343	Sub 344	Sub 345	Sub 346	Sub 347	Sub 348	Sub 349	Sub 350	Sub 351	Sub 352	Sub 353	Sub 354	Sub 355	Sub 356	Sub 357	Sub 358	Sub 359	Sub 360	Sub 361	Sub 362	Sub 363	Sub 364	Sub 365	Sub 366	Sub 367	Sub 368	Sub 369	Sub 370	Sub 371	Sub 372	Sub 373	Sub 374	Sub 375	Sub 376	Sub 377	Sub 378	Sub 379	Sub 380	Sub 381	Sub 382	Sub 383	Sub 384	Sub 385	Sub 386	Sub 387	Sub 388	Sub 389	Sub 390	Sub 391	Sub 392	Sub 393	Sub 394	Sub 395	Sub 396	Sub 397	Sub 398	Sub 399	Sub 400	Sub 401	Sub 402	Sub 403	Sub 404	Sub 405	Sub 406	Sub 407	Sub 408	Sub 409	Sub 410	Sub 411	Sub 412	Sub 413	Sub 414	Sub 415	Sub 416	Sub 417	Sub 418	Sub 419	Sub 420	Sub 421	Sub 422	Sub 423	Sub 424	Sub 425	Sub 426	Sub 427	Sub 428	Sub 429	Sub 430	Sub 431	Sub 432	Sub 433	Sub 434	Sub 435	Sub 436	Sub 437	Sub 438	Sub 439	Sub 440	Sub 441	Sub 442	Sub 443	Sub 444	Sub 445	Sub 446	Sub 447	Sub 448	Sub 449	Sub 450	Sub 451	Sub 452	Sub 453	Sub 454	Sub 455	Sub 456	Sub 457	Sub 458	Sub 459	Sub 460	Sub 461	Sub 462	Sub 463	Sub 464	Sub 465	Sub 466	Sub 467	Sub 468	Sub 469	Sub 470	Sub 471	Sub 472	Sub 473	Sub 474	Sub 475	Sub 476	Sub 477	Sub 478	Sub 479	Sub 480	Sub 481	Sub 482	Sub 483	Sub 484	Sub 485	Sub 486	Sub 487	Sub 488	Sub 489	Sub 490	Sub 491	Sub 492	Sub 493	Sub 494	Sub 495	Sub 496	Sub 497	Sub 498	Sub 499	Sub 500	Sub 501	Sub 502	Sub 503	Sub 504	Sub 505	Sub 506	Sub 507	Sub 508	Sub 509	Sub 510	Sub 511	Sub 512	Sub 513	Sub 514	Sub 515	Sub 516	Sub 517	Sub 518	Sub 519	Sub 520	Sub 521	Sub 522	Sub 523	Sub 524	Sub 525	Sub 526	Sub 527	Sub 528	Sub 529	Sub 530	Sub 531	Sub 532	Sub 533	Sub 534	Sub 535	Sub 536	Sub 537	Sub 538	Sub 539	Sub 540	Sub 541	Sub 542	Sub 543	Sub 544	Sub 545	Sub 546	Sub 547	Sub 548	Sub 549	Sub 550	Sub 551	Sub 552	Sub 553	Sub 554	Sub 555	Sub 556	Sub 557	Sub 558	Sub 559	Sub 560	Sub 561	Sub 562	Sub 563	Sub 564	Sub 565	Sub 566	Sub 567	Sub 568	Sub 569	Sub 570	Sub 571	Sub 572	Sub 573	Sub 574	Sub 575	Sub 576	Sub 577	Sub 578	Sub 579	Sub 580	Sub 581	Sub 582	Sub 583	Sub 584	Sub 585	Sub 586	Sub 587	Sub 588	Sub 589	Sub 590	Sub 591	Sub 592	Sub 593	Sub 594	Sub 595	Sub 596	Sub 597	Sub 598	Sub 599	Sub 600	Sub 601	Sub 602	Sub 603	Sub 604	Sub 605	Sub 606	Sub 607	Sub 608	Sub 609	Sub 610	Sub 611	Sub 612	Sub 613	Sub 614	Sub 615	Sub 616	Sub 617	Sub 618	Sub 619	Sub 620	Sub 621	Sub 622	Sub 623	Sub 624	Sub 625	Sub 626	Sub 627	Sub 628	Sub 629	Sub 630	Sub 631	Sub 632	Sub 633	Sub 634	Sub 635	Sub 636	Sub 637	Sub 638	Sub 639	Sub 640	Sub 641	Sub 642	Sub 643	Sub 644	Sub 645	Sub 646	Sub 647	Sub 648	Sub 649	Sub 650	Sub 651	Sub 652	Sub 653	Sub 654	Sub 655	Sub 656	Sub 657	Sub 658	Sub 659	Sub 660	Sub 661	Sub 662	Sub 663	Sub 664	Sub 665	Sub 666	Sub 667	Sub 668	Sub 669	Sub 670	Sub 671	Sub 672	Sub 673	Sub 674	Sub 675	Sub 676	Sub 677	Sub 678	Sub 679	Sub 680	Sub 681	Sub 682	Sub 683	Sub 684	Sub 685	Sub 686	Sub 687	Sub 688	Sub 689	Sub 690	Sub 691	Sub 692	Sub 693	Sub 694	Sub 695	Sub 696	Sub 697	Sub 698	Sub 699	Sub 700	Sub 701	Sub 702	Sub 703	Sub 704	Sub 705	Sub 706	Sub 707	Sub 708	Sub 709	Sub 710	Sub 711	Sub 712	Sub 713	Sub 714	Sub 715	Sub 716	Sub 717	Sub 718	Sub 719	Sub 720	Sub 721	Sub 722	Sub 723	Sub 724	Sub 725	Sub 726	Sub 727	Sub 728	Sub 729	Sub 730	Sub 731	Sub 732	Sub 733	Sub 734	Sub 735	Sub 736	Sub 737	Sub 738	Sub 739	Sub 740	Sub 741	Sub 742	Sub 743	Sub 744	Sub 745	Sub 746	Sub 747	Sub 748	Sub 749	Sub 750	Sub 751	Sub 752	Sub 753	Sub 754	Sub 755	Sub 756	Sub 757	Sub 758	Sub 759	Sub 760	Sub 761	Sub 762	Sub 763	Sub 764	Sub 765	Sub 766	Sub 767	Sub 768	Sub 769	Sub 770	Sub 771	Sub 772	Sub 773	Sub 774	Sub 775	Sub 776	Sub 777	Sub 778	Sub 779	Sub 780	Sub 781	Sub 782	Sub 783	Sub 784	Sub 785	Sub 786	Sub 787	Sub 788	Sub 789	Sub 790	Sub 791	Sub 792	Sub 793	Sub 794	Sub 795	Sub 796	Sub 797	Sub 798	Sub 799	Sub 800	Sub 801	Sub 802	Sub 803	Sub 804	Sub 805	Sub 806	Sub 807	Sub 808	Sub 809	Sub 810	Sub 811	Sub 812	Sub 813	Sub 814	Sub 815	Sub 816	Sub 817	Sub 818	Sub 819	Sub 820	Sub 821	Sub 822	Sub 823	Sub 824	Sub 825	Sub 826	Sub 827	Sub 828	Sub 829	Sub 830	Sub 831	Sub 832	Sub 833	Sub 834	Sub 835	Sub 836	Sub 837	Sub 838	Sub 839	Sub 840	Sub 841	Sub 842	Sub 843	Sub 844	Sub 845	Sub 846	Sub 847	Sub 848	Sub 849	Sub 850	Sub 851	Sub 852	Sub 853	Sub 854	Sub 855	Sub 856	Sub 857	Sub 858	Sub 859	Sub 860	Sub 861	Sub 862	Sub 863	Sub 864	Sub 865	Sub 866	Sub 867	Sub 868	Sub 869	Sub 870	Sub 871	Sub 872	Sub 873	Sub 874	Sub 875	Sub 876	Sub 877	Sub 878	Sub 879	Sub 880	Sub 881	Sub 882	Sub 883	Sub 884	Sub 885	Sub 886	Sub 887	Sub 888	Sub 889	Sub 890	Sub 891	Sub 892	Sub 893	Sub 894	Sub 895	Sub 896	Sub 897	Sub 898	Sub 899	Sub 900	Sub 901	Sub 902	Sub 903	Sub 904	Sub 905	Sub 906	Sub 907	Sub 908	Sub 909	Sub 910	Sub 911	Sub 912	Sub 913	Sub 914	Sub 915	Sub 916	Sub 917	Sub 918	Sub 919	Sub 920	Sub 921	Sub 922	Sub 923	Sub 924	Sub 925	Sub 926	Sub 927	Sub 928	Sub 929	Sub 930	Sub 931	Sub 932	Sub 933	Sub 934	Sub 935	Sub 936	Sub 937	Sub 938	Sub 939	Sub 940	Sub 941	Sub 942	Sub 943	Sub 944	Sub 945	Sub 946	Sub 947	Sub 948	Sub 949	Sub 950	Sub 951	Sub 952	Sub 953	Sub 954	Sub 955	Sub 956	Sub 957	Sub 958	Sub 959	Sub 960	Sub 961	Sub 962	Sub 963	Sub 964	Sub 965	Sub 966	Sub 967	Sub 968	Sub 969	Sub 970	Sub 971	Sub 972	Sub 973	Sub 974	Sub 975	Sub 976	Sub 977	Sub 978	Sub 979	Sub 980	Sub 981	Sub 982	Sub 983	Sub 984	Sub 985	Sub 986	Sub 987	Sub 988	Sub 989	Sub 990	Sub 991	Sub 992	Sub 993	Sub 994	Sub 995	Sub 996	Sub 997	Sub 998	Sub 999	Sub 1000	Sub 1001	Sub 1002	Sub 1003	Sub 1004	Sub 1005	Sub 1006	Sub 1007	Sub 1008	Sub 1009	Sub 1010	Sub 1011	Sub 1012	Sub 1013	Sub 1014	Sub 1015	Sub 1016	Sub 1017	Sub 1018	Sub 1019	Sub 1020	Sub 1021	Sub 1022	Sub 1023	Sub 1024	Sub 1025	Sub 1026	Sub 1027	Sub 1028	Sub 1029	Sub 1030	Sub 1031	Sub 1032	Sub 1033	Sub 1034	Sub 1035	Sub 1036	Sub 1037	Sub 1038	Sub 1039	Sub 1040	Sub 1041	Sub 1042	Sub 1043	Sub 1044	Sub 1045	Sub 1046	Sub 1047	Sub 1048	Sub 1049	Sub 1050	Sub 1051	Sub 1052	Sub 1053	Sub 1054	Sub 1055	Sub 1056	Sub 1057	Sub 1058	Sub 1059	Sub 1060	Sub 1061	Sub 1062	Sub 1063	Sub 1064	Sub 1065	Sub 1066	Sub 1067	Sub 1068	Sub 1069	Sub 1070	Sub 1071	Sub 1072	Sub 1073	Sub 1074	Sub 1075	Sub 1076	Sub 1077	Sub 1078	Sub 1079	Sub 1080	Sub 1081	Sub 1082	Sub 1083	Sub 1084	Sub 1085	Sub 1086	Sub 1087	Sub 1088	Sub 1089	Sub 1090	Sub 1091	Sub 1092	Sub 1093	Sub 1094	Sub 1095	Sub 1096	Sub 1097	Sub 1098	Sub 1099	Sub 1100	Sub 1101	Sub 1102	Sub 1103	Sub 1104	Sub 1105	Sub 1106	Sub 1107	Sub 1108	Sub 1109	Sub 1110	Sub 1111	Sub 1112	Sub 1113	Sub 1114	Sub 1115	Sub 1116	Sub 1117	Sub 1118	Sub 1119	Sub 1120	Sub 1121	Sub 1122	Sub 1123	Sub 1124	Sub 1125	Sub 1126	Sub 1127	Sub 1128	Sub 1129	Sub 1130	Sub 1131	Sub 1132	Sub 1133	Sub 1134	Sub 1135	Sub 1136	Sub 1137	Sub 1138	Sub 1139	Sub 1140	Sub 1141	Sub 1142	Sub 1143	Sub 1144	Sub 1145	Sub 1146	Sub 1147	Sub 1148	Sub 1149	Sub 1150	Sub 1151	Sub 1152	Sub 1153	Sub 1154	Sub 1155	Sub 1156	Sub 1157	Sub 1158	Sub 1159	Sub 1160	Sub 1161	Sub 1162	Sub 1163	Sub 1164	Sub 1165	Sub 1166	Sub 1167	Sub 1168	Sub 1169	Sub 1170	Sub 1171	Sub 1172	Sub 1173	Sub 1174	Sub 1175	Sub 1176	Sub 1177	Sub 1178	Sub 1179	Sub 1180	Sub 1181	Sub 1182	Sub 1183	Sub 1184	Sub 1185	Sub 1186	Sub 1187	Sub 1188	Sub 1189	Sub 1190	Sub 1191	Sub 1192	Sub 1193	Sub 1194	Sub 1195	Sub 1196	Sub 1197	Sub 1198	Sub 1199	Sub 1200	Sub 1201	Sub 1202	Sub 1203	Sub 1204	Sub 1205	Sub 1206	Sub 1207	Sub 1208	Sub 1209	Sub 1210	Sub 1211	Sub 1212	Sub 1213	Sub 1214	Sub 1215	Sub 1216	Sub 1217	Sub 1218	Sub 1219	Sub 1220	Sub 1221	Sub 1222	Sub 1223	Sub 1224	Sub 1225	Sub 1226	
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[illegible]

UPPER END OF PARING ACTS

TOTAL PRO FORMA 99.2% DILUTION

11 Temporary or terminated employee - dual-use title. TV Dist Repd Exp
12
13 Dual-use compensation for temporary ambassador position and deferred compensation.
14
15 Reasonable labor costs for IQO employee. IQO directly bills TVT for his services.
16
17 Employee terminated in 2015, but company is currently reevaluating his position. Use actual TV expenses.
18
19 Employee's year sales incentive - relates to nonrelated services and not an ongoing level of expense
20
21
22
23
24

Twin Valley Telephone, Inc.
157477-213-AUG
1st Year Ending December 31, 2014

Dial Workgroup B-22
Dial Pre Format Panel Distribution

Attachment AD-3

		0290	0310	0320	0330	0340	0350	0360	0370	0380	0390	0400	0410	0420	0430	0440	0450	0460	0470	0480	0490	0500	0510	0520	0530	0540	0550	0560	0570	0580	0590	0600	0610	0620	0630	0640	0650	0660	0670	0680	0690	0700	0710	0720	0730	0740	0750	0760	0770	0780	0790	0800	0810	0820	0830	0840	0850	0860	0870	0880	0890	0900	0910	0920	0930	0940	0950	0960	0970	0980	0990	1000	1010	1020	1030	1040	1050	1060	1070	1080	1090	1100	1110	1120	1130	1140	1150	1160	1170	1180	1190	1200	1210	1220	1230	1240	1250	1260	1270	1280	1290	1300	1310	1320	1330	1340	1350	1360	1370	1380	1390	1400	1410	1420	1430	1440	1450	1460	1470	1480	1490	1500	1510	1520	1530	1540	1550	1560	1570	1580	1590	1600	1610	1620	1630	1640	1650	1660	1670	1680	1690	1700	1710	1720	1730	1740	1750	1760	1770	1780	1790	1800	1810	1820	1830	1840	1850	1860	1870	1880	1890	1900	1910	1920	1930	1940	1950	1960	1970	1980	1990	2000	2010	2020	2030	2040	2050	2060	2070	2080	2090	2100	2110	2120	2130	2140	2150	2160	2170	2180	2190	2200	2210	2220	2230	2240	2250	2260	2270	2280	2290	2300	2310	2320	2330	2340	2350	2360	2370	2380	2390	2400	2410	2420	2430	2440	2450	2460	2470	2480	2490	2500	2510	2520	2530	2540	2550	2560	2570	2580	2590	2600	2610	2620	2630	2640	2650	2660	2670	2680	2690	2700	2710	2720	2730	2740	2750	2760	2770	2780	2790	2800	2810	2820	2830	2840	2850	2860	2870	2880	2890	2900	2910	2920	2930	2940	2950	2960	2970	2980	2990	3000	3010	3020	3030	3040	3050	3060	3070	3080	3090	3100	3110	3120	3130	3140	3150	3160	3170	3180	3190	3200	3210	3220	3230	3240	3250	3260	3270	3280	3290	3300	3310	3320	3330	3340	3350	3360	3370	3380	3390	3400	3410	3420	3430	3440	3450	3460	3470	3480	3490	3500	3510	3520	3530	3540	3550	3560	3570	3580	3590	3600	3610	3620	3630	3640	3650	3660	3670	3680	3690	3700	3710	3720	3730	3740	3750	3760	3770	3780	3790	3800	3810	3820	3830	3840	3850	3860	3870	3880	3890	3900	3910	3920	3930	3940	3950	3960	3970	3980	3990	4000	4010	4020	4030	4040	4050	4060	4070	4080	4090	4100	4110	4120	4130	4140	4150	4160	4170	4180	4190	4200	4210	4220	4230	4240	4250	4260	4270	4280	4290	4300	4310	4320	4330	4340	4350	4360	4370	4380	4390	4400	4410	4420	4430	4440	4450	4460	4470	4480	4490	4500	4510	4520	4530	4540	4550	4560	4570	4580	4590	4600	4610	4620	4630	4640	4650	4660	4670	4680	4690	4700	4710	4720	4730	4740	4750	4760	4770	4780	4790	4800	4810	4820	4830	4840	4850	4860	4870	4880	4890	4900	4910	4920	4930	4940	4950	4960	4970	4980	4990	5000	5010	5020	5030	5040	5050	5060	5070	5080	5090	5100	5110	5120	5130	5140	5150	5160	5170	5180	5190	5200	5210	5220	5230	5240	5250	5260	5270	5280	5290	5300	5310	5320	5330	5340	5350	5360	5370	5380	5390	5400	5410	5420	5430	5440	5450	5460	5470	5480	5490	5500	5510	5520	5530	5540	5550	5560	5570	5580	5590	5600	5610	5620	5630	5640	5650	5660	5670	5680	5690	5700	5710	5720	5730	5740	5750	5760	5770	5780	5790	5800	5810	5820	5830	5840	5850	5860	5870	5880	5890	5900	5910	5920	5930	5940	5950	5960	5970	5980	5990	6000	6010	6020	6030	6040	6050	6060	6070	6080	6090	6100	6110	6120	6130	6140	6150	6160	6170	6180	6190	6200	6210	6220	6230	6240	6250	6260	6270	6280	6290	6300	6310	6320	6330	6340	6350	6360	6370	6380	6390	6400	6410	6420	6430	6440	6450	6460	6470	6480	6490	6500	6510	6520	6530	6540	6550	6560	6570	6580	6590	6600	6610	6620	6630	6640	6650	6660	6670	6680	6690	6700	6710	6720	6730	6740	6750	6760	6770	6780	6790	6800	6810	6820	6830	6840	6850	6860	6870	6880	6890	6900	6910	6920	6930	6940	6950	6960	6970	6980	6990	7000	7010	7020	7030	7040	7050	7060	7070	7080	7090	7100	7110	7120	7130	7140	7150	7160	7170	7180	7190	7200	7210	7220	7230	7240	7250	7260	7270	7280	7290	7300	7310	7320	7330	7340	7350	7360	7370	7380	7390	7400	7410	7420	7430	7440	7450	7460	7470	7480	7490	7500	7510	7520	7530	7540	7550	7560	7570	7580	7590	7600	7610	7620	7630	7640	7650	7660	7670	7680	7690	7700	7710	7720	7730	7740	7750	7760	7770	7780	7790	7800	7810	7820	7830	7840	7850	7860	7870	7880	7890	7900	7910	7920	7930	7940	7950	7960	7970	7980	7990	8000	8010	8020	8030	8040	8050	8060	8070	8080	8090	8100	8110	8120	8130	8140	8150	8160	8170	8180	8190	8200	8210	8220	8230	8240	8250	8260	8270	8280	8290	8300	8310	8320	8330	8340	8350	8360	8370	8380	8390	8400	8410	8420	8430	8440	8450	8460	8470	8480	8490	8500	8510	8520	8530	8540	8550	8560	8570	8580	8590	8600	8610	8620	8630	8640	8650	8660	8670	8680	8690	8700	8710	8720	8730	8740	8750	8760	8770	8780	8790	8800	8810	8820	8830	8840	8850	8860	8870	8880	8890	8900	8910	8920	8930	8940	8950	8960	8970	8980	8990	9000	9010	9020	9030	9040	9050	9060	9070	9080	9090	9100	9110	9120	9130	9140	9150	9160	9170	9180	9190	9200	9210	9220	9230	9240	9250	9260	9270	9280	9290	9300	9310	9320	9330	9340	9350	9360	9370	9380	9390	9400	9410	9420	9430	9440	9450	9460	9470	9480	9490	9500	9510	9520	9530	9540	9550	9560	9570	9580	9590	9600	9610	9620	9630	9640	9650	9660	9670	9680	9690	9700	9710	9720	9730	9740	9750	9760	9770	9780	9790	9800	9810	9820	9830	9840	9850	9860	9870	9880	9890	9900	9910	9920	9930	9940	9950	9960	9970	9980	9990	10000	10010	10020	10030	10040	10050	10060	10070	10080	10090	10100	10110	10120	10130	10140	10150	10160	10170	10180	10190	10200	10210	10220	10230	1024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Emp. ID	Name	ADJUSTED OTHER EMP. % NONREG		EMP. REG % REG	EMP. UNREG % UNREG	TOTAL % REG	TOTAL % UNREG	TOTAL % REG	TOTAL % UNREG	TOTAL % REG	TOTAL % UNREG
		ADJUSTED OTHER EMP. % NONREG	ADJUSTED OTHER EMP. % NONREG								
01-00001	WILLIAM L. FOSTER										
01-00004	JOHN W. GOSSELING										
01-00005	PENNY L. GOSSELING										
01-00010	JACQUELINE FOSTER										
01-00017	DOMA A. SCHULTZ										
01-00019	TERESA L. WORTEN										
01-00020	WILLIAM L. FOSTER										
01-00021	BENJAMIN M. FOSTER										
01-00022	JOHN W. GOSSELING										
01-00023	JAMES G. THOMAS										
01-00024	SHARON L. WORTEN										
01-00025	AMANDA J. MOORE										
01-00026	TAMARA L. FOSTER										
01-00027	JOHN W. GOSSELING										
01-00028	SHARON L. WORTEN										
01-00029	SCOTT D. LUTZEL										
01-00030	MICHAEL G. PATTEN										
01-00031	JOSEPH E. GREENE										
01-00032	JOHN W. GOSSELING										
01-00033	CHRISTINE L. BICE										
01-00034	ADAM M. GOSSELING										
01-00035	JOHN W. GOSSELING										
01-00036	LARRY L. WORTEN										
01-00037	SCOTT A. GOSSELING										
01-00038	JAMES L. FOSTER										
01-00039	WILLIAM L. FOSTER										
01-00040	BILLY E. FOSTER										
01-00041	JOHN W. GOSSELING										
01-00042	MICHAEL W. HANDEL										
01-00043	JOHN W. GOSSELING										
01-00044	JOHN W. GOSSELING										
01-00045	BRANDON M. HANDEL										
02-00001	JOHN W. GOSSELING										
02-00002	JOHN W. GOSSELING										
02-00003	JOHN W. GOSSELING										
02-00004	JOHN W. GOSSELING										
02-00005	JOHN W. GOSSELING										
02-00006	JOHN W. GOSSELING										
02-00007	JOHN W. GOSSELING										
02-00008	JOHN W. GOSSELING										
02-00009	JOHN W. GOSSELING										
02-00010	JOHN W. GOSSELING										
02-00011	JOHN W. GOSSELING										
02-00012	JOHN W. GOSSELING										
02-00013	JOHN W. GOSSELING										
02-00014	JOHN W. GOSSELING										
02-00015	JOHN W. GOSSELING										
02-00016	JOHN W. GOSSELING										
02-00017	JOHN W. GOSSELING										
02-00018	JOHN W. GOSSELING										
02-00019	JOHN W. GOSSELING										
02-00020	JOHN W. GOSSELING										
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02-00073	JOHN W. GOSSELING										
02-00074	JOHN W. GOSSELING										
02-00075	JOHN W. GOSSELING										
02-00076	JOHN W. GOSSELING										
02-00077	JOHN W. GOSSELING										

SPREAD CLEARING ADT
TOTAL FHO FORM 1R & DUTY

(1) Temporary or Interim
(2) Employees not in the
(3) Return after 10 days
(4) Employees terminated
(5) Dismissed after 10 days

Twin Valley Telephone, Inc.
15-TWVT-213-AUD
Test Year Ending December 31, 2014

Attachment AD-3

Staff Workpaper IS-7.3
Allocate Non-Reg % for CEO

	TOTAL SALARY EXP ALL AFFIL - NOT INCL FOSTER	REG %	NR %
TVT-REG			
ISG			
TVT-NONREG (TVC) (1)			
TOTAL			

(1) Does not include NR ISG A/R Act

Sources: DR #3 - ISG Trial Balance
TVT Reg & NR - Labor Dist Report

SOURCE: DR 11d

RESULTS: Use TY OT, which is between OT hours reported in 2012 & 2013 - using 2014 employee leave's not counting terminated employees.

Enter Raw Data from DR 11d														
Employee ID	Employee Name	Pay Type	2014	2011	2012	2013	2014 TY		2011		2012		2013	
			Hours	Hours	Hours	Hours	Reg Hrs	OT Hrs	Reg Hrs	OT Hrs	Reg Hrs	OT Hrs	Reg Hrs	OT Hrs
02-00063	AARON A. OEHMKE													
02-00063	AARON A. OEHMKE													
02-00058	AARON M. WERTENBERGER													
02-00058	AARON M. WERTENBERGER													
01-00040	ADAM M. GLENDENING													
01-00025	AMANDA J. NICHOLS													
01-00025	AMANDA J. NICHOLS													
01-00015	BENJAMIN M. FOSTER													
02-00023	BILLY R. KOSTER													
02-00023	BILLY R. KOSTER													
02-00036	BRANDON H. HAMEL													
02-00036	BRANDON H. HAMEL													
02-00064	BRENT W. ROGGE													
02-00064	BRENT W. ROGGE													
02-00031	BRETT F. GISSELBECK													
02-00031	BRETT F. GISSELBECK													
02-00041	BRIAN S. DEMARS													
02-00041	BRIAN S. DEMARS													
02-00047	CALEB R. BLOOM													
02-00047	CALEB R. BLOOM													
01-00039	CHRISTIL L. RICE													
01-00039	CHRISTIL L. RICE													
02-00037	COLE M. GISSELBECK													
02-00037	COLE M. GISSELBECK													
02-00049	DARREN W. BATES													
02-00049	DARREN W. BATES													
01-00007	DONA N. SCHULTZ													
01-00007	DONA N. SCHULTZ													
01-00016	ERIC J. TABOR													
02-00073	IAN M. ROETMAN													
02-00073	IAN M. ROETMAN													
02-00075	JACOB J. BECHARD													
02-00077	JAKE M. YOUNG													
02-00077	JAKE M. YOUNG													
01-00045	JANICE P. HOELSCHER													
01-00045	JANICE P. HOELSCHER													
02-00045	JASON A. LOVENDAHL													
02-00045	JASON A. LOVENDAHL													
01-00020	JEANA R. TAYLOR													
01-00020	JEANA R. TAYLOR													
01-00028	JENNIFER A. CAUSEY-DAVIES													
01-00028	JENNIFER A. CAUSEY-DAVIES													
02-00052	JOEY L. WOODWORTH													
02-00052	JOEY L. WOODWORTH													
01-00037	JOSEPH E. GREENE													
02-00030	JOSHUA J. GISSELBECK													
02-00076	JUSTIN B. CRAVENS													
02-00076	JUSTIN B. CRAVENS													
02-00074	KADE D. JERMARK													
01-00021	KAREN S. TREMBLAY													
01-00021	KAREN S. TREMBLAY													
01-00012	KATHYL L. COLEMAN													
01-00012	KATHYL L. COLEMAN													
02-00046	KEVIN W. THOMPSON													
01-00014	KWALONN N. GISSELBECK													
01-00043	LARRY E. MITCHELL													
02-00026	LARRY J. MCKAIN													
02-00026	LARRY J. MCKAIN													
02-00032	MARK W. MYER													
02-00032	MARK W. MYER													
01-00041	MELISSA K. SHIVERS													
01-00034	MICHAEL C. PAYNE													
02-00024	MICHAEL W. HAMEL													
01-00047	MORGAN D. MAY													
02-00038	RICKEY E. UNDERWOOD													
02-00038	RICKEY E. UNDERWOOD													
01-00044	SCOTT A. CISHNA													
01-00033	SCOTT D. LEITZEL													
01-00038	SHALEY A. JOHNSON													
01-00038	SHALEY A. JOHNSON													
01-00022	SHEILA A. WENDELKEN													
01-00022	SHEILA A. WENDELKEN													
01-00031	SHELLEE A. FREDERICK													
01-00031	SHELLEE A. FREDERICK													
01-00027	TAMMY R. TAYLOR													
01-00027	TAMMY R. TAYLOR													
02-00040	TOREY S. HAMEL													
02-00040	TOREY S. HAMEL													
01-00023	TRACIL THOMPSON													
02-00070	TRAVIS D. WURTZ													
02-00070	TRAVIS D. WURTZ													
02-00069	ZACH N. ELZNGA													
02-00069	ZACH N. ELZNGA													
02-00072	ZACHARY R. DEMARS													
02-00072	ZACHARY R. DEMARS													
	Subtotal													

Twin Valley Telephone, Inc.
15-TWVT-213-AUD
Test Year Ending December 31, 2014

Staff Workpaper IS-8
Employee Benefit and Payroll Tax Adjustment

Attachment AD-3

	ACT	STAFF ADJ TO REVERSE CO'S BEN & PR TAX PRO FORMA ADJ VII	STAFF'S PRO FORMA EMPL BEN & PR TAX ADJ	PRO FORMA DIST %	TOTAL STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
General Support Expense	6120	\$ (716)	\$ 176	0.40%	\$ (540)	0.579066	\$ (313)
Central Office Switching Expense	6210	\$ (1,046)	\$ 566	1.28%	\$ (480)	0.311637	\$ (149)
Central Office Transmission Expense	6230	\$ (16,899)	\$ 7,854	17.72%	\$ (9,045)	0.311637	\$ (2,819)
Cable and Wire Facilities Expense	6410	\$ (4,994)	\$ 2,598	5.86%	\$ (2,396)	0.662319	\$ (1,587)
Network Operations Expense	6530	\$ (12,552)	\$ 6,121	13.81%	\$ (6,431)	0.579066	\$ (3,724)
Marketing Expense	6610	\$ (6,538)	\$ 1,559	3.52%	\$ (4,979)	0.617651	\$ (3,076)
Directory Expense	6622	\$ (75)	\$ 18	0.04%	\$ (57)	0.818405	\$ (46)
Services Expense	6623	\$ (6,532)	\$ 2,102	4.74%	\$ (4,430)	0.756171	\$ (3,350)
Executive and Planning Expense	6710	\$ -	\$ -	0.00%	\$ -	0.502663	\$ -
General and Administrative Expense	6720	\$ (12,409)	\$ 5,148	11.62%	\$ (7,261)	0.448945	\$ (3,260)
Subtotal - Regulated PR Expense		\$ (61,761)	\$ 26,141	58.98%	\$ (35,620)		\$ (18,324)
TPUC PR		\$ (1,687)	\$ 1,081	2.44%	\$ (606)		
Non-Regulated PR Exp		\$ (19,980)	\$ 17,097	38.58%	\$ (2,883)		
Total Payroll		\$ (83,428)	\$ 44,319	100.00%	\$ (39,109)		

Twin Valley Telephone, Inc.
15-TWVT-213-AUD
Test Year Ending December 31, 2014

Staff Workpaper IS-8.1
Employee Benefit & Payroll Tax Adjustment

Attachment AD-3

	HEALTH & DENTAL INS.	KC LIFE	LIFE/ ADD/ DLI/ LTD INS.	PROFIT SHARING 401K (1)	FICA PR TAX 7.65% (2)	TOTAL BEN & PR TAX
Pro Forma - Monthly Exp						
Pro Forma - Quarterly Exp						
Pro Forma - Annual Exp						
2014 Test Year Exp						
Staff Adj						

(1) Calculation of Profit Sharing 401K Adjustment:	
Pro Forma Compensation - subject to profit sharing %	
Employer share of profit sharing	
Pro Forma Employer share of Profit Sharing 401K	
Test Year Compensation	
Less Deferred Comp	
Test Year Compensation - subject to profit sharing %	
Employer share of profit sharing	
Test Year Employer share of Profit Sharing 401K	
Staff Adjustment - Increase in profit sharing expense	

(2) Calculation of FICA PR Tax Adjustment:	
Pro Forma Compensation subject to 1.45% of Medicare Tax	
Less Wages > 2015 Social Security Tax Limit of \$118,500	
Pro Forma Compensation subject to 6.20 % Social Security Tax	
Employer share of 1.45% Medicare Tax	
Employer share of 6.20 % Social Security Tax	
Total Pro Forma Employer Share of FICA Tax	
Test Year Compensation subject to 1.45% of Medicare Tax	
Less Wages > 2014 Social Security Tax Limit of \$117,000	
Pro Forma Compensation subject to 6.20 % Social Security Tax	
Employer share of 1.45% Medicare Tax	
Employer share of 6.20 % Social Security Tax	
Total Test Year Employer Share of FICA Tax	
Staff Adjustment - Increase in PR Tax expense	

Twin Valley Telephone, Inc.
 15-TWVT-213-AUD
 Test Year Ending December 31, 2014

Attachment AD-3

Staff Workpaper IS-9
 Employee Compensation Adjustment

	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
General Support Expense	6120		0.579066	\$ -
Central Office Switching Expense	6210		0.311637	\$ -
Central Office Transmission Expense	6230	\$ (24,469)	0.311637	\$ (7,626)
Cable and Wire Facilities Expense	6410		0.662319	\$ -
Network Operations Expense	6530	\$ (5,084)	0.579066	\$ (2,944)
Marketing Expense	6610	\$ (2,052)	0.617651	\$ (1,267)
Directory Expense	6622		0.818405	\$ -
Services Expense	6623		0.756171	\$ -
Executive and Planning Expense	6710		0.502663	\$ -
General and Administrative Expense	6720	\$ (52,114)	0.448945	\$ (23,396)
Total Staff Adjustment		<u>\$ (83,719)</u>		<u>\$ (35,233)</u>

Truck Value Telephone, Inc.

157MY07-2014AUD

Staff Worksheet (S0.1)

Attachment ADO

Salary and Bonus Compensation Disallowance Calculation

Source: NTCA 2014 Survey reports Compensation and Benefits as of January 1, 2014

Employee	Title	Position	Wages	Bonus	Bonus	Costo	Actual 2014			Operating Revenues			Access Lines			FTE -42 (Note 3)			Paycom - Plans			Base Salary			Bonuses			Total			TV Wage + Bonus Exceeding Third Quantile	Staff Adj	Reg %	Regulated Account
							Wages + Bonus	Survey	Costo	First	Third	Quantile	First	Third	Quantile	First	Third	Quantile	First	Third	Quantile	First	Third	Quantile	First	Third	Quantile	First	Third	Quantile				
Scott Lalum	Vp Op (TV/TV)																																	
Larry Mitchell	Network Op Mgr																																	
Michael Hamel	Network Op Support Mgr																																	
Michael Payne	HR/Organization Development																																	
Joseph Greene	Mktg & Bus Development Mgr																																	
Joshua Oberbeck	CS Plant Supr																																	
Morgan May	Contractor																																	
Kevin Thompson	Network Op Engineer																																	
Blay McKinn	Bus Services Tech It																																	
Traci Thompson	Billing Services Mgr																																	
Total																																		

(1) Operating Revenue for FY 2014 (Fid. Company's Filing, See B, Sch 2)

(2) Average access lines in 2014 per DR 17

(3) Current Level of Full Time Employees

(4) Survey salaries reported do not include overtime pay. Salaries computed using pay rate @ 171/4 x 2080 hrs

The NTCA Survey states: "Together, the 25th percentile and the 75th percentile define the middle 50% of all salaries paid for the job.

This midpoint, based on the reported rates for the position, generally is considered the most reliable indicator of prevailing rates of pay.

Staff Workpaper IS-10
Post Retirement Benefit Obligation Distribution Adjustment
To Distribute Company's Total Year End Adjustment to All Accounts
Per Staff's Pro Forma Payroll Distribution %

	ACT	PER CO TYE ADJ	PER STAFF PR %	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
General Support Expense	6120		\$ 671	\$ 671	0.579066	\$ 389
Central Office Switching Expense	6210		\$ 2,166	\$ 2,166	0.311637	\$ 675
Central Office Transmission Expense	6230	\$ 70,347	\$ 30,039	\$ (40,308)	0.311637	\$ (12,561)
Cable and Wire Facilities Expense	6410		\$ 9,935	\$ 9,935	0.662319	\$ 6,580
Network Operations Expense	6530	\$ 47,463	\$ 23,411	\$ (24,052)	0.579066	\$ (13,928)
Marketing Expense	6610	\$ 27,800	\$ 5,961	\$ (21,838)	0.617651	\$ (13,489)
Directory Expense	6622		\$ 70	\$ 70	0.818405	\$ 58
Services Expense	6623		\$ 8,039	\$ 8,039	0.756171	\$ 6,079
Executive and Planning Expense	6710		\$ -	\$ -	0.502663	\$ -
General and Administrative Expense	6720	\$ 23,901	\$ 19,689	\$ (4,212)	0.448945	\$ (1,891)
Total Regulated Accounts		<u>\$ 169,511</u>	<u>\$ 99,983</u>	<u>\$ (69,528)</u>		<u>\$ (28,088)</u>
Non-Regulated Expense		\$ -	\$ 4,134	\$ 4,134		
TPUC		\$ -	\$ 65,394	\$ 65,394		
Total Adjustment		<u>\$ 169,511</u>	<u>\$ 169,511</u>	<u>\$ 0</u>		

Source: 2014 General Ledger

Twin Valley Telephone, Inc.
15-TWVT-213-AUD
Test Year Ending December 31, 2014

Attachment AD-3

Staff Workpaper IS-11
Management Benefit Adjustment

	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
General Support Expense	6120		0.579066	\$ -
Central Office Switching Expense	6210		0.311637	\$ -
Central Office Transmission Expense	6230		0.311637	\$ -
Cable and Wire Facilities Expense	6410		0.662319	\$ -
Network Operations Expense	6530	\$ (29,759)	0.579066	\$ (17,232)
Marketing Expense	6610	\$ (9,579)	0.617651	\$ (5,916)
Directory Expense	6622		0.818405	\$ -
Services Expense	6623		0.756171	\$ -
Executive and Planning Expense	6710		0.502663	\$ -
General and Administrative Expense	6720	\$ (41,513)	0.448945	\$ (18,637)
Total Staff Adjustment		<u>\$ (80,850)</u>		<u>\$ (41,786)</u>

Twin Valley Telephone, Inc.
15-TWVT-213-AUD
Test Year Ending December 31, 2014

Attachment AD-3

Staff Workpaper IS-11.1
Management Benefit Adjustment Calculation

	6534.010.80	6611.010.80	6720.010.80	6721.010.80	Total
<hr/>					
Total Test Year Expense	<hr/>				
	<hr/>				

Source: DR 6a

Twin Valley Telephone, Inc.
 15-TWVT-213-AUD
 Test Year Ending December 31, 2014

Attachment AD-3

Staff Workpaper IS-12
 Non-Reg Customer Service Adjustment

	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
General Support Expense	6120		0.579066	\$ -
Central Office Switching Expense	6210		0.311637	\$ -
Central Office Transmission Expense	6230		0.311637	\$ -
Cable and Wire Facilities Expense	6410		0.662319	\$ -
Network Operations Expense	6530		0.579066	\$ -
Marketing Expense	6610		0.617651	\$ -
Directory Expense	6622		0.818405	\$ -
Services Expense	6623	\$ (109,471)	0.756171	\$ (82,779)
Executive and Planning Expense	6710		0.502663	\$ -
General and Administrative Expense	6720		0.448945	\$ -
Total Staff Adjustment		<u>\$ (109,471)</u>		<u>\$ (82,779)</u>

Twin Valley Telephone, Inc.
15-TWVT-213-AUD
Test Year Ending December 31, 2014

Staff Workpaper IS-12
Non-Reg Customer Service Adjustment

Attachment AD-3 ^{REDACTED}

COMMON EXPENSES	ACCOUNT	BAL @ 12/31/14	BASIS	REG %	NONREG %	STAFF ADJ ALLOC TO NR
Allocate Common Customer Service & B&C Accounts						
Number Services - Directory	6622.620.75		Reg & NR Customer #'s			
Cust Service - Travel	6623.150.45		Reg & NR Customer #'s			
Cust Service - Meals & Entertain	6623.160.45		Reg & NR Customer #'s			
Cust Service - Training	6623.170.45		Reg & NR Customer #'s			
Cust Service - Credit Checks	6623.630.45		Reg & NR Customer #'s			
Cust Service - Customer Support	6623.640.45		Reg & NR Customer #'s			
Billing & Coll - Travel	6627.150.40		Reg & NR Services Billed			
Billing & Coll - Meals & Entertain	6627.160.40		Reg & NR Services Billed			
Billing & Coll - Training	6627.170.40		Reg & NR Services Billed			
Billing & Coll - Prof Fees Consulting	6627.560.40		Reg & NR Services Billed			
Billing & Coll - Customer Billing	6627.650.40		Reg & NR Services Billed			
Billing & Coll - Credit Card Process	6627.660.40		Reg & NR Services Billed			
Billing & Coll - CABS Billing	6628.650.40		Reg & NR Services Billed			
Total Non Labor Customer Service and B&C Accounts						

Twin Valley Telephone, Inc.
 15-TWVT-213-AUD
 Test Year Ending December 31, 2014

Attachment AD-3

Staff Workpaper IS-13
 Employee/Board Member Reimbursement Adjustment

	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
General Support Expense	6120	\$ (4)	0.579066	\$ (2)
Central Office Switching Expense	6210	\$ (408)	0.311637	\$ (127)
Central Office Transmission Expense	6230	\$ (515)	0.311637	\$ (160)
Cable and Wire Facilities Expense	6410	\$ (58)	0.662319	\$ (39)
Network Operations Expense	6530	\$ (498)	0.579066	\$ (288)
Marketing Expense	6610	\$ (190)	0.617651	\$ (117)
Directory Expense	6622	\$ (0)	0.818405	\$ (0)
Services Expense	6623	\$ (142)	0.756171	\$ (108)
Executive and Planning Expense	6710	\$ -	0.502663	\$ -
General and Administrative Expense	6720	\$ (13,200)	0.448945	\$ (5,926)
Total Staff Adjustment		<u>\$ (15,015)</u>		<u>\$ (6,768)</u>

Twin Valley's Response to Staff Data Request No. 87

Request No: 87

RE: Affilite Agreement

Does the Company have plans to enter into a formal written agreement for the provision and pricing of goods and support center and professional services provided to it by its affiliate ISG? If yes, please state when the agreement is planned to be formalized and filed with the Commission, and provide a copy of the agreement in this docket if possible.

Submitted To Morgan May

Verification of Response

Signed: Tim Morrissey

Date: 07/07/2015

Request No. 87

Does the Company have plans to enter into a formal written agreement for the provision and pricing of goods and support center and professional services provided to it by its affiliate ISG? If yes, please state when the agreement is planned to be formalized and filed with the Commission, and provide a copy of the agreement in this docket if possible.

Response

The Company doesn't have plans to enter into a formal written agreement as described above.

CERTIFICATE OF SERVICE

15-TWVT-213-AUD

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Direct Testimony was served by electronic service on this 4th day of September, 2015, to the following:

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Pamela Griffeth

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