BEFORE THE STATE CORPORATION COMMISSION

OF THE STATE OF KANSAS

In the Matter of the Application and Request of	)	
Blue Valley Tele-Communications, Inc. for an	)	Docket No. 20-BLVT-218-KSF
Increase in its Cost-Based Kansas Universal	)	
Service Fund Support	)	

DIRECT TESTIMONY

OF

ANN DIGGS

ON BEHALF OF

KANSAS CORPORATION COMMISSION STAFF

MARCH 20, 2020

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I. INTRODUCTION

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

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

Q: Please discuss your professional background and regulatory experience.

A: I received a B.B.A. Degree with a Major in Accounting from Washburn University in Topeka, Kansas. I am a CPA licensed to practice in North Carolina. My auditing and accounting experience include nine years of public utility electric, gas and telecommunications regulatory experience with the Staff of the Kansas Corporation Commission (Commission), where I held various positions progressing to Chief of Accounting and Financial Analysis. Additionally, since 2006, I have provided regulatory consulting services on behalf of the Commission Staff (Staff) and have participated in over 20 KUSF audits sponsoring various cost of service adjustments and addressing affiliate transaction and cost allocation issues. A summary of my work and utility regulatory experience is included in Attachment AD-1.

Q: Have you previously testified before the Commission?

A: Yes, I have presented written and oral expert witness testimony before the Commission on a broad range of issues including cost of service, acquisition premium recovery, affiliate transactions, cost allocations, and merger savings.

Q: Please state on whose behalf you are appearing.

A: I am appearing on behalf of Staff.

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

A: My responsibilities in this docket were to analyze Blue Valley Tele-Communications, Inc.'s (BVTC or Company) filing, sponsor Staff adjustments and, in conjunction with Staff, provide recommendations to the Commission. I reviewed the Company's application, testimony, and schedules, and analyzed responses to data requests issued by Staff. I also participated in phone discussions with Staff and the Company's consultants and reviewed other Commission dockets and materials relevant to the issues I am addressing.

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

A: I provide background information regarding BVTC's operations and affiliates. I sponsor Staff's regulated and non-regulated allocation factors and various Rate Base and Income Statement adjustments to the Company's cost of service, and proffer recommendations relating to the Company's affiliate transactions.

Q: Please identify the additional attachments to your testimony.

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

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

II. EXECUTIVE SUMMARY

A. Cost of Service Adjustments

Q: Please summarize your sponsored adjustments.

A: My sponsored Rate Base (RB) and Income Statement (IS) adjustments are summarized in the following table, along with the effect of each adjustment to the Company's total-company and intrastate cost of service.

Adj #	Description	Total Company	Intrastate
RB-1	Non-Regulated Allocation of GSF Assets	$ (36,648)	$ (27,338)
RB-2	Capitalized Building Lease	$ (737,267)	$ (489,641)
IS-12	Non-Regulated Allocation of GSF and Other Common Expenses	$ (387,795)	$ (236,012)
IS-13	Capitalized Building Lease Amortization Expense	$ (30,007)	$ (19,009)
IS-14	Payroll Expense and Distribution	$ (290,006)	$ (165,196)
IS-15	Employee Benefit and Payroll Tax Expense and Distribution	$ (313,181)	$ (193,557)
IS-16	Billing and Collection Expense	$ (61,564)	$ (33,430)

Each of the above adjustments is described in detail in Section VI – Income Statement Adjustments of my testimony. The adjustments are further supported by calculations and explanations contained in my workpapers in Attachment AD-3 which are an integral part of my testimony.

B. Affiliate Transactions and Cost Allocations

Q: Please summarize Staff's findings regarding the Company's affiliate transactions and cost allocation procedures.

A: Staff's findings are summarized as follows:

1. Written Affiliate Agreements. BVTC did not execute written agreements for all services and transactions to or from its affiliates and did not file affiliate agreements with the Commission. Examples of services provided by BVTC to its non-regulated affiliate include billing and collection, executive, administrative, human resources, and accounting. Although BVTC executed a written agreement with its affiliate for the lease of the Company's headquarters building in Home, Kansas, the terms of this 2007 Building Lease Agreement are outdated and do not reflect the Company's current methodology of recording the building lease costs to its regulated operations.

2. Affiliate Transactions. The cost of the Company's headquarters building leased to BVTC by a non-regulated affiliate was recorded at a cost higher than fully distributed cost (FDC) or fair market value (FMV), in violation of FCC affiliate transaction rules. This finding is discussed and quantified in my adjustment RB-2 and IS-13.

3. Non-regulated Cost Allocations. BVTC did not fully allocate common resources and costs to non-regulated operations by failing to fully allocate GSF Assets and common non-labor costs such as Billing and Collections, General and Administrative (G&A), Human Resources, Directors, and Executive costs. These findings are discussed and quantified in my adjustments RB-1, IS-12 and IS-16.

4. Labor Allocations. The Company's time reporting procedures fail to adequately support the allocation of labor costs between regulated and non-regulated operations. The Company did not perform any time studies supporting test year labor cost allocations as required in their Cost Allocation Manual (CAM), and the Company allocates the labor costs of over 40% of BVTC's employees to non-regulated operations based on unsupported verbal evaluations of responsibilities.

C. Staff Recommendations

Q: Please summarize Staff's recommendations regarding the Company's affiliate transactions and cost allocation procedures.

A: Staff makes the following recommendations for the Commission regarding BVTC's affiliate transactions and cost allocations.

1. Affiliate Agreements. Staff recommends the Commission require the Company to execute written agreements for all goods or services provided to or received from its affiliates and, within 30 days from the date of the Commission's

Order in this docket, to file all affiliate agreements with the Commission as required in K.S.A. 66-1402.

2. Labor-related cost allocations. Staff recommends the Commission require the Company to implement labor-related cost allocation procedures for all employees reporting time to regulated operations to (1) require employees to directly report time to companies, activities and accounts, and/or (2) require the Company to conduct fully documented and supported periodic time studies wherein employees directly report time to companies, activities and accounts for a minimum two week period. Such formal time studies should be conducted annually or updated if an employee's job responsibilities change materially.

III. AFFILIATE TRANSACTIONS AND COST ALLOCATIONS

A. Overview of affiliates

Q: Please provide an overview of BVTC and its non-regulated affiliated entities.

A: BVTC is a rural Independent Local Exchange Carrier (ILEC), with its corporate headquarters in Home, Kansas. BVTC is structured as a cooperative telephone company and provides regulated local exchange telephone service to its member owners in 12 exchanges in Northeast Kansas.

One Point Technologies, Inc. (One Point) is a wholly owned subsidiary of BVTC and is certified as a Competitive Local Exchange Carrier (CLEC) in Kansas offering local exchange services to selected exchanges outside of the BVTC service area. One Point also offers a growing number of other non-regulated services to residential and business customers in BVTC's service territory and surrounding areas.

Networks Plus is a separately branded entity of One Point. Networks Plus was acquired in 2014 to expand the Company's leadership in the area of IT support, colocation, and virtual data services.

BVTC and One Point, including Networks Plus, have the same board of directors' members, management, and employees[1], and together are marketed under the brand name Blue Valley Technologies. Networks Plus's website also refers to Networks Plus as a division of the Blue Valley Network of Companies. Regardless of the branding names, considerable resources and costs of the various entities are shared between BVTC's regulated operations and its affiliated entities' non-regulated operations. Non-regulated services currently provided by BVTC's affiliated entities to residential and business customers include the following:

- Competitive Local Exchange Carrier (CLEC) telephone services
- Broadband internet
- Streaming video

[1] All employees providing services for BVTC and One Point through the end of the 2018 test year were employed by BVTC. 10 of these employees transferred employment to One Point starting January, 2019, but remain under the management and administration of BVTC.

- Tech Home support services including antivirus, file back-up, technical support, network management, troubleshooting, computer tune-up
- Security and Alarm Systems
- Computer repair and networking
- Inside wire maintenance
- Remote Monitoring
- Hardware Support
- Cloud IT Services
- Data Backup
- Business Continuity
- Network Engineering
- Colocation and Data Center Services
- Managed Firewall[2]
- Cyber Security[3]
- Business Managed Wi-Fi[4]
- IT Presentations[5]

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[2] One Point's new line of business started June 2018

[3] One Point's new line of business started March 2019

[4] One Point's new line of business started August 2019

[5] One Point's new line of business started January 2020

Blue Valley Telemarketing is also a wholly owned subsidiary of BVTC. This non-regulated affiliate conducts telemarketing operations, but has separate office space, employees, management, and employees, and keeps separate books and records. There are no affiliate transactions between BVTC and Blue Valley Telemarketing.

Q: Please describe what you mean by "non-regulated services"?

A: Any services provided by an ILEC or its affiliated entity that are not regulated by the State of Kansas and not eligible for KUSF support. KUSF support is intended only for "Universal Service" as defined under K.S.A. 66-1,187(p) and includes landline telephone calls and associated miscellaneous services such as operator services and directory assistance services. KUSF support is not intended for wireless data and communications, Cable TV, or other services not regulated by the State of Kansas. Therefore, direct and shared expenses benefitting these services are considered "non-regulated" and should not be included in the Company's cost of service for purposes of determining KUSF support.

B. Affiliate Transactions

Q: Please identify affiliate transactions between BVTC and its non-regulated affiliate One Point.

A: Affiliate transactions are goods and services BVTC provides to its non-regulated affiliate, including the billing and collection services BVTC provides to One Point for its non-regulated operations. The parties have not executed a formal agreement establishing the terms or pricing of these services.

Affiliate transactions are also goods and services provided from an affiliate to BVTC, including the lease of One Point's headquarters building in Home. BVTC and One Point executed a written Building Lease setting out the terms of the lease, dated October 1, 2007[6].

Q: Are the above transactions for goods and services between BVTC and One Point subject to the FCC's affiliate transaction rules?

A: Yes. Since affiliated transactions are not conducted at arms' length, an inherent risk exists that a company's regulated operations may subsidize an affiliate's non-regulated operations. The FCC's affiliate transaction rules address this risk in 47 C.F.R. §64.902 and in 47 C.F.R. §32.27(c) by establishing requirements for the pricing of goods and services provided between affiliates.

Q: Describe the specific FCC rules applicable to the affiliated transactions between BVTC and One Point.

[6] DR 14 Updated, included in Attachment AD-4.

A: 1. *Goods or services sold or transferred from BVTC to One Point.* FCC rules require these services to be recorded at no less than the higher of fair market value (FMV) and fully distributed cost (FDC).

2. *Goods or services sold or transferred to BVTC from One Point.* The FCC requires these services to be recorded at no greater than the lower of FMV and FDC. This requirement applies to the headquarters building owned by One Point and leased to BVTC.

Q: Is BVTC in compliance with the FCC's affiliate transaction rules?

A: No. Staff found that BVTC has not recorded billing and collection services in compliance with the FCC's rules, which require services provided to an affiliate be recorded at no less than the higher of FMV and FDC. In addition, Staff found that BVTC has not recorded costs for the lease of the headquarters building owned by One Point in compliance with the FCC's rules, which require the lease to be recorded at a cost no greater than the lower of FMV and FDC.

1. Billing and Collection Services

Q: Please discuss Staff's findings regarding billing and collection services.

A: BVTC accounts for billing and collection services provided to One Point only by allocating labor and associated benefit and overhead costs. Fully distributed costs should include not only labor, but also all non-labor costs associated with providing billing and collection services, such as postage and customer statement process fees and other costs included with the monthly billings. The Company asserted that it was appropriate to charge non-labor billing and collection costs 100% to regulated operations because One Point owns the billing software, however One Point recovers these software costs through monthly lease charges to BVTC[7]. By only allocating labor-related costs to One Point's non-regulated operations, BVTC has recorded services provided to its affiliate at a cost less than FDC in violation of the FCC's affiliate transaction rules. Staff's findings relating to billing and collection costs are further discussed in Staff Adjustment IS-16.

2. Building Lease

Q: Please discuss Staff's findings regarding the headquarters building lease.

A: One Point owns the headquarters building in Home which is leased to BVTC under a Building Lease, dated October 2007. The Lease specified a monthly charge to be paid by BVTC to One Point. In 2012, BVTC capitalized a 75% regulated percentage of One Point's cost of the building net of accumulated depreciation. The Company's filing includes this amount as Capitalized Building Lease, along with related amortization reserve and amortization expense. These elements are further adjusted in the Company's cost study to apply the Company's current calculation of regulated usage.

[7] DR 109(d), included in Attachment AD-4

The methodology of the Company's capitalization and amortization of the building lease is acceptable to Staff, however due to differences in the depreciation rates used to determine the building lease costs and BVTC's authorized depreciation rate for buildings, overall building lease costs included in BVTC's regulated operations were recorded at an amount greater than the lower of FMV and FDC and were not in compliance with the FCC's affiliated transaction rules. Staff's findings relating to building lease costs are further discussed in Staff Adjustments RB-2 and IS-13.

C. Allocation of Common Resources and Costs

Q: Please identify other common resources and costs allocated between BVTC and its non-regulated affiliate One Point.

A: BVTC's employees, including management, administrative, customer support and outside plant employees, provide services that benefit and support both BVTC's regulated and One Point's non-regulated operations. In addition to shared labor costs, BVTC owns general support facility (GSF) assets including land and buildings, vehicles, other work equipment, office support and communications equipment, and general-purpose computers, which are used in the provision of both regulated and non-regulated services. Additional common costs which benefit both regulated and non-regulated operations include executive, corporate, and general and administrative (G&A) expenses.

Q: Describe the applicable FCC rules regarding the allocation of common costs between regulated and non-regulated services.

A: 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:

> <u>(b)(2) Costs shall be directly assigned to either regulated or non-regulated activities whenever possible</u>. (Emphasis added.)
>
> (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.
> >
> > (iii) When neither direct nor indirect measures of cost allocation can be found, the cost category shall be allocated based upon a general allocator computed by using the ratio of all expenses directly assigned or attributed to regulated and non-regulated activities.

Q: How does BVTC assign and allocate costs between regulated and non-regulated operations?

A: The assignment and allocation of common resources and costs are described in the Company's Cost Allocation Manual (CAM), which was provided in Section 14 of the Company's application in this docket. Section 7 of the Company's CAM identifies the methodology for allocating common costs between regulated and non-regulated operations using a common cost allocation factor based on the reported wages of the employees. Section 2 of the CAM states "Employees maintain daily time-sheets from which <u>labor is reported directly to the appropriate company operation</u>". (Emphasis added) Section 5 of the CAM further states the following:

> "All Blue Valley employees use a daily time reporting system with variations dependent upon their employee class. Management tracks daily time, which is assigned to companies, activities and accounts either <u>directly or based on a periodic time analysis and review study</u>." (Emphasis added)

Q: Did the Company allocate wages using the methodology described in its CAM?

A: No. The Company's response to DR 97(updated), acknowledged that no time study has been done and the basis of allocating time for a significant number of employees[8], including the General Manager, was simply a "verbal evaluation" of

[8] 17 employees out of a total of 40 current employees who share time between BVTC and One Point.

the employee's responsibilities. No analysis or underlying calculations supporting the allocations were provided. The allocations for these employees using verbal evaluations do not reasonably represent time benefitting One Point's non-regulated operations. For example, the labor costs of an accounts payable clerk, an HR assistant, and a payroll and purchasing accountant were each allocated only 11% to non-regulated operations. The non-supported allocations of other employees also appear unreasonable, including the General Manager's non-regulated allocation of 30%. In comparison, Staff's total company labor allocation to non-regulated operations is 54.77%.

Q: What are the overall effects of the Company's use of unsupported verbal evaluations to allocate a significant level of labor costs to non-regulated operations?

A: First, the Company is not in compliance with the FCC cost allocation rules which require that costs be directly assigned to either regulated or non-regulated activities whenever possible. Additionally, labor allocations have particularly significant impacts on the Company's cost of regulated operations because not only are wages, benefits, payroll taxes, and various clearing account expenses dependent on accurate labor allocations, non-regulated labor factors are also used as the basis of assignment and allocation for other common costs such as general support facility expenses. By understating the allocation of employees' time to non-regulated operations, the Company is in effect allowing subsidization of the operations of its non-regulated affiliate through KUSF funding.

Q: Does Staff have concerns with the methodology the Company uses to allocate other common costs?

A: Yes. Staff found that the Company is understating the allocation of Directors' expenses to non-regulated operations. Each month, BVTC records one-half of Director Expense to regulated operations and distributes one-half among regulated and non-regulated operations based on labor distributions. During the test year, less than 24% (50% of Directors Fees multiplied by 47.44% non-regulated test year payroll dollars) of all Director Expense was allocated to One Point's non-regulated operations. Since the Directors have oversight and planning responsibilities for BVTC and One Point, and in light of the expanding non-regulated environment, Staff's Adjustment IS-12 allocates 100% of Board expenses between BVTC and One Point based on labor distributions.

Q: Is Staff proposing adjustments related to the allocation of common costs?

A: Yes. Staff incorporated its above findings in Rate Base and Income Statement adjustments. In addition, Staff developed allocation factors to allocate BVTC's common assets and costs including general support facility (GSF) assets and expenses, as well as common executive, corporate, and G&A expenses. Staff's adjusted allocation factors are summarized in Attachment AD-2.

D. Affiliate Agreements

Q: Please discuss Staff's findings regarding affiliate agreements.

A: 1. *Management/Billing & Collection/Other Support Services Agreement*. The Company did not include any affiliate agreements for services provided to One Point for management, billing and collection, or any other support services. In response to DR 110 (attached in AD-4), the Company stated:

> "Blue Valley's Cost Allocation Manual Section 2 includes affiliate transactions which serve as agreements for these services. There are no other written agreements entered into between Blue Valley and One Point (or the Networks Plus brand offered under One Point) for software leases, or the various services Blue Valley provides such as management, executive, administrative, HR, and billing and collections."

Q: Why is it important for BVTC to execute written agreements with its affiliate for management, operational, and shared costs and services?

A: The Company should execute legally binding written agreements with its affiliates for the same reasons it executes written agreements with third parties. Although BVTC and One Point share the same management and board of trustees, they are separate entities, provide a variety of regulated and non-regulated services, and operate in different service areas and marketing and regulatory environments. Written agreements identifying and setting out the terms, conditions, and allocation methodologies of goods and services provided among affiliates are vital in establishing a framework which will help to ensure the KUSF funding supporting BVTC's regulated telephone operations does not subsidize the non-regulated operations of the affiliate. A reference to shared costs in the Company's CAM is not a sufficient substitute for a legally binding, executed agreement between the parties. In fact, the Company's lack of written agreements for affiliate services contradicts Section 6 of the Company's CAM which states "One Point's use of regulated services and plant is either under a filed tariff or through an affiliate company contractual agreement". Formal, written affiliate agreements signed by officers of the companies which are regularly maintained and updated should be required for the protection of BVTC's regulated operations.

2. *Building Lease Agreement*. Although the Company executed a Building Lease agreement in 2007, the agreement's terms and pricing are outdated and do not reflect the current methodology BVTC is using to capitalize and amortize the building lease on its books. The Company must keep all agreements updated and filed with the Commission.

E. Staff Recommendations

Q: What are Staff's recommendations regarding the Company's affiliate transactions and cost allocation procedures.

A: Staff makes recommendations in the following two areas:

1. Affiliate Agreements. Staff recommends the Commission require BVTC to execute and maintain formal, legal agreements signed by officers of the entities for all goods and services provided to or from its affiliated entities and,

within 30 days from the date of the Commission's Order in this docket, to file all affiliate agreements with the Commission pursuant to K.S.A. 66-1402[9].

2. Labor-related cost allocations. Staff recommends the Commission require the Company to implement labor-related cost allocation procedures for all employees reporting time to regulated operations to (1) require employees to directly report time to companies, activities and accounts, and/or (2) require the Company to conduct fully documented and supported periodic time studies wherein employees directly report time to companies, activities and accounts for a minimum two week period. Formal time studies should be conducted annually or updated if an employee's job responsibilities change materially, and documentation supporting the time studies should be retained for audit review.

V. RATE BASE ADJUSTMENTS

A. RB-1 - Non-Regulated Allocation of GSF Assets

Q: Please discuss Staff's Adjustment RB-1 to allocate shared GSF assets to non-regulated operations.

A: The Company owns General Service Facility (GSF) assets which are shared by its non-regulated operations. Shared GSF assets include land, buildings, vehicles, work equipment, furniture, office and communications equipment, and general

[9] **K.S.A. 66-1402. Submission of contracts with affiliated interests to commission.** No management, construction, engineering or similar contract hereafter made, with any affiliated interest… shall be effective unless it shall first have been filed with the commission.

purpose computers. The Company allocates GSF rate base to non-regulated operations in its annual cost study adjustments. Staff calculated the allocation factors for these GSF assets and the associated accumulated depreciation based on Staff's updated pro forma wages and distribution data. Staff's allocation factors are presented and summarized in Attachment AD-2 and supporting workpapers. Staff then applied its allocation factors to test year end GSF asset and accumulated depreciation balances to calculate the amount of GSF assets to allocate to non-regulated operations. Staff's adjustment is the difference between regulated GSF assets calculated by the Company in its annual cost study and Staff's calculation of regulated GSF assets. It should also be noted that the Company's headquarters building is owned by One Point and leased to BVTC. The costs of the building are reflected in the Company's application as capitalized building lease, accumulated amortization, and amortization expense. These rate base and income statement items are addressed separately in Staff's adjustments RB-2 and IS-13.

Q: Please summarize Staff's adjustment for the non-regulated allocation of GSF expenses.

A: Staff's total adjustment to GSF assets, net of accumulated depreciation, is minimal because most of the Company's GSF assets were fully depreciated in the test year. Staff's adjustment decreases the Company's regulated Rate Base by $36,648 on a total company basis and decreases the Company's intrastate expenses by $27,338.

B. <u>RB-2 – Capitalized Building Lease</u>

Q: Please discuss Staff's Adjustment RB-2 to Capitalized Building Lease.

A: One Point owns the headquarters building in Home which is leased to BVTC under a Building Lease, dated October 2007. In 2012, BVTC began recording the leased building costs by capitalizing a 75% regulated percentage of One Point's cost of the building net of One Point's accumulated depreciation at that date, which was derived by using a 4.167% depreciation rate. BVTC then began amortizing its capitalized cost of the lease using a calculated 5.26% amortization rate[10]. The Company's filing includes One Point's building cost net of accumulated depreciation as Capitalized Building Lease. The filing also includes the related amortization reserve recorded subsequent to the capitalization of the lease in 2012, and annual amortization expense using a 5.26% amortization rate. These elements are further adjusted in the Company's cost study to apply the Company's current calculation of regulated usage.

The underlying methodology of the Company's capitalization and amortization of the building lease is acceptable to Staff, however BVTC should record the fully distributed costs of the building as if BVTC owned the building, using BVTC's authorized building depreciation rate of 5.02% to calculate the

[10] The Company's response per DR 101 (attached): When the lease was capitalized in 2012, the building was 5 years old. Since the building had an original life of 24 years (equal to One Point's 4.167% depreciation rate), this resulted in 19 years remaining for the amortization. The amortization rate of 5.26% = 100/19 year life.

proper capitalized building lease cost, current amortization reserve and amortization expense. Capitalizing One Point's building cost net of accumulated depreciation in 2012 using One Point's 4.167% depreciation rate instead of BVTC's authorized 5.02% authorized depreciation rate had the effect of over-stating the capitalized building lease in BVTC's rate base. Using an annual amortization rate of 5.26% overstates BVTC's amortization expense.

Staff's adjustment reflects BVTC's fully distributed costs as if the Company owned the building by using BVTC's 5.02% authorized building depreciation rates to reflect test year levels of Capitalized Building Lease and the related Amortization Reserve in Rate Base, and Amortization Expense in the Income Statement.

Q: Please summarize Staff's adjustment to Capitalized Building Lease.

A: Staff's adjustment decreases the Company's regulated Rate Base by $737,267 on a total company basis and decreases the Company's intrastate expenses by $489,641.

VI. INCOME STATEMENT ADJUSTMENTS

A. <u>IS-12 - Non-Regulated Allocation of GSF and Other Common Expenses</u>

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

A: GSF Expenses include Land and Building, Furniture, Office Equipment, and General Purpose Computers. The other GSF expenses are allocated to non-regulated operations in the Company's cost study adjustments. Staff used the Company's floor plan study factors to allocate Land and Building expenses and calculated its non-regulated allocation of remaining GSF costs by applying its allocation factors summarized in Attachment AD-2 to total test year shared expenses. Staff's adjustment is the difference between the test year expenses assigned or allocated to non-regulated operations by the Company and Staff's non-regulated allocation.

Q: Please summarize Staff's adjustment for the non-regulated allocation of GSF expenses.

A: Staff's adjustment decreases the Company's regulated expenses by $387,795 on a total company basis and decreases the Company's intrastate expenses by $236,012.

B. __IS-13 – Capitalized Building Lease Amortization Expense__

Q: Please discuss Staff's Adjustment IS-13 to Capitalized Building Lease Amortization Expense.

A: Staff's adjustment is necessary to reflect amortization expense related to BVTC's Capitalized Building Lease BVTC's at BVTC's 5.02% authorized building depreciation rates. The need to record amortization expense related to capitalized building expense at BVTC's fully distributed cost was discussed and supported above in Staff Adjustment RB-2.

Q: Please summarize Staff's adjustment for the amortization of building lease expense.

A: Staff's adjustment decreases the Company's regulated expenses by $30,007 on a total company basis and decreases the Company's intrastate expenses by $19,009.

C. IS-14 – Payroll Expense and Distribution Adjustment

1. Adjustment to Normalize Payroll Expense

Q: Please discuss IS-14 to normalize test year salaries and distribute Staff's pro forma salary expense.

A: To calculate a normalized, or on-going, level of salary expense, Staff made the following adjustments to test year salary expense:

1. Additional new and terminated positions. Staff made adjustments for employees who were hired and/or terminated subsequent to the test year.

2. Updated salary rates. Staff adjusted salary rates using employees' most currently available 2019 salary rates.

4. Normalized salaries of employees who began employment or changed job positions at the Company during the 2018 test year.

2. Payroll Expense Distribution

Q: Please discuss Staff's distribution of pro forma payroll expense between regulated and non-regulated operations.

A: Generally, Staff used employees' 2018 test year payroll distribution to distribute its pro forma payroll expense between various payroll accounts. Exceptions are noted on Staff's Payroll Adjustment Workpapers, IS-14.1. For example, Staff compared employee's non-regulated labor distributions during the test year to their current year-to-date September 2019 distributions. If an employee's variance was greater than 10%, Staff updated the distribution to reflect the more current 2019 YTD data.

Additionally, Staff reviewed the reasonableness of the non-regulated allocations for employees whose time was based on verbal evaluations instead of directly reported time. For employees whose time did not appear reasonably allocated based on their job descriptions, Staff used non-regulated allocation factors based on total employees' wages or other causal factors. Staff's workpaper IS-14.1 provides further details of the pay rates and the method of distribution for each employee.

3. Salary Compensation Survey Comparison

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

A: Yes. Staff performed a comparison of select management employees' compensation with compensation for similar positions reported in the NTCA's 2018 Survey of Compensation and Benefits in the Independent Telecommunications Industry (NTCA Survey). The results of Staff's confidential comparative analysis are presented in Staff Workpaper IS-14.3.

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

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

1. The Survey is an independent and reliable source of actual and current compensation data. The NTCA – The Rural Broadband Association has conducted compensation and benefits studies for over 40 years.

2. The NTCA Study is the largest and most comprehensive source of information covering salaries and benefits in the independent telecommunications industry, and results of annual surveys allow comparisons of the industry's prevailing salaries. The annual Surveys have a consistent high rate of repeat participation which ensures users of the survey a credible and reliable source of salary and benefits data.

3. Survey participants reported rates of pay that were in effect January 1, 2018, which is a comparable time period with the Company's payroll data submitted in this filing.

4. The Survey profiles compensation data by geographic location, and numerous measures of size including operating revenues, number of access lines, and number of employees, so the Company's compensation can be compared with companies with similar geographic and size characteristics.

5. The Company indicated that it relied on the 2018 NTCA Survey to establish salaries, benefits, and other employee compensation in effect during the test year to current.

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

A: The NTCA Survey profiles employee compensation data submitted by over 300 Telco's by region, and by various measures of size including operating revenue, number of access lines, and number of employees. For selected management positions, Staff used the above criteria to calculate an average salary comparable with those positions at other Telco's of similar size and location.

Q: How did Staff determine prevailing compensation?

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

Q: Please summarize the total effects of Staff's adjustment IS-14 to normalize and distribute payroll expense.

A: Staff's total salary normalization and distribution adjustment was calculated by taking the difference between its distributed pro forma wages and actual distributed 2018 test year wages. Staff's adjustment decreases the Company's total regulated expenses by $290,006 and decreases the Company's intrastate expenses by $165,196.

D. <u>IS-15 - Benefit and Payroll Tax Adjustment</u>

Q: Please discuss Staff's Employee Benefit Adjustment IS-15.

A: In general, the following employee benefits and payroll taxes were updated from test year levels:

- NTCA Retirement and Medical and dental insurance, disability insurance, and group life insurance - updated to most current 2019 expenses.
- Employer's share of FICA taxes – adjusted to Staff's pro forma salary expense.

After making the above adjustments, Staff distributed its resulting total pro forma employee benefits among all accounts using Staff's pro forma salary distribution percentages.

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

A: After distribution of the total benefit and payroll tax adjustments, Staff's adjustment decreases the Company's regulated expenses by $313,181 on a total company basis and decreases the Company's intrastate expenses by $193,557.

E. IS-16 – Billing and Collection Expense

Q: Please discuss Staff Adjustment IS-16, Billing and Collection Expense.

A: BVTC provides billing and collection services for One Point's non-regulated operations. Customers receive a combined bill which includes charges for all regulated and non-regulated services. The Company allocates labor costs for billing and collection through time sheet reporting but does not allocate all non-labor common billing and collection costs to One Point which also benefit its non-regulated operations[11]. All costs associated with providing billing and collection services must be fully distributed between regulated and non-regulated operations in order to comply with FCC cost allocation rules.

Q: Explain how Staff allocated these common non-labor billing and collection charges between regulated and non-regulated services.

A: Staff allocated common non-labor billing and collection expenses based on the percentage of customers subscribing to regulated and non-regulated services in

[11] DR 90 (attached in AD-4) states common customer billing and postage expenses are recorded to BVTC's regulated accounts.

BVTC's service and in surrounding areas[12]. For example, the number of customers receiving only regulated telephone service would be weighted at 100% regulated. The number of customers within BVTC's service area receiving both ILEC regulated telephone service and One Point's non-regulated services would be weighted at 50% regulated. Customers outside BVTC's service area receiving only non-regulated services would be weighted at 100% non-regulated.

Q: Please summarize Staff's Billing and Collection Expense Adjustment, IS-16.

A: Staff's adjustment decreases the Company's regulated expenses by $61,564 on a total company basis and decreases the Company's intrastate expenses by $33,430.

Q: Does this conclude your testimony?

A: Yes.

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[12] DRs 87 and 88 (attached in AD-4).

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, Bald Head Island Ltd., North Carolina

Corporate accounting responsibilities for resort and property management 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 and tax return preparation.

1991 - 1998

Senior Utility Regulatory Auditor, Managing Auditor,

Chief of Accounting & Financial Analysis, Kansas Corporation Commission

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

1986 - 1991

Accountant, Topeka Public Schools

Performed accounting, reporting, grant and budget functions.

1984 - 1986

Senior Utility Regulatory Auditor,

Kansas Corporation Commission

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

1983 - 1984

Central Accountant, Division of Accounts and Reports,

State of Kansas

Audited vouchers and inventory records for accuracy and compliance.

1982 - 1983

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

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

Blue Valley Telecommunications, Inc.
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Attachment AD-2

Allocation Factor Summary

ACT	COMMON ASSETS & EXPENSES	ALLOCATION PER STAFF BASIS	REG %	NONREG %
	LAND & BUILDINGS			
2110.000	LAND	LAND-BLDG STUDY	61.43%	38.57%
2110.600	BUILDINGS	LAND-BLDG STUDY	47.33%	52.67%
3100	DEPRECIATION RESERVE - BUILDINGS	LAND-BLDG STUDY	47.33%	52.67%
2681	CAPITALIZED LEASE - HQ BLDG	HQ FLOOR PLAN STUDY	51.17%	48.83%
3400	CAPITALIZED LEASE - AMORT RESERVE	HQ FLOOR PLAN STUDY	51.17%	48.83%
7240	PROPERTY TAX - LAND & BLDGS	LAND-BLDG STUDY	47.47%	52.53%
	OTHER GSF ASSETS			
2110	MOTOR VEHICLES	TOTAL PRO FORMA WAGES	45.23%	54.77%
2110.5	OTHER WORK EQUIPMENT	PLANT PRO FORMA WAGES	49.44%	50.56%
2110.800	OFFICE EQUIPMENT	TOTAL PRO FORMA WAGES	45.23%	54.77%
2110.850	COMPANY COMMUNICATION EQUIP	TOTAL PRO FORMA WAGES	45.23%	54.77%
2110.850.5	COMPANY COMMUNICATION EQUIP-O&W	TOTAL PRO FORMA WAGES	45.23%	54.77%
2110.800	GENERAL PURPOSE COMPUTERS	TOTAL PRO FORMA WAGES	45.23%	54.77%
3100	RELATED OTHER GSF DEPRECIATION RES	SAME AS RELATED GSF ASSET		
	GSF EXPENSE			
6120	LAND & BLDG EXP	LAND-BLDG STUDY	47.47%	52.53%
6120	OFFICE EQUIPMENT EXP, & GENERAL PURPOSECOMPUTERS EXP	TOTAL PRO FORMA WAGES	45.23%	54.77%
	CUSTOMER SERVICE EXPENSE			
6620	BILLING & COLLECTION NON PR EXP	% NONREG CUSTOMERS	31.65%	68.35%
	EXECUTIVE, CORPORTE & G&A EXP			
6720.000	EXECUTIVE EXPENSE	TOTAL PRO FORMA WAGES	45.23%	54.77%
6720.100	DIRECTORS EXPENSE	TOTAL PRO FORMA WAGES	45.23%	54.77%
6720.200	ACCOUNTING EXPENSE	TOTAL PRO FORMA WAGES	45.23%	54.77%
6720.300	EXTERNAL RELATIONS EXPENSE	TOTAL PRO FORMA WAGES	45.23%	54.77%
6720.400	HR EXPENSE	TOTAL PRO FORMA WAGES	45.23%	54.77%
6720.700	OTHER G&A EXPENSE	TOTAL PRO FORMA WAGES	45.23%	54.77%

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Allocations - Land and Building Study

Attachment AD-2.1

						Per Company			Per Staff				
									Reg		Non-Reg		Basis
Co	Act.		Description	Location	Cost	Reg	Non-Reg	Function	%	$	%	$	
BV	2110.000	Land	Warehouse 1	Marshall	$ 12,248	91%	9%	Store Inventory	49.44%	$ 6,056	50.56%	$ 6,192	Plant Employees
BV	2110.000	Land	Schwartz Addition	Marshall	$ 40,000	73%	27%	Home Office	51.17%	$ 20,466	48.83%	$ 19,534	Floor Plan Study
BV	2110.000	Land	Beattie CO	Marshall	$ 402	100%	0%		100.00%	$ 402	0.00%	$ -	CO-Reg
BV	2110.000	Land	Axtell CO	Marshall	$ 508	100%	0%		100.00%	$ 508	0.00%	$ -	CO-Reg
BV	2110.000	Land	Oketo CO	Marshall	$ 456	100%	0%		100.00%	$ 456	0.00%	$ -	CO-Reg
BV	2110.000	Land	Summerfield CO	Marshall	$ 63	100%	0%		100.00%	$ 63	0.00%	$ -	CO-Reg
BV	2110.000	Land	Summerfield Lot	Marshall	$ 1,000	100%	0%		100.00%	$ 1,000	0.00%	$ -	CO-Reg
BV	2110.000	Land	Vermillion CO	Marshall	$ 310	100%	0%		100.00%	$ 310	0.00%	$ -	CO-Reg
BV	2110.000	Land	Centralia CO	Nemaha	$ 651	100%	0%		100.00%	$ 651	0.00%	$ -	CO-Reg
BV	2110.000	Land	Lot 1	Nemaha	$ 548	100%	0%		100.00%	$ 548	0.00%	$ -	CO-Reg
BV	2110.000	Land	Lot 2	Nemaha	$ 554	100%	0%		100.00%	$ 554	0.00%	$ -	CO-Reg
BV	2110.000	Land	Lot 3	Nemaha	$ 1,219	100%	0%		100.00%	$ 1,219	0.00%	$ -	CO-Reg
BV	2110.000	Land	Onaga Lot	Pottawatomie	$ 6,500	100%	0%		100.00%	$ 6,500	0.00%	$ -	CO-Reg
BV	2110.000	Land	Wheaton CO	Pottawatomie	$ 183	100%	0%		100.00%	$ 183	0.00%	$ -	CO-Reg
BV	2110.000	Land	Wheaton Add-on	Pottawatomie	$ 106	100%	0%		100.00%	$ 106	0.00%	$ -	CO-Reg
BV	2110.000	Land	Wheaton Lot	Pottawatomie	$ 4,083	100%	0%	Store Equipment	49.44%	$ 2,019	50.56%	$ 2,064	Plant Employees
BV	2110.000	Land	Linn CO	Washington	$ 2,200	100%	0%		100.00%	$ 2,200	0.00%	$ -	CO-Reg
BV	2110.000	Land	Linn Lot	Washington	$ 500	100%	0%		100.00%	$ 500	0.00%	$ -	CO-Reg
BV	2110.000	Land	Palmer CO	Washington	$ 516	100%	0%		100.00%	$ 516	0.00%	$ -	CO-Reg
BV	**2110.000**	**Land**	**Total**		**$ 72,047**				**61.43%**	**$ 44,257**	**38.57%**	**$ 27,790**	
BV	2110.600	Buildings	Old Business Office	Marshall	$ 869,081	5%	95%	Using equip	5.00%	$ 43,454	95.00%	$ 825,627	Co's use of 5% Reg
BV	2110.600	Buildings	Warehouse 1	Marshall	$ 3,529	91%	9%	Store Inventory	49.44%	$ 1,745	50.56%	$ 1,784	Plant Employees
BV	2110.600	Buildings	Warehouse 2	Marshall	$ 74,934	91%	9%	Store Inventory	49.44%	$ 37,050	50.56%	$ 37,884	Plant Employees
BV	2110.600	Buildings	Warehouse 3	Marshall	$ 167,030	91%	9%	Store Inventory	49.44%	$ 82,586	50.56%	$ 84,444	Plant Employees
BV	2110.600	Buildings	Warehouse 4	Marshall	$ 147,201	91%	9%	Store Inventory	49.44%	$ 72,782	50.56%	$ 74,419	Plant Employees
BV	2110.600	Buildings	Concrete Bldg at 350'	Marshall	$ 24,316	73%	27%	Co. Comm. Equip	45.23%	$ 10,999	54.77%	$ 13,317	Total Employees
BV	2110.600	Buildings	Upgrades New Business Office	Marshall	$ 190,138	71%	29%	HQs	51.17%	$ 97,286	48.83%	$ 92,852	Floor Plan Study
BV	2110.600	Buildings	Headend Bldg	Marshall	$ 56,490	0%	100%	Headend	0.00%	$ -	100.00%	$ 56,490	100% NR
BV	2110.600	Buildings	South Warehouse	Marshall	$ 147,518	91%	9%	Equip/Maint	49.44%	$ 72,939	50.56%	$ 74,579	Plant Employees
BV	2110.600	Buildings	Home Warehouse	Marshall	$ 9,833	91%	9%	Store Inventory	49.44%	$ 4,862	50.56%	$ 4,971	Plant Employees
BV	2110.600	Buildings	Beattie CO	Marshall	$ 21,615	100%	0%	CO	100.00%	$ 21,615	0.00%	$ -	CO-Reg
BV	2110.600	Buildings	Axtell CO	Marshall	$ 8,755	100%	0%	CO	100.00%	$ 8,755	0.00%	$ -	CO-Reg
BV	2110.600	Buildings	Oketo CO	Marshall	$ 35,771	100%	0%	CO	100.00%	$ 35,771	0.00%	$ -	CO-Reg
BV	2110.600	Buildings	Summerfield CO	Marshall	$ 7,899	100%	0%	CO	100.00%	$ 7,899	0.00%	$ -	CO-Reg
BV	2110.600	Buildings	Vermillion CO	Marshall	$ 38,683	100%	0%	CO	100.00%	$ 38,683	0.00%	$ -	CO-Reg

Allocations - Land and Building Study

						Per Company			Per Staff				
									Reg		Non-Reg		Basis
Co	Act.		Description	Location	Cost	Reg	Non-Reg	Function	%	$	%	$	
BV	2110.600	Buildings	Centralia CO	Nemaha	$ 88,168	100%	0%	CO	100.00%	$ 88,168	0.00%	$ -	CO-Reg
BV	2110.600	Buildings	Centralia Co Add-on	Nemaha	$ 64,147	91%	9%	CO	100.00%	$ 64,147	0.00%	$ -	CO-Reg
BV	2110.600	Buildings	Wheaton CO	Pottawatomie	$ 7,833	100%	0%	CO	100.00%	$ 7,833	0.00%	$ -	CO-Reg
BV	2110.600	Buildings	Wheaton Add-on	Pottawatomie	$ 2,516	100%	0%	CO	100.00%	$ 2,516	0.00%	$ -	CO-Reg
BV	2110.600	Buildings	Wheaton Warehouse	Pottawatomie	$ 97,663	91%	9%	Store Inventory	49.44%	$ 48,288	50.56%	$ 49,375	Plant Employees
BV	2110.600	Buildings	Linn CO	Washington	$ 3,369	100%	0%	CO	100.00%	$ 3,369	0.00%	$ -	CO-Reg
BV	2110.600	Buildings	Linn Bldg	Washington	$ 62,998	91%	9%	Equipment	49.44%	$ 31,149	50.56%	$ 31,849	Plant Employees
BV	2110.600	Buildings	Linn Bldg 2	Washington	$ 1,693	91%	9%	Equipment	49.44%	$ 837	50.56%	$ 856	Plant Employees
BV	2110.600	Buildings	Palmer CO	Washington	$ 44,587	100%	0%	CO	100.00%	$ 44,587	0.00%	$ -	CO-Reg
BV	**2110.600**	**Buildings**	**Total**		**$ 2,175,767**				**38.02%**	**$ 827,320**	**61.98%**	**$ 1,348,447**	
BV	**2681.000**	**Building**	**Total**	**Home, Ks**	**$ 5,286,993**	**71%**	**29%**		**51.17%**	**$ 2,705,148**	**48.83%**	**$ 2,581,845**	**Floor Plan Study**
Total - Buildings + Capitalized Building Lease					**$ 7,462,760**				**47.33%**	**$ 3,532,468**	**52.67%**	**$ 3,930,292**	
Total - Land + Buildings + Capitalized Building Lease					**$ 7,534,807**				**47.47%**	**$ 3,576,725**	**52.53%**	**$ 3,958,082**	

Source of Company data: DR 96

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Attachment AD-2.2

Allocations - Headquarters Building Floor Plan Study

Room #	Description	Sq. Ft. (1)	Staff Non-Reg %	Sq. Ft. Non-Reg
MAIN FLOOR				
100/101/102	Entrance/Cell Phone Displays	664	50.00%	332
103	Customer Svc - Colleen, Lisa, Jodi O., Tara	1,901	43.89%	835
104	Sales	220	100.00%	220
105	Joan, Lisa	262	25.99%	68
106	Common - Training Meetings			
107	John N.	200	30.26%	61
108-112	Common Area - Mail Room/Corr/Stairs			
113	Common Area - Conference Room			
114-120	Common Area - Corr/Storage/ Restrooms/Kitchen/Breakroom			
121	Andy, Kent, Rick, & Nick	557	12.33%	69
122	Mark B, Spencer P	481	87.97%	423
123	Jake Hull, Jerry H.	280	41.22%	116
124	Common Area - Corr.			
125	Jada, Emily	336	68.35%	230
126-133	Common Area - Corr/Stairs			
134	Common Area - Conference Room			
135	Angie W., Kurt Sack, Dennis K.	475	19.17%	91
136	John S, Scott D, Dan K, Scott O'Neal	309	63.86%	197
137-139	Common Area - Corr/Storage/Stairs			
140	Common Area - Boardroom			
141-144	Common Area - Corr/Coats/Vault			
145	John Smith	262	37.20%	97
146	Common Area - Corr/Storage			
147	Mary Smith	201	50.00%	100
148	Susan Pacha	178	30.91%	55
149	Angie A., Rachel S.	235	68.36%	160
150	Nancy H.	202	50.00%	101
151	Debbie Price	255	50.38%	128
152	Amy Peschel	202	10.96%	22
153	Candace Wright	284	54.77%	156
154	Jodi Samulson	212	50.00%	106
155	Common Area - Vest.			
	Total Common Areas	6,756	46.23%	3,123
TOTAL OFFICES MAIN FLOOR		14,472		6,690
				46.23%
BASEMENT				
CO	Basement - CO & Battery Room	1,240	0.00%	-
	Storage/Common Areas	8,087	46.23%	3,739
	Gym/Locker Rooms (20% of total sf)	2,332	100.00%	2,332
TOTAL OFFICES BASEMENT		11,659		6,070
				52.07%
TOTAL BUILDING		26,131		12,761
NON-REGULATED FACTOR - TOTAL BUILDING				48.83%
REGULATED FACTOR				51.17%

(1) Source: Co's CSA's - DR 48

REDACTED

Blue Valley Telecommunications, Inc.
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Attachment AD-2.3

Allocations - Labor Factors

Name	Title	Salaries Directly Charged (1)				
		Reg	Reg %	NR	NR %	Tot
OFFICE EMPL						
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
TOTAL OFFICE -		1,410,874	55.46%	1,133,051	44.54%	2,543,925
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		[redacted]
TOT OFFICE -		382	0.06%	643,097	99.94%	643,479
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
TOTAL PLANT EMPL		358,593	49.44%	366,660	50.56%	725,253
TOTAL - ALL EMPL		1,769,848	45.23%	2,142,808	54.77%	3,912,656

REDACTED

Blue Valley Telecommunications, Inc.
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Attachment AD-2.4

Allocations - Customer Number Allocation Factor

	Cust in BV Svc Area ILEC Phone Svc Only (1) 100% Reg	Cust in BV Svc Area ILEC + Non-Reg Svcs (1) 50% Reg / 50% NR	Customers Outside BV Svc Area (2) 100% NR	Use For Billing: Total Regulated # Customers	Total Regulated %	Total Non-Reg # Customers	Total Non-Reg %
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	31.65%	[redacted]	68.35%

Note - use most recent Factors - not significant trend over period

(1) - Source: DR 87
(2) - Source: DR 88

Blue Valley Telecommunications, Inc.
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Attachment AD-3

Staff Workpaper RB-1
GSF Plant and Depreciation Reserve Adjustment

ACCOUNT	DESCRIPTION	STAFF ADJ	INTRAST FACTOR	INTRAST ADJ
	Increase (Decrease) to GSF Plant			
2110.000.00	Land	$ (7,441)	0.664130	$ (4,942)
2110.000.50	Land - O&W	$ (738)	0.664130	$ (490)
2110.100.00	Motor Vehicles	$ (129,846)	0.664130	$ (86,235)
2110.500.00	Other Work Equipment	$ (565,251)	0.664130	$ (375,400)
2110.600.00	Buildings	$ (172,149)	0.664130	$ (114,329)
2110.800.00	Office Support Equipment	$ (20,905)	0.664130	$ (13,884)
2110.850.00	Company Communications Equipment	$ (123,776)	0.664130	$ (82,203)
2110.850.50	Company Communications Equipment - O&W	$ (12,199)	0.664130	
2110.900.00	General Purpose Computers	$ (128,840)	0.664130	$ (85,566)
	Total General Support Facilities	$ (1,161,145)		$ (763,050)
	(Increase) Decrease to GSF A/D			
3100.000.00	Acc Dep - Motor Vehicles	$ 129,846	0.654259	$ 84,953
3100.040.00	Acc Dep - Other Work Equipment	$ 565,251	0.654259	$ 369,821
3100.100.00	Acc Dep - Buildings	$ 172,005	0.654259	$ 112,536
3100.120.00	Acc Dep - Office Support Equipment	$ 20,905	0.654259	$ 13,677
3100.130.00	Acc Dep - Company Communications Equipment	$ 123,776	0.654259	$ 80,981
3100.130.50	Acc Dep - Company Communications Equip-O&W	$ 12,199	0.654259	$ 7,981
3100.140.00	Acc Dep - General Purpose Computers	$ 100,514	0.654259	$ 65,762
	Total A/D - General Support Facilities	$ 1,124,496		$ 735,712
	TOTAL STAFF ADJ	$ (36,648)		$ (27,338)

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Attachment AD-3

ACCOUNT	DESCRIPTION	JOINT GSF ASSETS 12/31/18	PER COMPANY NR ALLOC %	PER COMPANY REG BAL PER COST STUDY	PER COMPANY NORMALIZE ADJ	PER COMPANY ADJ REG 12/31/18 BAL	PER STAFF NR ALLOC %	PER STAFF REG BAL	PER STAFF NORMALIZE ADJ	PER STAFF ADJ REG 12/31/18 BAL	STAFF ADJ
2110.000.00	Land	$ 65,547	27.22%	$ 47,705		$ 47,705	38.57%	$ 40,264	$ -	$ 40,264	$ (7,441)
2110.000.50	Land - O&W	$ 6,500	27.22%	$ 4,731		$ 4,731	38.57%	$ 3,993	$ -	$ 3,993	$ (738)
2110.100.00	Motor Vehicles	$ 759,065	37.66%	$ 473,201	$ 6,436	$ 479,637	54.77%	$ 343,355	$ 6,436	$ 349,791	$ (129,846)
2110.500.00	Other Work Equipment	$ 1,286,528	6.62%	$ 1,201,360	$ 22,560	$ 1,223,920	50.56%	$ 636,109	$ 22,560	$ 658,669	$ (565,251)
2110.600.00	Buildings	$ 2,087,823	44.42%	$ 1,160,412		$ 1,160,412	52.67%	$ 988,263	$ -	$ 988,263	$ (172,149)
2110.800.00	Office Equipment	$ 75,891	27.22%	$ 55,233		$ 55,233	54.77%	$ 34,328	$ -	$ 34,328	$ (20,905)
2110.850.00	Company Communication Equipment	$ 449,341	27.22%	$ 327,030		$ 327,030	54.77%	$ 203,255	$ -	$ 203,255	$ (123,776)
2110.850.50	Company Communication Equip - O&W	$ 44,285	27.22%	$ 32,231		$ 32,231	54.77%	$ 20,032	$ -	$ 20,032	$ (12,199)
2110.900.00	General Purpose Computers	$ 467,725	27.22%	$ 340,410	$ 1,280	$ 341,690	54.77%	$ 211,570	$ 1,280	$ 212,850	$ (128,840)
	Total GSF Assets	$ 5,242,705		$ 3,642,314	$ 30,276	$ 3,672,590		$ 2,481,169	$ 30,276	$ 2,511,445	$ (1,161,145)
3100.000.00	Depr Res - Motor Vehicles	$ (759,065)	37.66%	$ (473,201)	$ 72,849	$ (400,352)	54.77%	$ (343,355)	$ 72,849	$ (270,506)	$ 129,846
3100.040.00	Depr Res - Other Work Equip	$ (1,286,528)	6.62%	$ (1,201,360)	$ 40,394	$ (1,160,966)	50.56%	$ (636,109)	$ 40,394	$ (595,715)	$ 565,251
3100.100.00	Depr Res - Buildings	$ (2,086,076)	44.42%	$ (1,159,441)		$ (1,159,441)	52.67%	$ (987,436)	$ -	$ (987,436)	$ 172,005
3100.120.00	Depr Res - Office Equipment-Support	$ (75,891)	27.22%	$ (55,233)		$ (55,233)	54.77%	$ (34,328)	$ -	$ (34,328)	$ 20,905
3100.130.00	Depr Res - Company Communication Equip	$ (449,341)	27.22%	$ (327,030)		$ (327,030)	54.77%	$ (203,255)	$ -	$ (203,255)	$ 123,776
3100.130.50	Depr Res - Co Comm Equip - O&W	$ (44,285)	27.22%	$ (32,231)		$ (32,231)	54.77%	$ (20,032)	$ -	$ (20,032)	$ 12,199
3100.140.00	Depr Res - General Purpose Computers	$ (364,895)	27.22%	$ (265,571)		$ (265,571)	54.77%	$ (165,056)	$ -	$ (165,056)	$ 100,514
	Total Depreciation Reserve	$ (5,066,081)		$ (3,514,067)	$ 113,243	$ (3,400,824)		$ (2,389,571)	$ 113,243	$ (2,276,328)	$ 1,124,496
	Total - Net of Depreciation Reserve	$ 176,624						$ 91,598	$ 143,519	$ 235,117	$ (36,648)

Source: Blue Valley's CPR Detail and General Ledger at 12/31/18

Blue Valley Telecommunications, Inc.
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Test Year Ending December 31, 2018

Attachment AD-3

Staff Workpaper RB-2
Capitalized Building Lease and Amortization Reserve Adjustment

ACCOUNT	DESCRIPTION	STAFF ADJ	INTRAST FACTOR	INTRAST ADJ
2681	Capitalized Building Lease			
	Inc (Dec) to Capitalized Building Lease	$ (445,163)	0.664130	$ (295,646)
3400	Accum. Amortization - Capitalized Building Lease			
	(Inc) Dec to Amortization Reserve	$ (292,104)	0.664130	$ (193,995)
	TOTAL STAFF ADJ	$ (737,267)		$ (489,641)

Blue Valley Telecommunications, Inc.
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Attachment AD-3

Staff Workpaper RB-2.1
Capitalized Building Lease and Amortization Reserve Adjustment Calculation

	TY Capitalized Bldg Lease Exp Per Company:			Staff Adj's to Amort Res (1)		TY Capitalized Bldg Lease Exp Per Staff:			Staff Adj:	
	BV	Reg %	Regulated	Adj	Adj'd Bal	BV + OP	Reg %	Regulated	Amt	Act No.
Home Office Building	$ 3,268,975	96.37%	$ 3,150,311	$ -	$ 3,150,311	$ 5,286,993	51.17%	$ 2,705,148	$ (445,163)	2681
Accum Depr/Amort	$ (1,204,359)	96.37%	$ (1,160,641)	$ (172,052)	$ (1,332,693)	$ (3,175,534)	51.17%	$ (1,624,797)	$ (292,104)	3400
Net Building	$ 2,064,616		$ 1,989,670	$ (172,052)	$ 1,817,618	$ 2,111,459		$ 1,080,351	$ (737,267)	
TY Depr/Amort Exp										
6560.800.00	$ 115,274									
6560.800.50	$ 56,777									
(prior to intrast alloc)	$ 172,051	96.37%	$ 165,806	$ -	$ 165,806	$ 265,407	51.17%	$ 135,798	$ (30,007)	6560

	Date	Original Cost	BV Auth. Depr Rate	Accum Depr at 12/31/19
Home Office	2007	$ 5,101,818	5.02%	$ (3,073,335)
Additional Bldg Costs	12/1/08	$ 178,628	5.02%	$ (98,639)
Basement Carpet	03/01/09	$ 6,547	5.02%	$ (3,560)
Total		$ 5,286,993		$ (3,175,534)

(1) Staff's Adjustments to Update PIS, A/D, and Depr Exp to 12/31/19

Blue Valley Telecommunications, Inc.
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Attachment AD-3

Staff Workpaper IS-12
GSF, Executive, and G&A Non-Regulated Expense Allocation

DESCRIPTION	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
PLANT SPECIFIC OPERATIONS EXPENSE				
Network Support Expense	6110	$ (996)	0.664130	
General Support Expense	6120	$ (247,708)	0.664130	$ (164,510)
Central Office Switching Expense	6210		0.395658	$ -
Central Office Transmission Expense	6230		0.395658	$ -
Cable and Wire Facilities Expense	6410		0.722606	$ -
Total Plant Specific Operations Expense		$ (248,704)		$ (164,510)
PLANT NON-SPECIFIC OPERATIONS EXPENSE				
Network Operations Expense	6530		0.664130	$ -
Access Expense	6540		0.000000	$ -
Depreciation & Amortization Expense	6560		0.633485	$ -
Total Plant Non-Specific Operations Expense		$ -		$ -
CUSTOMER OPERATIONS EXPENSE				
Marketing Expense	6610		0.805558	$ -
Services Expense	6620		0.534763	$ -
Total Customer Opertions Expense		$ -		$ -
CORPORATE OPERATIONS EXPENSE				
Executive and Planning Expense	6710	$ (27,774)	0.547575	$ (15,209)
General and Administrative Expense	6720	$ (111,317)	0.505701	$ (56,293)
General and Administrative - Rate Case	6720		1.000000	$ -
Total Corporate Operations Expense		$ (139,091)		$ (71,502)
Total Staff Adjustment		$ (387,795)		$ (236,012)

Blue Valley Telecommunications, Inc.
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Attachment AD-3

Staff Workpaper IS-12.1
GSF, Executive, and G&A Non-regulated Expense Allocation - Calculation

ACT	DESC	TEST YEAR EXP	CO'S COST STUDY ADJS: ADJ	CO'S COST STUDY ADJS: NR ALLOC	REG BALANCE PER CO	CALCULATE REG BALANCE PER STAFF: ADD OPT ACCOUNTS	CALCULATE REG BALANCE PER STAFF: TOTAL BV+OPT TY EXP TO ALLOCATE	CALCULATE REG BALANCE PER STAFF: STAFF REG %	CALCULATE REG BALANCE PER STAFF: REG BALANCE PER STAFF	STAFF ADJUSTMENT
6120.100	Land and Building Expense	$ 181,913	$ (8,054)	$ (47,324)	$ 126,535	$ 4,409	$ 130,943	47.47%	$ 62,158	$ (64,377)
6120.300	Office Equipment Expense	$ 14,401		$ (3,920)	$ 10,481	$ 76	$ 10,557	45.23%	$ 4,775	$ (5,706)
6120.400	General Purpose Computers	$ 457,168		$ (124,441)	$ 332,727	$ 10,160	$ 342,887	45.23%	$ 155,101	$ (177,625)
6120	**Total GSF Expense**	**$ 653,482**	**$ (8,054)**	**$ (175,685)**	**$ 469,742**	**$ 14,644**	**$ 484,386**		**$ 222,034**	**$ (247,708)**
6110.100.00	**Vehicle Exp - Executive**	**$ 2,599**		**$ (780)**	$ 1,819	**$ -**	$ 1,819	**45.23%**	$ 823	**$ (996)**
6720.000.00	Executive Expense	$ 11,469	$ -	$ -	$ 11,469	$ 1,128	$ 12,597	45.23%	$ 5,698	$ (5,771)
6720.100.00	Director's Expense	$ 40,178	$ -	$ -	$ 40,178	$ -	$ 40,178	45.23%	$ 18,174	$ (22,004)
6710	**Total Executive Exp - Non-Labor**	**$ 51,647**	**$ -**	**$ -**	**$ 51,647**	**$ 1,128**	**$ 52,775**		**$ 23,872**	**$ (27,774)**
6720.200.00	Accounting Expense	$ 43,586			$ 43,586	$ 6,264	$ 49,851	45.23%	$ 22,549	$ (21,037)
6720.240.00	Audit Expense	$ 38,826			$ 38,826	$ 2,175	$ 41,001	45.23%	$ 18,546	$ (20,279)
6720.300.00	External Relations-Corp Image	$ 155,865			$ 155,865	$ 44,358	$ 200,223	45.23%	$ 90,569	$ (65,296)
6720.400.00	Human Resources	$ 7,504			$ 7,504	$ 3,289	$ 10,793	45.23%	$ 4,882	$ (2,622)
6720.700.00	Other General and Admin	$ 13,585	$ (8,869)		$ 4,716	$ 1,106	$ 5,822	45.23%	$ 2,633	$ (2,083)
7000.000.00	Other Expense	$ 21,204			$ 21,204	$ -	$ 21,204	45.23%	$ 9,591	$ (11,612)
6720	**Total G&A Expense - Non-Labor**	**$ 280,569**	**$ (8,869)**	**$ -**	**$ 250,497**	**$ 57,192**	**$ 307,689**		**$ 139,180**	**$ (111,317)**
	TOTAL	$ 988,297	$ (16,923)	$ (176,465)	$ 773,704	$ 72,965	$ 846,669		$ 385,909	$ (387,795)

Blue Valley Telecommunications, Inc.
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Attachment AD-3

Staff Workpaper IS-13
Capitalized Building Lease Adjustment

DESCRIPTION	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
PLANT SPECIFIC OPERATIONS EXPENSE				
Network Support Expense	6110		0.664130	$ -
General Support Expense	6120		0.664130	$ -
Central Office Switching Expense	6210		0.395658	$ -
Central Office Transmission Expense	6230		0.395658	$ -
Cable and Wire Facilities Expense	6410		0.722606	$ -
Total Plant Specific Operations Expense		$ -		$ -
PLANT NON-SPECIFIC OPERATIONS EXPENSE				
Network Operations Expense	6530		0.664130	$ -
Access Expense	6540		0.000000	$ -
Depreciation & Amortization Expense	6560	$ (30,007)	0.633485	$ (19,009)
Total Plant Non-Specific Operations Expense		$ (30,007)		$ (19,009)
CUSTOMER OPERATIONS EXPENSE				
Marketing Expense	6610		0.805558	$ -
Services Expense	6620		0.534763	$ -
Total Customer Opertions Expense		$ -		$ -
CORPORATE OPERATIONS EXPENSE				
Executive and Planning Expense	6710		0.547575	$ -
General and Administrative Expense	6720		0.505701	$ -
General and Administrative - Rate Case	6720		1.000000	$ -
Total Corporate Operations Expense		$ -		$ -
Total Staff Adjustment		$ (30,007)		$ (19,009)

Blue Valley Telecommunications, Inc.
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Attachment AD-3

Staff Workpaper IS-14
Payroll Expense Adjustment

DESCRIPTION	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
PLANT SPECIFIC OPERATIONS EXPENSE				
Network Support Expense	6110		0.664130	$ -
General Support Expense	6120	$ (26,311)	0.664130	$ (17,474)
Central Office Switching Expense	6210	$ (8,707)	0.395658	$ (3,445)
Central Office Transmission Expense	6230	$ (15,487)	0.395658	$ (6,127)
Cable and Wire Facilities Expense	6410	$ (63,604)	0.722606	$ (45,961)
Total Plant Specific Operations Expense		$ (114,108)		$ (73,007)
PLANT NON-SPECIFIC OPERATIONS EXPENSE				
Network Operations Expense	6530	$ 105,997	0.664130	$ 70,396
Access Expense	6540		0.000000	$ -
Depreciation & Amortization Expense	6560		0.633485	$ -
Total Plant Non-Specific Operations Expense		$ 105,997		$ 70,396
CUSTOMER OPERATIONS EXPENSE				
Marketing Expense	6610	$ (50,921)	0.805558	$ (41,020)
Services Expense	6620	$ (20,646)	0.534763	$ (11,041)
Total Customer Opertions Expense		$ (71,567)		$ (52,060)
CORPORATE OPERATIONS EXPENSE				
Executive and Planning Expense	6710	$ (99,375)	0.547575	$ (54,415)
General and Administrative Expense	6720	$ (110,954)	0.505701	$ (56,110)
General and Administrative - Rate Case	6720		1.000000	$ -
Total Corporate Operations Expense		$ (210,329)		$ (110,525)
Total Staff Adjustment		$ (290,006)		$ (165,196)

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Blue Valley Telecommunications, Inc.
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Staff Workpaper IS-14.1
Payroll Normalization and Distribution

Attachment AD-3

Name	Title	Hired/Term/Chgd to OP PR	Pro Forma Salary + Bonuses	Basis of Distribution	Blue Valley 2003 BV TPUC	6110 Veh & Equip CLEAR	6120 Gen Supp	6210 C. O. Switch.	6230 C.O. Trans.	6410 Cable & Wire	6510 Inventory/ Prov - CLEAR	6530 Plant Op Admin (1)	6610 Marketing	6620.100 Directory	6620 Other Cust Services	6710 Exec & Planning	6720 G&A	9999.020 Mtgs/Stock CLEAR	One Point Non-Reg	Salaries Directly Charged Reg	Reg %	NR	NR %
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]			[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Staff Adjustment					(13,313.91)	-	(26,310.56)	(8,706.65)	(15,486.72)	(63,603.93)	-	105,997.50	(50,920.77)	0.80	(20,646.83)	(99,374.93)	(110,954.31)	-	284,352.83				

(1) Allocate based on TY distribution of employees reporting to John Smith per DR 97.
(2) Normalize salary - started during or subsequent to 2018 TY
(3) Allocate to NR based on customer numbers
(4) Allocate 50% to NR
(5) Allocate on all employees' salary

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Blue Valley Telecommunications, Inc.
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Attachment AD-3

Staff Workpaper IS-14.2
Labor Distribution of Employees Employees Under John Smith

		Reg	Reg %	NR	NR %	Tot
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]
[redacted]		[redacted]		[redacted]		[redacted]
Total		[redacted]	62.80%	[redacted]	37.20%	[redacted]

Source: DR 97-Updated Organization Chart

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Blue Valley Telecommunications, Inc.
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Staff Workpaper IS-14.3
Salary and Bonus Compensation Analysis

Attachment AD-3

Source: NTCA 2018 Survey reports Compensation and Benefits as of January 1, 2018

					Actual	Operating Revenues			Access Lines			FTE - 54 (Note 3)			Region - Plains			Average	TY Salary + Bonus
					2018	[redacted] (000s) (Note 1)			[redacted] (Note 2)									All Criteria	Exceeding
Employee	Title	Survey Code	Base Salary	TY Bonus	Salary + Bonus	Base Sal 3rd Quartile	Bonus Mean	Total Sal + Bonus	Base Sal 3rd Quartile	Bonus Mean	Total Sal + Bonus	Base Sal 3rd Quartile	Bonus Mean	Total Sal + Bonus	Base Sal 3rd Quartile	Bonus Mean	Total Sal + Bonus	Sal + Bonus 3rd Quartile	Avg All Criteria Salary + Bonuses
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted] [redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total																			

(1) Operating Revenue for FY 2018 BVTC + OPT (Ref. DR 2 - Consolidating Statement of Gross Operations 12-31-18)
(2) Average access lines in 2018 per DR 18
(3) 2018 Level of Full Time Employees
(4) [redacted]

The NTCA Survey states: Together, the 25th percentile and the 75th percentile define the middle 50% of all salaries paid for the job.
This midrange, based on the reported rates for the position, generally is considered the most reliable indicator of prevailing rates of pay.

Blue Valley Telecommunications, Inc.
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Attachment AD-3

Staff Workpaper IS-15
Employee Benefit and Payroll Tax Expense Adjustment

	DESCRIPTION	ACT	STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
PLANT SPECIFIC OPERATIONS EXPENSE					
	Network Support Expense	6110	$ 0	0.664699	$ 0
Increase	General Support Expense	6120	$ (31,024)	0.664699	$ (20,621)
Increase	Central Office Switching Expense	6210	$ (10,859)	0.518863	$ (5,634)
Increase	Central Office Transmission Expense	6230	$ (49,039)	0.518863	$ (25,444)
Increase	Cable and Wire Facilities Expense	6410	$ (58,965)	0.740304	$ (43,652)
	Total Plant Specific Operations Expense		$ (149,886)		$ (95,352)
PLANT NON-SPECIFIC OPERATIONS EXPENSE					
Increase	Network Operations Expense	6530	$ 53,462	0.664699	$ 35,536
	Access Expense	6540		0.000000	$ -
	Depreciation & Amortization Expense	6560		0.597088	$ -
	Total Plant Non-Specific Operations Expense		$ 53,462		$ 35,536
CUSTOMER OPERATIONS EXPENSE					
Increase	Marketing Expense	6610	$ (33,854)	0.805558	$ (27,272)
Increase	Services Expense	6620	$ (25,438)	0.542955	$ (13,812)
	Total Customer Opertions Expense		$ (59,293)		$ (41,084)
CORPORATE OPERATIONS EXPENSE					
Increase	Executive and Planning Expense	6710	$ (58,316)	0.614137	$ (35,814)
Increase	General and Administrative Expense	6720	$ (99,148)	0.573322	$ (56,844)
	General and Administrative - Rate Case	6720		1.000000	$ -
	Total Corporate Operations Expense		$ (157,463)		$ (92,657)
	Total Staff Adjustment		$ (313,181)		$ (193,557)

Blue Valley Telecommunications, Inc.
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Attachment AD-3

Staff Workpaper IS-15.1
Employee Benefit & PR Tax Expense Adjustment - PR Clearing Distribution

DESCRIPTION	ACT	TEST YEAR DIST (1) PR %	TEST YEAR DIST DISTRIBUTE BEN & PR TAX	PRO FORMA DIST (1) PR %	PRO FORMA DIST DISTRIBUTE BEN & PR TAX	STAFF ADJ
TPUC - Work Orders	2003	1.03%	24,353	0.71%	14,287	(10,066)
ADJS TO REGULATED EXPENSE:						
Plant Specific Operations Expense						
Network Support Expense	6110		-			
General Support Expense	6120	5.48%	129,019	4.85%	97,996	(31,024)
Central Office Switching Expense	6210	2.00%	47,000	1.79%	36,141	(10,859)
Central Office Transmission Expense	6230	12.73%	299,614	12.40%	250,576	(49,039)
Cable and Wire Facilities Expense	6410	8.30%	195,385	6.75%	136,420	(58,965)
Total Plant Specific Operations Expense						
Plant Non-Specific Operations Expenses						
Other Plant Expense	6510		-			
Network Operations Expense	6530	0.00%	-	2.65%	53,462	53,462
Access Expense	6540		-			
Depreciation & Amortization Expense	6560		-			
Total Plant Non-Specific Operations Expense						
Customer Operations Expense						
Marketing Expense	6610	2.52%	59,386	1.26%	25,532	(33,854)
Services Expense	6620	4.64%	109,193	4.14%	83,755	(25,438)
Total Customer Opertions Expense						
Corporate Operations Expense						
Executive and Planning Expense	6710	2.53%	59,551	0.06%	1,235	(58,316)
General and Administrative Expense	6720	13.33%	313,846	10.62%	214,698	(99,148)
Total Corporate Operations Expense						
TOTAL ADJS TO REGULATED EXPENSE		**51.5%**	**1,212,994**	**44.5%**	**899,814**	**(313,181)**
Non-Regulated Expense	7990	47.44%	1,117,015	54.77%	1,106,729	(10,286)
Total Expenses - TPUC + Regulated + NonReg		100.0%	$ 2,354,363	100.0%	$ 2,020,830	$ (333,533)

(1) Per Staff Workpaper - IS-14.1-Staff Payroll Distribution

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Blue Valley Telecommunications, Inc.
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Attachment

Staff Workpaper IS-15.2
Employee Benefit and Payroll Tax Expense Adjustment - Calculation

			Monthly Inv's	Annualized 9999.600.02 Post-Retirement Benefits	4110.350.00 NTCA Group Health & Dearborn Life Ins	4110.375.00 R&S and OPEB - Cleared PR Dist	Total Benefits Subject to PR Distribution
1	Adjustment to Employee Benefits						
	Jan 18			$ [redacted]	[redacted]	[redacted]	
	[redacted]			[redacted]	[redacted]	[redacted]	[redacted]
	Staff Pro Forma Benefit Expense:						
	[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Staff Adjustment - Employee Benefits			$ (13,299)	$ (210,526)	$ (107,223)	$ (331,048)
2	Adjustment to Social Security Taxes						
	[redacted]		[redacted]				[redacted]
	Staff Adjustment - Social Security Taxes						$ (2,210)
3	Adjustment to Medicare Taxes						
	[redacted]		[redacted]				[redacted]
	Staff Adjustment - Medicare Taxes						$ (275)
	Total Staff Adjustment - Employee Benefit & PR Tax Expense						$ (333,533)

(1) Retirement is billed over 8 months

Blue Valley Telecommunications, Inc.
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Staff Workpaper IS-16
Billing & Collection Expense Adjustment

Attachment AD-3

DESCRIPTION	ACT	STAFF ADJ BILLING STMTS	STAFF ADJ ACH FEES	TOTAL STAFF ADJ	INTRASTATE FACTOR	INTRASTATE ADJ
PLANT SPECIFIC OPERATIONS EXPENSE						
General Support Expense	6120				0.664699	$ -
Central Office Switching Expense	6210				0.518863	$ -
Central Office Transmission Expense	6230	(436)		(436)	0.518863	$ (226)
Cable and Wire Facilities Expense	6410				0.740304	$ -
Total Plant Specific Operations Expense		(436)	-	(436)		$ (226)
PLANT NON-SPECIFIC OPERATIONS EXPENSE						
Network Operations Expense	6530				0.664699	$ -
Total Plant Non-Specific Operations Expense		-		-		$ -
CUSTOMER OPERATIONS EXPENSE						
Marketing Expense	6610				0.805558	$ -
Decre Services Expense	6620	(14,727)	(45,931)	(60,658)	0.542955	$ (32,935)
Total Customer Opertions Expense		(14,727)	(45,931)	(60,658)		$ (32,935)
CORPORATE OPERATIONS EXPENSE						
Executive and Planning Expense	6710				0.614137	$ -
Decre General and Administrative Expense	6720	(470)		(470)	0.573322	$ (269)
Total Corporate Operations Expense		(470)	-	(470)		$ (269)
Total Staff Adjustment				(61,564)		$ (33,430)

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20-BLVT-218-KSF
Test Year Ending December 31, 2018

Staff Workpaper IS-16.1
Billing & Collection Expense Adjustment Calculation

Attachment AD-3

2018 TY INNOVATIVE SYSTEMS INVOICES									ALLOCATED PER COMPANY (1)					ALLOCATED PER STAFF (2)				
									REGULATED ACCOUNTS				NON-REG	REGULATED ACCOUNTS				NON-REG
									6620.200/ 6620.400	6620.600	6230.500	6720.300	7990.000	6620.200/ 6620.400	6620.600	6230.500	6720.300	7990.000
INV DATE	INV #	TOT INV	CUST BILLING	POSTAGE	IPTV/ CATV	INTERNET PROMO	CHRISTMAS COUPON	CUST APPREC NOTICES	CUST BILLING	POSTAGE	INTERNET PROMO INSERTS	INSERTS	INSERTS OPT	CUST BILLING	POSTAGE	INSERTS	INSERTS	INSERTS OPT
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]					[redacted]	[redacted]				[redacted]	[redacted]			[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]				[redacted]	[redacted]			[redacted]	[redacted]	[redacted]			[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]					[redacted]	[redacted]				[redacted]	[redacted]			[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]					[redacted]	[redacted]				[redacted]	[redacted]			[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]					[redacted]	[redacted]				[redacted]	[redacted]			[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]					[redacted]	[redacted]				[redacted]	[redacted]			[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]				[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]					[redacted]	[redacted]				[redacted]	[redacted]			[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]					[redacted]	[redacted]				[redacted]	[redacted]			[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		[redacted]			[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]	[redacted]		[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]					[redacted]	[redacted]				[redacted]	[redacted]			[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		[redacted]	[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Total Regulated Expenses $ 22,939.49 $ 7,306.97

Staff Adjustment - Billing Statements $ (15,632.52)

(1) Company allocation factors per DR 90
(2) Per Staff's Customer Number Allocation Factor Worksheet

Source: DR 90 Innovative Systems Invoices

REDACTED

Blue Valley Telecommunications, Inc.
20-BLVT-218-KSF
Test Year Ending December 31, 2018

Attachment AD-3

Staff Workpaper IS-16.2
Allocate Customer Service Collections Expenses

Common ACH Processing Fees to Allocate:

	Worldpay	American	Authnet	Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]				[redacted]
[redacted]				[redacted]
[redacted]				[redacted]
Staff Adjustment				(45,931)

Source: Test Year GL - Account 6620.650.00

Kansas Corporation Commission
Information Request

Request No: **14 - Updated**

Company Name	BLUE VALLEY TELE-COMMUNICATIONS, INC.	BLVT
Docket Number	20-BLVT-218-KSF	
Request Date	November 12, 2019	
Date Information Needed	November 21, 2019	

RE: Agreements

Please Provide the Following:

Please provide the following:

a. A listing and copy of all agreements, leases, and contracts the Company has with any affiliates, including subsidiaries, for assets or services and identify those that have been filed with the KCC and the date the agreements were filed with the KCC. If any agreements, leases, contracts, etc. are not in writing, provide a detailed description of the agreement, lease, or contract, the amount of compensation pursuant to the contract, the basis for the compensation, including calculations, and how the Company recorded any revenues or expenses in the test year.

b. A listing and copy of all agreements, leases, and contracts the Company has with any entity other than an affiliate/subsidiary, for assets or services and identify those that have been filed with the KCC and the date the agreements were filed with the KCC. If any agreements, leases, contracts, etc. are not in writing, provide a detailed description of the agreement, lease, or contract, the amount of compensation pursuant to the contract, the basis for the compensation, including calculations, and how the Company recorded any revenues or expenses in the test year.

Submitted By Katie Figgs
Submitted To Stacey Brigham

Response:

See attached DR#14.

The updated DR #14 includes Blue Valley's lease for their building.

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

Verification of Response

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

Signed: ____________________

Date: 3/3/2020

BUILDING LEASE

THIS LEASE AND AGREEMENT, Made and entered into this 1st day of October, 2007, by and between One Point Technologies, Inc., a Kansas corporation, hereinafter referred to as "lessor," and Blue Valley Tele-communications, Inc., a Kansas nonprofit corporation, hereinafter referred to as "lessee."

WITNESSETH:

1. Leased Premises. For the consideration and upon the terms, conditions, and provisions hereinafter set forth, lessor leases to lessee the following described property at Home, Marshall County, Kansas, to-wit:

> A tract of land in the N/2 of the NE/4 of Section 33, Township 2 South, Range 8 East of the 6th P.M., Marshall County, Kansas being described by metes and bounds as follows: STARTING at the NW Corner of the NE/4 of said Section 33; THENCE Easterly (Az 88°37'42") on assumed Azimuth along the North line of the NE/4 of said Section 33 for 921.57 feet; THENCE Southerly (Az 178°51'00") for 64.84 feet to the South right-of-way line of U.S. Hwy 36, said point also being the Northwest (NW) corner of a tract described in Deed Book 404 at Page 148, this point also being the true POINT OF BEGINNING; THENCE continuing Southerly (Az 178°51'00") along the West line of said tract for 390.00 feet; THENCE Westerly (Az 268°51'00") for 238.34 feet; THENCE Northwesterly (Az 299°51'59") for 139.01 feet to the east wall of a metal warehouse building; THENCE Northerly (Az 359°26'56") along said East wall of warehouse building for 85.29 feet to the Northeast (NE) corner of said warehouse building; THENCE Westerly (Az 269°26'56") along said North wall and its westerly extension for 92.54 feet; THENCE North-Northeasterly (Az 9°45'58") for 78.65 feet; THENCE Northeasterly (Az 35°32'23") for 180.91 feet; THENCE Northerly (Az 359°16'17")for 16.68 feet to said South right-of-way of Hwy 36; THENCE Easterly (Az 90°03'27") along said right of way for 326.08 feet to the POINT OF BEGINNING. Containing 3.34 acres more or less; together with the regulated portion of the building, fixtures, and appurtenances thereto.

2. Lease Term.

(a) The lease term shall commence on the 1st day of October, 2007, and shall terminate on the last business day twelve months later.

(b) Renewal of Lease Term. The original term will be automatically and successively renewed at the end of the original term for five additional successive terms of twelve months each. Each renewal period is hereinafter referred to as "Renewal Term" and all renewal terms, together with the original term, are hereinafter referred to as the "Lease Term." The terms applicable to any renewal term shall be the same as the terms applicable to the original term.

(c) Termination of Lease Term. The lease term shall terminate upon the earliest to occur of any of the following events: (1) the expiration of the original term or any renewal term and the non-renewal thereof in accordance with the terms of this agreement; (2) a default by lessee and lessor's election to terminate this agreement; or (3) the payment by lessee of all rents authorized or required to be paid by lessee hereunder.

3. Rent Payments. Lessee agrees to pay as rent for the above described premises the sum of $19,158.25 per month during the original term and renewal of the lease. Lessee may advance payment for the entire term of the lease or any portion thereof. If lessee shall so perform and the lease terminates early, an equal or prorated sum shall be repaid without interest to lessee at the termination of this Agreement.

4. Cleaning. Lessee shall be responsible for making all arrangement for cleaning the entire premise and shall be responsible for the payment of all costs incurred in cleaning the premises.

5. Use of the Premises. Lessee covenants and agrees not to conduct any business contrary to the laws of the State of Kansas, or any ordinances and regulations of the local governmental authority.

6. Assignment and Subletting. It is agreed that lessee shall not assign this lease, nor sublet the premises or any portion thereof without first obtaining, in writing, the consent of the lessor, which consent shall not be unreasonably withheld.

7. Condition of Premises. Lessee shall at all times keep the demised premises, the buildings thereon, and all appurtenances, in a clean and healthy condition, according to the applicable statutes, city ordinances, and the direction or regulations of the proper public authorities.

8. Structural Repairs. Lessee covenants and agrees that during the term of this lease they will keep and maintain the interior, exterior and surrounding portions of the premises in good repair and condition, ordinary wear and tear attributable to the use of the building and damage by fire or other casualty excepted.

9. Payment of Taxes. Lessee covenants and agrees to make payment of any and all taxes levied on the realty and improvements situated thereon by any municipal, county or state taxing authority and to cause same to be paid prior to their being in default.

10. Signs. Lessee shall have the right to install and maintain signs or other advertising media, electric or non-electric, in or on the leased premises as lessee may deem necessary or advisable.

11. Utilities. Lessee shall pay a pro-rated cost of all utilities such as light, heat, power, water, sewer use charge, and all other utility services used on the leased premises.

12. Inspection of Premises. Lessor, his agent or legal representative, may at all reasonable hours enter into the leased premises for the purpose of examining the condition thereof.

13. Insurance. Lessee shall pay pro-rated fire and casualty insurance premiums on the demised premises based on coverage of the entire building, including additions or improvements, if any, made by lessee during the term or any extended term of this lease. Lessee shall also provide all fire and casualty insurance required on all personal property on the demised premises, and any casualty insurance desired by lessee, both at the expense of lessee.

14. Remedy upon Default. In the event lessee shall fail or neglect to pay any installment of rent when due, and such default continues for Ten (10) days after written notice thereof being given by lessor to lessee, or in the event lessee shall fail or neglect to perform or observe any covenant or condition (other than the covenant to pay rent) herein contained on lessee's part to be performed or observed for Thirty (30) days after written notice thereof being given by lessor to lessee, this Lease shall be forfeited at the election of lessor, without further notice to lessee or any other person.

15. Binding on Successors. The covenants and agreements herein contained shall run with the land and the premises hereby leased, and shall be binding upon and inure to the benefit of the lessor and lessee and their respective successors, assigns, heirs, devisees, executors, administrators, and legal representatives.

IN WITNESS WHEREOF, The parties have hereunto set their hands and seal the day and year first above written.

LESSOR	LESSEE
One Point Technologies, Inc.	Blue Valley Tele-communications, Inc.
By: ______________________	By: ______________________
General Manager/CEO	General Manager/CEO

Kansas Corporation Commission
Information Request

Request No: **90 Updated**

Company Name	BLUE VALLEY TELE-COMMUNICATIONS, INC.	BLVT
Docket Number	20-BLVT-218-KSF	
Request Date	February 18, 2020	
Date Information Needed	February 27, 2020	

RE: Billing and Collection Expenses

Please Provide the Following:

Identify common billing and collection expenses, and the account numbers used to record the expenses, and describe how they are allocated between regulated and non-regulated operations. Provide the regulated and non-regulated percentages used to allocate the common B&C expenses for each month during and subsequent to the test year, and provide calculations supporting the allocation factors used.

Submitted By Ann Diggs

Submitted To Stacey Brigham

Response:

Please see the attached DR #90 invoices for the common billing and collection expenses. These expenses are booked in BV accounts 6620.400.00, 6620.400.50, 6620.600.00, and 6620.600.50. One Point Technologies, Inc. owns the Innovative software for billing and related depreciation expense is booked to non-regulated operations under One Point. Customer billing and postage expenses are allocated to regulated operations. Additional expenses for bill inserts are allocated between regulated and non-regulated operations depending on their purpose.

Please see the attached BLU DR #90 Billing and Collections Expenses file for the regulated and non-regulated percentages used to allocate the common B&C expenses and invoices showing the supporting allocation factors used.

DR #90 has been updated to include support showing how the regulated and non-regulated allocation factors were determined.

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

Verification of Response

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

Signed: ______________

Date: 3/11/2020

BLU DR# 90 Billing and Collection Expenses

See attached invoices

GL Account Numbers – 2018 - 67/33 SPLIT OR 2019 - 66/34 SPLIT

BV-6620.400.00 - Customer Billing - 67% or 66%

BV-6620.400.50 - Customer Billing - 34% or 33%

2018 and 2019 allocations are based on access line counts

BV-6620-600.00 – Postage - 67% or 66%

BV-6620.600.50 – Postage - 34% or 33%

Bill Inserts are occasionally added

IPTV/CATV lineup

OPT-7990-200.50 - 50%

Allocation is based on a 50/50 split between the IPTV account and the CATV account

OPT-7990.200.00 - 50%

Internet Promo

BV-6230.500.00 - 37%

BV-6230.500.50 - 18%

Allocation is based on customer counts

OPT-7990.310.00 - 5%

OPT-7990.300.50 - 40%

Christmas coupon

BV-6720.300.00 - 60%

Allocation is based on forecasted redemption

BV-6720.300.50 - 30%

OPT-6720.300.00 - 10%

Customer Appreciation Notices

BV-6720.300.00 - 70%

BV-6720.300.50 - 20%

Allocation is based on ILEC versus CLEC towns in each county

OPT-6720.300.00 - 10%

Refer a Friend Insert

BV-6610.100.00 – 13.34% BV-6610.100.50 – 3.33% OPT-7990.040.00 – 16.67%	ILEC
BV-6230.500.00 – 15.73% BV-6230.500.50 – 3.93% OPT-7990.300.50 – 13.67%	CLEC
OPT-7990.200.50 – 15.33% OPT-7990.200.00 – 18%	Video

Allocation is based on service offerings for Blue Valley's ILEC, CLEC, and video services which have been split into thirds.

Kansas Corporation Commission
Information Request

Request No: **97 – Updated**

Company Name	BLUE VALLEY TELE-COMMUNICATIONS, INC.	BLVT
Docket Number	20-BLVT-218-KSF	
Request Date	February 19, 2020	
Date Information Needed	February 28, 2020	

RE: Employee Time Allocations

Please Provide the Following:

List all employees whose time is allocated between regulated and non-regulated activities based on time studies or other causal allocation methods (such as using other employees time) instead of directly recording time on a daily basis. For each listed employee provide the following information for allocations in effect during and subsequent to the test year:

(a) the non-regulated allocation factor used
(b) the basis of the allocation
(c) the underlying time study or allocation calculations
(d) the effective dates of the allocations

Submitted By Ann Diggs

Submitted To Stacey Brigham

Response:

Please see the attached DR #97. The effective date of these allocations is 1/1/2018. This DR has been updated to correct a typo describing the causal allocation method used for time reporting as well include an organizational chart showing the employees who report to John Smith.

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

Verification of Response

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

Signed: ______________________

Date: 3/6/2020

BLUE VALLEY DR 97 – Employee Time Allocations

1. The following employees do a mixture of direct time reporting and time allocation. This means that they record time directly to non-regulated and the balance of their time is allocated. The allocation is based on a casual allocation method. This means that no time study has been done but is based on a verbal evaluation of each employee's responsibilities.

Name	%Allocation to Non-Regulated
Joan Hartner	21%
Lisa Roever	21%
Amy Peschel	11%
Debbie Price	20%
Susan Walker	20%

2. The following employees do not code their time directly and allocate their time based on the same allocation method done in #1 above.

Name	%Allocation to Non-Regulated
Jada Ackerman	29%
Angie Armstrong	45%
Margaret Griffee-Reed	10%
Nancy Holle	11%
Jodi O'Neil	48.91%
Jodi Samuelson	11%
Tara Schneider	20.46%
John Smith	based on his direct reports' timesheets (all direct time reporters)
Mary Smith	11%
Rachel Strunk	15%
Colleen Voet	51%
Angie Wassenberg	24%
Candace Wright	30%

Kansas Corporation Commission
Information Request

Request No: **101**

Company Name	BLUE VALLEY TELE-COMMUNICATIONS, INC.	BLVT
Docket Number	20-BLVT-218-KSF	
Request Date	February 25, 2020	
Date Information Needed	March 5, 2020	

RE: Depreciation

Please Provide the Following:

Please provide support for the Company's use of a 5.26% depreciation rate for Capitalized Leases

Submitted By Kristina Luke Fry

Submitted To

Response:

When the lease was capitalized in 2012, the building was 5 years old. Since the building had an original life of 24 years, this resulted in 19 years remaining for the amortization. The amortization rate of 5.26% = 100/19 year life.

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

Verification of Response

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

Signed: ____________

Date: 3/5/2020

Kansas Corporation Commission
Information Request

Request No: **109**

Company Name	BLUE VALLEY TELE-COMMUNICATIONS, INC.	BLVT
Docket Number	20-BLVT-218-KSF	
Request Date	March 6, 2020	
Date Information Needed	March 16, 2020	

RE: Conference Call Follow-up

Please Provide the Following:

As a follow-up to Staff's conference call with TCA on March 5, 2020, please provide or confirm the following information:

a. Provide the company's cost study adjustments used in the filing in excel format, including all supporting documentation, as requested in DR 48, including the company's Floor Plan Study, and support for the company's calculation of regulated and non-regulated payroll dollars.

b. As previously requested in DR 79(a), provide a description of the basis for allocting each of the listed clearing accounts.

c. As previously requested in DR 90, provide support showing how the allocation factors were calculated.

d. Please confirm Staff's understanding that all B&C expenses referenced in DR 90 except for the special inserts were allocated 100% to regulated operations and explain why these B&C expenses were not allocated to non-regulated operations.

e. Regarding the reference in the response to DR 93, please confirm that there were no Networks Plus or One Point employees employed during the 2018 test year that were not included in Blue Valley's payroll distributions reports.

Response:

a. Please see the updated DR #48 for the cost study adjustments in excel format, including supporting documentation for the Floor Plan Study and calculation of regulated versus non-regulated payroll dollars.
b. Please see the updated DR #79(a) for the description of the basis for allocating each of the listed clearing accounts.
c. Please see the updated DR #90 for support showing how the allocation factors were calculated.
d. Yes, Staff's understanding is correct. All B&C expenses referenced in DR #90 except for the special inserts are booked directly to the regulated operations. These B&C expenses were not allocated to non-regulated operations because One Point owns the Innovative billing software which Blue Valley leases, so all depreciation expense related to the software is booked on the non-regulated operations.
e. Yes, this is correct. There were no Network Plus or One Point employees employed during 2018 that were not included in Blue Valley's payroll distribution reports. Networks Plus employees are working under One Point's IT consulting brand. All Networks Plus and One Point employees were included in Blue Valley's payroll distribution reports until January 1, 2019, at which time they moved to a separate payroll distribution specifically for One Point.

Signed: ______________________

Date: 3/11/2020

Kansas Corporation Commission
Information Request

Request No: **110**

Company Name	BLUE VALLEY TELE-COMMUNICATIONS, INC.	BLVT
Docket Number	20-BLVT-218-KSF	
Request Date	March 6, 2020	
Date Information Needed	March 16, 2020	

RE: Conference Call Follow-up

Please Provide the Following:

As a follow-up to Staff's conference call with TCA on March 5, 2020, please provide or confirm the following information:

a. Regarding the response to DR 97, provide additional supporting documentation listing the employees who directly reported to John Smith during the test year.

b. Regarding the response to DR 96, please include in the description of Blue Valley's land and buildings if the items is land or if it is a building, so the totals for land and for buildings tie to the trial balance.

c. Regarding the response to DR 96, please include the descriptions of regulated and non-regulated use of the land and buildings as requested.

d. Please confirm that the 2007 Capital Lease Agreement provided in DR 14 and DR 14 Revised is the latest version.

e. Please confirm that there are no written agreements entered into between Blue Valley and One Point or Networks Plus for software leases, or the various services Blue Valley provides to One Point and Networks Plus such as management, executive, administrative, HR, and billing and collections.

f. Regarding DR 96, provide documentation supporting the amount of Blue Valley's capitalized building lease of $3,268,975, including the cost of the building and accumulated depreciation on One Point's books at the time the lease was capitalized, and explain why One Point has a balance of $1,409,266 for the Home headquarters building on its balance sheet at 12/31/18.

Response:

a. Please see the updated DR #97 for the supporting documentation listing the employees who directly reported to John Smith during the test year.
b. Please see the updated DR #96 for the clear break out of Blue Valley's land and building costs.
c. Please see the updated DR #96 for the description of regulated and non-regulated use of the land and buildings.
d. The 2007 Capital Lease provided in DR #14 and the DR #14 Revised is the latest version.
e. Blue Valley's Cost Allocation Manual Section 2 includes affiliate transactions which serve as agreements for these services. There are no other written agreements entered into between Blue Valley and One Point (or the Networks Plus brand offered under One Point) for software leases, or the various services Blue Valley provides such as management, executive, administrative, HR, and billing and collections.
f. Please see the attached description labeled "DR 110f" and supporting documentation.

f

ete

and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: ______________

Date: 3/12/2020

DR 110f Response:

The accompanying PDF titled "BLU DR # 110" includes supporting documentation for Blue Valley's capitalized building lease of $3,268,975, including the cost of the building and accumulated depreciation on One Point's books at the time the lease was capitalized. One Point has a balance of $1,409,266 for the Home headquarters building on its balance sheet at 12/31/18 because when the lease was capitalized, the original asset amount was allocated between regulated and non-regulated operations with 75% going to Blue Valley and 25% going to One Point. The $3,268,975 booked to Blue Valley as the capitalized lease was calculated by taking 75% of the total original cost of the building, which was $5,286,993, less 75% of the accumulated depreciation at the time of capitalization, which was $928,360. The remaining balance of $1,321,748 was booked to One Point. This amount in addition to capital expenditures booked from 2007 through 2018 resulted in a balance of $1,409,266.

VERIFICATION

STATE OF NORTH CAROLINA)
) ss.
COUNTY OF New Hanover)

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

Ann Diggs Herman

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

SUBSCRIBED AND SWORN to before me this 18 day of March, 2020.

Nancy M. Huffer

Notary Public

My Appointment Expires: 3-17-2022

NANCY M HUFFER
Notary Public
New Hanover Co., North Carolina
My Commission Expires Mar. 17, 2022

CERTIFICATE OF SERVICE

20-BLVT-218-KSF

I, the undersigned, certify that a true and correct copy of the above and foregoing Direct Testimony was served via electronic service this 20th day of March, 2020, to the following:

COLLEEN JAMISON
JAMISON LAW, LLC
P O BOX 128
TECUMSEH, KS 66542
colleen.jamison@jamisonlaw.legal

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KANSAS CORPORATION COMMISSION
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Ann Murphy