

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of)
Mutual Telephone Company for an)
Increase in its Cost-Based Kansas)
Universal Service Fund Support) **Docket No. 25-MTLT-161-KSF**

**DIRECT TESTIMONY
PREPARED BY
KRISTINA A LUKE FRY
UTILITIES DIVISION
KANSAS CORPORATION COMMISSION
January 24, 2025**

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19

1 **I. INTRODUCTION**

2 **Q. Would you please state your name and business address?**

3 A. My name is Kristina A. Luke Fry. My business address is 1500 Southwest Arrowhead
4 Road, Topeka, Kansas, 66604.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by the Kansas Corporation Commission (Commission) as a Managing
7 Auditor.

8 **Q. Please describe your educational background and professional experience?**

9 A. In December 2014 I earned a master's degree in Business Administration from Washburn
10 University. I also hold a Bachelor of Science degree in Business Administration with a
11 major in accounting from Kansas State University. I began employment with the
12 Commission as a Regulatory Auditor in September 2010 and became a Senior Auditor in
13 July 2013. I assumed my current position in August 2015.

14 **Q. Have you previously submitted testimony before this Commission?**

15 A. Yes. I have submitted written testimony before this Commission on multiple occasions
16 regarding various regulatory accounting and ratemaking issues. This work includes
17 testimony filings in over 30 dockets. A list of the other dockets that encompass this
18 experience is available upon request.

19 **Q. What were your responsibilities in the review of Mutual Telephone Company's
20 (Mutual or Company) September 23, 2024, Application?**

21 A. My responsibilities as the lead auditor in this case were to analyze, audit, and review
22 Mutual's filing before the Commission to determine its cost-based Kansas Universal
23 Service Fund (KUSF) support to reflect its current revenue requirement and business

1 circumstances. I reviewed the Company's filing, requested and analyzed additional
2 information, and participated in an on-site review at the Company's headquarters in Little
3 River, Kansas, to inspect records, tour the Company's facilities, and to confer with
4 Company management and consultants. In addition, I calculated and sponsor selected Staff
5 adjustments to Mutual's Rate Base and Income Statement.

6 **Q. What is the purpose of your testimony in this proceeding?**

7 A. The purpose of my testimony is to sponsor adjustments and schedules based on Staff's
8 review of Mutual's Application. My testimony will be presented in the following manner:

- 9 ▪ Overview
- 10 ▪ Background
- 11 ▪ Rate Base Adjustments
- 12 ▪ Income Statement Adjustments

13 **Q. Please provide the list of Staff witnesses and a brief description of the testimony they**
14 **are sponsoring.**

15 A. Adam Gatewood sponsors testimony related to capital structure, cost of long-term debt,
16 and return on equity.

17 Roxie McCullar sponsors testimony related to the Federal Communications Commission's
18 separations process and the application of Federal Alternative Connect America Cost
19 Model ("A-CAM") support.

20 Tim Rehagen sponsors testimony related to various income statement adjustments
21 including KUSF support, audit expense, property taxes, dues, legal services expenses, and
22 travel and training expenses.

23

1 **Q. How is the rest of your testimony organized?**

2 A. The remainder of my testimony is organized as follows:

3 **Overview** – I provide an overview of Mutual’s operations and the components of its KUSF
4 filing.

5 **Analysis** – I discuss Staff’s revenue requirement analysis and present a table of Staff’s
6 adjustments to the pro forma rate base and income statement.

7 **Rate Base Adjustments-** I discuss Staff’s Adjustments to Plant in Service, Accumulated
8 Depreciation, Telephone Plant Under Construction (TPUC), and Cash Working Capital,
9 and the effect they have on the Company’s Rate Base.

10 **Income Statement Adjustments** – I discuss Staff’s Adjustments to KUSF Support, Audit
11 Expense, Various Expenses, Payroll Expense, and Employee Benefit & Payroll Tax
12 Expense.

13 **II. OVERVIEW**

14 **Q. Please provide an overview of Mutual’s corporate structure.**

15 A. Mutual is a Kansas cooperative holding one or more Certificates of Convenience and
16 Authority to engage in the business of providing local exchange and exchange access
17 telecommunications service in designated geographic areas within the State of Kansas. The
18 Company operates under traditional rate of return regulation and serves as the carrier of
19 last resort for telecommunications customers within its designated service area located in
20 central Kansas. The Commission designated Mutual as an eligible telecommunications
21 carrier in an order dated December 5, 1997, in Docket No. 98-GIMT-241-GIT. Mutual is
22 the parent company of LR Communications, which provides competitive local exchange,
23 interexchange, Fixed Wireless, and non-regulated broadband and internet services.

1 **Q. How do Mutual's local rates compare to other Local Exchange Carriers (LEC) in the**
2 **area?**

3 A. The residential and business rates for Mutual are relatively comparable to the other LECs
4 in the area. Mutual's current rates of \$18.75 for residential and \$21.75 for single line
5 business is in-line with the Affordable Rates for residential of \$18.75 and single line
6 business of \$21.75 approved on January 17, 2023, in Docket No. 23-GIMT-261-GIT.¹

7 **Q. Has the Commission previously audited Mutual to determine its appropriate, cost-**
8 **based level of KUSF?**

9 A. Yes. Mutual filed an Application for additional support from the KUSF in Docket No. 09-
10 MTLT-091-KSF (09-091 Docket). The test year in the 09-091 Docket was the 12-months
11 ending December 31, 2007 adjusted for known and measurable changes. Mutual requested
12 an increase of KUSF support in the amount of \$341,674 per year and was ultimately
13 granted an increase by the Commission of \$173,000 per year, resulting in an annual KUSF
14 support amount of \$253,217.

15 **Q. What test year did Mutual use in its Application in this proceeding?**

16 A. Mutual used a test year ending December 31, 2023, with cost study and pro forma
17 adjustments to revenues, expenses, and plant in service to capture pro forma changes.

18 **III. ANALYSIS**

19 **Q. What is Staff's proposed level of cost-based KUSF support after incorporating Staff's**
20 **adjustments to the Company's filed position?**

21 A. The total effect of Staff's recommended adjustments results in an intrastate revenue
22 increase of \$411,107 and an equal increase to the Company's current KUSF support.

¹ Order Adopting KUSF Year 27 Assessment Rate and Affordable Rates

1 Therefore, Staff recommends the Commission increase Mutual's KUSF to \$411,107.
 2 Below is a chart comparing the Company's filed position and Staff's recommendation for
 3 net intrastate rate base, requested rate of return on assets, pro forma intrastate income, and
 4 the level of KUSF support.

Description	Mutual	Staff
Net Intrastate Rate Base	\$454,346	\$436,060
Rate of Return	9.75%	7.506%
Income (Loss)	(\$407,701)	(\$378,377)
Change in KUSF Support	\$452,010	\$411,107

5
 6 **Q. Please summarize the adjustments Staff is proposing in this Docket.**

7 A. The following table presents a summarized list of Staff's adjustments, witnesses, and the
 8 effect of the adjustments on Rate Base or Operating Income. For the Income Statement
 9 Adjustments presented in the table below, an increase in operating income results in a
 10 reduction of the revenue requirement, and vice versa. For instance, Staff's Adjustment No.
 11 IS-1 increases depreciation expense by \$92,022, which decreases operating income by the
 12 same amount, and decreases the revenue requirement accordingly.

Adj No.	Witness	Description	Amount
RB-1	Kristina Luke Fry	Updated Plant in Service	234,633
RB-2	Kristina Luke Fry	Updated Accumulated Depreciation	(196,555)
RB-3	Kristina Luke Fry	Telephone Plant Under Construction	(2,214)
RB-4	Kristina Luke Fry	Cash Working Capital	(5,521)
IS-1	Kristina Luke Fry	Depreciation Expense	(92,022)
IS-2	Kristina Luke Fry	Property Tax Expense	2,533
IS-3	Kristina Luke Fry	Payroll Expense	3,773
IS-4	Kristina Luke Fry	Employee Benefit & Payroll Tax Expense	95,882
IS-5	Kristina Luke Fry	Audit Expense	18,946
IS-6	Kristina Luke Fry	Board Member Expense	4,375
IS-7	Tim Rehagen	KUSF Support Update	776
IS-8	Tim Rehagen	Expense Adjustment	18,586
IS-9	Roxie McCullar	Update FHCL Level	4,584

13

14

1 **VI. RATE BASE ADJUSTMENTS**

2 **A. Plant in Service**

3 **Q. Please begin by discussing Staff Adjustment to Plant in Service?**

4 A. Staff Adjustment No. 1 (RB-1) increases Mutual's Rate Base by \$234,633 on a total
5 company basis and \$128,302 on an intrastate basis.² Staff's adjustment updates Mutual's
6 plant balances included in the Application through September 30, 2024. Staff contends that
7 it is appropriate to update this amount to ensure that Mutual's plant balances reflect the
8 most updated ongoing investment available, thus more accurately calculating Mutual's cost
9 of universal service. This ensures that Mutual has an opportunity to earn a 'return on' and
10 a 'return of' plant that is currently being utilized to provide regulated telecommunications
11 services, while ensuring that Mutual does not continue to earn a return on or of plant that
12 is no longer in service.

13 **B. Accumulated Depreciation**

14 **Q. Please continue by discussing Staff Adjustment No. 2 to the Rate Base.**

15 A. Staff Adjustment No. 2 (RB-2) decreases Mutual's Rate Base by reflecting the increase in
16 the accumulated depreciation account by \$196,555 on a total company basis or \$108,414
17 on an intrastate basis.³ This adjustment updates accumulated depreciation through
18 September 30, 2024. This approach corresponds with the time period through which Staff
19 updated plant balances in Adjustment RB-1 and is necessary for the synchronization of
20 plant in service balances with accumulated depreciation. Updating accumulated
21 depreciation ensures the proper amount of capital that has been returned to Mutual is
22 recognized and, therefore, a 'return on' is no longer needed.

² See Exhibit KALF-1.

³ See Exhibit KALF-2.

1 **C. Telephone Plant Under Construction**

2 **Q. Please explain Staff's Adjustment to the Rate Base.**

3 A. Staff's adjustment No. 3 (RB-3) decreases Mutual's Rate Base by \$2,214 on a total
4 company basis or \$1,223 on an intrastate basis.⁴ Staff's Adjustment removes the balance
5 of Telephone Plant Under Construction (TPUC) included in Mutual's Application.

6 **Q. Please provide an explanation of how TPUC has been treated in previous KUSF**
7 **Applications.**

8 A. TPUC are costs incurred during the construction of a company's plant. These costs remain
9 in TPUC during the construction period and are not transferred to a company's depreciable
10 plant until construction is complete. In recent base rate cases, Staff has made adjustments
11 to a utility's construction work in progress (CWIP), similar to TPUC, balance in
12 accordance with K.S.A. 66-128, which states:

13 (b)(1) For the purposes of this act, except as provided by subsection (b)(2),
14 property of any public utility which has not been completed and dedicated
15 to commercial service shall not be deemed to be used and require to be used
16 in the public utility's service to the public. (2) Any public utility property
17 described in subsection (b)(1) shall be deemed to be completed and
18 dedicated to commercial service if: (A) Construction of the property will be
19 commenced and completed in one year or less; (B) the property is an electric
20 generation facility that converts wind, solar, biomass, landfill gas or any
21 other renewable source of energy; (C) the property is an electric generation
22 facility or addition to an electric generation facility; or (D) the property is
23 an electric transmission line, including all towers, poles and other necessary
24 appurtenances to such lines, which will be connected to an electric
25 generation facility.

26
27 In accordance with the statute above, Staff removes CWIP, or TPUC, that is not in service
28 12 months after the end of the test year. In this case, that means no TPUC shall be included
29 for KUSF support.

⁴ See Exhibit KALF-3.

1 **D. Cash Working Capital**

2 **Q. Please explain Staff's adjustment to Cash Working Capital.**

3 A. Staff Adjustment No. 4 (RB-4) to Rate Base decreases total company Cash Working
4 Capital (CWC) by \$5,521 and directly assigns to intrastate operations a CWC level of
5 \$33,825.⁵ This adjustment computes a CWC allowance using Staff's adjusted expense
6 amounts and the standard allowance method (SAM). This adjustment is shown on Schedule
7 A-4 of the Staff Accounting Schedules.

8 While CWC is usually calculated using a lead-lag study, Staff's calculation is based on
9 the 15-day standard allowance method. This methodology is consistent with the
10 Commission Order in Docket No. 01-SNKT-554-AUD (01-554 Docket), in which the
11 Commission stated that, while it prefers an individualized company lead-lag study, it
12 recognizes that such a study could be cost prohibitive to some companies. The Commission
13 indicated that, if a company uses the SAM to calculate CWC in its filings with the Federal
14 Communications Commission (FCC) and National Exchange Carriers Association
15 (NECA), the Commission will accept a company's use of the SAM in these KUSF audits.
16 Staff was able to verify that Mutual utilizes the SAM to calculate CWC in its filings with
17 the FCC and NECA. Therefore, consistent with the Commission's Order in the 01-544
18 Docket, Staff's adjustment also utilizes the same methodology in its WCW calculation.

19 Additionally, the Commission stated: "The Commission will not routinely adopt an
20 adjustment to the Standard Allowance Method, proposed either by the company or by Staff,

⁵ Staff's adjustment decreases Mutual's CWC balance of \$69,371 by \$5,521, resulting in a total CWC balance of \$63,850. Of that amount, \$33,825 is then allocated to intrastate operations.

1 unless it reflects a factual circumstance of that company that has a material impact on its
2 CWC need and that is not otherwise captured in the methodology.”

3 **Q. Will the CWC requirement need to be updated if Staff’s adjusted Income Statement**
4 **changes?**

5 A. Yes. Any change to Staff’s adjusted Income Statement will also result in a change to Staff’s
6 proposed CWC amounts.

7 **VII. INCOME STATEMENT ADJUSTMENTS**

8 **A. Depreciation Expense**

9 **Q. Please continue by discussing Staff Adjustment No. 4 to the Income Statement.**

10 A. Staff Adjustment No. 1 (IS-1) decreases Mutual’s depreciation expense by \$92,022 on a
11 total company basis or \$50,459 on an intrastate basis.⁶ Staff calculates depreciation
12 expense on a going-forward basis based upon the plant account balances of Mutual’s
13 depreciable assts and accumulated depreciation reflected in Adjustment Numbers RB-1
14 and RB-2. Staff then multiplied its adjusted net depreciable plant balances by Mutual’s
15 Commission-approved depreciation rates to yield an updated annualized depreciation
16 expense for each plant account. Staff’s annualized regulated depreciation expense is then
17 compared against Mutual’s annualized depreciation expense, with the difference being
18 Staff’s adjustment. Staff’s calculations are detailed in Exhibits KALF-4 and 4a. This
19 adjustment may change with any changes in the plant in service and accumulated
20 depreciation balances.

21
⁶ See Exhibit KALF-4.

1 **B. Property Tax Expense**

2 **Q. Please continue by discussing Staff Adjustment No. 2 to the Income Statement.**

3 A. Staff Adjustment No. 2 (IS-2) decreases Mutual's operating expenses by \$2,533 on a total
4 company basis and \$1,399 on an intrastate basis.⁷ Staff's calculation of Mutual's 2023
5 property tax expense is derived by taking the sum of Mutual's 2023 property tax statements
6 totaling \$10,673, less its 2023 Kansas Telecom Credit totaling \$3,211. Additionally, in this
7 case, 88.13% of assets are directly assigned to be fully regulated. Staff's adjusted 2023
8 regulated property tax expense of \$6,576 is then compared to Totah's normalized property
9 tax expense of \$9,109, with the difference being Staff's adjustment.

10 **C. Payroll Expense**

11 **Q. Please continue by discussing Staff Adjustment No. 3 to the Income Statement.**

12 A. Staff Adjustment No. 3 (IS-3) decreases Mutual's payroll expense by \$3,773 on a total
13 company basis or \$3,317 on an intrastate basis.⁸ Staff normalized test year payroll using
14 current salary information, and utilized current labor distribution, from the pay period of
15 January 1, 2024, through July 2024. Staff's total payroll adjustment was then calculated
16 from the difference between the account distributed pro forma wages and the actual account
17 distributed wages recorded in the 2023 test year.

18 Staff contends that annualizing actual wages from January 1, 2024, through July
19 2024, is appropriate to establish the Company's most current level of overtime, position
20 levels, and plant and construction activities on a going-forward basis.

21

⁷ See Exhibit KALF-5.

⁸ See Exhibit KALF-6 through KALF-6c.

1 **Q. Did Staff review additional information regarding the reasonableness of the**
2 **Company's labor expenses?**

3 A. Yes. Staff reviewed every Mutual employee's compensation to other similarly-sized phone
4 companies. Staff's analysis reviewed all 7 Mutual employees that allocate time to the
5 regulated side of the business.

6 **Q. Is Staff proposing an adjustment to the Company's payroll expense related to the**
7 **comparative analysis?**

8 A. No, Staff has prepared the comparative analysis for informational purposes to aid the
9 Commission in its determination of the reasonableness of the level of labor costs the
10 Company is seeking to be recovered from the KUSF. The 2023 NTCA Compensation +
11 Benefits Report utilizes salaries in effect as of January 2023. Therefore, Staff used Mutual
12 salaries that went into effect in 2023, to compare to the report. Staff's analysis shows that
13 employees that allocate time to the regulated side of the business, are below or within the
14 2023 NTCA Compensation + Benefits Report's midrange. Consequently, Staff contends
15 that Mutual employees are compensated fairly and within a reasonable range to provide
16 Universal service.

17 **D. Employee Benefit and Payroll Tax Expense**

18 **Q. Please continue by discussing Staff Adjustment No. 4 to the Income Statement.**

19 A. Staff Adjustment No. 4 (IS-4) decreases Mutual's employee benefit and payroll tax
20 expense by \$95,882 on a total company basis or \$42,073 on an intrastate basis.⁹ Staff's
21 adjustment updates the Company's current employee benefit and payroll tax expenses,

⁹ See Exhibit KALF-7 through KALF-7b.

1 including group health plans, long-term care, dental, vision, life insurance, short-term and
2 long-term disability, as well as FICA and Medicare payroll taxes.

3 **E. Audit Expense**

4 **Q. Please continue by discussing Staff Adjustment No. 5 to the Income Statement.**

5 A. Staff Adjustment No. 5 (IS-5) decreases Mutual's operating expense by \$18,946.¹⁰ This
6 adjustment is necessary to include actual audit expenses incurred through December 20,
7 2024, for Staff and December 31, 2024, for Mutual in order to reflect actual expenses
8 incurred in this Docket.

9 **Q. Please explain how Staff calculated its adjustment for audit expense.**

10 A. Staff's adjustment reflects a total of both Mutual's audit expense and Staff's audit expense.
11 According to the updated response to Staff Data Request No. 34, Mutual has incurred
12 \$55,271 of external consulting services and legal fees through December 31, 2024. Staff
13 acknowledges that its adjustment does not fully recognize the costs that may have been
14 incurred by Mutual; however, the adjustment does recognize all invoices Staff has received
15 from the Company to date.

16 According to the Commission's fiscal department, the maximum assessment for
17 Mutual for the fiscal year is \$4,424. This amount was calculated pursuant to K.S.A. 66-
18 1502 (a), which provides a maximum annual assessment of 0.6% of intrastate revenues for
19 any public utility or common carrier under the jurisdiction of the Commission. In the
20 current fiscal year, Mutual has been billed \$179 for other dockets, which results in a
21 remaining maximum assessment of \$4,245. KCC Staff and consultants have accrued
22 \$26,209 of expenses through November 30, 2024. Since Staff's actual expenses are greater

¹⁰ See Exhibit KALF-8.

1 than the allowable remaining assessment of \$4,246, the audit expense reflected in Staff's
2 audit expense calculation is the remaining maximum assessment amount of \$4,246. The
3 sum of Mutual invoices and the remaining maximum assessment amount over a five-year
4 period, results in an annual audit expense amortization of \$4,246. Staff then compared this
5 amount with the estimated rate case expense included in Mutual's Application, with the
6 difference being Staff's adjustment.

7 **Q. Should the Commission reduce Mutual's KUSF support once the audit expense has**
8 **been fully recovered?**

9 A. Yes. Staff recommends that the Commission reduce Mutual's approved KUSF draw by
10 \$18,946, the audit expense amortization, at the end of the amortization period. This
11 recommendation is consistent with the Commission Order in Craw-Kan Telephone
12 Cooperative, Inc.'s (Craw-Kan) KUSF filing in Docket No. 13-CRKT-268-KSF (13-268
13 Docket), which states:

14 With regard to Craw-Kan's audit expense, the Commission agrees that audit
15 expense should be recovered over a five-year amortization period. However, once
16 these expenses have been fully covered, Craw-Kan's KUSF support should be
17 reduced accordingly by removing any portions relating to audit expense. This
18 provision ensures Craw-Kan will recover the full amount of its audit expense but
19 does not over-recover from the KUSF.¹¹

20 **F. Board of Director Expense**

21 **Q. Please continue by discussing Staff Adjustment No. 6 to the Income Statement.**

22 A. Staff Adjustment No. 6 (IS-6) decreases Mutual's operating expense by \$4,375 on a total
23 company basis and by \$2,457 on an intrastate basis.¹² Staff's adjustment to Board of
24 Director Expense modifies how much of the total payments made to Board Members is

¹¹ *Order Granting Joint Motion for Approval of Craw-Kan's Annual Cost-Based KUSF Support and for Approval of Additional Requirements*, 13-268 Docket, p. 5, ¶16 (Apr. 17, 2013).

¹² See Exhibit KALF-9.

1 allocated to Mutual. Staff adjusted the portion of Board of Directors Expenses allocated to
 2 Mutual from 100% to 75%, based on the number of Board meetings during the test year to
 3 reflect the portion of board meetings for Mutual and for LR.

4 **VIII. CONCLUSION & SUMMARY OF EXHIBITS**

5 **Q. Does this conclude your testimony?**

6 A. Yes, thank you.

7	<u>Exhibit No.</u>	<u>Description</u>
8	KALF-1	Work paper for Staff's Plan in Service Adjustment
9	KALF 1a	Plant in Service Detail
10	KALF-2	Work paper for Staff's Accumulated Depreciation Adjustment
11	KALF-3	Work paper for Staff's TPUC Adjustment
12	KALF-4	Work paper Staff's Depreciation Adjustment
13	KALF-4a	Depreciation Detail
14	KALF-5	Work paper Staff's Property Tax Adjustment
15	KALF-5a	Property Tax Calculation
16	KALF-5b	Regulated Property Tax Calculation
17	KALF-6	Work paper for Payroll Expense Adjustment
18	KALF-6a	Summary for Payroll Expense Adjustment
19	KALF-6b	Detail paper for Updated Labor Distribution
20	KALF-6c	Detail paper for Test Year Labor Distribution
21	KALF-7	Work paper for Staff's Benefit & Payroll Tax Expense Adjustment
22	KALF-7a	Detail paper for Employee Benefit Expense Adjustment
23	KALF-7b	Detail paper for Payroll Tax Expense Adjustment
24	KALF-8	Work paper for Staff's Audit Expense Adjustment
25	KALF-9	Work paper for Staff's Board Member Expense Adjustment

Mutual Telephone Company
 Plant in Service Adjustment
 Rate Base Adjustment No. 1
 Test Year Ending December 31, 2023

Line No.	Acct	Description	Staff Adjustment to Update Plant Balance	Intrastate Separations	Intrastate Adjustment
1	2116.001	Other Work Equipment	18,861	0.552257	10,416
2	2232.023	Circuit Equipment	215,772	0.546345	117,886
3		Total Plant In Service Adjustment	<u>234,633</u>		<u>128,302</u>

Source: Exhibit KALF-1a

Line No.	Acct	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
			Test Year Balances	Cost Study Adjustment	Normalizing Adjustments	Company Normalized Balances	Trial Balance as of Sept. 30, 2024	Staff Adj. to Plant Balance	Staff Adjusted Plant Balances	Intrastate Allocation	Intrastate Balance
						(a) + (b) + (c)		(e) - [(a) + (c)]	(d) + (f)		(g) * (h)
1	2111	Land	17,826	(7,470)	-	10,356	17,826	(0)	10,356	0.552257	5,719
2	2112	Vehicles	540,791	(226,621)	-	314,170	540,791	(0)	314,170	0.552257	173,502
3	2116	Other Work Equipment	372,872	(156,254)	7,704	224,322	399,437	18,861	243,183	0.552257	134,299
4	2121	Buildings	1,063,271	(445,568)	-	617,703	1,063,271	0	617,703	0.552257	341,131
5	2122	Office Furniture	113,403	(47,522)	-	65,881	113,403	0	65,881	0.552257	36,383
6	2123	Office Equipment	15,337	(6,427)	-	8,910	15,337	0	8,910	0.552257	4,921
7	2124	General Purpose Computers	104,062	(43,608)	-	60,454	104,062	0	60,454	0.552257	33,386
8		Total General Support Facilities	<u>2,227,562</u>	<u>(933,470)</u>	<u>7,704</u>	<u>1,301,796</u>	<u>2,254,128</u>	<u>18,862</u>	<u>1,320,658</u>		<u>729,342</u>
9	2212	Digital Electronic Switching	311,167	(179,534)	-	131,633	311,167	0	131,633	0.334392	44,017
10	2232	Circuit Equipment	669,739	179,534	-	849,273	885,511	215,772	1,065,045	0.546345	581,882
11	2232.1	Circuit Equipment - Toll Carrier	25,285	-	-	25,285	25,285	(0)	25,285	0.546345	13,814
12		Total Central Office Equipment	<u>1,006,191</u>	<u>-</u>	<u>-</u>	<u>1,006,191</u>	<u>1,221,963</u>	<u>215,772</u>	<u>1,221,963</u>		<u>639,713</u>
13	2423.1	Buried Cable - Fiber	4,308,376	(35,057)	(62,040)	4,211,279	4,246,336	0	4,211,279	0.559679	2,356,965
14	2441	Underground Circuit	287,650	-	2,677	290,327	290,327	(0)	290,327	0.559679	162,490
15		Total Cable and Wire Facilities	<u>4,596,026</u>	<u>(35,057)</u>	<u>(59,363)</u>	<u>4,501,606</u>	<u>4,536,663</u>	<u>0</u>	<u>4,501,606</u>		<u>2,519,454</u>
16	2681	Capitalized Lease	-	-	-	-	-	-	-	0.552257	-
17	2600	Intangibles - Organization	32,000	-	-	32,000	32,000	-	32,000	0.552257	17,672
18		Total Other Telephone Plant	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>32,000</u>	<u>-</u>	<u>32,000</u>		<u>17,672</u>
19		Gross Telephone Plant	<u>7,861,779</u>	<u>(968,527)</u>	<u>(51,659)</u>	<u>6,841,593</u>	<u>8,044,753</u>	<u>234,633</u>	<u>7,076,226</u>		<u>3,906,182</u>

Sources: Mutual Telephone Company's Application, Section 4
Mutual Telephone's Response to Staff Data Request No. 59

Mutual Telephone Company
 Accumulated Depreciation Adjustment
 Rate Base Adjustment No. 2
 Test Year Ending December 31, 2023

Line No.	Description						Total Company	Intrastate Separations	Intrastate Adjustment	
1	Staff Adjustment to Accumulated Depreciation (Acct. 3100)						\$ (196,555)	0.551570	\$ (108,414)	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Line No.	Account	Test Year Balances	Cost Study Adjustment	Normalizing Adjustments	Company Normalized Balances	Trial Balance as of Sept. 30, 2024	Staff Adj. to Accum. Depr.	Staff Adjusted Accum. Depr.	Intrastate Allocations	Intrastate Balance
					(a) + (b) + (c)		(e) - [(a) + (c)]	(d) + (f)		(g) * (h)
2	3121.120 A/D - Motor Vehicles	\$ (540,791)	\$ 226,621		\$ (314,170)	\$ (540,791)	\$ 0	\$ (314,170)	0.551570	\$ (173,287)
3	3121.160 A/D - Other Work Equipment	(306,672)	128,512		(178,160)	(375,871)	(69,199)	(247,359)	0.551570	(136,436)
4	3121.210 A/D - Buildings	(843,038)	353,279		(489,759)	(883,067)	(40,029)	(529,788)	0.551570	(292,215)
5	3121.220 A/D - Office Furniture	(113,403)	47,522		(65,881)	(113,403)	(0)	(65,881)	0.551570	(36,338)
6	3121.230 A/D - Office Equipment	(10,965)	4,595		(6,370)	(12,536)	(1,571)	(7,941)	0.551570	(4,380)
7	3121.240 A/D - General Purpose Computers	(103,975)	43,571		(60,404)	(104,062)	(87)	(60,491)	0.551570	(33,365)
8	General Support Facilities	(1,918,844)	804,100	-	(1,114,744)	(2,029,730)	(110,886)	(1,225,630)		(676,021)
9	3122.120 A/D - Digital Switching	\$ (287,592)	\$ 165,931		\$ (121,661)	\$ (311,167)	\$ (23,575)	\$ (145,236)	0.551570	\$ (80,108)
10	Total Central Office Switching	(287,592)	165,931	-	(121,661)	(311,167)	(23,575)	(145,236)		(80,108)
11	3122.320 A/D - Circuit Equipment	\$ (669,525)	\$ (165,931)		\$ (835,456)	\$ (679,803)	\$ (10,278)	\$ (845,734)	0.551570	\$ (466,482)
12	3122.321 A/D - Circuit Equipment - Toll Carrier	(25,285)			(25,285)	(25,285)	0	(25,285)	0.551570	(13,946)
13	Total Central Office Transmission	(694,810)	(165,931)	-	(860,741)	(705,088)	(10,278)	(871,019)		(480,428)
14	3124.231 A/D - Buried Cable-Fiber	\$ (3,736,028)	\$ 32,736	\$ (66,827)	\$ (3,770,119)	\$ (3,851,539)	\$ (48,684)	\$ (3,818,803)	0.551570	\$ (2,106,337)
15	3124.410 A/D - Underground Conduit	(287,196)	-	-	(287,196)	(290,327)	(3,131)	(290,327)	0.551570	(160,136)
16	Cable and Wire Facilities	(4,023,224)	32,736	(66,827)	(4,057,315)	(4,141,866)	(51,815)	(4,109,130)		(2,266,473)
17	Total Accum. Depr and Amort.	(6,924,470)	836,836	(66,827)	(6,154,461)	(7,187,852)	(196,555)	(6,351,016)		(3,503,030)

Sources: Mutual Telephone Company's Application, Section 5
 Mutual Telephone's Response to Staff Data Request No. 59

Mutual Telephone Company
Telephone Plant Under Construction
Rate Base Adjustment No. 3
Test Year Ending December 31, 2023

Line No.	Description	Total Company	Intrastate Separations	Intrastate Adjustment
1	Staff Adjustment to Remove Telephone Plant Under Construction	(2,214)	0.552257	(1,223)

Source: Mutual Telephone Company's Application, Section 4

Mutual Telephone Company
 Depreciation Expense Adjustment
 Income Statement Adjustment No. 1
 Test Year Ending December 31, 2023

Line No.	Description	Total Company	Intrastate Separations	Intrastate Adjustment
1	Staff Adjustment to Depreciation Expense (Acct. 6560)	\$ 92,022	0.548339	\$ 50,459
<u>Breakdown of Adjustment:</u>				
2	Staff Normalized Depreciation Expense		\$ 436,581	
3	Company Depreciation Expense		344,559	
4	Staff Adjustment to Depreciation Expense (Acct. 6560)		<u>\$ 92,022</u>	

Sources: Mutual Telephone Company's Application, Section 9
 Exhibit KALF-4a

Line No.	Acct	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
			Test Year Plant Balances	Cost Study Adjustment	Normalizing Adjustments	Staff Adjustment	Staff Adjusted Gross Plant	Test Year AD Balances	Cost Study Adjustment	Normalizing Adjustments	Staff Adjustment	Staff Adjusted Acc. Dep.	Staff Adjusted Net Book	Depreciation Rate	Annual Depreciation	Staff Annualized Depreciation
			(a)+(b)+(c)+(d)								(f)+(g)+(h)+(i)		(e)+(j)		(e)*(l)	
1	2111.000	Land	17,826	(7,470)	-	(0)	10,356	-	-	-	-	-	10,356	0.00%	-	-
2	2112.000	Vehicles	540,791	(226,621)	-	(0)	314,170	(540,791)	226,621	-	0	(314,170)	-	26.27%	82,532	-
3	2116.001	Other Work Equipment	372,872	(156,254)	7,704	18,861	243,183	(306,672)	128,512	-	(69,199)	(247,359)	-	23.98%	58,315	-
4	2121.001	Buildings	1,063,271	(445,568)	-	0	617,703	(843,038)	353,279	-	(40,029)	(529,788)	87,915	5.02%	31,009	31,009
5	2122.001	Office Furniture	113,403	(47,522)	-	0	65,881	(113,403)	47,522	-	(0)	(65,881)	-	15.57%	10,258	-
6	2123.001	Office Equipment	15,337	(6,427)	-	0	8,910	(10,965)	4,595	-	(1,571)	(7,941)	970	18.10%	1,613	970
7	2124.001	General Purpose Computers	104,062	(43,608)	-	0	60,454	(103,975)	43,571	-	(87)	(60,491)	-	18.57%	11,226	-
8		Total General Support Facilities	<u>2,227,562</u>	<u>(933,470)</u>	<u>7,704</u>	<u>18,862</u>	<u>1,320,658</u>	<u>(1,918,844)</u>	<u>804,100</u>	<u>-</u>	<u>(110,886)</u>	<u>(1,225,630)</u>	<u>99,240</u>		<u>194,953</u>	<u>31,978</u>
9	2212.001	Digital Electronic Switching	311,167	(179,534)	-	0	131,633	(287,592)	165,931	-	(23,575)	(145,236)	-	11.58%	15,243	-
10	2232.023	Circuit Equipment	669,739	179,534	-	215,772	1,065,045	(669,525)	(165,931)	-	(10,278)	(845,734)	219,310	15.53%	165,401	165,401
11	2232.100	Circuit Equipment - Toll Carrier	25,285	-	-	(0)	25,285	(25,285)	-	-	0	(25,285)	-	15.53%	3,927	-
12		Total Central Office Equipment	<u>1,006,191</u>	<u>-</u>	<u>-</u>	<u>215,772</u>	<u>1,221,963</u>	<u>(982,402)</u>	<u>-</u>	<u>-</u>	<u>(33,853)</u>	<u>(1,016,255)</u>	<u>219,310</u>		<u>184,571</u>	<u>165,401</u>
13	2423.100	Buried Cable - Fiber	4,308,376	(35,057)	(62,040)	0	4,211,279	(3,736,028)	32,736	(66,827)	(48,684)	(3,818,803)	392,476	5.68%	239,201	239,201
14	2441.000	Underground Circuit	287,650	-	2,677	(0)	290,327	(287,196)	-	-	(3,131)	(290,327)	-	5.68%	16,491	-
15		Total Cable and Wire Facilities	<u>4,596,026</u>	<u>(35,057)</u>	<u>(59,363)</u>	<u>0</u>	<u>4,501,606</u>	<u>(4,023,224)</u>	<u>32,736</u>	<u>(66,827)</u>	<u>(51,815)</u>	<u>(4,109,130)</u>	<u>392,476</u>		<u>255,691</u>	<u>239,201</u>
16	2600.000	Intangibles - Organization	32,000	-	-	-	32,000	-	-	-	-	-	32,000	0.00%	-	-
17		Gross Telephone Plant	<u>7,861,779</u>	<u>(968,527)</u>	<u>(51,659)</u>	<u>234,633</u>	<u>7,076,226</u>	<u>(6,924,470)</u>	<u>836,836</u>	<u>(66,827)</u>	<u>(196,555)</u>	<u>(6,351,016)</u>	<u>743,027</u>		<u>635,216</u>	<u>436,581</u>

Sources: Staff Exhibits KALF-1a and KALF-2
Docket 97-MTLT-297-DRS Order

Mutual Telephone Company
Property Tax Adjustment
Income Statement Adjustment No. 2
Test Year Ending December 31, 2023

Line No.	Description	Total Company	Intrastate Separations	Intrastate Adjustment
1	Adjustment to Other Operating Taxes	\$ (2,533)	0.552257	\$ (1,399)
	<u>Breakdown of Adjustment</u>			
2	Staff Calculated Test Year Property Tax		10,673	
3	Test Year Available Telecommunications Credit		<u>(3,211)</u>	
4	Staff Adjusted Property Tax			7,462
5	Staff's Calculated Regulated Percentage			<u>88.13%</u>
6	Staff Adjusted Regulatory Property Tax Expense			6,576
7	Property Tax Expense Included in Application			<u>(9,109)</u>
8	Staff Adjustment for Property Taxes			<u><u>\$ (2,533)</u></u>

Source: Mutual Telephone's Response to Staff Data Requests Nos. 44 and 46

Mutual Telephone Company
Property Tax Calculation

Line No.	County	Statement	Assessed Value	Levy	Amount
1	Ellsworth	6992	2	134.834	0
2	Ellsworth	6993	2	137.776	0
3	Ellsworth	6990	168	134.834	23
4	Ellsworth	6991	228	137.776	31
5	Rice	21993	41,617	169.942	7,072
6	Rice	22014	952	145.639	139
7	Rice	22018	3,074	149.318	459
8	Rice	22038	458	141.728	65
9	Rice	22048	4	134.690	1
10	Rice	21137	1,160	145.452	169
11	Rice	21158	1,180	140.271	166
12	Rice	21174	11,962	140.886	1,685
13	Rice	21188	5,265	142.480	750
14	Rice	21988	448	169.942	76
15	Rice	22012	10	145.639	1
16	Rice	22015	33	149.318	5
17	Rice	22034	5	141.728	1
18	Rice	21133	12	145.452	2
19	Rice	21152	13	140.271	2
20	Rice	21167	129	140.886	18
21	Rice	21180	57	142.480	8
22	Total Calculated Property Tax				10,673

Source: Mutual Telephone's Response to Staff Data Request No. 46

Mutual Telephone Company
Regulated Property Tax Calculation

Line No.	Account	Description	Balance	Regulated %	Regulated Amount
1	2111	Land	\$17,826	58.09%	10,356
2	2112	Vehicles	540,791	58.09%	314,170
3	2116	Other Work Equipment	372,872	58.09%	216,618
4	2121	Buildings	1,063,271	58.09%	617,703
5	2122	Office Furniture	113,403	58.09%	65,881
6	2123	Office Equipment	15,337	58.09%	8,910
7	2124	General Purpose Computers	104,062	58.09%	60,454
8		Total General Support Facilities	<u>\$ 2,227,562</u>		<u>\$ 1,294,092</u>
9	2212	Digital Electronic Switching	311,167	100.00%	311,167
10	2232	Circuit Equipment	669,739	100.00%	669,739
11	2232.1	Circuit Equipment - Toll Carrier	25,285	100.00%	25,285
12		Total Central Office Equipment	<u>\$ 1,006,191</u>		<u>\$ 1,006,191</u>
13	2423.1	Buried Cable - Fiber	4,308,376	100.00%	4,308,376
14	2441	Underground Circuit	287,650	100.00%	287,650
15		Total Cable and Wire Facilities	<u>\$ 4,596,026</u>		<u>\$ 4,596,026</u>
16	2690	Intangibles	32,000	100.00%	32,000
17		Total Plant in Service	<u><u>\$ 7,861,779</u></u>		<u><u>\$ 6,928,309</u></u>
18		Regulated Percentage			88.13%
19		Non-Regulated Percentage			11.87%

Source: Mutual Telephone Application, Section 4

Mutual Telephone Company
Payroll Adjustment
Income Statement Adjustment No. 3
Test Year Ending December 31, 2023

Line No.	Acct	Description	Staff Pro Forma Wage & Distribution	Intrastate Separations	Intrastate Adjustment
		Plant Specific Operations Expense			
1	6120	General Support Expense	926	0.552257	511
2	6210	Central Office Switching Expense	(5,974)	0.518617	(3,098)
3	6230	Central Office Transmission Expense	16,554	0.518617	8,585
4	6410	Cable and Wire Facilities Exp	2,297	0.559679	1,286
5		Total Plant Specific Operations Expense	<u>\$ 13,803</u>		<u>\$ 7,284</u>
		Plant Non-Specific Operations Expense			
6	6530	Network Operations Expense	(3,163)	0.552257	(1,747)
7	6560	Depreciation & Amortization	-	0.548339	-
8		Total Plant Non-Specific Operations Expense	<u>\$ (3,163)</u>		<u>\$ (1,747)</u>
		Customer Operations Expense			
9	6610	Marketing Expense	(2,500)	0.746908	(1,867)
10	6620	Services Expense	(2,120)	0.598116	(1,268)
11		Total Customer Operations Expense	<u>\$ (4,620)</u>		<u>\$ (3,135)</u>
		Corporate Operations Expense			
12	6710	Executive and Planning Expense	(11,587)	0.561521	(6,506)
13	6720	General and Administrative Expense	1,794	0.438800	787
14		Total Corporate Operations Expense	<u>\$ (9,792)</u>		<u>\$ (5,719)</u>
15		Total Staff Adjustment	<u><u>\$ (3,773)</u></u>		<u><u>\$ (3,317)</u></u>

Source: Exhibit KALF-6a

Line No.	Acct	Description	Actual Test Year Wage & Distribution	% Actual Test Year Distribution	Staff Pro Forma Wage & Distribution	% Staff Pro Forma Distribution	Staff Adjustment Pro Forma Wage & Distribution	Staff Regulated Percentage	Subtotal Staff Adjustment Regulated
Plant Specific Operations Expense									
1	6120	General Support Expense	92	0.01%	1,018	0.15%	926	100%	926
2	6210	Central Office Switching Expense	16,251	2.39%	10,278	1.52%	(5,974)	100%	(5,974)
3	6230	Central Office Transmission Expense	17,039	2.51%	33,593	4.95%	16,554	100%	16,554
4	6410	Cable and Wire Facilities Exp	-	0.00%	2,297	0.34%	2,297	100%	2,297
5		Total Plant Specific Operations Expense	<u>\$ 33,382</u>	<u>4.92%</u>	<u>\$ 47,185</u>	<u>6.96%</u>	<u>\$ 13,803</u>		<u>\$ 13,803</u>
Plant Non-Specific Operations Expense									
6	6530	Network Operations Expense	136,260	20.06%	133,097	19.63%	(3,163)	100%	(3,163)
7	6560	Depreciation & Amortization	-	0.00%	-	0.00%	-	100%	-
8		Total Plant Non-Specific Operations Expenses	<u>\$ 136,260</u>	<u>20.06%</u>	<u>\$ 133,097</u>	<u>19.63%</u>	<u>\$ (3,163)</u>		<u>\$ (3,163)</u>
Customer Operations Expense									
9	6610	Marketing Expense	23,143	3.41%	20,643	3.04%	(2,500)	100%	(2,500)
10	6620	Services Expense	31,140	4.58%	29,021	4.28%	(2,120)	100%	(2,120)
11		Total Customer Operations Expense	<u>\$ 54,283</u>	<u>7.99%</u>	<u>\$ 49,663</u>	<u>7.32%</u>	<u>\$ (4,620)</u>		<u>\$ (4,620)</u>
Corporate Operations Expense									
12	6710	Executive and Planning Exp	81,391	11.98%	69,804	10.30%	(11,587)	100%	(11,587)
13	6720	General and Administrative Exp	96,766	14.25%	98,561	14.54%	1,794	100%	1,794
14		Total Corporate Operations Expense	<u>\$ 178,158</u>	<u>26.23%</u>	<u>\$ 168,365</u>	<u>24.83%</u>	<u>\$ (9,792)</u>		<u>\$ (9,792)</u>
15		Total Regulated Expense	<u>\$ 402,083</u>	<u>59.20%</u>	<u>\$ 398,311</u>	<u>58.75%</u>	<u>\$ (3,773)</u>		<u>\$ (3,773)</u>
16		Direct Non-Regulated Expense	274,971	40.49%	270,542	39.90%	(4,429)		
17	2003	Telephone Plant Under Construction	2,135	0.31%	9,151	1.35%	7,016		
18		Total Salary: TPUC + Reg Expense + Non-Reg Expense	<u><u>\$ 679,189</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 678,004</u></u>	<u><u>100.00%</u></u>	<u><u>\$ (1,185)</u></u>		

Sources: Exhibits KALF-6b and KALF-6c

Line No.	Account	PR Distribution Report through July 2024	Clearing Accounts	Spread of Clearing Accounts	Total	Gross Up % of Annualized Salary	Annualized Salary
1	2003.000.00	5,122		398	5,520	1.35%	9,151
2	6121.100.00	570		44	614	0.15%	1,018
3	6212.010.00	5,752		447	6,200	1.52%	10,278
4	6213.100.00	16,532		1,286	17,818	4.36%	29,537
5	6232.010.00	18,802		1,462	20,264	4.95%	33,593
6	6232.100.00	3,845		299	4,144	1.01%	6,869
7	6423.100.00	1,481		115	1,596	0.39%	2,646
8	6423.110.00	1,286		100	1,386	0.34%	2,297
9	6534.100.00	70,981		5,520	76,501	18.70%	126,819
10	6534.200.00	3,514		273	3,787	0.93%	6,278
11	6610.100.00	11,554		898	12,452	3.04%	20,643
12	6610.110.00	63,740		4,957	68,697	16.80%	113,883
13	6620.100.00	16,216		1,261	17,477	4.27%	28,973
14	6620.221.00	27		2	29	0.01%	48
15	6710.010.00	33,405		2,598	36,003	8.80%	59,683
16	6710.020.00	5,665		441	6,105	1.49%	10,121
17	6710.100.00	34,539		2,686	37,225	9.10%	61,709
18	6720.200.00	5,569		433	6,002	1.47%	9,950
19	6720.201.00	48,278		3,754	52,032	12.72%	86,256
20	6720.202.00	4,671		363	5,034	1.23%	8,345
21	6720.301.00	1,118		87	1,205	0.29%	1,997
22	6720.610.00	1,098		85	1,184	0.29%	1,962
23	6720.820.00	29,510	29,510	-	-	0.00%	-
24	6720.830.00	-		-	-	0.00%	-
25	7990.100.00	11,803		918	12,721	3.11%	21,089
26	7992.100.00	675		52	727	0.18%	1,206
27	7992.100.10	53		4	57	0.01%	95
28	7992.100.20	10,990		855	11,845	2.90%	19,636
29	7998.100.00	-		-	-	0.00%	-
30	7998.110.00	75		6	81	0.02%	135
31	7999.100.00	18		1	19	0.00%	32
32	8002.100.00	1,559		121	1,680	0.41%	2,785
33	8003.100.00	98		8	105	0.03%	174
34	8003.110.00	445		35	480	0.12%	795
35	Total Payroll	408,989	29,510	29,510	408,989		678,004

Note: For hourly employees, Staff took the amount paid to each employee through July then the employee's pay to reflect a full year of work. For salary employees, Staff included the salary amount provided in Mutual Telephone's response to Staff Data Request No. 10.

Source: Mutual Telephone Company's Resonse to Staff Data Request No. 11

Mutual Telephone Company
Test Year Payroll

Line No.	Account	2023 Payroll Distribution	Clearing Accounts	Spread of Clearing Accounts	Total
1	2003.000.00	1,965		170	2,135
2	6121.100.00	85		7	92
3	6212.010.00	14,956		1,295	16,251
4	6213.100.00	23,458		2,032	25,490
5	6232.010.00	15,681		1,358	17,039
6	6232.100.00	9,648		836	10,484
7	6423.100.00	776		67	843
8	6423.110.00	-		-	-
9	6534.100.00	120,460		10,434	130,894
10	6534.200.00	4,938		428	5,366
11	6610.100.00	21,298		1,845	23,143
12	6610.110.00	101,941		8,830	110,771
13	6620.100.00	28,070		2,431	30,502
14	6620.221.00	588		51	639
15	6710.010.00	66,931		5,797	72,729
16	6710.020.00	7,972		691	8,663
17	6710.100.00	56,627		4,905	61,532
18	6720.200.00	9,372		812	10,184
19	6720.201.00	73,864		6,398	80,262
20	6720.202.00	12,440		1,077	13,517
21	6720.301.00	151		13	165
22	6720.610.00	2,209		191	2,400
23	6720.820.00	54,140	54,140	-	-
24	6720.830.00	389		34	422
25	7990.100.00	20,665		1,790	22,455
26	7992.100.00	17		1	18
27	7992.100.10	959		83	1,042
28	7992.100.20	22,799		1,975	24,774
29	7998.100.00	17		1	18
30	7998.110.00	306		26	332
31	7999.100.00	197		17	214
32	8002.100.00	5,314		460	5,774
33	8003.100.00	662		57	719
34	8003.110.00	294		26	320
35	Total Test Year Payroll	679,189	54,140	54,140	679,189

Source: Mutual Telephone Company's Response to Staff Data Request No. 11

Mutual Telephone Company
Benefit and Payroll Tax Adjustment
Income Statement Adjustment No. 4
Test Year Ending December 31, 2023

Line No.	Description	Amount	Intrastate Separations	Intrastate Adjustment
1	Adjustment to General & Administrative Expense	\$ (95,882)	0.438800	\$ (42,073)
	Actual Test Year Benefit and Payroll Tax Expense:			
2	Employee Benefit Expense			162,939
3	Employer's Payroll Tax Expense			49,094
4	Total Test Year Benefit and Payroll Tax Expense			<u>\$ 212,033</u>
	Staff Pro Forma Adjustment Benefit and Payroll Tax Expense:			
5	Employee Benefit Expense			147,110
6	Employer's Payroll Tax Expense			50,602
7	Updated Benefit and Payroll Tax Expense			<u>\$ 197,712</u>
8	Regulated percentage from Payroll			<u>58.75%</u>
9	Total Benefit and Payroll Tax Expense			<u>\$ 116,151</u>
10	Total Staff Adjustment Benefit and Payroll Tax Expense			<u><u>\$ (95,882)</u></u>

Source: Exhibits KALF-6a, KALF-7a, and KALF-7b

Line No.	Description	Amount
	<u>Test Year Expense</u>	
1	January	13,046
2	February	13,600
3	March	13,653
4	April	13,627
5	May	13,627
6	June	13,627
7	July	13,627
8	August	13,627
9	September	13,627
10	October	13,627
11	November	13,627
12	December	13,627
13		<u>\$ 162,939</u>
	<u>Expense January 2024 thru November 2024</u>	
14	January	13,627
15	February	11,986
16	March	11,986
17	April	11,986
18	May	11,986
19	June	11,986
20	July	11,986
21	August	11,986
22	September	11,986
23	October	11,986
24	November	11,986
25	Staff Pro Forma Expense	<u>147,110</u>
26	Staff Adjustment	<u>\$ (15,829)</u>

Source: Mutual Telephone Company's Resonse to Staff Data Request No. 64

Line No.	Description	Amount
1	Test Year Wages	679,189
2	Less: Wages over \$160,200 for the 2023 Income limit	(46,196)
3	Test Year Wages subject to Social Security Tax	<u>\$ 632,993</u>
4	Test Year Social Security Tax - Employers Share (6.2%)	39,246
5	Test Year Medicare Tax - Employers Share (1.45%)	9,848
6	Total Test Year FICA Tax	<u>\$ 49,094</u>
7	Staff's Pro Forma Wages	678,004
8	Less: Wages over \$168,600 for the 2024 Income limit	(20,410)
9	Pro Forma Wages subject to Social Security Tax	<u>\$ 657,594</u>
10	Pro Forma Social Security Tax - Employers Share (6.2%)	40,771
11	Pro Forma Medicare Tax - Employers Share (1.45%)	9,831
12	Total Pro Forma FICA Tax	<u>\$ 50,602</u>
13	Total Staff Adjustment - Employee Benefit & Payroll Tax	<u>\$ 1,508</u>

Sources: Exhibits KALF-6b and KALF-6c

Mutual Telephone Company
 Audit Expense Adjustment
 Income Statement Adjustment No. 5
 Test Year Ending December 31, 2023

Line No.	Description	Total Company	Intrastate Separations	Intrastate Adjustment
1	Staff Adjustment to Audit Expense	\$ (18,946)	1.000000	\$ (18,946)
	<u>Breakdown of Adjustment</u>			
2	TCA Consultant Fees		51,025	
3	Jamison Law Fees		1,399	
4	KCC Assessable Audit Expense		<u>4,246</u>	
5	Total Audit Expenses		55,271	
6	Amortization Period (Years)		<u>5</u>	
7	Annual Audit Amortization			11,054
8	Less: Company Adjustment for Audit Expense			<u>30,000</u>
9	Staff Adjustment to Audit Expense (Acct. 6720)			<u><u>\$ (18,946)</u></u>
	<u>KCC Maximum Assessment Calculation</u>			
10	Maximum Assessment for Fiscal Year per Accounting		4,424	
11	Less: Assessments to Date (includes Audit Assessments)		<u>(179)</u>	
12	Remaining Maximum Assessment for Fiscal Year		4,246	
12	Assessments for Docket to date		<u>-</u>	
13	Maximum Assessment for Docket		4,246	
	<u>KCC Audit Expenses</u>			
14	KCC Staff Audit Expense	23,059		
15	Consultants and Expenses	<u>3,150</u>		
16	Total KCC Audit Expenses		<u>26,209</u>	
17	Total KCC Audit Expense			<u><u>\$ 4,246</u></u>

Sources: Mutual Telephone Application, Section 9

Mutual Telephone's Response to Staff Data Request No. 34 (Expenses through Dec. 2024)

Mutual Telephone Company
 Board Member Expense Adjustment
 Income Statement Adjustment No. 6
 Test Year Ending December 31, 2023

Line No.	Description	Total Company	Intrastate Separations	Intrastate Adjustment
1	Adjustment to Executive Planning Expense	4,375	0.561521	2,457
	<u>Breakdown of Adjustment</u>			
2	Number of Board Members		7	
3	Quarterly Payment Amount		625	
4	Number of Payments		4	
5	Total Payments to in Test Period		<u>4</u>	17,500
6	LR Board Meetings		4	25.00%
7	Mutual Board Meetings		12	75.00%
8	Total Board Meetings		<u>16</u>	
9	Board Member Costs for LR - To Be Removed			4,375
10	Board Member Costs for Mutual			13,125

Sources: Mutual Telephone's Response to Staff Data Request Nos. 2 and 70

UNSWORN DECLARATION UNDER PENALTY OF PERJURY

Under penalties of perjury, I declare that I am Managing Auditor of the Utilities Division of the Kansas Corporation Commission, that I have read and am familiar with the foregoing Direct Testimony, and that the statements contained herein are true and correct to the best of my knowledge, information and belief. Executed on January 23, 2025.

Kristina Luke Fry

Kristina Luke Fry
Managing Auditor
State Corporation Commission of the
State of Kansas

CERTIFICATE OF SERVICE

25-MTLT-161-KSF

I, the undersigned, certify that a true copy of the attached Testimony has been served to the following by means of electronic service on January 24, 2025.

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