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2012.08.15 17:05:18
Kansas Corporation Commission
/S/ Patrice Petersen-Klein

August 15, 2012

Received
on

AUG 15 2012

by
State Corporation Commission
of Kansas

Patrice Petersen-Klein
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, Kansas 66604

Re: Docket No. 12-LHPT-875-AUD, In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company to Submit to an Audit for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

Dear Ms. Petersen-Klein:

Enclosed please find an original and nine (9) copies of LaHarpe Telephone Company's filing in compliance with the Commission's July 3, 2012 Order Requiring LaHarpe Telephone Company to Submit to an Audit for Purposes of Determining its Cost-Based KUSF Support Pursuant to K.S.A. 66-2008. The enclosed filing includes the following information:

- Schedules required by K.A.R. 82-1-231, reflecting a calendar year 2011 test year
- Pre-filed Direct Testimonies of Harry J. Lee, Jr. and Vincent H. Wiemer
- National Exchange Carrier Association (NECA) 2011 Jurisdictional Separations Cost Study

In addition, and pursuant to the Commission's July 3, 2012 Order, the following information is being provided today to Staff only:

- 2011 General Ledger (paper and electronic copy)
- All other information as required by the Commission's March 22, 2012 Order, paragraph 14

Also enclosed are electronic versions of the Schedules required by K.A.R. 82-1-231.

As clearly noted in the Schedules and elsewhere in LaHarpe's transmittal, certain information, including the entirety of the 2011 General Ledger, is considered by the company to be confidential information. Gorham's statement regarding this confidential information is attached to this letter. If there are any questions regarding this filing, please contact the undersigned at 918-376-9901 or at vince@alexicon.net.

Sincerely,

A handwritten signature in blue ink that reads "Vincent H. Wiemer".

Vincent H. Wiemer
Principal

Enclosures

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Docket No. 12-LHPT-875-AUD
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THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of Staff's Motion Requesting)	
The Commission Order LaHarpe Telephone)	
Company to Submit to an Audit for)	Docket No. 12-LHPT-875-AUD
Purposes of Determining its Cost-Based)	
Kansas Universal Service Support,)	
Pursuant to K.S.A. 66-2008)	

CONFIDENTIALITY STATEMENT

COMES NOW LaHarpe Telephone Company, Inc. ("LaHarpe") and submits the following statement regarding the basis for claims of confidentiality applicable to certain information supplied herein, as hereafter specified:

1. LaHarpe's Exhibit 4 is designated confidential for the reason that the information constitutes confidential commercial information in the form of private financial data. The response information consists of LaHarpe's detailed general ledger. Public access of such data by LaHarpe's competitors could be extremely detrimental to the market position and the financial position of the Company by disclosing sensitive data about their financial transactions including debt, payroll, and supplier cost data. Requiring their disclosure would constitute governmental creation of competitive bias, by providing actual or potential competitors with competitively sensitive information while comparable information of the competitor(s) would not be made similarly available to LaHarpe. The resulting distortion of competition could deprive customers in the subject exchanges of the benefits of market competition free of governmentally opposed bias.
2. LaHarpe's Exhibit 5, Section 7, parts (i), (ii), (iii), and (iv) is designated confidential for the reason that the information constitutes confidential commercial information in the form of private financial data. The response information consists of LaHarpe's capital structure, cost of debt, and historical interest coverage. Public access of such data by LaHarpe's competitors could be extremely detrimental to the market position and the financial position of the Company by disclosing sensitive data about LaHarpe's cost of debt and ability to obtain financing to provide services. Requiring their disclosure would constitute governmental creation of competitive bias, by providing actual or potential competitors with competitively sensitive information while comparable information of the competitor(s) would not be made similarly available to LaHarpe. The resulting distortion of competition could deprive customers in the subject exchanges of the benefits of market competition free of governmentally opposed bias.

3. LaHarpe's Exhibit 5, Section 8, part (iv) is designated confidential for the reason that the information constitutes confidential commercial information in the form of private financial data. The response information consists of LaHarpe's personnel payroll data. Public access of such data by LaHarpe's competitors could be extremely detrimental to the market position and the financial position of the Company by disclosing sensitive data about LaHarpe's cost of debt and ability to obtain financing to provide services. Requiring their disclosure would constitute governmental creation of competitive bias, by providing actual or potential competitors with competitively sensitive information while comparable information of the competitor(s) would not be made similarly available to LaHarpe. In addition, the disclosure of private, personal information such as payroll amounts would violate the privacy rights of LaHarpe's employees. Disclosure would leave LaHarpe exposed to significant legal expenses, claims for injunctive relief and/or damages, and the possible loss of human resources. Any arguably non-confidential components of the response could be segregated only at significant additional administrative expense, and even then could be deemed by other parties as being violative of confidentiality commitments, with adverse consequences for LaHarpe and/or the public as discussed above.
4. LaHarpe's Exhibit 5, Section 13 is designated confidential for the reason that the information constitutes confidential commercial information in the form of private financial data. The response information consists of LaHarpe's Annual Shareholder Report which contains private financial, strategic, and operations data. Public access of such data by LaHarpe's competitors could be extremely detrimental to the market position and the financial position of the Company by disclosing sensitive data about LaHarpe's operations, strategies, ability to obtain financing, and product usage by specific customers. Requiring their disclosure would constitute governmental creation of competitive bias, by providing actual or potential competitors with competitively sensitive information while comparable information of the competitor(s) would not be made similarly available to LaHarpe. The resulting distortion of competition could deprive customers in the subject exchanges of the benefits of market competition free of governmentally opposed bias. Any arguably non-confidential components of the response could be segregated only at significant additional administrative expense, and even then could be deemed by other parties as being violative of confidentiality commitments, with adverse consequences for LaHarpe and/or the public as discussed above.
5. LaHarpe's Exhibit 5, Section 15 is designated confidential for the reason that LaHarpe is under a contractual duty to maintain the confidentiality thereof. The response includes the Company's 2011 NECA cost separations study which is the proprietary work of the Company's consultants subject to a Confidentiality Agreement with that party. Disclosure would leave LaHarpe exposed to significant legal expenses, claims for injunctive relief and/or damages; further it could be deemed by other parties as being violative of

confidentiality commitments, with adverse consequences for LaHarpe and/or the public as discussed above.

LaHarpe stands ready to address individual data claimed by any party having an interest therein to be necessary for dissemination. Any such claim or intended disclosure is properly subject to K.S.A. 66-1220a (b) and K.A.R. 92-1-221a. Absent reasonable attempts to satisfy legitimate interests therein by other means, LaHarpe states unilateral disclosure of any information claimed to be confidential herein may cause irremediable harm to LaHarpe, to its actual or potential customers, and/or to the public interest generally.

LaHarpe Telephone Company, Inc.

By:



Vincent H. Wiemer
Alexicon, Inc.
10318 N 138th E Ave
Owasso, OK 74055
Phone: (918) 376-9901
Fax: (918) 376-9280
E-mail: vince@alexicon.net

Index of Filing Schedules

K.A.R 82-1-231(c)(4)(A)

<u>Section No.</u>	<u>Description</u>
Section 1	Letter of Transmittal, Service List, Confidentiality Statement, and Testimonies of Harry J. Lee, Jr. and Vincent H. Wiemer
Section 2	Not Applicable
Section 3	Summary of Rate Base, Operating Income, and Rate of Return
Section 4	Plant Investments – Adjusted Rate Base and Supplemental Schedules
Section 5	Accumulated Provision for Depreciation and Amortization
Section 6	Working Capital
Section 7	Capital and Cost of Money Calculations
Section 8	Financial and Operating Data
Section 9	Test Year and Pro Forma Income Statements
Section 10	Depreciation and Amortization
Section 11	Calculation of Income Taxes
Section 12	Cost Allocation Manual
Section 13	Annual Report to Shareholders and Financial Statements
Section 14	Additional Evidence – Supplemental Balance Sheet and Income Statements with Adjustments
Section 15	Additional Evidence – NECA Cost Study and Allocation Ratios
Section 16	Included in Section 13
Section 17	Not Applicable
Section 18	Not Applicable

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Mark Sievers, Chairman
 Thomas E. Wright

In the Matter of Staff's Motion Requesting)
The Commission Order LaHarpe Telephone)
Company to Submit to an Audit for) Docket No. 12-LHPT-875-AUD
Purposes of Determining its Cost-Based)
Kansas Universal Service Support,)
Pursuant to K.S.A. 66-2008)

PRE-FILED DIRECT TESTIMONY OF
HARRY J. LEE, JR.

ON BEHALF OF
LAHARPE TELEPHONE COMPANY

August 15, 2012

1 **Q. Please state your name and business address.**

2 A. My name is Harry J. Lee, Jr. My business address is 109 West Sixth Street, LaHarpe,
3 Kansas 66751.

4
5 **Q. By whom and in what capacity are you employed?**

6 A. I am the President and General Manager of LaHarpe Telephone Company. I am also
7 President and General Manager of LaHarpe Communications, a non-regulated affiliate.

8
9 **Q. Please describe your educational and professional background.**

10 A. I am a graduate of Pittsburg State University (Kansas) with a Masters Degree in
11 mathematics. During my first two years of college I took several accounting classes so I
12 would be better able to understand the accounting practices of LaHarpe Telephone
13 Company. I have also attended FCC Part 32 classes. I also have an undergraduate minor
14 in physical science.

15
16 I have worked for LaHarpe Telephone Company since the mid-1950's. During that time
17 we have progressed from a magneto switchboard with ground return lines to our
18 current structure as a company with a digital switch, optical transport and fiber optic
19 cable to each home or business. Our fiber-to-the-home project began in 2005 and was
20 completed in 2006. I have been a fundamental decision maker during the evolution
21 described above.

22
23 In 1956 I joined the Kansas Army National Guard as a "field wireman and switchboard
24 operator". After four years as an enlisted man I attended Officer Candidate School and,
25 upon graduation, was commissioned a Second Lieutenant, United States Army. After
26 serving in many assignments I retired in 1990 with the rank of Colonel. At the time of
27 retirement I was serving as Chief of Staff for the Kansas Army National Guard.

28

1 Over the past fifty plus years I have served in numerous elected and appointed civic
2 offices. I have served four terms as a council member and one term as mayor for the city
3 of LaHarpe. I am currently a council member. I served sixteen years as a member and
4 president of Unified School District 257, Iola, Kansas board of education. I am serving as
5 chairman of the Allen County Zoning Board. In 2010 I was appointed as a trustee with
6 responsibility to build and operate a new \$30 million hospital for Allen County, Kansas. I
7 was elected by the trustees to be the chairman of their board.

8
9 **Q. Have you previously testified before the Commission?**

10 A. No, I have not.

11
12 **Q. Who are you representing in this proceeding?**

13 A. I am testifying on behalf of LaHarpe Telephone Company (LaHarpe).

14
15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to provide such information as required by the Kansas
17 Corporation Commission's (KCC) July 3, 2012 *Order Requiring LaHarpe Telephone*
18 *Company to Submit to an Audit for Purposes of Determining its Cost-based KUSF Support*
19 *Pursuant to K.S.A. 66-2008 ("LaHarpe Audit Order")*. In that Order, the KCC requires
20 "that LaHarpe provide a company witness who is able to speak on behalf of LaHarpe,
21 and who can discuss LaHarpe's corporate structure, cost allocation procedures, affiliate
22 practices and transactions, and facts specific to LaHarpe's operations and policies."¹ In
23 addition, the KCC states that this official representative "is to file direct testimony in this
24 docket and is to be available as a witness at the evidentiary hearing."² My testimony
25 addresses these requirements.

26
27
28

¹ *LaHarpe Audit Order*, ¶7

² *Id.*

1 **Q. Please provide a brief summary of LaHarpe's structure and operations.**

2 A. LaHarpe provides regulated and incidental non-regulated telecommunications and
3 related services, including long distance service, in one exchange in the state of Kansas.
4 LaHarpe Telephone Company was purchased by Harry Lee, Sr. and his wife Violet O. Lee
5 in 1950 and operated as a partnership until 1963 when it was reorganized as a sub-
6 chapter S Corporation. With the passing of Harry Lee, Sr. and his wife Violet O. Lee the
7 shareholders became Harry Lee, Jr., Joyce E. Lee, and Carol J. Higginbotham. LaHarpe
8 Telephone Company operated as an average schedule company until 2005 when,
9 concurrent with the fiber-to-the-home project, we became a cost company.

10
11 **Q. Please describe the cost allocation and affiliate transaction procedures LaHarpe has**
12 **implemented.**

13 A. LaHarpe maintains its accounting system, and cost allocation and affiliate transactions
14 procedures, in compliance with the applicable Federal Communication Commission
15 (FCC) rules, including 47 Code of Federal Regulations (CFR) Part 32 (Uniform System of
16 Accounts and certain transactions with affiliates), and Part 64 (Subpart I – Allocation of
17 Costs).

18
19 As described in Section 12 of LaHarpe's filing, the majority of non-regulated costs are
20 directly assigned and accounted for by an affiliate, LaHarpe Communications. For joint
21 and common, or shared, costs, the allocation is generally performed during the annual
22 jurisdictional separations study prepared and submitted to the National Exchange
23 Carrier Association (NECA). Specific adjustments of this type are discussed in Vincent H.
24 Wiemer's testimony being filed concurrently with my testimony.

1 **Q. It is widely known that the FCC's recent order on federal universal service and**
2 **intercarrier compensation issues³ has the potential of adversely affecting rural LECs.**
3 **Has LaHarpe analyzed these impacts?**

4 A. While I will let Mr. Wiemer discuss the details regarding the ICC/USF Order and any
5 impacts that LaHarpe will be reflecting in its pro forma revenue requirement, I will offer
6 a brief comment on the impacts from an RLEC point of view. The ICC/USF Order, among
7 other things, will definitely change the way RLECs do business, and not in a good way.
8 For example, the FCC adopted a limit on the amount of certain operating and capital
9 expenses that are reimbursable from the USF.⁴ While the FCC left the ultimate
10 implementation of this new process up to the Wireline Competition Bureau (WCB),
11 estimates of impacts on rate-of-return carriers were released. Then, on April 25, 2012,
12 the WCB, after receiving comments and reply comments on the method, issued a
13 revised methodology.⁵ Once this revised methodology was analyzed by the industry, it
14 was clear that by virtue of turning a few knobs on the original model, the impacts of the
15 caps were in some cases completely reversed. For example, a company in Louisiana
16 accounted for 19.6% of the total USF reductions expected from the new capping
17 mechanism.⁶ As a result of this unpredictability, RLECs have been forced to rethink
18 making investments. This was succinctly stated in a recent Ex Parte filing made at the
19 FCC:

20
21 "...the Commission's broadband policy objectives can only be achieved through
22 clear and well-tested 'business rules' that provide sufficient support and enable
23 company managers to understand with a reasonable degree of certainty what
24 investments and operations will be recoverable (or unrecoverable) through USF

³ Report and Order and Further Notice of Proposed Rulemaking In the Matter of Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109; and Universal Service Reform – Mobility Fund, WT Docket No. 10-208, released November 18, 2011. (*ICC/USF Order*)

⁴ Id, at ¶210

⁵ Order, WC Dockets 10-90 and 05-337, released April 25, 2012 (*Benchmarking Order*)

⁶ See EATel Application for Review of Action Taken Pursuant to Delegated Authority, filed in WC Dockets 10-90 and 05-337 on May 25, 2012 at pp 3-4

1 support prospectively. In the absence of such fixes to the new rules, NTCA noted
2 that investment by small rural broadband providers is already stalling, and
3 lenders are limiting, if not largely denying, access to capital for broadband
4 investment in rural areas.”⁷
5

6 LaHarpe will be adversely impacted, by changes known already, but has no way of
7 knowing what impacts might result from the next round of tinkering by the FCC. It is in
8 this environment that LaHarpe finds itself having to justify its \$149,000 of annual KUSF
9 for providing the reliable service needed and reasonably expected by a small group of
10 Kansans living in a very rural and high cost area.
11

12 **Q. Does that conclude your testimony?**

13 **A.** Yes it does.

⁷ National Telecommunications Cooperative Association (NTCA) Ex Parte, filed August 2, 2012 in WC Docket No. 10-90, etc.

STATE OF KANSAS

COUNTY OF Allen

Verification

Harry J. Lee, Jr., being duly sworn upon his oath says that he is President of LaHarpe Telephone Company, Inc., that he has read and is familiar with the foregoing Pre-filed Direct Testimony in Docket No. 12-LHPT-875-AUD, and that the statements contained therein are true and correct to the best of his knowledge, information and belief.

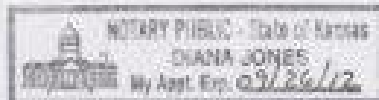


Harry J. Lee, Jr.
President
LaHarpe Telephone Company, Inc.

Subscribed and sworn to before me this 13 day of August, 2012



Notary Public



My commission expires:

09/26/12

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Mark Sievers, Chairman
 Thomas E. Wright

In the Matter of Staff's Motion Requesting)
The Commission Order LaHarpe Telephone)
Company to Submit to an Audit for) Docket No. 12-LHPT-875-AUD
Purposes of Determining its Cost-Based)
Kansas Universal Service Support,)
Pursuant to K.S.A. 66-2008)

PRE-FILED DIRECT TESTIMONY OF
VINCENT H. WIEMER

ON BEHALF OF
LAHARPE TELEPHONE COMPANY

August 15, 2012

Q. Please state your name and business address.

A. My name is Vincent H. Wiemer. My business address is 10318 North 138th Avenue, Owasso, Oklahoma 74055.

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

A. I am a principle with Alexicon Telecommunications Consulting. Alexicon provides financial, management, and regulatory consulting services to small and mid-size local exchange carriers (LECs) throughout the United States.

Q. Please describe your educational and professional background.

A. I worked in the telecommunications industry as a consultant for over 15 years. During my career, I have performed a number of functions for numerous clients, as outlined in the enclosed Exhibit 1.

Q. Have you previously testified before the Commission?

A. Yes. I testified on Docket No. 99-GIMT-326-GIT regarding the portability of Kansas Universal Service Funds; in Docket No. 01-GIMT-082-GIT regarding the reformation of intrastate access charges; in Docket No. 02-WLST-210-AUD, the audit and general rate investigation of Wilson Telephone Company, Inc.; in Docket No. 02-HOMT-209-AUD, the audit and general rate investigation of Home Telephone Company, Inc.; in Docket No. 06-WTCT-1020-AUD, the audit of Wamego Telecommunications Company, Inc.; and in Docket No. 12-GRHT-633-KSF, the audit of Gorham Telephone Company.

Q. Who are you representing in this proceeding?

A. I am testifying on behalf of LaHarpe Telephone Company (LaHarpe).

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present the information required by the Commission in its July 3, 2012 Order requiring LaHarpe to submit to an audit for purposes of

determining its cost-based Kansas Universal Service Fund (KUSF) support. This information includes that specifically listed in the July 3rd Order as well as that required by KAR 82-1-231, and results in LaHarpe's intrastate revenue requirement and cost-based KUSF requirement related to the test year adopted by the KCC. I will also discuss test year adjustments, non-regulated cost allocations in compliance with the appropriate FCC rules, and other relevant information relating to this filing.

Q. What test period did the KCC require for this filing?

A. Per the July 3 Order, this filing is to utilize a test year consisting of the twelve months ended December 31, 2011.

Q. Were the schedules and workpapers contained in the filing prepared by you or someone under your supervision?

A. Yes, they were.

Q. Does LaHarpe's filing meet the requirements as contained in the KCC's July 3 Order?

A. Yes. LaHarpe, to the extent possible and practical, has gathered information that complies with K.A.R. 82-1-231 as required by the KCC. The KCC also ordered a number of other filing requirements that are included and discussed herein.

Test Period Results

Q. Please discuss the results, as measured by the intrastate revenue requirement and KUSF requirements for the test year, as presented in LaHarpe's filing.

A. As identified in Section 3, LaHarpe's normalized intrastate net operating loss for the test period is \$195,135. This equates to an intrastate rate of return of -12.67%. Compared to the calculated rate of return of 11.53%, LaHarpe experienced a gross operating deficiency of \$525,162. Development of this amount is shown in Section 3 of the filing.

KCC Filing Requirements

Q. Please describe the requirements for this filing as stated in the KCC's March 22 Order and how LaHarpe is complying with these requirements.

A. The KCC requires LaHarpe to submit its filing in compliance with K.A.R. 82-1-231, which in general lists what Kansas jurisdictional utilities are to include in rate, or in this case KUSF audit, applications. I will list the pertinent portions of K.A.R. 82-1-231 below and describe LaHarpe's compliance with each requirement. In addition, the KCC requires LaHarpe to provide further information:

- Direct testimony from an officer or employee of LaHarpe
- The NECA (National Exchange Carrier Association) cost study used as the basis for jurisdictional separation factors utilized in the filing
- A structural organization chart
- All allocation information required by K.A.R. 82-1-231(c)(4)(L)

I will briefly describe these requirements and LaHarpe's compliance with each as well.

Q. Please begin with a discussion of LaHarpe's compliance with K.A.R. 82-1-231 in the filing information being provided today.

A. The information required by K.A.R. 82-1-231 that is included in LaHarpe's filing is contained in subsection (c)(4)(A) through (c)(4)(R) of the regulation. Each regulation corresponds with a Section of LaHarpe's filing, as follows:

Section 1 – LaHarpe's application includes a letter of transmittal, and provides the pre-filed direct testimonies of Harry J. Lee, Jr. and Vincent H. Wiemer. Exhibit 2 to Mr. Wiemer's testimony contains a structural organization chart.

Section 2 – This section is not applicable to LaHarpe's filing.

Section 3 – LaHarpe provides a summary of intrastate rate base, operating income, and rate of return.

Section 4 – LaHarpe provides a summary of test year actual and pro-forma plant investment and net rate base.

Section 5 – This section includes information relating to LaHarpe’s accumulated depreciation balances by plant account, both actual and pro forma for the test year.

Section 6 – LaHarpe provides the calculation of cash working capital related to the pro forma test year.

Section 7 – LaHarpe’s actual and required cost of capital, both debt and equity, are included in this section.

Section 8 – In this section, LaHarpe provides information relating to historical financial and operating data.

Section 9 – This section contains LaHarpe’s test year and pro forma-adjusted income statements.

Section 10 – LaHarpe has provided information on depreciation and amortization as required by K.A.R. 82-1-231(c)(4)(J).

Section 11 – Information on taxes chargeable to operations and the calculation of taxes pertaining to the test year are included in Section 11 of LaHarpe’s filing.

Section 12 – This section contains the information supporting the allocation ratios, for both non-regulated and jurisdictional separation, used in LaHarpe’s filing. Section 12 also includes LaHarpe’s cost allocation procedures document.

1 Section 13 – LaHarpe’s audit report for 2011 is included in this section.

2
3 Sections 14 – This section contains the Balance Sheet and Income Statements with
4 denoted non-regulated, study, categorization, and pro forma adjustments.

5
6 Section 15 – The 2011 NECA Cost Study that is the basis of LaHarpe’s jurisdictional
7 allocations.

8
9 Section 16 – Financial Statements can be found in Section 13

10
11 Sections 17 and 18 – These sections are not applicable to LaHarpe’s filing.

12
13 **Q. Please continue with a discussion of other information LaHarpe has provided with this**
14 **filing and was required by the KCC’s July 3 Order.**

15 A. LaHarpe is providing information in addition to that required by K.A.R. 82-1-231 as
16 requested by the KCC. This information includes: The NECA (National Exchange Carrier
17 Association) cost study for 2011 that forms the basis for the jurisdictional allocation
18 factors used in the filing (see Section 15); a structural organization chart for the
19 company that includes all of LaHarpe’s affiliates, parents and subsidiaries, and the
20 allocation information required by K.A.R. 82-1-231(c)(4)(L) (see Section 12).

21
22 **Network Description and Part 36 Separations**

23 **Q. Please provide a brief explanation of LaHarpe’s operations.**

24 A. LaHarpe serves approximately 300 access lines in the LaHarpe, Kansas exchange. All of
25 LaHarpe’s customers have access to services over its fiber to the home (FTTH) network,
26 including local, long distance, wholesale broadband and various other regulated and
27 non-regulated services.

1 **Q. Please briefly explain the process used to generate the total company and**
2 **jurisdictional amounts reflected in the schedules listed above.**

3 A. LaHarpe is a rate-of-return (RoR) regulated local exchange carrier (LEC) in both the
4 Federal and State jurisdictions. As such, LaHarpe follows FCC rules guiding the
5 measurement, gathering, and allocation of the costs necessary to provide regulated
6 telecommunications services. The Commission has historically and uniformly required its
7 jurisdictional LECs to follow the FCC rules. Therefore, LaHarpe has prepared this filing
8 using the FCC rules contained in Part 32 (Uniform System of Accounts), Part 64 (Subpart
9 I. Allocation of Costs), and Part 36 (Jurisdictional Separations Procedures).

10
11 **Q. Please describe the Part 36 Jurisdictional Separations procedures and how those rules**
12 **pertain to LaHarpe's filing.**

13 A. FCC Part 36 separations rules are used to allocate regulated investment and expenses
14 between the interstate and intrastate jurisdictions. LaHarpe files its own interstate
15 traffic sensitive tariffs. LaHarpe files an interstate cost study with NECA on at least an
16 annual basis to support its federal universal service and tariff filings. These studies
17 determine its revenue requirement recovery attributable to regulated investment and
18 expenses allocated to the interstate jurisdiction. The company's NECA study is then
19 adjusted to include end-of-period balances to more accurately correspond with the
20 KUSF eligibility policy.

21
22 **Q. What is the next step once the Part 36 Jurisdictional Separations study is completed?**

23 A. The investment and expense amounts included in LaHarpe's test period KUSF audit filing
24 are taken from LaHarpe's 2011 Part 36 Separations, or cost, study. These costs have
25 already been jurisdictionally separated in accordance with FCC Part 32, Part 64, and Part
26 36 rules. Ultimately, costs related to the state jurisdiction are included with LaHarpe's
27 KUSF audit filing.

LaHarpe KUSF audit filing uses year end 12/31/2011 balances. NECA cost studies typically are prepared using average plant balances (usually beginning of year and end of year are averaged). However, LaHarpe's KUSF audit filing is prepared using actual year end amounts for all plant and expense levels due to the prospective nature of ratemaking and KCC precedent.

Pro Forma Adjustments

Q. Is LaHarpe proposing any pro forma adjustments to the test year balances?

A. LaHarpe is proposing limited pro forma adjustments to the 2011 test year balances. LaHarpe has included an entry to record audit adjustments to the trial balance that were not available at the time the NECA cost study was prepared. Also, LaHarpe has decreased Federal High Cost Loop Support revenues and State Access Revenues to account for the recent FCC reforms to universal service funds and intercarrier compensation. In addition, LaHarpe has included estimated expense of this proceeding amortized over five years. The resulting changes to income tax expense and cash working capital calculations have also been included.

Rate of Return

Q. What rate of return (RoR) is LaHarpe requesting in this filing?

A. LaHarpe is requesting a 11.53% overall rate of return on intrastate net rate base in this filing, as shown in Section 3 and detailed in Section 7. This overall RoR is based on the weighted cost of LaHarpe's long term debt and equity, using actual 12/31/2011 balances and cost of debt, and with a return on equity (ROE) of 12.5%.

Q. Please explain the basis of LaHarpe's use of a 12.5% ROE.

A. LaHarpe is using the latest ROE advocated by a Kansas rural LEC – that of S&T Telephone Association¹. LaHarpe believes this ROE is further supported by the increasing levels of

¹ See Docket No. 12-S&TT-234-KSF, Testimony of Kevin J. Kelly. The requested ROE is based on evidence presented in another KUSF docket, that of Rainbow Telephone Association, Docket No. 11-RNBT-608-KSF, rebuttal testimony of Kurt Huttzell.

1 risk inherent in today's telecommunications market – not only from competition, but
2 also from a heightened amount of regulatory uncertainty caused in large part by recent
3 FCC actions². There are a number of wireless competitive eligible telecommunications
4 carriers (CETCs) operating in Kansas, and the major national wireless carriers (AT&T,
5 Sprint, T-Mobile, and Verizon) continue to take customers from wireline carriers.
6 LaHarpe can also face competition from other technologies, such as voice over Internet
7 protocol (VoIP), made in large part possible by LaHarpe's investment in a robust, quality,
8 broadband-capable network addressing express public policy objectives and increasing
9 consumer needs.

10
11 **Q. How has the FCC added to the risk faced by LaHarpe and other rural LECs?**

12 A. The *ICC/USF Order* contains many provisions that either adversely impact, or have the
13 real potential to adversely impact, carriers providing service to rural areas³. While a
14 detailed discussion of the *ICC/USF Order* is outside the scope of LaHarpe's ROE
15 testimony, the *ICC/USF Order* adopts "reforms" that in large part serve to reduce
16 federal USF currently being received by rural LECs. These reforms include, but are not
17 limited to, the limitation on recovery of certain capital and operating expenses based on
18 a quantile regression analysis irrespective of an individual carrier's actual reasonable
19 costs, adoption of an arbitrary per-line upper limit on total federal USF, and the
20 elimination or adjustment of an incumbent's support in areas where it is 100%
21 overlapped by unsubsidized terrestrial competition. The regression analysis limitation
22 additionally is subject to recalculation and revision annually, creating inherent ongoing
23 uncertainty of recovery even when the supported carrier's costs and investments
24 remain relatively stable. There are other USF reforms that can adversely impact rural

² See in general, Report and Order and Further Notice of Proposed Rulemaking In the Matter of Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109; and Universal Service Reform – Mobility Fund, WT Docket No. 10-208, released November 18, 2011. (*ICC/USF Order*)

³ See May 8 Ex Parte Filing by Rural Telephone Service Company; May 1 Ex Parte Filing by East Ascension Telephone Company (both filed in WC Docket 10-90); See also Petition for Waiver of Big Bend Telephone Company, filed February 27, 2012 in WC Docket 10-90, etc.

1 carriers. While one can argue whether the FCC was correct in adopting these reforms, it
2 is clear that the changes will impact the rural LEC industry and increase the risk of
3 operating as an RLEC, adversely affecting a carrier's ability to attract capital.
4 Furthermore, the FCC has adopted sweeping changes to the intercarrier compensation
5 system whereby all access rates, beginning with terminating rates, will eventually go to
6 bill and keep (essentially zero), allowing other carriers (including functional competitors)
7 to benefit from incumbents' investment without compensation. Finally, the FCC has
8 discussed, but has not yet adopted, a long term plan for RoR-regulated carrier USF that
9 will focus on broadband services, meaning the impacted carriers know there are
10 additional and likely substantial changes to USF in the not-too-distant future, but no one
11 knows exactly what those changes will be.

12
13 **Q, Does that conclude your testimony?**

14 **A.** Yes it does.
15
16

STATE OF OKLAHOMA)
)
COUNTY OF TULSA)

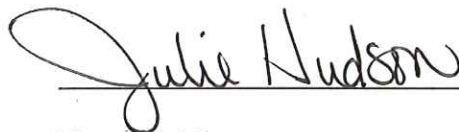
Verification

Vincent H. Wiemer, being duly sworn upon his oath says that he is Principal of Alexicon, Inc., that he has read and is familiar with the foregoing Pre-filed Direct Testimony and Exhibits in Docket No. 12-LHPT-875-AUD, and that the statements contained therein are true and correct to the best of his knowledge, information and belief.



Vincent H. Wiemer
Principal
Alexicon, Inc.

Subscribed and sworn to before me this 13th day of August, 2012



Notary Public

My commission expires:

7/19/2015



Exhibit 1

Vincent H. Wiemer

Educational Background:

- Bachelor of Science in Accounting, University of Tulsa
- Certified Public Accountant, 1997
- Seminars & training programs pertaining to regulated accounting, separations, and other issues
- Extensive training in process improvement and management reporting

Work History:

1996 to 1997: **KPMG Peat Marwick LLP, Auditor:** Performed financial and operational audits of manufacturing, retail and distribution clients. Substantial experience with federal and state regulated gas and electric utility operations and publicly traded entities.

1997 to 2002: **Beacon Telecommunications Advisors, Consulting Manager:** Extensive experience with Separations, Settlements, Cost Studies on both the Federal & State levels, Rate Case assistance, Average Schedule assistance, Cost Feasibility studies, strategic planning, accounting and financial services, etc.

2002 to Present: **Alexicon, Inc. Principal:** Responsible for all aspects of financial, regulatory, management and business development consulting. Experience in federal and state regulatory issues, litigation support, separations, cost studies, feasibility studies, tariff development and planning, accounting, and more.

Experience in Telecommunications:

Jurisdictional Separations, cost study and revenue requirement calculations. Represent companies before FCC, NECA, and State Commissions for cost and data requirements.

Provide training for client personnel in separations, accounting and regulatory areas.

Cash Flow Projections and Capital Budget Forecasting, Extensive experience in assisting companies with cash flow projections related to mergers and acquisitions.

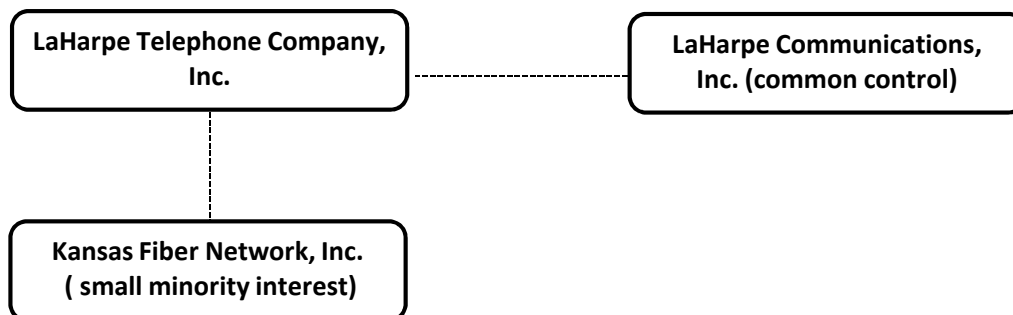
Business Development of regulated and non-regulated enterprises.

Federal Involvement includes testimony and advocacy regarding universal service policy, intercarrier compensation, competition, and the underlying economics of rate-of-return utilities. Noted expertise in statistical models and universal service fund recovery mechanisms.

State Involvement includes expert testimony on access issues, universal service, rate-of-return, and rate cases. Other participation includes policy evaluation, negotiating contracts with carriers, and network considerations.

Exhibit 2

**LaHarpe Telephone Company, Inc.
Legal Entity & Affiliates Organizational Chart**



REDACTED

*LaHarpe Telephone Company
Docket No. 12-LHPT-875-AUD*

*Pre-filed Direct Testimony of
Vincent H. Wiemer*

Exhibit 4

General Ledger

LaHarpe Confidential Exhibit 4 consists of the Company's detailed general ledger for 2011.

Due the volume of the exhibit, each page has not been stamped CONFIDENTIAL; however, the exhibit should be treated as CONFIDENTIAL in its entirety. Consequently, a redacted version has not been provided.

Also due the volume of the exhibit, a single hard copy of LaHarpe Confidential Exhibit 4 has been provided.

Electronic copies of LaHarpe Confidential Exhibit 4 have been provided to Staff and the Staff Consultants assigned to this docket.

Exhibit 5

Schedules required by K.A.R. 82-1-231
Sections 2 to 15

Please see attached documents.

LaHarpe Telephone Company, Inc.

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SECTION 2: General Information and Publicity

NOT APPLICABLE

LaHarpe Telephone Company, Inc.
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SECTION 3: Summary of Rate Base, Operating Income and Rate of Return

Section 3(i): Summary of Revenue Requirement

(A)	(B)	(C)	(D)	(E)	
Line	Description	Total Regulated Company	Total Regulated Interstate	Total Regulated INTRASTATE	Reference: sch[clmn, ln]
1					
2	Proforma Rate Base	\$2,157,739	\$617,323	\$1,540,417	4(i) [H 40]
3					
4	Rate of Return	<u>11.45%</u>	<u>11.25%</u>	<u>11.53%</u>	7(i) [I 15]
5					
6	Operating Income Required	\$247,087	\$69,449	\$177,638	
7					
8	Proforma Operating Income	<u>\$28,235</u>	<u>\$223,409</u>	<u>(\$195,175)</u>	9 [H 47]
9					
10	Net Pro Forma Revenue Increase / (Decrease)	\$218,852	(\$153,960)	\$372,812	
11					
12	Net to Gross Multiplier			<u>1.408649</u>	11(i)
13					
14	Gross Pro Forma Revenue Increase / (Decrease)			<u><u>\$525,162</u></u>	

LaHarpe Telephone Company, Inc.

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SECTION 4: Plant Investments

SECTION 4(i): Rate Base / Plant Investments

			A	B	C	D	E	F	G	H
Line No.	Acct	Description	Applicant Book Balance	Applicant Cost Study Adjustments	Applicant Cost Study Balance	Applicant Proforma Adjustments	Applicant Proforma Balance	/---- Allocation ----/		Applicant Intrastate Rate Base
								Interstate	Intrastate	
1	2111	Land	\$1,170	(\$198)	\$972		\$972	0.303505	0.696495	\$677
2	2112	Motor Vehicles	29,723	0	29,723		29,723	0.303505	0.696495	20,702
3	2115	Garage Work Equipment	0	0	0		0	0.303505	0.696495	0
4	2116	Other Work Equipment	28,565	0	28,565		28,565	0.303505	0.696495	19,895
5	2121	Buildings	179,365	(27,691)	151,674		151,674	0.303505	0.696495	105,640
6	2122	Furniture	1,030	0	1,030		1,030	0.303505	0.696495	717
7	2123	Office Equipment	1,801	(281)	1,520		1,520	0.303505	0.696495	1,059
8	2124	General Purpose Computers	5,884	(917)	4,967		4,967	0.303505	0.696495	3,459
9		Total Land & Support Assets	247,538	(29,087)	218,451	0	218,451			152,150
10	2210	Digital Electric Switching Equip.	323,287	(16,284)	307,003		307,003	0.850000	0.150000	46,050
11										
12	2232	Circuit Equipment	618,608	16,284	634,892		634,892	0.248702	0.751298	476,993
13		Total Central Office Equip	941,895	0	941,895	0	941,895			523,044
14	2311	Station apparatus	6,154	(6,154)	0		0			0
15	2321	Customer premises wiring	0	0	0		0			0
16	2341	Large PBX	0	0	0		0			0
17	2351	Public Telephone Terminal Equipment	0	0	0		0			0
18	2362	Other Terminal Equipment	50,390	(50,390)	0		0			0
		Total I.O.T.	56,544	(56,544)	0	0	0			0
19	2411	Poles	0	0	0		0	0.250147	0.749853	0
20	2421	Aerial Cable	0	0	0		0	0.250147	0.749853	0
21	2423	Buried Cable	2,501,837	0	2,501,837		2,501,837	0.250147	0.749853	1,876,010
22	2431	Aerial Wire	0	0	0		0	0.250147	0.749853	0
23	2441	Conduit Systems	0	0	0		0	0.250147	0.749853	0
24		Total Cable and Wire Facilities	2,501,837	0	2,501,837	0	2,501,837			1,876,010
25	2682	Leasehold Improvements	0	0	0		0	0.000000	1.000000	0
26		Gross Telephone Plant	3,747,814	(85,631)	3,662,183	0	3,662,183			2,551,204
27	3100	Accumulated Depreciation	(1,614,524)	44,591	(1,569,933)		(1,569,933)	0.330580	0.669420	(1,050,944)
28	3600	Misc Accum. Depr and Amort	0	0	0		0	0.000000	1.000000	0
29		Net Telephone Plant	2,133,290	(41,040)	2,092,250	0	2,092,250			1,500,259
30	1220	Materials and Supplies	26,484	(4,640)	21,844		21,844	0.250145	0.749855	16,380
31	1402	RTB Stock	0	0	0		0	0.000000	1.000000	0
32	1403	Goodwill	0	0	0		0	0.000000	1.000000	0
33	1403	Accumulated Amort - Goodwill	0	0	0		0	0.000000	1.000000	0
34	2003	TPUC - Short Term	0	0	0		0	0.000000	1.000000	0
35	4340	Deferred Income Taxes	0	0	0		0	0.000000	1.000000	0
36	4040	Customer Deposits	0	0	0		0	0.000000	1.000000	0
37	4340	Other Long Term Liabilities	0	0	0		0	0.000000	1.000000	0
38		Net Investment	2,159,774	(45,680)	2,114,094	0	2,114,094			1,516,639
39		Cash Working Capital	0	46,538	46,538	(2,893)	43,645	0.455211	0.544789	23,777
40		Total Rate Base	\$2,159,774	\$858	\$2,160,632	(\$2,893)	\$2,157,739			\$1,540,417

LaHarpe Telephone Company, Inc.

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For the Test Year of Twelve Months Ending 12/31/2011

SECTION 4: Plant Investments and Other Rate Base

Section 4(ii): Unadjusted Year-End Plant Investment Balances, for the test year and the three preceding calendar years.

clmn:	(A)	(B)	(C)	(D)	(E)	(F)
				Balances per Books		
In #	Acct. #	Description	Test Year End 12/31/2011	Year End 12/31/2010	Year End 12/31/2009	Year End 12/31/2008
1		<u>Other Regulated Plant</u>				
2	2002	Property Held for Future Use	0	0	0	0
3	2003	Telecommunications Plant Under Const.	0	10,712	0	0
4	2005	Telecommunications Plant Adjustment	0	0	0	0
5	2006	Non-operating Plant	0	0	0	0
6	2007	Goodwill	0	0	0	0
7		Total Other Regulated Plant	0	10,712	0	0
8						
9		<u>Telecommunications Plant in Service</u>				
10	2111	Land	1,170	1,170	1,170	1,170
11	2112	Motor Vehicles	29,723	64,611	64,611	64,611
12	2113	Aircraft	0	0	0	0
13	2114	Special Purpose Vehicles	0	0	0	0
14	2115	Garage Work Equipment	0	0	0	0
15	2116	Other Work Equipment	28,565	27,345	27,345	115,072
16	2121	Buildings	179,365	179,365	179,365	179,365
17	2122	Furniture	1,030	1,030	1,030	2,080
18	2123	Office Equipment	1,801	1,801	1,801	2,397
19	2124	General Purpose Computers	5,884	5,884	5,102	8,123
20	2110	Total Land & Support Assets	247,538	281,206	280,424	372,818
21						
22	2211	Analog electronic switching	0	0	0	0
23	2212	Digital electronic switching	323,287	322,072	322,072	320,058
24	2215	Electromechanical switching	0	0	0	0
25	2210	Total Central Office Switching	323,287	322,072	322,072	320,058
26						
27	2220	Operator Systems	0	0	0	0
28						
29	2231	Radio Systems	0	0	0	0
30	2232	Circuit Equipment	618,608	588,440	578,278	570,216
31	2230	Total Circuit Equipment	618,608	588,440	578,278	570,216
32						
33		Total Central Office Equipment	941,895	910,512	900,350	890,274
34						
35	2311	Station apparatus	6,154	6,154	6,154	6,154
36	2321	Customer premises wiring	0	0	0	0
37	2341	Large PBX	0	0	0	0
38	2351	Public Telephone Terminal Equipment	0	0	0	0
39	2362	Other Terminal Equipment	50,390	50,390	50,390	50,390
40	2310	Total I.O.T.	56,544	56,544	56,544	56,544
41						
42	2411	Poles	0	0	0	0
43	2421	Aerial Cable	0	0	0	0
44	2422	Underground Cable	2,485,495	2,480,843	2,254,120	2,252,538
45	2423	Buried Cable	16,342	16,342	16,342	0
46	2424	Submarine Cable	0	0	0	0
47	2425	Deep Sea Cable	0	0	0	0
48	2426	Intrabuilding network cable	0	0	0	0

Prepared by Alexicon, Inc.

LaHarpe Telephone Company, Inc.

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For the Test Year of Twelve Months Ending 12/31/2011

SECTION 4: Plant Investments and Other Rate Base

**Section 4(ii): Unadjusted Year-End Plant Investment Balances, for the test year and
the three preceding calendar years.**

clmn:	(A)	(B)	(C)	(D)	(E)	(F)
	Balances per Books					
In #	Acct. #	Description	Test Year End 12/31/2011	Year End 12/31/2010	Year End 12/31/2009	Year End 12/31/2008
49	2431	Aerial Wire	0	0	0	0
50	2432	Conduit Systems	0	0	0	0
51	2410	Total Cable & Wire Facilities	2,501,837	2,497,185	2,270,462	2,252,538
52						
53	2681	Capital leases	0	0	0	0
54	2682	Leasehold Improvements	0	0	0	0
55	2680	Total Amortizable Tangible Assets	0	0	0	0
56						
57	2690	Intangibles	0	0	0	0
58						
59	2001	Total Telecommunications Plant in Svc.	3,747,814	3,745,447	3,507,780	3,572,174

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For the Test Year of Twelve Months Ending 12/31/2011

SECTION 4: Plant Investments and Other Rate Base

Section 4(ii)a: PRO FORMA Telephone Plant Adjustments

Line	TPA#	Account	Description	KUSF Audit	
				DB	CR
1					
2	1		Cash Working Capital	\$	(2,893)
3					
4			- To record the effects of the pro forma adjusts on working capital		
5			source: Schedule 6(i)		

LaHarpe Telephone Company, Inc.

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For the Test Year of Twelve Months Ending 12/31/2011

SECTION 5: Accumulated Provision for Depreciation and Amortization

Section 5(i): Unadjusted Year-End Balances, Adjustments and Allocation to State Jurisdiction

clmn:	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
				Cost Study Adjustments			Pro Forma Adjustments			STATE JURISDICTION	
In #	Acct. #	Description	Balance per Books	Debits	Credits	Regulated Balance	Debits	Credits	Pro Forma Balance	Allocation Factors	Intrastate Balances
1		<u>Investment Offsets</u>									
2	3100	Accum. Depr. - TPIS	0								
3	3100.1	Accum. Depr. - Land and Support Assets	(143,649)	13,127	0	(130,522)			(130,522)	0.696495	(90,908)
4	3100.2	Accum. Depr. - C.O.E. Switching	(200,483)	0	0	(200,483)			(200,483)	0.150000	(30,072)
5	3100.3	Accum. Depr. - C.O.E. Operator Systems	0	0	0	0			0	0.000000	0
6	3100.4	Accum. Depr. - C.O.E. Transmission	(510,307)	0	0	(510,307)			(510,307)	0.751298	(383,393)
7	3100.5	Accum. Depr. - I.O.T. Equipment	(31,464)	31,464	0	0			0	0.000000	0
8	3100.6	Accum. Depr. - Cable and Wire Facilities	(728,621)	0	0	(728,621)			(728,621)	0.749853	(546,359)
9	3100	Total Accum. Depr. - TPIS	(1,614,524)	44,591	0	(1,569,933)	0	0	(1,569,933)		(1,050,732)
10											
11	3200	Accum. Depr. - PHFU	0	0	0	0			0		0
12	3300	Accum. Depr. - Nonoperating	0	0	0	0			0		0
13	3410	Accum. Amort. - Capitalized Leases	0	0	0	0			0		0
14	3420	Accum. Amort. - Leasehold Improvements	0	0	0	0			0	1.000000	0
15	3500	Accum. Amort. - Intangible	0	0	0	0			0		0
16	3600	Accum. Amort. - Other	0	0	0	0			0		0
17									0		0
18		Total Investment Offsets	(1,614,524)	44,591	0	(1,569,933)	0	0	(1,569,933)		(1,050,732)

LaHarpe Telephone Company, Inc.

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For the Test Year of Twelve Months Ending 12/31/2011

SECTION 5: Accumulated Provision for Depreciation

Section 5(ii): Unadjusted Year-End Balances, for the test year and the three preceding calendar years.

clmn:	(A)	(B)	(C)	(D)	(E)	(F)
				Balances per Books		
In #	Acct. #	Description	Test Year End 12/31/2011	Year End 12/31/2010	Year End 12/31/2009	Year End 12/31/2008
1						
2		<u>Accumulated Depreciation</u>				
3	3100	Accum. Depr. - TPIS	0	0	0	0
4	3100.1	Accum. Depr. - Land and Support Assets	(143,649)	(157,389)	(127,174)	(189,348)
5	3100.2	Accum. Depr. - C.O.E. Switching	(200,483)	(163,151)	(111,282)	(88,784)
6	3100.3	Accum. Depr. - C.O.E. Operator Systems	0	0	0	0
7	3100.4	Accum. Depr. - C.O.E. Transmission	(510,307)	(413,141)	(334,825)	(229,017)
8	3100.5	Accum. Depr. - I.O.T. Equipment	(31,464)	(26,423)	(21,385)	(15,834)
9	3100.6	Accum. Depr. - Cable and Wire Facilities	(728,621)	(586,607)	(456,500)	(328,391)
10	3100	Total Accum. Depr. - TPIS	(1,614,524)	(1,346,711)	(1,051,166)	(851,374)
11						
12	3200	Accum. Depr. - PHFU	0	0	0	0
13	3300	Accum. Depr. - Nonoperating	0	0	0	0
14	3410	Accum. Amort. - Capitalized Leases	0	0	0	0
15	3420	Accum. Amort. - Leasehold Improvements	0	0	0	0
16	3500	Accum. Amort. - Intangible	0	0	0	0
17	3600	Accum. Amort. - Other	0	0	0	0
18						
19		<u>Total Accumulated Depreciation and Amortization</u>	(1,614,524)	(1,346,711)	(1,051,166)	(851,374)
20						

LaHarpe Telephone Company, Inc.

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For the Test Year of Twelve Months Ending 12/31/2011

SECTION 6: Working Capital

Section 6(i): Calculation of Cash Working Capital and Allocation to State Jurisdiction

clmn:	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
In #	Acct. #	Description	Applicant Book Balance	Applicant Cost Study Adjustments	Applicant Cost Study Balance	Applicant Pro Forma Adjustments	Adjusted Balance	Reference: sch[clmn, ln]
1								
2	6110 - 6410	Plant Specific Expense	208,433	(6,820)	201,613	0	201,613	9 [H 20]
3	6510 - 6560	Plant Non-Specific Expense	351,309	(5,534)	345,775	0	345,775	9 [H 26]
4	6560	less: Depreciation Expense	(302,697)	1,113	(301,584)	0	(301,584)	9 [H 24]
5	6610 - 6620	Customer Operations Expense	34,046	(104)	33,942	0	33,942	9 [H 31]
6	6710 - 6720	Corporate Operations Expense	378,518	1,209	379,727	50,000	429,727	9 [H 35]
7	7370	Other Expense- Contributions	0	1,000	1,000	0	1,000	9 [H 42]
8	7540	Interest on Customer Deposits	26,783	0	26,783	0	26,783	9 [H 44]
9	7200 less 7250	Operating Taxes	361,789	67,262	429,051	(120,388) \$	308,663	9 [H 37 + H 38 + H 39]
10	7500	Interest Expense	26,783	(10,669)	16,114	0 \$	16,114	
11	Annual Cash Operating Expense Base		\$ 1,084,964	\$ 47,457	\$ 1,132,421	\$ (70,388) \$	1,062,033	
12								
13	Standard Allowance Factor				4.1096%		4.1096%	FCC
14								
15		Cash Working Capital			\$ 46,538	\$ (2,893) \$	43,645	
16		Intrastate Allocation Factor					54.4789%	
17								
18		Cash Working Capital - State					<u>\$ 23,777</u>	

REDACTED

LaHarpe Telephone Company, Inc.
Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

For the Test Year of Twelve Months Ending 12/31/2011

SECTION 7: Capital and Cost of Money

Section 7(i): Capital Structure and Weighted Cost of Capital

clmn:	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
		Year End December 31, 2010				End of Test Year December 31, 2011			
In #	Description	Amount	Actual Weight	Cost	Average Cost	Amount	Actual Weight	Cost	Average Cost
	Debt:								
1									
2									
3	Equity								
4									
5	Weighted Cost of Capital								
6									
7						End of Test Year December 31, 2011			
8			P R O F O R M A	Description		Amount	Pro Forma Weight	Cost	Average Cost
9									
10									
11				Debt					
12				Equity					
13									
14									
15				Weighted Cost of Capital					

REDACTED

LaHarpe Telephone Company, Inc.

Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
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For the Test Year of Twelve Months Ending 12/31/2011

SECTION 7: Capital and Cost of Money

Section 7(ii): Weighted Cost of Debt

Test Year December 31, 2011				
In #	Description	Amount	Weight	Average Cost
Debt:				
1				
2				
2				
3	Weighted Cost of Debt			

REDACTED

LaHarpe Telephone Company, Inc.

Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

For the Test Year of Twelve Months Ending 12/31/2011

SECTION 7: Capital and Cost of Money

Section 7(iii): Historical interest coverage

					Interest Paid During Year Ended			
In #	Description	Date of Issue	Date of Maturity	Interest Rate	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Debt:								
1								
2								
3								
4								

REDACTED

LaHarpe Telephone Company, Inc.

Docket No. 12-GRHT-633-KSF

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

For the Test Year of Twelve Months Ending 12/31/2011

SECTION 7: Capital and Cost of Money

Section 7(iv): Consolidated Capital Structure

clmn:	(A)	(B)	(C)	(D)	(E)
End of Test Year December 31, 2005					
In #	Description	WTC	Weight	Cost	Average Cost
Debt:					
1	LaHarpe Communications	\$ 350,000	100.00%	2.50%	2.00%
2					
3	Weighted Cost of Capital	<u>\$ 350,000</u>			<u>2.00%</u>

LaHarpe Telephone Company, Inc.

Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

For the Test Year of Twelve Months Ending 12/31/2011

SECTION 8: Financial and Operating Data

Section 8(i): Balance Sheet by Primary Accounts (unadjusted)

clmn:	(A)	(B)	(C) Test Year	(D)	(E)	(F)
				Three Preceding Calendar Years		
In#	Acct. #	Description	Year End 12/31/2011	Year End 12/31/2010	Year End 12/31/2009	Year End 12/31/2008
1		<u>Current Assets</u>				
2	1120	Cash & Equivalents	857,748	951,637	973,663	1,088,660
3	1180	Telecommunications Accounts Receivable	99,417	104,791	82,068	78,330
4	1181	A/R Allowance - Telecommunications	-	-	-	-
5	1220.1	Materials and Supplies	26,484	27,301	24,114	23,655
6	1220.2	Property Held for Sale or Lease	-	-	-	-
7	1280	Prepayments	4,361	3,341	3,794	2,463
8	1350	Other Current Assets	-	-	-	-
9		Total Current Assets	988,010	1,087,070	1,083,639	1,193,108
10						
11		<u>Noncurrent Assets</u>				
12	1401	Investment in affiliated companies	-	-	-	-
13	1402	Investments in nonaffiliated companies	567,674	458,681	202,500	-
14	1406	Nonregulated investments	-	-	-	-
15	1407	Unamortized debt issuance expense	-	-	-	-
16	1408	Sinking Funds	-	-	-	-
17	1410	Other noncurrent assets	-	-	-	-
18	1438	Deferred Maintenance and Retirements	-	-	-	-
19	1439	Deferred Charges	-	-	-	-
20	1500	Other Jurisdictional Assets (net)	-	-	-	-
21		Total Noncurrent Assets	567,674	458,681	202,500	-
22						
23		<u>Regulated Plant</u>				
24		<u>Other Regulated Plant</u>				
25	2002	Property Held for Future Use	-	-	-	-
26	2003	Telecommunications Plant Under Const.	-	10,712	-	-
27	2005	Telecommunications Plant Adjustment	-	-	-	-
28	2006	Non-operating Plant	-	-	-	-
29	2007	Goodwill	-	-	-	-
30		Total Other Regulated Plant	-	10,712	-	-
31						
32		<u>Telecommunications Plant in Service</u>				
33	2111	Land	1,170	1,170	1,170	1,170
34	2112	Motor Vehicles	29,723	64,611	64,611	64,611
35	2113	Aircraft	-	-	-	-
36	2114	Tools and Other Work Equipment	28,565	27,345	27,345	115,072
37	2121	Buildings	179,365	179,365	179,365	179,365
38	2122	Furniture	1,030	1,030	1,030	2,080
39	2123	Office Equipment	1,801	1,801	1,801	2,394
40	2124	General Purpose Computers	5,884	5,884	5,102	8,123
41	2100	Total Land & Support Assets	247,538	281,206	280,424	372,815
42						
43	2211	Analog electronic switching	-	-	-	-
44	2212	Digital electronic switching	323,287	322,072	322,072	320,058
45	2220	Operator Systems	-	-	-	-
46	2231	Radio Systems	-	-	-	-
47	2232	Circuit Equipment	618,608	588,440	578,278	570,216
48	2200	Total Central Office Assets	941,895	910,512	900,350	890,274
49						
50	2311	Station apparatus	6,154	6,154	6,154	6,154
51	2321	Customer premises wiring	-	-	-	-
52	2341	Large PBX	-	-	-	-
53	2351	Public Telephone Terminal Equipment	-	-	-	-
54	2362	Other Terminal Equipment	50,390	50,390	50,390	50,390
55	2300	Total I.O.T.	56,544	56,544	56,544	56,544
56						
57	2411	Poles	-	-	-	-
58	2421	Aerial Cable	-	-	-	-
59	2422	Underground Cable	2,485,495	2,480,843	2,254,120	2,252,538
60	2423	Buried Cable	16,342	16,342	16,342	-
61	2424	Submarine Cable	-	-	-	-
62	2425	Deep Sea Cable	-	-	-	-
63	2426	Intrabuilding network cable	-	-	-	-
64	2431	Aerial Wire	-	-	-	-
65	2432	Conduit Systems	-	-	-	-

LaHarpe Telephone Company, Inc.

Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

For the Test Year of Twelve Months Ending 12/31/2011

SECTION 8: Financial and Operating Data

Section 8(i): Balance Sheet by Primary Accounts (unadjusted)

clmn:	(A)	(B)	(C) Test Year	(D)	(E)	(F)
				Three Preceding Calendar Years		
In#	Acct. #	Description	Year End 12/31/2011	Year End 12/31/2010	Year End 12/31/2009	Year End 12/31/2008
66	2410	Total Cable & Wire Facilities	2,501,837	2,497,185	2,270,462	2,252,538
67						
68	2681	Capital leases	-	-	-	-
69	2682	Leasehold Improvements	-	-	-	-
70	2680	Total Amortizable Tangible Assets	-	-	-	-
71						
72	2690	Intangibles	-	-	-	-
73						
74	2001	Total Telecommunications Plant in Svc.	3,747,814	3,745,447	3,507,780	3,572,171
75						
76		<u>Investment Offsets</u>				
77	3100	Accum. Depr. - TPIS	(1,614,524)	(1,346,711)	(1,051,166)	(851,374)
78	3100	Total Accum. Depr. - TPIS	(1,614,524)	(1,346,711)	(1,051,166)	(851,374)
79						
80	3200	Accum. Depr. - PHFU	-	-	-	-
81	3300	Accum. Depr. - Nonoperating	-	-	-	-
82	3410	Accum. Amort. - Capitalized Leases	-	-	-	-
83	3420	Accum. Amort. - Leasehold Improvements	-	-	-	-
84	3500	Accum. Amort. - Intangible	-	-	-	-
85	3600	Accum. Amort. - Other	-	-	-	-
86						
87		Total Investment Offsets	(1,614,524)	(1,346,711)	(1,051,166)	(851,374)
88						
89		Non-Regulated Assets	-	-	-	-
90						
91		Total Assets	3,688,974	3,955,199	3,742,753	3,913,905
92						
93		<u>Current Liabilities</u>				
94	4000	Current Accounts & Notes Payable	6,186	7,750	3,228	31,060
95	4040	Customer deposits	-	-	-	185
96	4070	Income Taxes accrued	293,275	189,243	173,349	233,180
97	4080	Other Taxes accrued	39	71,097	75,143	59,642
98	4100	Net current deferred operating taxes	-	-	-	-
99	4110	Net current deferred nonoperating taxes	-	-	-	-
100	4130	Other current liabilities	-	-	-	-
101						
102		Total Current Liabilities	299,500	268,090	251,720	324,067
103						
104		<u>Long Term Debt</u>				
105	4210	Long Term and Funded Debt	350,000	1,234,794	1,337,037	1,801,944
106						
107		<u>Other Liabilities & Deferred Credits</u>				
108	4310	Other Long Term Liabilities	-	-	-	-
109	4320	Unamortized Operating ITC	-	-	-	-
110	4330	Unamortized Nonoperating ITC	-	-	-	-
111	4340	Net Noncurrent Deferred Operating Taxes	-	-	-	-
112	4341	Net Deferred Tax Liability Adjustments	-	-	-	-
113	4350	Net Noncurrent Deferred Nonoperating Taxes	-	-	-	-
114	4360	Other Deferred Credits	-	-	-	-
115	4370	Other Jurisdictional Liabilities/Defd. Credits	-	-	-	-
116						
117		Total Other Liabilities	-	-	-	-
118						
119		<u>Stockholders' Equity</u>				
120	4510	Capital Stock	40,000	40,000	40,000	40,000
121	4520	Additional Paid in Capital	-	-	-	-
122	4530	Treasury Stock	-	-	-	-
123	4540	Other Capital	-	-	-	-
124	4550	Retained Earnings	2,999,474	2,412,315	2,113,996	1,747,894
125		Total Stockholders' Equity	3,039,474	2,452,315	2,153,996	1,787,894
126						
127		Total Liabilities and Other Credits	3,688,974	3,955,199	3,742,753	3,913,905

LaHarpe Telephone Company, Inc.

Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

For the Test Year of Twelve Months Ending 12/31/2011

SECTION 8: Financial and Operating Data

Section 8(ii): Comparative Income and Retained Earnings Statements (unadjusted)

clmn:	(A)	(B)	(C)	(D)	(E)	(F)
			Test Year	Three Preceding Calendar Years		
In#	Acct. #	Description	Year End 12/31/2011	Year End 12/31/2010	Year End 12/31/2009	Year End 12/31/2008
1		<u>INCOME</u>				
2		<u>Telephone Operating Income</u>				
3	5000	Operating Revenue	1,810,182	1,690,336	1,422,632	1,772,772
4	6000	Operating Expenses	972,306	1,034,484	838,670	736,550
5	7100	Other Operating Income & Expenses - Net	(11,863)	(40,636)	-	(34,904)
6	7210	Operating Investment Tax Credits	-	-	-	-
7	7220	Federal Income Taxes - Operating	242,102	156,288	-	190,559
8	7230	State & Local Income Taxes - Operating	51,172	32,954	-	42,655
9	7240	Other Operating Taxes	68,515	143,327	155,497	124,106
10	7250	Provision for Deferred Operating Inc. Taxes - Net	-	-	-	-
11	7200	Total Operating Taxes	361,789	332,569	155,497	357,320
12						
13		Operating Income *	464,224	282,647	428,465	643,998
14		<u>Nonoperating Income and Expenses</u>				
15	7310	Dividend Income	8,400	7,977	24,741	(224,420)
16	7320	Interest Income	-	9,002	1,981	-
17	7330	Income from Sinking and Other Funds	-	-	-	-
18	7340	Allowance for Funds Used During Const.	-	-	-	-
19	7350	Gain or Loss from Disposition of Property	(32,911)	10,250	11,250	-
20	7360	Other Nonoperating Income	16,182	9,160	19,692	-
21	7370	Special Charges	(2,927)	(2,789)	(2,201)	(4,676)
22	7300	Nonoperating Income & Expenses - Net	(11,256)	33,600	55,463	(229,096)
23	7400	Total Nonoperating Taxes	-	-	-	-
24		Total Nonoperating Income & Expenses	(11,256)	33,600	55,463	(229,096)
25		Income Available for Fixed Charges *	452,968	316,247	483,928	414,902
26						
27		<u>Fixed Charges</u>				
28	7500	Total Interest & Related Items	26,783	64,642	80,486	110,950
29						
30	7600	Total Extraordinary Items	-	-	(76)	-
31						
32		Net Income (after Nonoperating, Fixed Charges, and Extraordinary Items)	426,185	251,605	403,366	303,952
33						
34	7910	Effect Of Jurisdictional Ratemaking Differences - Net	-	-	-	-
35	7990	Nonregulated Net Income**	(26,790)	(26,636)	2,878	(24,774)
36						
37		Net Income (After Ratemaking Differences Including	399,395	224,969	406,244	279,178
38						
39	4550	<u>Retained Earnings</u>				
40						
41		Unappropriated Retained Earnings (at beginning of year)	2,601,552	2,287,345	1,973,401	1,944,223
42						
43		<u>Credits During the Year</u>				
44		Balance Tranferred from Income Accounts	399,395	224,965	406,244	279,178
45		Miscellaneous Credits to Retained Earnings				
46						
47		<u>Debits During the Year</u>				
48		Miscellaneous Debits to Retained Earnings	224,029	189,242	7,700	-
49		Dividends Declared		100,000	100,000	250,000
50						
51		Unappropriated Retained Earnings (at end of year)	3,224,976	2,601,552	2,287,345	1,973,401
52						
53						
54						

REDACTED

LaHarpe Telephone Company, Inc.

Docket No. 12-LHPT-875-AUD

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For the Test Year of Twelve Months Ending 12/31/2011

SECTION 8: Financial and Operating Data

Section 8(v): Annual Payrolls by Primary Accounts

clmn:	(A)	(B)	(C) Test Year	(D)	(E)	(F)
			Year End 12/31/2011	Year End 12/31/2010	Year End 12/31/2009	Year End 12/31/2008
In #	Account #	Description				
1						
2	6112	Motor Vehicle Expense				
3						
4	6121	Land & Building Expenses				
5	6122	Furniture & Artworks Expense				
6	6123	Office Equipment Expense				
7	6124	General Purpose Computer Expense				
8						
9	6212	Digital electronic expense				
10						
11	6231	Radio Systems Expense				
12	6232	Circuit Equipment Expense				
13						
14	6411	Poles Expense				
15	6421	Aerial Cable Expense				
16	6422	Underground Cable Expense				
17	6423	Buried Cable Expense				
18	6431	Aerial Wire Expense				
19	6441	Conduit Systems Expense				
20						
21	6512	Provisioning Expense				
22						
23	6532	Network Administration Expense				
24	6533	Testing Expense				
25	6534	Plant Operations Administration Expense				
26	6535	Engineering Expense				
27						
28	6610	Marketing				
29	6613	Marketing				
30	6621	Call Completion Services				
31	6622	Number Services				
32						
33	6623	Customer Services				
34						
35	6711	Executive				
36						
37	6721	Accounting & Finance				
38	6722	External Relations				
39						
40		Annual Totals				

LaHarpe Telephone Company, Inc.
Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

SECTION 9(i): Test Year and Pro Forma Income Statement

For the Test Year of Twelve Months Ending 12/31/2011

			A	B	C	D	E	F	G	H
Line	Acct.		Applicant	Applicant	Applicant	Applicant	Applicant	/---- Allocation ----/		Applicant
No.	No.	Description	Book	Cost Study	Cost Study	Proforma	Proforma	Interstate	Intrastate	Intrastate
			Balance	Adjustments	Balance	Adjustments	Balance			Balance
*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
<u>Operating Revenues</u>										
1	5001	Local Network Services Revenues	\$58,350	\$0	\$58,350		\$58,350	0.00000	1.00000	\$58,350
2	5060	Other Basic Area Revenue	42,506	0	42,506		42,506	0.00000	1.00000	42,506
3	5069	Federal High Cost Loop Support	723,095	0	723,095	(360,404)	362,691	0.00000	1.00000	362,691
4	5100	Kansas Universal Service Support	161,317	0	161,317		161,317	0.00000	1.00000	161,317
5	5080	Network Access Revenue	780,164	0	780,164	(4,585)	775,579	Direct Assign		32,663
6	5100	Long Distance Network Service Rev	0	0	0		0	1.00000	0.00000	0
7	5270	Billing and Collection	9,068	0	9,068		9,068	Direct Assign		7,212
8	5230	Directory Revenue	915	0	915		915	0.00000	1.00000	915
9	5260	Misc Revenue	39	0	39		39	-	1.00000	39
10	5280	Non-regulated Revenue	(34,728)	0	(34,728)		(34,728)		0.00000	0
11	5300	Uncollectible Revenue	0	0	0		0	Direct Assign		0
12		Total revenues	1,740,726	0	1,740,726	(364,988)	1,375,738			665,694
<u>Plant Specific Operations Expenses</u>										
13	6110	Network Support Expense	168	0	168		168	0.000000	1.000000	168
14	6120	General Support Expense	44,308	(876)	43,432		43,432	0.303509	0.696491	30,250
15	6210	Central Office Switching Expense	54,971	0	54,971		54,971	0.447490	0.552510	30,372
16	6230	Central Office Transmission Expense	68,013	0	68,013		68,013	0.447503	0.552497	37,577
17	6310	Information Orig/Term Expense	5,944	(5,944)	0		0	0.250000	0.750000	0
18	6410	Cable and Wire Facilities Exp	35,029	0	35,029		35,029	0.250164	0.749836	26,266
19		Total Plant Specific Operations Exp.	208,433	(6,820)	201,613	0	201,613			124,633
<u>Plant Non-Specific Operations Expense</u>										
20	6510	Other Plant Expense	7,693	0	7,693		7,693	0.303523	0.696477	5,358
21	6530	Network Operations Expense	36,498	0	36,498		36,498	0.303496	0.696504	25,421
22	6540	USF	4,421	(4,421)	0		0	1.000000	0.000000	0
23	6560	Depreciation & Amortization	302,697	(1,113)	301,584		301,584	0.328792	0.671208	202,426
24	6565	Amort of Tangible Assets	0	0	0		0	0.000000	1.000000	0
25		Total Plant Non-Specific Op Exp.	351,309	(5,534)	345,775	0	345,775			233,205
<u>Customer Operations Expense</u>										
26	6610	Marketing Expense	2,713	0	2,713		2,713	0.318835	0.681165	1,848
27	6621	Operator Services	0	0	0		0	0.000000	1.000000	0
28	6622	Directory Expense	369	(369)	0		0	0.493225	0.506775	0
29	6623	Customer Services Expense	30,964	265	31,229		31,229	0.355546	0.644454	20,126
30		Total Customer Operations Expense	34,046	(104)	33,942	0	33,942			21,974
<u>Corporate Operations Expense</u>										

LaHarpe Telephone Company, Inc.
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for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

SECTION 9(i): Test Year and Pro Forma Income Statement

For the Test Year of Twelve Months Ending 12/31/2011

			A	B	C	D	E	F	G	H
Line No.	Acct. No.	Description	Applicant Book Balance	Applicant Cost Study Adjustments	Applicant Cost Study Balance	Applicant Proforma Adjustments	Applicant Proforma Balance	/---- Allocation ----/		Applicant Intrastate Balance
*****	*****	*****	*****	*****	*****	*****	*****	Interstate	Intrastate	*****
31	6710	Executive and Planning Exp	22,997	0	22,997		22,997	0.380571	0.619429	14,245
32	6720	General and Administrative Exp	355,521	1,209	356,730		356,730	0.505120	0.494880	176,538
33	6720	General and Administrative Exp-Rate Case			0	50,000	50,000	0.000000	1.000000	50,000
34		Total Corporate Operations Expense	378,518	1,209	379,727	50,000	429,727			240,783
		Operating Taxes & Other Operating Expenses								
35	7210	Amortization of ITC	0	0	0		0	1.000000	0.000000	0
36	7220	Operating Federal Income Taxes	242,102	0	242,102	(95,489)	146,613	0.315031	0.684969	100,425
37	7230	Operating State Income Taxes	51,172	0	51,172	(24,899)	26,273	0.315058	0.684942	17,995
38	7240	Other Operating Taxes	68,515	67,262	135,777		135,777	0.303507	0.696493	94,568
39	7250	Deferred Income Taxes	0	0	0		0	Direct Assign		0
40	7340	Allow. for Funds Used During Const.	0	0	0		0	1.000000	0.000000	0
41	7370	Contributions and Fees	0	1,000	1,000		1,000	0.498000	0.502000	502
42	5240	Rent Revenue	0	0	0		0	0.000000	1.000000	0
43	7500	Interest and Related Items	26,783	0	26,783		26,783	0.000000	1.000000	26,783
44		Total Oper. Taxes & Other Oper. Exp.	388,572	68,262	456,834	(120,388)	336,446			240,273
45		Total Operating Expenses	1,360,878	57,013	1,417,891	(70,388)	1,347,503			860,868
46		Net Operating Income	\$379,848	(\$57,013)	\$322,835	(\$294,600)	\$28,235			(\$195,175)

LaHarpe Telephone Company, Inc.
Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008
For the Test Year of Twelve Months Ending 12/31/2011

PRO FORMA Separations Study Adjustments

Section 9 (ii): Adjustments for known or determinable changes in revenues and expenses

Line	SSA#	Account	Description	DB	CR
1					
2	1	5069	Federal High Cost Loop Support	360,404	
3		5080	Network Access Revenue	4,585	
4			- To adjust for changes in Federal USF and State Access Revenues due to reforms		
5			source: Schedule 9(ii)(b)		
6					
7	2	6720	General and Administrative Exp - KUSF Audit	50,000	
8					
9			- To record one year amortization expense of KUSF audit expense		
10			Projected cost of KUSF audit fees \$250,000 amortized over 5 years		
11					
12	3	7220	Operating Federal Income Taxes		95,489
13		7230	Operating State and Local Income Taxes		24,899
14					
15			- Pro Forma adjustment for income tax calculations		
16			source: Schedule 11(i)		
17	4	6728	Other General & Administrative Expense	1,474	
18		7240.1	Other Operating Taxes	67,772	
19					
20			- To record financial audit adjustments not recorded on trial balance		

LaHarpe Telephone Company, Inc.

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For the Test Year of Twelve Months Ending 12/31/2011

PRO FORMA: Federal Universal Service Support & Intercarrier Compensation

Section 9 (ii)(b): Adjustments for known or determinable changes in revenues and expenses

Annualized Effect of USF Reforms:

	2012	2013	2014	2015	2016	Average
Federal High Cost Loop Support Adjustments	\$ (3,249)	\$ (15,803)	\$ (32,542)	\$ (32,542)	\$ (32,542)	\$ (23,336)
Interstate Common Line Support Adjustments	\$ (337,068)	\$ (337,068)	\$ (337,068)	\$ (337,068)	\$ (337,068)	\$ (337,068)
Safety Net Additive Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
High Cost Support Cap	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ (340,317)	\$ (352,871)	\$ (369,610)	\$ (369,610)	\$ (369,610)	\$ (360,404)

Annualized Effect of ICC Reforms:

	2012	2013	2014	2015	2016	Average
State Access Revenues, base year	\$ 32,663	\$ 32,663	\$ 32,663	\$ 32,663	\$ 32,663	
Percentage available for CAF Recovery	95.00%	90.25%	85.74%	81.45%	77.38%	
Percentage unrecovered	5.00%	9.75%	14.26%	18.55%	22.62%	
State Access Revenue Reduction	\$ 1,633	\$ 3,185	\$ 4,659	\$ 6,059	\$ 7,389	\$ 4,585

LaHarpe Telephone Company, Inc.

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In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

For the Test Year of Twelve Months Ending 12/31/2011

SECTION 10: Depreciation and Amortization

Section 10: Depreciation and Amortization expense for the test period

clmn:	(A)	(B)	(C)	(D)	(E)	(F)	(G)
					Amounts Charged to:		
ln #	Account #	Description	Depreciation Rates	Balance per Books 12/31/2011	Operations	Clearing Accounts	Construction
1							
2	6561	Depreciation Expense - TPIS					
3	S6561.1	Depr. Exp. - General Support Facilities					
4		Motor Vehicles	26.27%	\$ 10,999	\$ 10,999	\$ -	\$ -
5		Tools and Other Work Equipment	23.98%	\$ 2,252	\$ 2,252		
6		Buildings	5.02%	\$ 6,580	\$ 6,580		
7		Furniture	15.57%	\$ -	\$ -		
8		Office Equipment	18.10%	\$ 142	\$ 142		
9		General Purpose Computers	18.57%	\$ 1,177	\$ 1,177		
10							
11		Depr. Exp. - Central Office Assets					
12	S6561.2	Depr. Exp. - C.O. Switching	11.58%	\$ 37,331	\$ 37,331		
13				\$ -			
14	S6561.5	Depr. Exp. - C.O. Circuit Equipment	16.00%	\$ 97,165	\$ 97,165		
15							
16		Depr. Exp. - Information Orig./Term. Assets					
17		Depr. Exp. - Public Tele. Terminal Equipment	19.58%	\$ -	\$ -		
18	S6561.6	Depr. Exp. - IOT	19.58%	\$ 5,039	\$ 5,039		
19							
20		Depr. Exp. - Cable & Wire Facilities Assets					
21	S6561.7	Depr. Exp. - Poles	15.81%	\$ -	\$ -		
22		Depr. Exp. - Aerial Cable	17.58%	\$ -	\$ -		
23		Depr. Exp. - Underground Cable	5.38%	\$ -	\$ -		
24		Depr. Exp. - Buried Cable	5.68%	\$ 142,013	\$ 142,013		
25		Depr. Exp. - Aerial Wire	5.68%	\$ -	\$ -		
26		Depr. Exp. - Conduit	6.48%	\$ -	\$ -		
27							
28	6563	Amortization Expense - Leasehold Improvements		\$ -	\$ -		
29							
30	6560	Total Depr. & Amort. Expense		\$ 302,698	\$ 302,698	\$ -	\$ -

LaHarpe Telephone Company, Inc.

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In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

For the Test Year of Twelve Months Ending 12/31/2011

SECTION 11: Taxes

Section 11(i): Taxes chargeable to operations

clmn:

(A)

(B)

(C)

(E)

(F)

(G)

(H)

(I)

Source:

Sec 14(ii) Inc Stmt

Sec 14(ii) Inc Stmt

Sec 14(ii) Inc Stmt

(E) + (F)

P36 Sum

(G)*(H)

In #

Account #

Description

Balance per Books
12/31/2011

Study Adjustments

Test Year Adjusted Regulated
Balance

Test Year Pro
Forma Adjustments

Test Year Adjusted
Pro Forma Regulated
Balance

Intrastate
Allocation %'s

Intrastate
Jurisdictional
Allocations

1

7210

Operating investment tax credits - net

\$ -

\$ -

\$ -

\$ -

-

\$ -

2

7220

Operating Federal Income Taxes

\$ 242,102

\$ -

\$ 242,102

\$ (95,489)

\$ 146,613

0.684969

\$ 100,425

3

7230

Operating State and Local Income Taxes

\$ 51,172

\$ -

\$ 51,172

\$ (24,899)

\$ 26,273

0.684942

\$ 17,995

4

7240.1

Other Operating Taxes

\$ 68,515

\$ 67,262

\$ 135,777

\$ 135,777

0.696493

\$ 94,568

5

7240.2

Interstate Regulatory Fees

\$ -

\$ -

\$ -

\$ -

0.696493

\$ -

6

7240.3

Intrastate Regulatory Fees

\$ -

\$ -

\$ -

\$ -

0.696493

\$ -

7

7250

Provisions for Deferred Operating Income Taxes

\$ -

\$ -

\$ -

\$ -

0.696493

\$ -

8

7200

Total Operating Taxes

\$ 361,789

\$ 67,262

\$ 429,051

\$ (120,388)

\$ 308,663

\$ 212,988

9

10

11

NET TO GROSS MULTIPLIER

12

Federal Income Tax Rate

23.01%

13

State Income Tax Rate

6.00%

14

Combined Tax Rate

29.01%

15

Net to Gross Multiplier

1.408649

16

17

18

PROFORMA ADJUSTMENT FOR INCOME TAXES

19

Proforma Revenues

\$ (364,988)

20

Proforma Expenses

\$ 50,000

21

Proforma Net Income (Expense)

\$ (414,988)

22

23

Proforma Federal Income Tax

\$ (95,489)

23.01%

24

Proforma State Income Tax

\$ (24,899)

6.00%

LaHarpe Telephone Company, Inc.
Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

For the Test Year of Twelve Months Ending 12/31/2011

SECTION 11: Income Taxes
Section 11(iv): Defferred Investment Tax Credit

	Balance Beginning of Year	Additions	Amoritization	Balance End of Year
2002	-	-	-	-
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	-
2006	-	-	-	-
2007	-	-	-	-
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-

LaHarpe Telephone Company, Inc.
Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Set
for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2
For the Test Year of Twelve Months Ending 12/31/2011

SECTION 11: Income Taxes
Section 11(v): Deferred Income Taxes

	Balance Beginning of Year	Current Year Adjustments	Balance End of Year
Current Deferred Operating Income Taxes			
2002	-	-	-
2003	-	-	-
2004	-	-	-
2005	-	-	-
2006	-	-	-
2007	-	-	-
2008	-	-	-
2009	-	-	-
2010	-	-	-
2011	-	-	-

Noncurrent Deferred Operating Income Taxes

2002	-	-	-
2003	-	-	-
2004	-	-	-
2005	-	-	-
2006	-	-	-
2007	-	-	-
2008	-	-	-
2009	-	-	-
2010	-	-	-
2011	-	-	-

LaHarpe Telephone Company, Inc.

Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

For the Test Year of Twelve Months Ending 12/31/2011

SECTION 12: Cost Allocation Manual

Please see attached documents

**LaHarpe Telephone Company, Inc.
Non-regulated Cost Identification Processes
(Cost Allocation Manual)**

LaHarpe Telephone Company, Inc Non-regulated Cost Identification Process

LaHarpe Telephone Company, Inc. (LaHarpe Telephone) provides regulated telecommunications services in the State of Kansas

LaHarpe Telephone provides wholesale internet billing for its affiliate company LaHarpe Communications. Cost attributable to services provided by LaHarpe Telephone to LaHarpe Communications are directly identified or identified based on cost allocation procedures. This document explains affiliate transactions between LaHarpe Telephone and LaHarpe Communications.

1. Non-regulated services provided and accounted for by LaHarpe Communications:

- Internet Service
- Inside Wire – installation, maintenance and repair of customer premise inside wiring. CATV and Coaxial Cable only.
- Cable Television
- Reseller of Cellular Services and Equipment for Alltel

2. Affiliate Services – pursuant to an Affiliate Agreement (See Attachment 1), LaHarpe Telephone provides the following services to LaHarpe Communications:

- Labor for installation and maintenance of DSL services and telephone systems.
- Customer service and billing and collection

FCC Rules for Assignment of Costs to Non-regulated Services and Affiliate Services

LaHarpe Telephone accounts for costs associated with providing non-regulated services in conformance with the FCC Part 64 FCC Rules. These rules govern the assignment and/or allocation of costs between regulated and non-regulated services. The requirements contained in the rules for small LEC's are general guidelines. In assigning costs to regulated and non-regulated activities, carriers must follow these principles:

- Tariff services provided to a non-regulated activity will be charged at the tariff rates and credited to the regulated revenue account for that service.
- Costs shall be directly assigned to regulated or non-regulated activities whenever possible.
- Costs which cannot be directly assigned to either regulated or non-regulated are considered common and must be allocated based on the following criteria:
 - Common costs should be first allocated based upon direct analysis of their origin.

- When direct analysis is not possible, common costs should be allocated based upon a cost causative linkage or another cost category for which direct analysis is possible.
- If neither of the above are possible, the common costs should 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.

LaHarpe Telephone also accounts for transactions with affiliates in accordance with the FCC Part 32 Rules (Uniform System of Accounts). Generally, the FCC Part 32 Rules require that services provided to affiliates be accounted for based on fully allocated costs.

Overview of LaHarpe Telephone Procedures for Assignment of Costs to Non-regulated Operations

Consistent with the FCC Rules, LaHarpe Telephone has implemented accounting procedures that directly identifies or accounts for all of non-regulated costs or identifies non-regulated costs on a cost-causative allocation basis. All significant non-regulated investment and related depreciation amounts are used solely for non-regulated services and are accounted for directly on the books and records of the affiliate company LaHarpe Communications. General Support Facility Investments of LaHarpe Telephone, which are used jointly for regulated and non-regulated services, are assigned to non-regulated services based on special studies. These studies are discussed in further detail below. Labor related costs, including benefits and other costs, are assigned to non-regulated services based on time reporting procedures. Such assignments are based on the number of work hours associated with non-regulated services reported on daily employee time sheets. A portion of the jointly used facility related expenses are assigned to non-regulated services based on the assignment of the underlying or related investments between regulated and non-regulated operations. Other categories of costs are assigned to non-regulated services based on special studies. Table 1 summarizes the procedures employed by LaHarpe Telephone for identification of costs associated with non-regulated services provided by LaHarpe Telephone. All non-regulated costs, identified on the basis of assignment or allocation procedures; i.e. not directly accounted for on the books, are removed from account balances prior to application of jurisdictional separations procedures. The procedures for identification of non-regulated costs are discussed in more detail below.

Table 1 – Overview of Non-Regulated Accounting Procedures

Category	Direct Accounting	Cost Causative Assignment Procedures		
		Time Reporting	Related Investment	Special Study
Investment, Reserves and Depreciation Exp.				
-Voicemail & Conference				X
-Land				X
-Buildings				X
-Motor Vehicles				X
-Tools & Other Wk. Equip.				X
-Furniture				X
-Office Equipment				X

-Computers				X
Service Related Exp.				
-Payphone Equipment		X		
-Services-- Install and Repair		X		
-Voice Mail Equipment		X		
-Long Distance Service		X		
Facility Related Exp.				
-Buildings			X	
-Motor Vehicles			X	
-Tools & Other Wk. Equip.			X	
-Furniture			X	
-Office Equipment			X	
-Computers			X	
Other Expenses				
-Billing and Collection	X			X
-Benefits		X		
-General and Admin		X		
-Advertising	X			
-Property Taxes			X	

Assignment of Investments and Associated Reserves to Non-regulated Services

LaHarpe Telephone identifies non-regulated investments based on actual investments in the equipment used to provide these services. The investments are identified and recorded in the account balances of LaHarpe Communications.

General support facility investments that are jointly used to provide both regulated non-regulated services, including related reserves attributable to non-regulated services are allocated in the annual cost of service study process as indicated in

Table 2:

Table 2 – Investment/Reserve Non-regulated Allocation Methods

Account(s)	Description	Allocation Method
2111	Land	Special Study
2112/3100-2112	Motor Vehicles	Time Study
2116/3100-2121	Other Work Equipment	Time Study
2121/3100-2122	Buildings	Special Study
2122/3100-2123	Furniture	Time Study
2123/3100-2123	Office Equipment	Time Study
2124/3100-2124	General Purpose Computers	Time Study

A sample of the allocation of the other investments, summarized in Table 2, to non-regulated services is included in Attachment 2. For floor space that is employed for both regulated and non-regulated services (i.e., customer service and corporate office space), a special study is used to allocate costs. First, a portion of the LaHarpe Telephone office land and building costs is identified based on the relative (to total floor space) attributable to customer and corporate operations. This portion of land and building cost is then allocated to non-regulated operations, based on a time study that identifies the relative percentage of time spent by related LaHarpe Telephone' personnel on non-regulated services. All other general support investments are allocated based on time studies that identify the percentage of work hours spent providing non-regulated services. Motor vehicle

investments are assigned based on time studies of employees that utilize motor vehicles. Tools and other work equipment investments are assigned based on time reporting for outside field employees. Furniture, office equipment, and general purpose computer investments are assigned based on time reporting for inside office employees. As shown in Attachment 4, and as discussed in further detail below, other costs that are applicable to general support facilities investments (i.e., maintenance, depreciation, and deferred income tax reserves are allocated to non-regulated services based on the assignment of the related investment accounts.

Assignment of Expenses to Non-regulated Services

Description of Time Reporting and Allocation/Clearing System Used by LaHarpe Telephone to Directly Account for Labor-Related Non-Regulated Costs.

Other LaHarpe Telephone Non-regulated Expense Allocations and Assignments

For expenses associated with central office equipment and general support assets, the assignment to non-regulated services is made on an annual basis. These expenses are allocated between regulated and non-regulated operations in the annual cost study process. Table 4 indicates that methods employed for allocation of expenses associated with general support assets.

Table 4 – Investment/Reserve Non-regulated Allocation Methods

Account	Description	Allocation Method
6561	Depreciation Exp – COE	COE Investment
6561	Depreciation Exp – Building	Building Investment
6561	Depreciation Exp – Motor Vehicles	Motor Vehicle Investment
6561	Depreciation Exp - Tools and Other Work Equipment	Tools and Other Work Equipment Investment
6561	Depreciation Exp – Furniture	Furniture Investment
6561	Depreciation Exp – Office Equipment	Office Equipment Investment
6561	Depreciation Exp – General Purpose Computers	Computer Investment
6200	COE Exp	COE Investment
6121	Land & Building Exp	Building Investment
6122	Furniture Exp	Furniture Investment
6123	Office Equipment Exp	Office Equipment Investment
6124	Computer Exp	Computer Investment
7240	Other Taxes – Property	Investment

A sample of the allocation of the other expenses, shown in Table 4, to non-regulated services is included in Attachment 2. As indicated in the above table, the depreciation and facility related expenses associated with central office and general support assets are allocated to non-regulated services based on the percentage assignment of the related investment accounts to non-regulated services. The allocation methods employed for assignment of the underlying or related investments to non-regulated operations was discussed previously.

Assignment of Costs Associated with billing and Collection and Accounting to Non-regulated Affiliates

Billing and Collection for LaHarpe Communications

LaHarpe Telephone provides billing and collection services on behalf of LaHarpe Communications. The costs of providing billing and collection services, long distance billing service and internet billing are credited directly to the Customer Service expense account of LaHarpe Communications, and revenues received is reported in account 1190. LaHarpe Telephone has chosen to forego any monetary agreement for the billing services provided

LaHarpe Telephone Company, Inc.
Affiliate Agreement for the Provision of Services

AGREEMENT BETWEEN
LAHARPE TELEPHONE COMPANY INC.
AND
LAHARPE COMMUNICATIONS INC.

THIS AGREEMENT, made and entered into as of _____, by and between LAHARPE TELEPHONE CO., INC. (hereinafter called "LAHARPE") a corporation organized under the laws of the State of Kansas and LAHARPE COMMUNICATIONS INC. (hereinafter called "LAHARPE COMM"), a corporation organized under the laws of the State of Kansas, and

WHEREAS LAHARPE operates a telecommunications system in LaHarpe Kansas. LAHARPE COMM provides the following services: sales, installation and maintenance of inside wire; cellular equipment sales; and internet access services and both parties are aware of the economies to be derived from a joint use of facilities, labor, and other services by agreement, and each company deems it advisable to enter into such an agreement; and

WHEREAS, LAHARPE is organized, staffed and equipped, and authorized to render LAHARPE COMM facilities, labor and other services as herein provided; and

WHEREAS, LAHARPE COMM desires that LAHARPE and LAHARPE is willing to furnish to LAHARPE COMM facilities, labor and management services upon terms and conditions hereinafter set forth; and

WHEREAS, LAHARPE is authorized to utilize those subject properties, services, and resources of LAHARPE for sales, facilities, management and technical services and expertise in all, equipment sales and maintenance, telecommunications matters as an independent contractor and not as an agent of LAHARPE COMM; and

WHEREAS, subject to the terms and conditions herein described, LAHARPE is willing, upon request by LAHARPE COMM to render such services and provide such property and resources to LAHARPE COMM at cost, taking into consideration the fulfillment of each party's responsibilities; and

WHEREAS, LAHARPE COMM will require the use of LAHARPE transmission facilities for the provision of Digital Subscriber Line (DSL) services; and

WHEREAS, LAHARPE and LAHARPE COMM agree that costs associated with facilities, labor, management, and other services will be accounted for in accordance with FCC Part 32 and FCC Part 64 rules.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein, the parties hereto and hereby agree as follows:

SECTION 1 – FURNISHING OF LABOR, MATERIALS AND/OR SUPPLIES

- (a) The responsibility for management, operations, and maintenance of equipment owned by LAHARPE COMM shall be that of LAHARPE; nothing herein shall be construed to alter such responsibility.
- (b) On request LAHARPE shall furnish employees to perform installation, maintenance, administrative and management duties for LAHARPE COMM as an independent contractor and not as the agent of LAHARPE COMM. In the event of scheduling conflicts, work required by LAHARPE shall take precedence.
- (c) On request LAHARPE shall furnish vehicles, tools, test equipment, computer billing equipment, office machines or such other items as are required and necessary to the operation, construction, installation and maintenance activity contemplated herein. Requirements of such equipment for LAHARPE own use shall take precedence.
- (d) Time spent by LAHARPE employees for installation, maintenance, construction, administration or management duties for LAHARPE COMM shall be directly accounted for as described in LAHARPE's Cost Allocation Manual ("Non-regulated Cost Identification Processes"). As such, affected LAHARPE employees performing functions for LAHARPE COMM will account for and report all time spent to the time reporting codes designated for functions performed for LAHARPE COMM.
- (e) Notwithstanding any term or provision herein, priority at all times in the allocation and/or commitment of facilities, resources, equipment, materials, supplies and/or services shall be given to LAHARPE for the provision of regulated telecommunications public utility services.

SECTION 2 – FURNISHING OF OTHER SERVICES AND FACILITIES

(a) Digital Subscriber Line (DSL) Access Service

LAHARPE will provide Interstate DSL wholesale access service to LAHARPE COMM pursuant to the relevant rates, terms and conditions contained in the NECA Interstate Access Service Tariff No. 5, Section 8 – Digital Subscriber Line Access Services. This service, as described in the NECA Tariff, will provide LAHARPE COMM with transmission service over local exchange facilities that can be used for simultaneous voice and data communications. LAHARPE will provide such service to LAHARPE COMM where available, between the customer-designated premises and the designated Telephone Company Serving Wire Centers. Accordingly, LAHARPE COMM will pay LAHARPE for this service based on the wholesale rates contained in the NECA Tariff for DSL Access Service.

(b) Billing and Collection, Accounting and Computer Related Services

LAHARPE will provide billing and collection, accounting and computer-related services on behalf of LAHARPE COMM. These services include the preparation and rendering of monthly bills for long distance and Internet services, rendering bills related to sales of equipment, processing customer payments, and providing collection services related to customer accounts. LAHARPE will also provide accounting services including preparation and administration of payroll, accounts payable, accounts receivable, general ledger, and financial statements. LAHARPE will assess LAHARPE COMM a quarterly charge for computer services of \$600.00 starting March 31, 2007. Accounting services shall be billed to LAHARPE COMM based on time reporting through designated time sheet codes.

(c) Customer Services

LAHARPE personnel will provide customer services on behalf of LAHARPE COMM. These services include: service orders and handling customer inquiries concerning service and maintenance. The applicable LAHARPE customer service costs will be charged to LAHARPE COMM based on actual work hours reported on the time sheets of LAHARPE employees that perform customer service functions for LAHARPE COMM.

(d) Other Costs

All other LAHARPE costs that may be attributable to LAHARPE COMM, not covered above, shall be allocated directly, whenever possible, when direct allocation is not possible, amounts will be allocated to LAHARPE COMM based upon a cost-causative linkage or another cost category for which direct analysis is possible. If neither of the above is possible, costs shall be allocated on the assignment of expenses. The procedures for allocation of all other costs are described in LAHARPE's Cost Allocation Manual.

SECTION 3 – PAYMENTS

Payment from LAHARPE COMM for services covered herein is due and payable upon invoice from LAHARPE and shall be determined in accordance with the following:

(a) Payments for labor shall be at the same rate incurred by LAHARPE in the applicable month based on LAHARPE's payroll accounting procedures, which is outlined in LAHARPE's Cost Allocation Manual. These procedures required adjustment of the labor rates to include other wage-related expenses, labor rates are adjusted for any and all costs associated with use of vehicle and other work equipment, including social security taxes, federal and state unemployment taxes, group insurances, and workman compensation. Also, the labor rates are adjusted for any and all costs associated with use of vehicles and other work equipment.

(b) Payment for LAHARPE COMM's use of other services and facilities shall be made based on the costs identified pursuant to the methods defined above.

SECTION 4 – DEPOSIT OF MONIES COLLECTED BY LAHARPE AND LAHARPE COMM

LAHARPE will submit payment monthly to LAHARPE COMM to provide them with the revenue associated with services that LAHARPE has billed behalf of LAHARPE COMM. This payment will be submitted by LAHARPE to LAHARPE COMM on a monthly basis. Incidental customers who pay by credit card or bank draft shall make payments through LAHARPE COMM. Any portion of such remittances attributable to LAHARPE shall be submitted by LAHARPE COMM to LAHARPE on a bi-monthly and monthly basis.

SECTION 5 – FORCE MAJEURE

In the event performance of this Agreement, or any obligation hereunder, is either directly or indirectly prevented, restricted, or interfered with by reason of fire, flood, earthquake or acts of God, wars, revolution, civil commotion, explosion, acts of public enemy, embargo, acts of the government in its sovereign capacity, or any other circumstances beyond the reasonable control and without the fault or negligence of the Party affected, the Party affected, upon giving prompt notice to the other Party, shall be excused from such performance on a day-to-day basis to the extent of such prevention, restriction, or interference (and the other Party shall likewise be excused from performance of its obligations on a day-to-day basis until the delay, restriction or interference has ceased); provided however, that the Party so affected shall use diligent efforts to avoid or remove such causes of nonperformance and both Parties shall proceed whenever such causes are removed or cease.

SECTION 6 – PROTECTION OF PROPRIETARY INFORMATION

Unless otherwise provided, any specifications, drawings, sketches, models, samples, data computer programs and other software or documentation “Information” of one party that is furnished or available or otherwise disclosed to the other party pursuant to the Agreement, or the provision of any service hereunder, will be deemed the property of the disclosing party. Any information covered by the provisions of this Section and considered confidential or proprietary must be specifically identified as Proprietary Information. Such Proprietary Information will be subject to the following terms and conditions.

- A. Any Proprietary information that is furnished or available or otherwise disclosed pursuant to this Agreement will remain the property of the originating party, and when in tangible form, will be returned upon request. Unless any such Proprietary Information was previously known to the other party, free of any obligation to keep it confidential, or has been or is subsequently made public by an act not attributable to the other party, or is explicitly agreed to in writing not to be regarded as confidential, it: (1) will be held in confidence by the receiving party and its employees, contractors, agents and affiliates; (2) will be disclosed to only those employees, contractors, agents and affiliates who have a need for it in connection with the provision of telecommunications services and facilities required to fulfill

this Agreement and will be used for such purposes only; and (3) may be used for other purposes only upon such terms and conditions as may be agreed upon in writing. Neither party will disclose, disseminate or release any such Proprietary Information to anyone who is not an employee, contractor, agent or affiliate having a need for it in connection with such provision or telecommunications services and facilities unless otherwise agreed upon in writing prior to any such disclosure, dissemination or release.

- B. Nothing in this Agreement will require or prohibit the payment of an appropriate fee by one party to the other party for the use of any Proprietary information covered by this Agreement.
- C. In addition, each party agrees to give immediate oral notice, followed within ten days by written notice, to the other party of any demands to disclose or provide Proprietary Information prior to disclosing such Proprietary Information, whether pursuant to subpoena or other lawful process. Under such circumstances, each party agrees to cooperate in seeking reasonable protective arrangements requested by the other party.
- D. In the event either party discloses, disseminates or releases any Proprietary Information received from the other party pursuant to this Agreement except as provided above, the other party may refuse to provide any further Proprietary Information and may demand prompt return of all Proprietary Information previously provided to such a party; such refusal will not constitute a breach of this Agreement. The provisions of this paragraph are in addition to any other legal rights or remedies the party whose Proprietary Information has been disclosed, disseminated or released.

Interconnection standard that either party has a legal obligation, separate from the Agreement, to provide to the other party will not be considered Proprietary Information. The provisions of this Section will remain in effect notwithstanding the termination of this Agreement, unless otherwise agreed to in writing by both parties.

SECTION 7 – RELATIONSHIPS OF PARTIES TO EACH OTHER

Each party agrees that it will perform its obligations hereunder as an independent entity and not as the agent, employee or servant of the other party. Neither party nor any personnel furnished by this party will be deemed employees or agents of the other party or entitled to any benefits available under any plans for such other party's employees. Each party has and hereby retains the right to exercise full control of and supervision over the employment, direction compensation and discharge of all employees assisting in the performance of such obligations; each party will be solely responsible for all matters relating to payment of such employees, including compliance with social security taxes, withholding taxes and all other regulations governing such matters, and each party will be responsible for its own acts and those of its subordinates, employees, agents and subcontractors during the performance of that party's obligations hereunder. Neither

party will employ any person to perform services hereunder who is full or part-time employee of the other party.

SECTION 8 – OBTAINING OF LICENSES

The performance of this Agreement by the parties is contingent upon the obtaining and continuance of such governmental approvals, consents, authorizations licenses and permits as may be required or deemed necessary by the parties and as may be satisfactory to them. The parties will use their best efforts to obtain and to have continued in effect such approvals, consents, authorizations, licenses and permits.

SECTION 9 - ASSIGNMENT

Except as otherwise expressly provided in this Agreement, any assignment of any right, obligation or duty, in whole or in part, or of any other interest hereunder, by any party without the written consent of the other party will be void. Such consent shall not be unreasonably withheld.

In the event of any succession under this Section, the successor shall expressly undertake in writing to the other party the performance of and liability for those obligations duties and interest as to which it is succeeding, and the party will thereafter be relieved of such obligations, duties and interest except for matters arising out of events occurring prior to the date of such undertaking.

SECTION 10 – INDEMNIFICATION

The indemnification provisions of this Section will apply to all matters arising under this Agreement except that indemnification or limitation of liability or related provisions contained in other Sections of this Agreement will be controlling and take precedence over this Section.

To the extent not prohibited by law, each party will indemnify to the other and hold it harmless against any loss, cost claim, injury or liability relating to or arising out of the gross negligence or willful misconduct by the indemnifying party or its agents or contractors in connection with the indemnifying party's provision of facilities used and services rendered to the indemnifying party, under this Agreement; provided, however, that any monetary indemnity for any loss, cost claim, injury or liability arising out of or relating to errors or omissions in the provision of communications facilities used or services rendered under this Agreement will be limited to a credit allowance as otherwise specified in this Agreement. In addition to monetary indemnity, the indemnifying party under this Section agrees to defend any suit brought against the other party, for any such loss, cost, claim, injury or liability. The indemnified party agrees to notify the other party promptly in writing, of any claims, lawsuits or demands for which the other party is responsible under this Section and to cooperate in every reasonable way to facilitate defense or settlement of claims. The indemnifying party will not be liable under this Section for settlement by the indemnified party of any claim, lawsuit or demand if the indemnifying party has not approved the settlement in advance unless the indemnifying

party has had the defense of the claim lawsuit or demand tendered to it in writing, and has failed to assume such defense.

SECTION 11 – GOVERNING LAW

This Agreement will be governed by and construed in accordance with the laws of the State of Kansas and applicable federal laws.

SECTION 12 - SEVERABILITY

If any provision of this Agreement is held invalid, unenforceable or void, the remainder of this Agreement will not be affected thereby and will continue in full force and effect. This Section shall not apply to the review of this Agreement by the Kansas Corporation Commission or other regulatory bodies, it being the intent of the parties to make this Agreement non-severable for purposes of such regulatory review.

SECTION 13 – AMENDMENTS AND WAIVERS

Only by written agreement can the parties amend, add or delete Sections of this Agreement. Such action will not constitute a modification or change of any other Section unless explicitly stated in such written agreement.

The failure of either party to enforce any provision of this Agreement will not be construed as a waiver of such provision of any other rights under this Agreement. If one party fails to enforce a provision of this Agreement, it is the responsibility of both parties to continue to comply with all provisions of this Agreement.

SECTION 14 - NOTICES

Any notice or other communications hereunder shall be deemed to be sufficiently given to the addressee when sent by certified or registered mail, postage prepaid, to the respective parties, as follows:

LaHarpe

LaHarpe, KS
Attn: Harry Lee, Jr.

LaHarpe Communications Inc.

LaHarpe, KS
Attn: Harry Lee, Jr.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be signed in their respective corporate names by their Presidents and attested by their Secretaries, all as of the day, month and year set forth below.

LaHarpe Telephone Company Inc.

LaHarpe Communications Inc.

By:_____

By:_____

Name: Harry Lee, Jr.

Name: Harry Lee, Jr.

Title: President and GM

Title: President and GM

Date:_____

Date:_____

Attest Secretary:

Attest Secretary:

By:_____

By:_____

Name:

Name:

Date:_____

Date:_____

LaHarpe Telephone Company, Inc.

**Example of Non-Regulated Allocation of General Support
Assets, Reserves and Expense**

Nonregulated Allocation of Land and Buildings

mgh

For the Year Ended 12/31/2005

7/21/2006

Schedule: LB

FLOOR SPACE ANALYSIS (ABC Commercial Building)

	Office	Space (sq ft)	% of Total	Non-regulated Time	% Allocated to Non-regulated
1					
2	Customer Service	136	15.30%	10.00%	1.5298%
3	Copy Room	92	10.35%	0.00%	0.0000%
4	Administration	209	23.54%	5.00%	1.1772%
5	Switch Room*	153	17.25%	0.00%	0.0000%
6	Garage*	266	29.96%	0.00%	0.0000%
7	Common Areas	32	3.60%	0.00%	0.0000%
8	not used	-	0.00%	0.00%	0.0000%
9	not used	-	0.00%	0.00%	0.0000%
10	not used	-	0.00%	0.00%	0.0000%
11	Commercial Building	889	100.00%		2.7070%

* The time, related investment and expenses for plant personnel are accounted for directly in the G/L.

NON-REGULATED LAND & BLDG FACTORS

	Account	Commercial Building	Total Property		% of Total Property	Non-Reg % of Comm'l Office	Non Reg % of Total Property
17							
18	2111 Land	\$ 1,170	\$ 1,170	A	100.0000%	2.7070%	2.7070%
19	2121 Building	\$ 33,891	\$ 161,699	B	20.9593%	2.7070%	0.5674%
20	Total	\$ 35,061	\$ 162,869		21.5271%	2.7070%	0.5827%

ASSOCIATED ACCOUNT FACTORS

	Account	Total Property	TPIS		% of TPIS	Non Reg % of Total Property	Non Reg % of TPIS
24							
25	2111 Land	\$ 1,170	\$ 1,771,727	C	0.0660%	2.7070%	0.0018%
26	2121 Building	\$ 161,699	\$ 1,771,727	D	9.1266%	0.5674%	0.0518%
27	Total	\$ 162,869	\$ 1,771,727		9.1927%	0.5827%	0.0536%

ALLOCATIONS TO NON-REGULATED OPERATIONS

	Account	Total Balance		Non-regulated %	Non-Regulated
32					
33	2111 Land	\$ 1,170	E	2.7070%	\$ 32
34	2121 Buildings	\$ 161,699	F	0.5674%	\$ 917
35	3100.10 Accum Depreciation - Buildings	\$ 48,295	G	0.5674%	\$ 274
36	7240.1 Property Taxes	\$ 32,060	H	0.0536%	\$ 17
37	4100 Current Def'd Operating Taxes	\$ -	I	0.0518%	\$ -
38	4340 Noncurrent Def'd Operating Taxes	\$ -	J	0.0536%	\$ -
39	6121 Land & Building Expense	\$ 20,237	K	0.0536%	\$ 11
40	6561.10 Depreciation Expense - Buildings	\$ -	L	0.5674%	\$ -

TPA #1

44								
45	1406	Non-Regulated Investments			\$			
					675			
46	3100.1	Accum Depr - Land & Support Assets	In 35		\$			
					274			
47	4100	Current Def'd Operating Taxes	In 35		\$			
					-			
48	4340	Noncurrent Def'd Operating Taxes	In 38		\$			
					-			
49	2111	Land	In 33			\$	32	
50	2121	Buildings	In 34			\$	917	
51		- To allocate a portion of shared facilities to non-regulated operations						
52								
53								
54	SSA #1							
55								
56	7990	Non-Regulated Net Income	In 36		\$			
					28			
57	7240.1	Property Taxes	In 39			\$	17	
58	6121	Land & Building Expense	In 40			\$	11	
59	6561.1	Depreciation Expense - GSF				\$	-	
60		- To allocate a portion of shared expenses to non-regulated operations						
61								

ATTACHMENT 3

**LaHarpe Telephone Company, Inc.
Jurisdictional Separations Allocation**

Docket No. _____ AUD
K.A.R. 82-231c4L, Section 12(ii)
Jurisdictional Separations Allocation

K.A.R. 82-1-231(c)(4)(D) Section 4
Plant Investments

<u>Account</u>	<u>Title</u>	<u>Categorization</u>	<u>Source</u>	<u>Allocation</u>	<u>Source</u>
2110 - Total Land and Support 2111 (Land) 2112 (Motor vehicles) 2116 (Tools) 2121 (Buildings) 2122 (Furniture) 2123 (Office equipment) 2124 (General purpose computers)	General support assets	From Accounts	36.111	Based on combined allocation of COE, IOT and C&WF	36.112(b)
2210 - Central Office Switching 2212	Digital Switching	Cat. 3 Local (Review of the function of each central office)	36.125(a)	Weighted DEM	36.125(f)
2230 - Circuit Equipment 2231 and 2232	Circuit Equipment including Radio	Cat 4.12 Exchange Trunk Private line	36.126(b)(1)(ii)*	Direct Assignment	36.126(c)(2)
		Cat 4.13 Exchange Line	36.126(b)(1)(iii)*	Employs average cost per working loop to assign to Msg, Interstate PL and Intrastate PL. PL is directly assigned: MSG 25% to Interstate and 75% to Intrastate.	36.126(c)(3)
		Cat. 4.23 Interexchange Trunk	36.126(b)(2)(iii)*	Employs average cost per circuit termination to assign to MSG, Interstate PL and Intrastate PL. PL is directly assigned: MSG conversation MOU.	36.126(e)(3)(i)

Docket No. _____ AUD
K.A.R. 82-231c4L, Section 12(ii)
Jurisdictional Separations Allocation

K.A.R. 82-1-231(c)(4)(D) Section 4

Plant Investments

<u>Account</u>	<u>Title</u>	<u>Categorization</u>	<u>Source</u>	<u>Allocation</u>	<u>Source</u>
2410 - Total Cable and Wire Facilities 2411 (Poles) 2421 (Aerial cable) 2422 (Underground cable) 2423 (Buried cable) 2431 (Aerial wire) 2441 (Conduit systems)	Cable and Wire Assets	Cat. 4.3 Host/Remote	36.126(b)(3)	Host/Remote MOU mi.	36.126(f)(i)
		(*Categories identified from analysis of records)	36.126(a),(b)		
		Cat. 1 Exchange Line	36.153**	Employs average cost per working loop to assign to Msg, Interstate PL and Intrastate PL. PL is directly assigned: MSG 25% to Interstate and 75% to Intrastate.	36.154
		Cat. 2 Wideband PL	36.153**	Wideband MOU	36.155
		Cat. 3 Interexchange Trunk	36.153**	Employs average cost per circuit termination to assign to MSG, Interstate PL and Intrastate PL. PL is directly assigned: MSG conversation MOU.	36.156
		Cat. 4 Host/Remote	36.153**	Host/Remote MOU mi.	36.157
1220	Materials and Supplies	From accounts	36.181	Based on allocation of Cable and Wire	36.181

Docket No. _____ AUD
K.A.R. 82-231c4L, Section 12(ii)
Jurisdictional Separations Allocation

K.A.R. 82-1-231(c)(4)(D) Section 4

Plant Investments

<u>Account</u>	<u>Title</u>	<u>Categorization</u>	<u>Source</u>	<u>Allocation</u>	<u>Source</u>
2003	Plant under construction	From accounts	36.171	Based on allocation of 2001 - Plant in service	36.171

Docket No. _____ AUD
K.A.R. 82-231c4L, Section 12(ii)
Jurisdictional Separations Allocation

K.A.R. 82-1-231(c)(4)(D) Section 5

Accumulated Depreciation

<u>Account</u>	<u>Title</u>	<u>Categorization</u>	<u>Source</u>	<u>Allocation</u>	<u>Source</u>
3100	Accumulated depreciation	From accounts	36.503	Based on allocation of associated primary accounts	36.503

Docket No. _____ AUD
K.A.R. 82-231c4L, Section 12(ii)
Jurisdictional Separations Allocation

K.A.R. 82-1-231(c)(4)(D) Section 6

Cash Working Capital

<u>Account</u>	<u>Title</u>	<u>Categorization</u>	<u>Source</u>	<u>Allocation</u>	<u>Source</u>
S1150	Cash working Capital	Special Study	36.182	Based on allocation of total expense less non-cash expense	36.182

Docket No. _____ AUD
K.A.R. 82-231c4L, Section 12(ii)
Jurisdictional Separations Allocation

K.A.R. 82-1-231(c)(4)(D) Section 9
Operating Revenues

<u>Account</u>	<u>Title</u>	<u>Categorization</u>	<u>Source</u>	<u>Allocation</u>	<u>Source</u>
<i>5000 - Basic Local Services Revenue</i>					
5001 (Basic Area Revenue)	Basic Local Service	From account	36.212	Direct assign to intrastate	36.212(d)
5050 (Local Private Line)		From account	36.212	Direct assign to intrastate	36.212(d)
5060 (Other Local Exchange)		From account	36.212	Direct assign to intrastate	36.212(d)
5069 (Federal USF)		From account	36.601 to 36.631	Direct assign to intrastate	36.601(a)
<i>5080 - End User Access Revenues</i>					
5081.1 - Residence	End User Revenue	From account	36.213	Direct assign to interstate	36.213(b)
5081.2 - Business Single Line	End User Revenue	From account	36.213	Direct assign to interstate	36.213(b)
5081.3 - Business Multiline	End User Revenue	From account	36.213	Direct assign to interstate	36.213(b)
5082	Interstate Switched Access	From account	36.213	Direct assign to interstate	36.213(c)
5083	Interstate Special Access	From account	36.213	Direct assign to interstate	36.213(d)
5084	Intrastate Switched Access	From account	36.213	Direct assign to intrastate	36.213(e)
5084	Intrastate Special Access	From account	36.213	Direct assign to intrastate	36.213(e)
<i>5100 - Long Distance Message Revenue</i>					
5105 (Long Distance Message Rev.	Long Distance Revenues	From accounts	36.214	Direct assign to intrastate	36.214(c)
<i>5200 - Miscellaneous Revenue</i>					
5230	Directory Revenue	From account	36.215	Direct assign to intrastate	36.215(a)
5240	Other Rent Revenue	From account	36.215	Direct assign to intrastate	36.215(c)

Docket No. _____ AUD
K.A.R. 82-231c4L, Section 12(ii)
Jurisdictional Separations Allocation

K.A.R. 82-1-231(c)(4)(D) Section 9

Operating Revenues

<u>Account</u>	<u>Title</u>	<u>Categorization</u>	<u>Source</u>	<u>Allocation</u>	<u>Source</u>
5250	Other Misc. Revenue	From account	36.215	Direct assign to intrastate	36.215(c)
5270	Carrier Billing and Collection Revenue - Interstate	From account	36.215	Direct assign to interstate	36.215(b)
5270	Carrier Billing and Collection Revenue - Intrastate	From account	36.215	Direct assign to intrastate	36.215(b)
5300 - Uncollectables					
5301 (Uncollectable Revenue)	Uncollectibles	From account	36.216	Analysis of account 1181- Accounts Receivable allowance	36.216(a)

Operating Expenses

<u>Account</u>	<u>Title</u>	<u>Categorization</u>	<u>Source</u>	<u>Allocation</u>	<u>Source</u>
6110 - Network Support Expense					
6112	Motor vehicle	From account	36.111	Based on allocation of land and support assets	36.311(b)
6116	Tools and other work equipment	From account	36.111	Based on allocation of land and support assets	36.311(b)
6120 - General Support Expense					
6121	Land and buildings	From account	36.111	Based on allocation of land and support assets	36.311(b)
6123	Office equipment	From account	36.111	Based on allocation of land and support assets	36.311(b)
6124	General purpose computers	From account	36.111	Based on allocation of land and support assets	36.311(b)

Docket No. _____ AUD
K.A.R. 82-231c4L, Section 12(ii)
Jurisdictional Separations Allocation

K.A.R. 82-1-231(c)(4)(D) Section 9
Operating Expenses

Account	Title	Categorization	Source	Allocation	Source
6210 - Central Office Switching Expense 6212	Digital electronic	From account	36.321	Based on the combined allocations of 2210, 2220 and 2230	36.321(b)
6230 - Central Office Transmission Expense 6232	Central Office Transmission	From account	36.321	Based on the combined allocations of 2210, 2220 and 2230	36.321(b)
6410 - Cable and Wire Facilities Expense 6411	Poles	From account	36.341	Based on the allocation of 2410	36.341(b)
6421	Aerial cable	From account	36.341	Based on the allocation of 2410	36.341(b)
6422	Underground cable	From account	36.341	Based on the allocation of 2410	36.341(b)
6423	Buried Cable	From account	36.341	Based on the allocation of 2410	36.341(b)
6431	Aerial Wire	From account	36.341	Based on the allocation of 2410	36.341(b)
6441	Conduit	From account	36.341	Based on the allocation of 2410	36.341(b)
6510 - Other Prop., Plant & Equip. Expense 6512	Provisioning	From account	36.352	Based on the allocation of 2001	36.352(b)
6530 - Network Operations Expense 6531	Power	From account	36.353	Based on the combined allocations of 2110, 2220, 2230, 2310 and 2410	36.353(b)
6532	Network administration	From account	36.353	Based on the combined allocations of 2110, 2220, 2230, 2310 and 2410	36.353(b)

Docket No. _____ AUD
K.A.R. 82-231c4L, Section 12(ii)
Jurisdictional Separations Allocation

K.A.R. 82-1-231(c)(4)(D) Section 9
Operating Expenses

<u>Account</u>	<u>Title</u>	<u>Categorization</u>	<u>Source</u>	<u>Allocation</u>	<u>Source</u>
6533	Testing	From account	36.353	Based on the combined allocations of 2110, 2220, 2230, 2310 and 2410	36.353(b)
6534	Plant operations and administration	From account	36.353	Based on the combined allocations of 2110, 2220, 2230, 2310 and 2410	36.353(b)
6535	Engineering	From account	36.353	Based on the combined allocations of 2110, 2220, 2230, 2310 and 2410	36.353(b)
6540 - Access Expense					
6540	Access	From account	36.354	Directly assigned	36.354
6560 - Depreciation & Amortization Expense					
6561	Depreciation	From account	36.361	Based on the allocation of the associated primary plant account	36.361(b)
6620 - Customer Service Expense					
6610	Marketing	From account	36.372	Analysis of current billing excluding billing and collecting and settlements billing	36.372(a)
6621	Services	Telephone operator	36.373 and 36.374	Weighted standard work seconds	36.374(b)
6622		Published directory listing - separated Between:* Classified Alphabetical (*based on analysis of records)	36.373 and 36.375	Direct assign to intrastate SLU	36.375(b)(1) 36.375(b)(3)

Docket No. _____ AUD
K.A.R. 82-231c4L, Section 12(ii)
Jurisdictional Separations Allocation

K.A.R. 82-1-231(c)(4)(D) Section 9

Operating Expenses

<u>Account</u>	<u>Title</u>	<u>Categorization</u>	<u>Source</u>	<u>Allocation</u>	<u>Source</u>
6623	Services continued	Other services - segregated between:*	36.376 and 36.377		
		Cat. 1 - Local business office - segregated between:*		Local, DA, state PL, state toll assigned to intrastate. Interstate toll and PL and presubscription assigned to interstate.	36.377(a)(1)
		End user service order processing			
		End user payment and collection		Local, DA, state PL, state toll assigned to intrastate. Interstate toll and PL assigned to interstate.	36.377(a)(2)
		End user bill inquiry		Other, state PL, state toll assigned to intrastate. Interstate toll and PL assigned to interstate.	36.377(a)(3)
		IXC payment and collection		State PL, switched access and toll and billing and collection payment and collection assigned to intrastate. Interstate services assigned to interstate.	36.377(a)(5)
		IXC bill inquiry		State PL, switched access and toll and billing and collection payment and collection assigned to intrastate. Interstate services assigned to interstate.	36.377(a)(6)
		Cat. 2-Customer services segregated between:*	36.376 and 36.378		

Docket No. _____ AUD
K.A.R. 82-231c4L, Section 12(ii)
Jurisdictional Separations Allocation

K.A.R. 82-1-231(c)(4)(D) Section 9
Operating Expenses

Account	Title	Categorization	Source	Allocation	Source
6623	Services continued	Message processing:* toll local	36.379 36.379	Toll messages Direct assign to intrastate	36.379(b) 36.379(b)
		Other billing and collecting		33% to interstate, 67% to intrastate	36.380(b)
		Carrier access billing		50% to interstate, 50% to intrastate	36.381(b)
		Cat. 3 - All other		Based on the combined allocation of Cat. 1 and 2.	36.382
6710 - Executive & Planning Expense					
6711	Executive - all other	From account	36.391	Based on the combined allocation of 6210, 6220, 6230, 6310, 6410, 6530, 6610 and 6620.	36.392(c)
6720 - General & Administrative Expense					
6721	Accounting and Finance	From account	36.391	EAS directly assigned to intrastate. All other based on the combined allocation of 6210, 6220, 6230, 6310 6410, 6530, 6610 and 6620.	36.392
6722	External Relations				
6723	Human Resources				
6724	Information Management				
6725	Legal				
6726	Procurement				
6727	Research & Development				
6728	Other General & Administrative				

Docket No. _____ AUD
K.A.R. 82-231c4L, Section 12(ii)
Jurisdictional Separations Allocation

K.A.R. 82-1-231(c)(4)(D) Section 11

Taxes

<u>Account</u>	<u>Title</u>	<u>Categorization</u>	<u>Source</u>	<u>Allocation</u>	<u>Source</u>
7240	Other taxes - Property	From account	36.411	Based on allocation of Account 2001	36.412(c)

REDACTED

LaHarpe Telephone Company, Inc.

Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

For the Test Year of Twelve Months Ending 12/31/2011

SECTION 13: Annual Report to Stockholders

Please see attached documents

LaHarpe Telephone Company, Inc.

Docket No. 12-LHPT-875-AUD

vhw

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

SECTION 14: Separations Study - Year Ended 12/31/2011

LaHarpe KUSF 12-31-11 KAR Sections.xls

Schedule 14(i): Balance Sheet with Adjustments

clmn:

(A)	(B)	(C)	(D)		(E)	(F)		(G)	(H)		(I)	(J)		(K)	(H)	
			NON-REG ADJUSTMENTS				TELEPHONE PLANT ADJ		CATEGORIZATION ADJ		TOTAL ADJUSTMENTS					
In#	Acct. #	Description	Balance per Books	#	Debits	#	Credits	#	Debits	#	Credits	#	Debits	#	Credits	Adjusted Balance
1																
2		<u>Current Assets</u>														
3	1120	Cash & Equivalents	0										0		0	0
4	1130	Cash	857,483							3	(42,788)		0		(42,788)	814,695
5	1140	Special Cash Advances	0										0		0	0
6	1150	Working Cash Advances	265										0		0	265
7	<i>SI150</i>	<i>Cash Working Capital</i>	0						3		42,788		42,788		0	42,788
8	1160	Temporary Investments	0										0		0	0
9	1180	Telecommunications Accounts Receivable	89,304										0		0	89,304
10	1181	A/R Allowance - Telecommunications	0										0		0	0
11	1190	Other A/R	10,113										0		0	10,113
12	1191	A/R Allowance - Other	0										0		0	0
13	1200	Notes Receivable	0										0		0	0
14	1201	N/R Allowance	0										0		0	0
15	1210	Interest & Dividends Receivable	0										0		0	0
16	1220	Inventories	26,484			5	(4,640)						0		(4,640)	21,844
17	<i>SI220</i>	<i>Material and Supplies for Ratebase</i>	0										0		0	0
18	1280	Prepayments	0										0		0	0
19	1290	Prepaid Rents	0										0		0	0
20	1300	Prepaid Taxes	0										0		0	0
21	1310	Prepaid Insurance	0										0		0	0
22	1320	Prepaid Directory Expenses	0										0		0	0
23	1330	Other Prepayments	4,361										0		0	4,361
24	1350	Other Current Assets	0										0		0	0
25		Total Current Assets	988,010			0	(4,640)						42,788		(42,788)	983,370
26																
27		<u>Noncurrent Assets</u>														
28	1401	Investment in affiliated companies	0										0		0	0
29	1402	Investments in nonaffiliated companies	567,674										0		0	567,674
30	<i>SI1402</i>	<i>RTB Class B and other "rate base" stock</i>	0										0		0	0
31	1406	Nonregulated investments	0	1,45		77,144	2	(31,464)					77,144		(31,464)	45,680
32	1407	Unamortized debt issuance expense	0										0		0	0
33	1408	Sinking Funds	0										0		0	0
34	1410	Other noncurrent assets	0										0		0	0
35	<i>SI1410</i>	<i>Other noncurrent asset-rate base w/ permission</i>	0										0		0	0
36																
37	1438	Deferred Maintenance and Retirements	0										0		0	0
38	1439	Deferred Charges	0										0		0	0
39	<i>SI1439</i>	<i>Deferrals-rate base w/ permission</i>	0										0		0	0
40																
41	1500	Other Jurisdictional Assets (net)	0										0		0	0
42	<i>SI1500</i>	<i>Other Jurisdictional Assets-rate base w/ permission</i>	0										0		0	0
43		Total Noncurrent Assets	567,674			77,144	(31,464)						77,144		(31,464)	613,354
44																
45		<u>Regulated Plant</u>														
46																
47		<u>Other Regulated Plant</u>														
48	2002	Property Held for Future Use	0										0		0	0
49	2003	Telecommunications Plant Under Const.	0										0		0	0
50	2005	Telecommunications Plant Adjustment	0										0		0	0
51	2006	Non-operating Plant	0										0		0	0

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SECTION 14: Separations Study - Year Ended 12/31/2011

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Schedule 14(i): Balance Sheet with Adjustments

clmn:	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(H)
				NON-REG ADJUSTMENTS		TELEPHONE PLANT ADJ		CATEGORIZATION ADJ		TOTAL ADJUSTMENTS		
In#	Acct. #	Description	Balance per Books	#	Debits	#	Credits	#	Debits	#	Credits	Adjusted Balance
52	2007	Goodwill	0									0
53		Total Other Regulated Plant	0		0		0		0		0	0
54		Telecommunications Plant in Service										
56	2111	Land	1,170			1	(198)					972
57	2112	Motor Vehicles	29,723									29,723
58	2113	Aircraft	0									0
59	2114	Special Purpose Vehicles	0									0
60	2115	Garage Work Equipment	0									0
61	2116	Other Work Equipment	28,565									28,565
62	2121	Buildings	179,365			1	(27,691)					151,674
63	2122	Furniture	1,030									1,030
64	2123	Office Equipment	1,801			1	(281)					1,520
65	2124	General Purpose Computers	5,884			1	(917)					4,967
66	2110	Total Land & Support Assets	247,538			0	(29,087)			0		218,451
67												
68	2211	Non-digital switching	0									0
69	2212.1	Digital electronic switching - Circuit	323,287			7	10,433		6		(26,717)	307,003
70	2212.2	Digital electronic switching - Packet	0									0
71	2210	Total Central Office Switching	323,287			0			10,433		(26,717)	307,003
72												
73	2220	Operator Systems	0									0
74												
75	2231	Radio Systems	0									0
76	2232	Circuit Equipment	618,608			6	26,717				(10,433)	634,892
77	2230	Total Circuit Equipment	618,608			0			26,717		(10,433)	634,892
78												
79	COE 1.00	Operator Systems										0
80	COE 2.00	Tandem Switching										0
81	COE 3.00	Local Switching										0
82	COE 3.01	Equal Access Investment										0
83	COE 4.11	Wideband PL Circuit Equipment										0
84	COE 4.11	Wideband MSG Circuit Equipment										0
85	COE 4.12	EAS Circuit Equipment										0
86	COE 4.13	Basic Exchange Circuit Equipment										0
87	COE 4.211	IX Circuit Equipment Provided to Others-IER										0
88	COE 4.212	IX Circuit Equipment Provided to Others-SER										0
89	COE 4.213	IX Circuit Equipment Provided to Others-SRA										0
90	COE 4.22	IX Wideband Circuit Equipment										0
91	COE 4.231	Special IX Circuit Equipment - IER										0
92	COE 4.232	Special IX Circuit Equipment - SER										0
93	COE 4.233	Special IX Circuit Equipment - SRA										0
94	COE 4.230	Basic IX Circuit Equipment										0
95	COE 4.3	Host Remote Circuit Equipment										0
96		Total Central Office Equipment	941,895			0			37,150		(37,150)	941,895
97												
98	2311	Station apparatus	6,154			4	(6,154)					0
99	2321	Customer premises wiring	0									0
100	2341	Large PBX	0									0
101	2351	Public Telephone Terminal Equipment	0									0
102	2362	Other Terminal Equipment	50,390			4	(50,390)					0

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Schedule 14(i): Balance Sheet with Adjustments

clmn:	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(H)
				NON-REG ADJUSTMENTS		TELEPHONE PLANT ADJ		CATEGORIZATION ADJ		TOTAL ADJUSTMENTS		
In#	Acct. #	Description	Balance per Books	#	Debits	#	Credits	#	Debits	#	Credits	Adjusted Balance
103	2310	Total I.O.T.	56,544		0		(56,544)		0		0	0
104												
105	2411	Poles	0								0	0
106	2421	Aerial Cable	0								0	0
107	2422	Underground Cable	2,485,495								0	2,485,495
108	2423	Buried Cable	16,342								0	16,342
109	2424	Submarine Cable	0								0	0
110	2425	Deep Sea Cable	0								0	0
111	2426	Intrabuilding network cable	0								0	0
112	2431	Aerial Wire	0								0	0
113	2432	Conduit Systems	0								0	0
114	CWF 1.00	Exchange Line CWF									0	0
115												
116	CWF 2.11	Wideband Special Access CWF - IER									0	0
117	CWF 2.12	Wideband Special Access CWF - SER									0	0
118	CWF 2.13	Wideband Special Access CWF - SRA									0	0
119	CWF 2.02	Wideband Message CWF									0	0
120	CWF 2.03	Exchange Trunk CWF									0	0
121												
122	CWF 3.11	Interexchange Special Access - IER									0	0
123	CWF 3.12	Interexchange Special Access - SER									0	0
124	CWF 3.13	Interexchange Special Access - SRA									0	0
125	CWF 3.30	Interexchange Message CWF									0	0
126												
127												
128	CWF 4.00	Host-Remote CWF									0	0
129	2410	Total Cable & Wire Facilities	2,501,837		0		0		0		0	2,501,837
130												
131	2681	Capital leases	0								0	0
132	2682	Leasehold Improvements	0								0	0
133	2680.1	Amortizeable Land and Support Assets									0	0
134	2680.2	Amortizeable Central Office Equipment									0	0
135	2680.3	Amortizeable Information Origination/Term.									0	0
136	2680.4	Amortizeable Cable and Wire Facilities									0	0
137	2680	Total Amortizable Tangible Assets	0		0		0		0		0	0
138												
139	2690	Intangibles	0								0	0
140												
141	2001	Total Telecommunications Plant in Svc.	3,747,814		0		(85,631)		37,150		(37,150)	3,662,183
142												
143		Investment Offsets										
144	3100	Accum. Depr. - TPIS	0								0	0
145	3100.1	Accum. Depr. - Land and Support Assets	(143,649)	1	13,127						13,127	(130,522)
146	3100.2	Accum. Depr. - C.O.E. Switching	(200,483)								0	(200,483)
147	3100.3	Accum. Depr. - C.O.E. Operator Systems	0								0	0
148	3100.4	Accum. Depr. - C.O.E. Transmission	(510,307)								0	(510,307)
149	3100.5	Accum. Depr. - I.O.T. Equipment	(31,464)	2	31,464						31,464	0
150	3100.6	Accum. Depr. - Cable and Wire Facilities	(728,621)								0	(728,621)
151	3100	Total Accum. Depr. - TPIS	(1,614,524)		44,591		0		0		44,591	(1,569,933)
152												
153	3200	Accum. Depr. - PHFU	0								0	0

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SECTION 14: Separations Study - Year Ended 12/31/2011

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Schedule 14(i): Balance Sheet with Adjustments

clmn:	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(H)	
				NON-REG ADJUSTMENTS		TELEPHONE PLANT ADJ		CATEGORIZATION ADJ		TOTAL ADJUSTMENTS			
In#	Acct. #	Description	Balance per Books	#	Debits	#	Credits	#	Debits	#	Credits	Adjusted Balance	
154	3300	Accum. Depr. - Nonoperating	0							0	0	0	
155	3410	Accum. Amort. - Capitalized Leases	0							0	0	0	
156	3420	Accum. Amort. - Leasehold Improvements	0							0	0	0	
157	3500	Accum. Amort. - Intangible	0							0	0	0	
158	3600	Accum. Amort. - Other	0							0	0	0	
160	Total Investment Offsets		(1,614,524)		44,591	0	0	0	0	44,591	0	(1,569,933)	
161	Non-Regulated Assets		0							0	0	0	
164	Total Assets		3,688,974		121,735	(121,735)	37,150	(37,150)	42,788	(42,788)	201,673	(201,673)	3,688,974
166													
167	Current Liabilities												
168	4010	Accounts Payable	6,186							0	0	6,186	
169	4020	Notes Payable	0							0	0	0	
170	4030	Advance billing & payments	0							0	0	0	
171	4040	Customer deposits	0							0	0	0	
172	4040.1	Customer deposits for Ratebase	0							0	0	0	
173	4050	Current maturities of long term debt	0							0	0	0	
174	4060	Current maturities - capital leases	0							0	0	0	
175	4070	Income Taxes accrued	293,275							0	0	293,275	
176	4080	Other Taxes accrued	39							0	0	39	
178	4100	Net current deferred operating taxes	0							0	0	0	
179	4100.1	Accum. Defd. Taxes - Land and Support Assets	0							0	0	0	
180	4100.2	Accum. Defd. Taxes - C.O.E. Switching	0							0	0	0	
181	4100.3	Accum. Defd. Taxes - C.O.E. Operator Systems	0							0	0	0	
182	4100.4	Accum. Defd. Taxes - C.O.E. Transmission	0							0	0	0	
183	4100.5	Accum. Defd. Taxes - I.O.T. Equipment	0							0	0	0	
184	4100.6	Accum. Defd. Taxes - Cable and Wire Facilities	0							0	0	0	
185	4100	Total Net current deferred operating taxes	0		0	0	0	0	0	0	0	0	
187	4110	Net current deferred nonoperating taxes	0							0	0	0	
188	4120	Other Accrued liabilities	0							0	0	0	
189	4130	Other current liabilities	0							0	0	0	
191	Total Current Liabilities		299,500		0	0	0	0	0	0	0	299,500	
193	Long Term Debt												
194	4210	Funded Debt	350,000							0	0	350,000	
195	4220	Premium on Long Term Debt	0							0	0	0	
196	4230	Discount on Long Term Debt	0							0	0	0	
197	4240	Reacquired Debt	0							0	0	0	
198	4250	Obligations under capital leases	0							0	0	0	
199	4260	Advances from affiliated companies	0							0	0	0	
200	4270	Other Long Term Debt	0							0	0	0	
201	Total Long Term Debt		350,000		0	0	0	0	0	0	0	350,000	
203	Other Liabilities & Deferred Credits												
204	4310	Other Long Term Liabilities	0							0	0		

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SECTION 14: Separations Study - Year Ended 12/31/2011

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Schedule 14(i): Balance Sheet with Adjustments

clmn:	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(H)
				NON-REG ADJUSTMENTS		TELEPHONE PLANT ADJ		CATEGORIZATION ADJ		TOTAL ADJUSTMENTS		
In#	Acct. #	Description	Balance per Books	#	Debits	#	Credits	#	Debits	#	Credits	Adjusted Balance
205	4310.1	Other Long Term Liabilities included in Rate Base	0									0
206	4320	Unamortized operating ITC	0									0
207	4330	Unamortized nonoperating ITC	0									0
208												
209	4340	Net noncurrent deferred operating taxes	0									0
210	4340.1	Accum. Defd. Taxes - Land and Support Assets	0									0
211	4340.2	Accum. Defd. Taxes - C.O.E. Switching	0									0
212	4340.3	Accum. Defd. Taxes - C.O.E. Operator Systems	0									0
213	4340.4	Accum. Defd. Taxes - C.O.E. Transmission	0									0
214	4340.5	Accum. Defd. Taxes - I.O.T. Equipment	0									0
215	4340.6	Accum. Defd. Taxes - Cable and Wire Facilities	0									0
216	4340	Total Net noncurrent deferred operating taxes	0		0		0		0		0	0
217												
218	4350	Net noncurrent deferred nonoperating taxes	0									0
219	4360	Other Deferred Credits	0									0
220	4360.1	Other Deferred Credits included in Rate Base	0									0
221	4370	Other jurisdictional liabilities/defd. credit	0									0
222												
223		Total Other Liabilities	0		0		0		0		0	0
224												
225		Stockholder's Equity										
226	4510	Capital Stock	40,000									40,000
227	4520	Additional Paid in Capital	0									0
228	4530	Treasury Stock	0									0
229	4540	Other Capital	0									0
230	4550	Retained Earnings	2,999,474									2,999,474
231		Total Stockholder's Equity	3,039,474		0		0		0		0	3,039,474
232												
233												
234		Total Liabilities and Stockholder's Equity	3,688,974		0		0		0		0	3,688,974
235												

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SECTION 14: Separations Study - Year Ended 12/31/2011

Schedule 14(ii): Income Statement with Adjustments

clmn:	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
				NON-REG ADJUSTMENTS		STUDY ADJUSTMENTS		PRO FORMA ADJUSTMENTS		TOTAL ADJUSTMENTS		
	Account #	Description	Balance per Books	#	Debits	#	Credits	#	Debits	#	Credits	Adjusted Balance
1		<u>Local Network Revenues</u>										
2	5001	Basic Area Revenue	(58,350)							0	0	(58,350)
3	5002	Optional Extended Area Revenue	0							0	0	0
4	5003	Cellular Mobile Revenue	(31,200)							0	0	(31,200)
5	5004	Other mobile services revenue	0							0	0	0
6	5010	Public telephone revenue	0							0	0	0
7	5040	Local private line revenue	(600)							0	0	(600)
8	5050	Customer premises revenue	0							0	0	0
9	5060	Other local exchange revenue	(10,706)							0	0	(10,706)
10	5069	Other local exchange settlements	0							0	0	0
11	5069.1	Federal Loop Universal Service Fund Receipts	(723,095)							0	0	(723,095)
12	5069.1	Federal Local Switch Support (as local)	0							0	0	0
13	5069.1	State USF (as local)	(161,317)							0	0	(161,317)
14	5069.2	State High Cost Fund (as local)	0							0	0	0
15	5000	Basic Local Services Revenues	(985,268)		0		0		0		0	(985,268)
16												
17		<u>Network Access Services Revenues</u>										
18												
19												
20	5081.1	End User Access Revenues - Residence	(23,762)							0	0	(23,762)
21	5081.2	End User Access Revenues - Business Single	0							0	0	0
22	5081.3	End User Access Revenues - Business Multi	0							0	0	0
23	5082.1	Interstate CCL Access Revenue	0							0	0	0
24	5082.2	Current NECA Settlements	(335,246)							0	0	(335,246)
25	5082.3	Prior Period CCL Adjustments	0							0	0	0
26	5082.4	Interstate 800 Database Query Charges	0							0	0	0
27	5082.5	Interstate Switched Access Revenue	(48,614)							0	0	(48,614)
28	5082.6	Interstate Switched NECA Settlements	(99,253)							0	0	(99,253)
29	5082.7	Federal Local Switching Support	0							0	0	0
30	5082.8	Prior Period Switched Adjustments	0							0	0	0
31	5083	Interstate Special Access Revenue	(236,041)							0	0	(236,041)
32	5084.1	Intrastate InterLATA CCL	0							0	0	0
33	5084.2	Intrastate Query Charges	0							0	0	0
34	5084.3	Intrastate InterLATA Switched	0							0	0	0
35	5084.4	Intrastate InterLATA Special Access	0							0	0	0
36	5084.5	Intrastate IntraLATA CCL	0							0	0	0
37	5084.6	Intrastate IntraLATA Switched	(32,074)							0	0	(32,074)
38	5084.7	Intrastate IntraLATA Special Access	0							0	0	0
39	5084.8	Prior Period Adjustments	0							0	0	0
40	5084.9	Wide Area Calling Plan Revenues	0							0	0	0
41	5085	State High Cost Fund Receipts	(5,174)							0	0	(5,174)
42	5080	End User Access Revenues	(780,164)		0		0		0		0	(780,164)
43												
44												
45	5111	Long Distance Inward Only Revenue	0							0	0	0
46	5112	Long Distance Outward Only Revenue	0							0	0	0
47	5110	Unidirectional Long Distance Revenues	0		0		0		0		0	0
48												
49	5121	Subvoice grade private network revenue	0							0	0	0
50	5122	Voice grade private network revenue	0							0	0	0
51	5123	Audio program grade private network revenue	0							0	0	0
52	5124	Video program grade private network revenue	0							0	0	0
53	5125	Digital Transmission private network revenue	0							0	0	0
54	5126	Private network switching revenue	0							0	0	0
55	5128	Other private network revenue	0							0	0	0
56	5129	Other private network settlements	0							0	0	0
57	5120	Long Distance Private Network Revenues	0		0		0		0		0	0
58												
59	5160	Other Long Distance Revenue	0							0	0	0
60	5169	Other Long Distance Settlements	0							0	0	0
61												
62	5100.1	Long Distance Message Revenue - IER	0							0	0	0
63	5100.2	Long Distance Message Revenue - SER	0							0	0	0
64	5100.3	Long Distance Message Revenue - SRA	0							0	0	0
65												
66	5100	Long Distance Message Revenue	0		0		0		0		0	0
67												

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SECTION 14: Separations Study - Year Ended 12/31/2011

Schedule 14(ii): Income Statement with Adjustments

clmn:	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
				NON-REG ADJUSTMENTS		STUDY ADJUSTMENTS		PRO FORMA ADJUSTMENTS		TOTAL ADJUSTMENTS		
In #	Account #	Description	Balance per Books	#	Debits	#	Credits	#	Debits	#	Credits	Adjusted Balance
68												
69												
70	5230	Directory revenue	(915)							0	0	(915)
71	5240	Rent Revenue	0							0	0	0
72	5240.1	Rent Revenue related to GSF	0							0	0	0
73	5240.2	Rent Revenue related to COE Switching	0							0	0	0
74	5240.3	Rent Revenue related to COE Transmission	0							0	0	0
75	5240.4	Rent Revenue related to C&WF	0							0	0	0
76	5250	Other Miscellaneous Revenue	(39)							0	0	(39)
77												
78	5261	Special Billing Arrangements Revenue	0							0	0	0
79	5262	Customer Operations Revenue	0							0	0	0
80	5263	Plant Operations Revenue	0							0	0	0
81	5264	Other incidental regulated revenue	0							0	0	0
82	5269	Other revenue settlements	0							0	0	0
83	5260	Miscellaneous Revenues	(954)		0		0		0		0	(954)
84												
85												
86	5270	Carrier Billing & Collection Revenue								0	0	0
87	5270.1	Interstate	(1,856)							0	0	(1,856)
88	5270.2	Intrastate InterLATA	(7,212)							0	0	(7,212)
89	5270.3	Intrastate IntraLATA	0							0	0	0
90												
91												
92	5280	Nonregulated Operating Revenues	(34,728)							0	0	(34,728)
93												
94	5200	Total Miscellaneous Revenues	(44,750)		0		0		0		0	(45,704)
95												
96												
97	5300	Uncollectibles	0							0	0	0
98												
99												
100		Total Operating Revenues	(1,810,182)		0		0		0		0	(1,811,136)
101												
102												
103		<u>Plant Specific Operations</u>										
104												
105												
106	6112	Motor Vehicle Expense	168							0	0	168
107	6113	Aircraft Expense	0							0	0	0
108	6114	Special Purpose Vehicles Expense	0							0	0	0
109	6115	Garage Work Equipment Expense	0							0	0	0
110	6116	Other Work Equipment Expense	0							0	0	0
111	S6110.1	Network Support - Direct Assign IER	0							0	0	0
112	S6110.2	Network Support - Direct Assign SER	0							0	0	0
113	S6110.3	Network Support - Direct Assign SRA	0							0	0	0
114	S6110.4	Network Support - Direct Assign LOC	0							0	0	0
115	6110	Network Support Expense	168		0		0		0		0	168
116												
117	6121	Land & Building Expenses	41,491		1		(309)			0	(309)	41,182
118	6122	Furniture & Artworks Expense	0							0	0	0
119	6123	Office Equipment Expense	1,783							0	0	1,783
120	6124	General Purpose Computer Expense	1,034		1		(567)			0	(567)	467
121	S6120.1	General Support Expense - Direct Assign IER	0							0	0	0
122	S6120.2	General Support Expense - Direct Assign SER	0							0	0	0
123	S6120.3	General Support Expense - Direct Assign SRA	0							0	0	0
124	S6120.4	General Support Expense - Direct Assign LOC	0							0	0	0
125	6120	General Support Expenses	44,308		0		(876)		0		(876)	43,432
126												
127	6211	Analog electronic expense	0							0	0	0
128	6212	Digital electronic expense	54,971							0	0	54,971
129	6215	Electromechanical electronic expense	0							0	0	0
130	6210	Central Office Switching Expenses	54,971		0		0		0		0	54,971
131												
132	6220	Operators system expense	0							0	0	0
133												
134	6231	Radio Systems Expense	0							0	0	0

LaHarpe Telephone Company, Inc.
Docket No. 12-LHPT-875-AUD

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for Purposes of Determining its Cost-Based Kansas Universal Service Support, Pursuant to K.S.A. 66-2008

SECTION 14: Separations Study - Year Ended 12/31/2011

Schedule 14(ii): Income Statement with Adjustments

clmn:	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
				NON-REG ADJUSTMENTS		STUDY ADJUSTMENTS		PRO FORMA ADJUSTMENTS		TOTAL ADJUSTMENTS		
	Account #	Description	Balance per Books	# Debits	# Credits	# Debits	# Credits	# Debits	# Credits	# Debits	# Credits	Adjusted Balance
135	6232	Circuit Equipment Expense	68,013							0	0	68,013
136	6230	Central Office Transmission Expense	68,013	0	0	0	0	0	0	0	0	68,013
137												
138		Total Central Office Expense	122,984	0	0	0	0	0	0	0	0	122,984
139												
140	6311	Station Apparatus Expense	2,420	6	(2,420)					0	(2,420)	0
141	6341	Large PBX Expense	0							0	0	0
142	6351	Public Telephone Terminal Expense	0							0	0	0
143	6362	Other Terminal Expense	3,524	6	(3,524)					0	(3,524)	0
144	6310	Total I.O.T. Expense	5,944	0	(5,944)	0	0	0	0	0	(5,944)	0
145												
146	6411	Poles Expense	0							0	0	0
147	6421	Aerial Cable Expense	0							0	0	0
148	6422	Underground Cable Expense	0							0	0	0
149	6423	Buried Cable Expense	35,029							0	0	35,029
150	6424	Submarine Cable Expense	0							0	0	0
151	6425	Deep Sea Cable Expense	0							0	0	0
152	6426	Intrabuilding Network Cable Expense	0							0	0	0
153	6431	Aerial Wire Expense	0							0	0	0
154	6441	Conduit Systems Expense	0							0	0	0
155	6410	Total C&WF Expense	35,029	0	0	0	0	0	0	0	0	35,029
156												
157	6511	PHFU Expense	0							0	0	0
158	6512	Provisioning Expense	7,693							0	0	7,693
159	S6510.1	Other P.P.&E. Expense - Direct Assign IER	0							0	0	0
160	S6510.2	Other P.P.&E. Expense - Direct Assign SER	0							0	0	0
161	S6510.3	Other P.P.&E. Expense - Direct Assign SRA	0							0	0	0
162	S6510.4	Other P.P.&E. Expense - Direct Assign LOC	0							0	0	0
163	6510	Other P.P.&E. Expense	7,693	0	0	0	0	0	0	0	0	7,693
164												
165	6531	Power Expense	0							0	0	0
166	6532	Network Administration Expense	1,884							0	0	1,884
167	6533	Testing Expense	17,196							0	0	17,196
168	6534	Plant Operations Administration Expense	10,897							0	0	10,897
169	6535	Engineering Expense	6,521							0	0	6,521
170	S6530.1	Network Operations Expense - Direct Assign IE	0							0	0	0
171	S6530.2	Network Operations Expense - Direct Assign SI	0							0	0	0
172	S6530.3	Network Operations Expense - Direct Assign SF	0							0	0	0
173	S6530.4	Network Operations Expense - Direct Assign LI	0							0	0	0
174	6530	Network Operations Expense	36,498	0	0	0	0	0	0	0	0	36,498
175												
176	6540	Access Expense	0							0	0	0
177	6540	Interstate USF Expenses	0							0	0	0
178	6540	Intrastate InterLATA USF Expenses	0							0	0	0
179	6540	Intrastate IntraLATA USF Expenses	0							0	0	0
180	6540	Local USF Expenses	0							0	0	0
181	S6540.1	Access Expense - Direct Assign IER	235			10	(235)			0	(235)	0
182	S6540.2	Access Expense - Direct Assign SER	1,565			10	(1,565)			0	(1,565)	0
183	S6540.3	Access Expense - Direct Assign SRA	2,621			10	(2,621)			0	(2,621)	0
184	S6540.4	Access Expense - Direct Assign LOC	0							0	0	0
185	6540	Total Access Expense	4,421	0	0	0	(4,421)	0	0	0	(4,421)	0
186												
187	6561	Depreciation Expense - TPIS								0	0	0
188	S6561.1	Depr. Exp. - General Support Facilities	21,150	1	(1,113)					0	(1,113)	20,037
189	S6561.2	Depr. Exp. - C.O. Switching	37,331							0	0	37,331
190	S6561.3	Depr. Exp. - Equal Access Equipment	0							0	0	0
191	S6561.4	Depr. Exp. - C.O. Operator Systems	0							0	0	0
192	S6561.5	Depr. Exp. - C.O. Circuit Equipment	97,165							0	0	97,165
193	S6561.6	Depr. Exp. - IOT	5,038	6	(5,035)					0	(5,035)	3
194	S6561.7	Depr. Exp. - C&WF	142,013							0	0	142,013
195	6562	Depreciation Expense - PHFU	0							0	0	0
196	6563	Amortization Expense - Tangible	0							0	0	0
197	6564	Amortization Expense - Intangible	0							0	0	0
198	6565	Amortization Expense - Other	0							0	0	0
199	6560	Total Depr. & Amort. Expense	302,697	0	(6,148)	0	0	0	0	0	(6,148)	296,549
200												
201	S6600	Equal Access Expenses	0							0	0	0

LaHarpe Telephone Company, Inc.
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SECTION 14: Separations Study - Year Ended 12/31/2011

Schedule 14(ii): Income Statement with Adjustments

clmn:	(A)	(B)	(C)	(D) NON-REG ADJUSTMENTS		(E) STUDY ADJUSTMENTS		(F) PRO FORMA ADJUSTMENTS		(G) TOTAL ADJUSTMENTS		(H)
	Account #	Description	Balance per Books	# Debits	# Credits	# Debits	# Credits	# Debits	# Credits	# Debits	# Credits	Adjusted Balance
202	6610	Marketing	2,713							0	0	2,713
203												
204	6621	Call Completion Services	0							0	0	0
205	6622	Number Services	369							0	(369)	0
206	S6622.1	Directory Expense - Classified	0				8			0	0	0
207	S6622.2	Directory Expense - Alpha	0				369			369	0	369
208	S6622.31	Directory Expense - Other IER	0							0	0	0
209	S6622.32	Directory Expense - Other SER	0							0	0	0
210	S6622.33	Directory Expense - Other SRA	0							0	0	0
211	S6622.34	Directory Expense - Other LOC	0							0	0	0
212												
213	6623	Customer Services	30,964							0	(30,964)	0
214	6623.11	End User Service Order Processing	0				3,079			3,079	0	3,079
215	6623.11	End User Presubscription Service Order Proce:	0				709			709	0	709
216	6623.12	End User Payment & Collection	0				6,351			6,351	0	6,351
217	6623.13	End User Bill Inquiry	0				529			529	0	529
218	6623.14	IXC Service Order Processing	0				146			146	0	146
219	6623.15	IXC Payment & Collection	0				10,109			10,109	0	10,109
220	6623.16	IXC Bill Inquiry	0				168			168	0	168
221	6623.17	Coin Collection and Administration	0							0	0	0
222												
223	6623.21	Toll Ticket Processing	0				36			36	0	36
224	6623.22	Other Billing & Collection	0				6,069			6,069	0	6,069
225	6623.23	End User Access Billing	0				319			319	0	319
226	6623.241	Carrier Access Billing (CABS) - IER	0				7,870			7,870	0	7,870
227	6623.242	Carrier Access Billing (CABS) - SER	0							0	0	0
228	6623.243	Carrier Access Billing (CABS) - SRA	0							0	0	0
229												
230	6623.31	Other Customer Services	0							0	0	0
231	6623.32	Interstate TRS	0				265			265	0	265
232	6623.33	Intrastate TRS	0							0	0	0
233												
234		Total Customer Services	30,964	0	0	35,650	(30,964)	0	0	35,650	(30,964)	35,650
235												
236	6620	Total Services	34,046	0	0	36,019	(31,333)	0	0	36,019	(31,333)	38,732
237												
238	6711	Executive	22,997							0	0	22,997
239	6712	Planning	0							0	0	0
240	6710	Executive & Planning	22,997	0	0	0	0	0	0	0	0	22,997
241												
242	6721	Accounting & Finance	279,641				4			0	(71,426)	208,215
243	6722	External Relations	1,052							0	0	1,052
244	6723	Human Resources	279							0	0	279
245	6724	Information Management	149							0	0	149
246	6725	Legal	10,955							0	0	10,955
247	6726	Procurement	0							0	0	0
248	6727	Research & Development	0							0	0	0
249	6728	Other General & Administrative	63,445				3			0	0	0
250	S6720.1	Genl. & Admin. Expense - Direct Assign IER	0				71,426			1,474	(265)	64,654
251	S6720.2	Genl. & Admin. Expense - Direct Assign SER	0							71,426	0	71,426
252	S6720.3	Genl. & Admin. Expense - Direct Assign SRA	0							0	0	0
253	S6720.4	Genl. & Admin. Expense - Direct Assign LOC	0							0	0	0
254	6720	General & Administrative	355,521	0	0	71,426	(71,691)	1,474	0	72,900	(71,691)	356,730
255												
256	6790	Provision for Uncollectible N/R	0							0	0	0
257												
258	7110	Income from Custom Work	0							0	0	0
259	7130	Return from Nonreg. use of Reg. facilities	0							0	0	0
260	7140	Gains & Losses from Foreign Exchange	0							0	0	0
261	7150	Gains & Losses from Land and Artwork	0							0	0	0
262	7160	Other Operating Gains & Losses	11,863							0	0	11,863
263	7100	Other Operating Income & Expense	11,863	0	0	0	0	0	0	0	0	11,863
264												
265	7210	Operating investment tax credits - net	0							0	0	0
266	7220	Operating Federal Income Taxes	242,102							0	0	242,102
267	7230	Operating State & Local Income Taxes	51,172							0	0	51,172
268												

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SECTION 14: Separations Study - Year Ended 12/31/2011

Schedule 14(ii): Income Statement with Adjustments

clmn:	(A)	(B)	(C)	(D) NON-REG ADJUSTMENTS		(E) STUDY ADJUSTMENTS		(F) PRO FORMA ADJUSTMENTS		(G) TOTAL ADJUSTMENTS		(H)	(I)	(J)	(K)	(L)
	Account #	Description	Balance per Books	#	Debits	#	Credits	#	Debits	#	Credits	#	Debits	#	Credits	Adjusted Balance
269	7240.1	Other Operating Taxes	68,515			1	(510)			4	67,772			67,772	(510)	135,777
270	7240.2	Interstate Regulatory Fees	0											0		0
271	7240.3	Intrastate Regulatory Fees	0											0		0
272	7250	Provision for Deferred Operating Income Taxes (net)	0											0		0
273	7200	Total Operating Taxes	361,789		0		(510)		0		0		67,772		0	429,051
274																
275	7310	Dividend Income	(8,400)											0	0	(8,400)
276	7320	Interest Income	0											0	0	0
277	7330	Interest from Sinking and other Funds	0											0	0	0
278	7340	Allowance for Funds Used During Const.	0											0	0	0
279	7350	Gains/Losses from disposition of certain prop.	32,911											0	0	32,911
280	7360	Other Nonoperating Income	(16,182)											0	0	(16,182)
281	7370	Special Charges	2,927					2	(1,000)					0	(1,000)	1,927
282	S7370.1	Special Charges - Allowed Portion	0			2	1,000							1,000	0	1,000
283	7300	Total Nonoperating Income/Expense	11,256		0		0		1,000		(1,000)		0		0	11,256
284																
285	7410	Nonoperating investment tax credits - net	0											0	0	0
286	7420	Nonoperating Federal Income Taxes	0											0	0	0
287	7430	Nonoperating State & Local Income Taxes	0											0	0	0
288	7440	Other nonoperating Taxes	0											0	0	0
289	7450	Provision for Deferred Nonop. Income Taxes (net)	0											0	0	0
290	7400	Total nonoperating Taxes	0		0		0		0		0		0		0	0
291																
292	7510	Interest on Funded Debt	26,783											0	(10,669)	16,114
293	7520	Interest Expense - Capital Leases	0						7		(10,669)			0		0
294	7530	Amortization of Debt Issuance Expense	0											0	0	0
295	7540	Other Interest Deductions	0											0	0	0
296	S7540.1	Nonoperating Interest Expense	0			7	10,669							10,669	0	10,669
297	S7540.2	Interest on Customer Deposits	0											0	0	0
298	7500	Interest and Related Items	26,783		0		0		10,669		(10,669)		0		0	26,783
299																
300																
301	7610	Extraordinary Income Credits	0											0	0	0
302	7620	Extraordinary Income Charges	0											0	0	0
303	7630	Current Income Tax Effect of Extraordinary Items	0											0	0	0
304	7640	Deferred Income Tax Effect of Extraordinary Items	0											0	0	0
305	7600	Total Extraordinary Items	0		0		0		0		0		0		0	0
306																
307	7910	Effect of Jurisdictional Ratemaking Differences	0								(69,246)			0	(69,246)	(69,246)
308	7990	Nonregulated Net Income	26,790	1,6	13,481									13,481	0	40,271
309																
310		Total Expenses	1,410,787		13,481		(13,478)		119,114		(119,114)		69,246		(69,246)	1,410,790
311																
312		Net <Income> / Loss	(399,395)		13,481		(13,478)		119,114		(119,114)		69,246		(69,246)	(400,346)
313																

REDACTED

LaHarpe Telephone Company, Inc.

Docket No. 12-LHPT-875-AUD

In the Matter of Staff's Motion Requesting the Commission Order LaHarpe Telephone Company, Inc. to Submit to an Audit
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For the Test Year of Twelve Months Ending 12/31/2011

SECTION 15: NECA Cost Study

LaHarpe Section 15 consists of the Company's NECA Cost Study for 2011.

Due the volume of the exhibit, each page has not been stamped CONFIDENTIAL; however, the exhibit should be treated as CONFIDENTIAL in its entirety. Consequently, a redacted version has not been provided.

Also due the volume of the exhibit, a single hard copy of LaHarpe Section 15 has been provided.

Electronic copies of LaHarpe Section 15 have been provided to Staff and the Staff Consultants assigned to this docket
