

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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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 Fund Support,)
Pursuant to K.S.A. 66-2008.)

Docket No. 12-LHPT-875-AUD

REDACTED DIRECT TESTIMONY AND SCHEDULES

OF

ROXIE MCCULLAR

ON BEHALF OF

KANSAS CORPORATION COMMISSION STAFF

December 19, 2012

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1 **I. Introduction**

2 **Q. Please state your name and business address?**

3 A. My name is Roxie McCullar. My business address is 8625 Farmington Cemetery
4 Road, Pleasant Plains, Illinois 62677.

5 **Q. What is your present occupation?**

6 A. Since 1997, I have been employed as a consultant with the firm of William
7 Dunkel and Associates and have regularly provided consulting services in
8 regulatory proceedings throughout the country.

9 **Q. On whose behalf are you testifying?**

10 A. I am testifying on behalf of the Staff of the Kansas Corporation Commission
11 (Staff).

12 **Q. Have you prepared an appendix that describes your qualifications?**

13 A. Yes. My qualifications and previous experiences are shown on the attached
14 Appendix A.

15 **II. Purpose and Summary of Testimony**

16 **Q. What is the purpose of your testimony?**

17 A. The purpose of this testimony is to address my review of LaHarpe Telephone
18 Company, Inc.'s (LaHarpe or the Company) separations study and to support the
19 separation factors used in Staff's allocation of the adjusted revenue requirement
20 between the interstate and intrastate jurisdictions. These allocations are done

1 using separation factors calculated according to the Federal Communications
2 Commission's (FCC) Part 36 Separations Procedures.¹

3 I am supporting Staff Adjustment IS-1 an increase of \$348,081 to LaHarpe's filed
4 Federal High Cost Loop support amount.

5 I also discuss the need to review the allocation of the Fiber to the Home (FTTH)
6 costs between the interstate and intrastate jurisdiction.

7 **III. Analysis of Separations Study**

8 **Q. Did you review the separations study provided by the Company in its August**
9 **15, 2012 filing?**

10 A. Yes. I first reviewed the 2011 NECA Cost Study which was provided in Section
11 15 of LaHarpe's August 15, 2012 filing. This 2011 NECA Cost Study calculates
12 the separation factors used to allocate its total test year costs to the intrastate
13 jurisdiction for the calculation of its intrastate revenue requirement. The FCC
14 Separations Procedures include specific requirements as to how investments,
15 reserves, and expenses (costs) must be allocated between the interstate and
16 intrastate jurisdictions.

17 In addition to the 2011 NECA Cost Study, the Company also provided
18 workpapers supporting the development of the 2011 NECA Cost Study in Section
19 15 of the August 15, 2012 filing and in response to discovery.²

¹ FCC Rules, 47 C.F.R. § 36.

² LaHarpe's Response to Staff Data Request Nos. 13 and 32.

1 **Q. Are you recommending any changes to the allocation factors included in the**
2 **Company's filing?**

3 A. Yes, there are two factors in the Company's filing that are not supported by the
4 2011 NECA Cost Study.

5 The intrastate allocation factors in Section 9(i) for Network Support Expense and
6 Interest & Related Items³ are not the factors from the provided 2011 NECA Cost
7 Study.

8 The factors used in Staff's Schedules are the factors from the 2011 NECA Cost
9 Study.

10 **IV. Staff Adjustment IS-1 to FHCL**

11 **Q. Please explain Staff Adjustment IS-1.**

12 A. Staff Adjustment IS-1 increases LaHarpe's filed Federal High Cost Loop (FHCL)
13 Support amount by \$348,081 in order to recognize the FHCL Support the
14 Company is projected to receive from the Federal Universal Service Fund
15 (FUSF). Schedule RM-1, attached, shows the calculation of this adjustment
16 amount

17 **Q. Please explain Staff's adjustment that uses the latest USAC projected**
18 **Federal support amount.**

19 A. Staff's adjustment updates LaHarpe's FHCL support amount to include the latest
20 USAC projections.

³ LaHarpe's Response to Staff Data Request No. 31.

1 On November 2, 2012, the Universal Service Administrative Company (USAC)
2 released a report entitled "Federal Universal Service Support Mechanisms Fund
3 Size Projections for the First Quarter 2013." USAC is the administrator of the
4 FUSF and one of its responsibilities is the distribution of the support amounts.
5 Prior to the start of each quarter, USAC publishes a projection of the support
6 amounts the eligible companies will receive. Appendix HC01 of USAC's First
7 Quarter 2013 Report shows that LaHarpe is projected to receive \$59,231 of
8 monthly Federal High Cost Loop (FHCL) Support for an annual projected amount
9 of \$710,772.⁴

10 **Q. Why is it appropriate to include the FHCL support amounts in the**
11 **calculation of the intrastate revenue requirement?**

12 A. Subpart F of the FCC Part 36 Separation Procedures discusses the "Universal
13 Service Fund." Section 36.601(a) states:

14 The expense adjustment calculated pursuant to this subpart F shall
15 be added to interstate expenses and deducted from state expenses
16 after expenses and taxes have been apportioned ...

17 Therefore, the FHCL support amounts are equal to the expense that is deducted
18 from the intrastate jurisdiction and added to the interstate jurisdiction. Since the
19 FHCL amounts represent costs that have been deducted from the intrastate
20 jurisdiction and are now being recovered in the interstate jurisdiction it is
21 appropriate to recognize the removal of those costs in the calculation of the
22 intrastate revenue requirement.

⁴ (\$59,231 * 12) = \$710,772. See Schedule RM-1 for the calculation of Staff IS-1.

1 **Q. Why is the Federal support shown as intrastate revenue in both the**
2 **Company's and Staff's schedules, if it is actually an intrastate expense**
3 **reduction?**

4 A. Whether the FHCL support is shown as an intrastate revenue addition or an
5 intrastate expense reduction, it still has the same overall impact on the intrastate
6 revenue requirement. Since this support amount has been traditionally shown as
7 an intrastate revenue amount in the filings, there is no reason to change the
8 presentation of this support amount on the schedules.

9 **Q. How reasonable are the USAC projections?**

10 A. Schedule RM-2 shows the USAC projections for 2008 through 2011 as compared
11 to the actual support received. Based on these observations, USAC's projections
12 are a reliable source of estimating the amount of FHCL support LaHarpe will
13 receive for its costs.

14 As is stated in ¶29 of the Commission's November 30, 2004 "Order" in the
15 United Telephone Association proceeding:⁵

16 Absolute precision is not required for the Commission to approve
17 an adjustment as long as it is known and measurable within a
18 degree of reasonable certainty. If the Commission, for articulated
19 reasons, had determined that reliable data supports an adjustment
20 needed to ensure a representative test-year, the Commission is
21 allowed to exercise its discretion to adopt the adjustment even
22 though all relevant figures cannot be ascertained with complete
23 exactitude. (Footnotes omitted)

⁵ Docket No. 04-UTAT-690-AUD

1 **Q. Is Staff's adjustment to include the latest USAC projection consistent with**
2 **the support adjustments accepted by this Commission in previous rural local**
3 **exchange carriers (RLEC) proceedings?**

4 A. Yes, in prior RLEC proceedings the Commission accepted the use of the most
5 recent support projections by USAC as a known and measurable change.⁶

6 **Q. In past RLEC KUSF proceedings, an issue has been made about the time**
7 **period in which the federal support amounts are received, versus the test**
8 **year used in the proceedings. Would you please comment on this issue?**

9 A. Yes. The outcome of this proceeding will be to set LaHarpe's cost-based KUSF
10 support amount. Part of the process in determining LaHarpe's intrastate costs is
11 the allocation of the Company's total costs between the interstate and intrastate
12 jurisdiction using the FCC Part 36 Separations Procedures. The FHCL support
13 calculation is described in Section 36.601(a) as an expense adjustment that is
14 "added to interstate expenses and deducted from state expenses." Since the
15 expenses equal to the support amounts are removed from the intrastate
16 jurisdiction, the intrastate revenue requirement is reduced. These expenses are in
17 the interstate jurisdiction and this Commission does not control how and in what
18 time period those costs are recovered.

⁶ Southern Kansas Telephone Company proceeding (Docket No. 01-SNKT-544-AUD), the September 10, 2001 "Order Setting Revenue Requirements" and the October 29, 2001 "Order Denying Petition for Reconsideration and Setting Depreciation Expense."; Home Telephone Company proceeding (Docket No. 02-HOMT-209-AUD), in the "Summary of Adjustments to Operating Income," attached to the August 7, 2002 "Order Setting Revenue Requirements"; S&T Telephone Cooperative Association proceeding (Docket No. 02-S&TT-390-AUD), in the "Summary of Adjustments to Operating Income," attached to the October 15, 2002 "Order Setting Revenue Requirements"; Wheat State Telephone Company proceeding (Docket No. 03-WHST-503-AUD), the September 29, 2003 "Order"; Golden Belt Telephone Association proceeding (04-GNBT-130-AUD), the June 1, 2004 "Order" and the July 19, 2004 "Order Clarifying June 1, 2004, Order and Denying Petition for Reconsideration"; United Telephone Association, Inc.'s proceeding (04-UTAT-690-AUD), the November 30, 2004 "Order".

1 **Q. Why is the Federal support amount necessary to consider in the KUSF**
2 **proceeding?**

3 A. The support adjustment recognizes costs that are being recovered in the interstate
4 jurisdiction. To recover these costs also from the KUSF would provide the
5 Company with a double recovery of its costs, which harms the Kansas ratepayers
6 since the Kansas ratepayer would be providing the recovery of these same costs
7 through both their interstate rates and their intrastate rates.

8 **Q. Is this recognition of the Federal support a violation of Separations**
9 **Procedures in 47 C.F.R., Part 36, Subpart F?**

10 A. No. As stated above the Separations Procedures include the removal of these costs
11 from the intrastate jurisdiction that are then recovered in the interstate jurisdiction.
12 To ignore these costs that are being recovered in the interstate jurisdiction would
13 allow the Company to double recover these costs. The FCC has taken jurisdiction
14 of these costs and is providing for the recovery of these costs. For the KUSF to
15 also provide recovery for these costs would allow the double recovery of these
16 costs.

17 **Q. Is it right for the State to consider the Federal support mechanism when**
18 **setting the State support amount?**

19 A. Yes. The Universal Service Order⁷ at ¶820 states:

20 In any event, the statutory language envisions that both the federal
21 and state support mechanisms will support basic intrastate and
22 interstate services and, moreover, the statutory language plainly

⁷ ¶820 *Report and Order* in CC Docket Nos. 96-45 (FCC 97-157) released May 8, 1997 (“Universal Service Order”)

1 service, and 22% of LaHarpe's customers subscribed to voice and digital
2 television service.¹¹

3 **Q. How does the Company allocate the FTTH costs?**

4 A. The Company's method assigns all of the FTTH costs to joint use loop costs until
5 they start producing broadband revenues. Once the end-user subscribes to
6 broadband services (e.g. Internet service or Digital TV) then the Company
7 method assigns a portion of the ONT costs to broadband service. The workpapers
8 LaHarpe provided in response to discovery indicated that ONT costs are allocated
9 between joint use and broadband based on customer counts.¹² So no costs are
10 allocated to broadband until a customer subscribes to an advanced broadband
11 service and starts producing non-state regulated revenues, and then only the ONT
12 costs are allocated to the advanced broadband service.

13 The amount of ONT costs that are assigned to broadband is allocated 0% to state
14 jurisdiction. The ONT costs that are assigned to joint use loop costs are allocated
15 25% to interstate and 75% to state jurisdiction. The state portion of the loop costs
16 will be supported by the FHCL, State Rates, and/or the KUSF. In essence, the
17 Company method, which recognizes that a portion of the ONT costs are related to
18 the provision of broadband service, have the States or the FHCL support those
19 costs until they produce revenues. Once these advanced broadband costs, which
20 had been supported by the State or FHCL start producing revenues, the Company

¹² LaHarpe Response to Staff Data Request Nos. 13 and 20.

1 will then allow these costs to be assigned to broadband services and the revenues
2 will not be assigned to the state. Basically, the state jurisdiction is supporting
3 costs that will never produce state revenues. In other words, by accepting the
4 Company's method that state jurisdiction will subsidize a non-intrastate service.

5 **Q. What impact does the allocation of the FTTH costs have on the Kansas**
6 **ratepayers?**

7 A. The KUSF fund should not be expected to subsidize the Company's provision of
8 an interstate or deregulated service. The Kansas ratepayers are the contributors to
9 the KUSF fund. It is important to allow a proper allocation of the FTTH costs to
10 both the voice and advanced broadband services since the provision of some
11 advanced broadband service should not be recovered in the state jurisdiction.

12 **Q. How does the deployment of the ONT in the FTTH network impact the**
13 **Company's intrastate-regulated costs?**

14 A. For FTTH networks, different electronics are needed to provide voice and
15 advanced broadband services as compared to the electronics used in the copper to
16 the home or the fiber/copper hybrid to the home network ("traditional network") it
17 replaced. One of these pieces of electronics is called an Optical Network
18 Termination (ONT) and is installed at every end-user's premise in the FTTH
19 network, whether or not that end-user subscribes to advanced broadband services.
20 In the traditional network only the DSL broadband service end-users have the
21 additional equipment placed at the premise.

1 Due to the more sophisticated electronics in the ONT, it is much more expensive
2 than the traditional copper NID. In addition, unlike the traditional copper NID, the
3 ONT must have its own power supply and battery back-up, which adds to the cost
4 per ONT.

5 **Q. What cost separation issues does the ONT create?**

6 A. The ONT combines several functions. Most of those functions are similar to
7 functions previously performed by equipment that was not intrastate regulated,
8 but some of the equipment it replaces did have an intrastate allocation.

9 **Q. In a traditional network, where an end-user subscribes to both voice and**
10 **advanced broadband services, what electronics are at the premise and how**
11 **are they allocated to intrastate?**

12 A. The traditional network has copper facilities to the home. For an end-user with
13 voice and DSL broadband services, the premise costs are traditionally separated
14 under FCC Part 36 Separations Procedures¹³ to intrastate as follows:

15 1. The Network Interface Device (NID) is a simple device that terminates the
16 copper drop at the side of the house and connects to the end-user's inside
17 wiring. The NID is generally treated as joint use voice service cost and
18 75% of it is allocated to the regulated intrastate jurisdiction.¹⁴

¹³ FCC Separation Procedures, 47 C.F.R. § 36.

¹⁴ The separation loop allocator is 25% interstate and 75% intrastate, 47 C.F.R. § 36.154(c). The NID is a simple and relatively inexpensive device that contains no active electronics. The 75% intrastate allocation is before the impact of any high cost loop expense adjustment. Also see, 47 C.F.R. § 36.126(c)(3).

1 2. The equipment at the home (“splitters” or “filters”) that separates the
2 voice service signal from the DSL broadband service signal is treated as
3 0% intrastate regulated cost.¹⁵

4 3. The electronics equipment (external or internal “modem”) that takes the
5 DSL broadband signal that came in on the copper telephone wire and
6 converts it into a signal usable by the computer is 0% intrastate regulated
7 cost.¹⁶

8 **Q. In the FTTH network, which of the functions similar to those listed above**
9 **does the ONT provide?**

10 A. All of them:

11 1. The ONT is the device that terminates the fiber drop and connects to the
12 inside wiring, similar to the functions of the NID.

13 2. The ONT also separates the voice telephone signal from the advanced
14 broadband signals, similar to the function of the splitters and/or filters.
15 The voice and advanced broadband signals come into the ONT on the
16 same fiber drop, they are separated inside the ONT, then the voice service,
17 Internet broadband service, and the IPTV signal come out of separate ports
18 of the ONT.

¹⁵ The splitter or filter are installed on the customer side of the NID and therefore are not considered regulated equipment in the FCC Part 36 Separations Procedures.

¹⁶ The modem is installed on the customer side of the NID and therefore is not considered regulated equipment in the FCC Part 36 Separations Procedures.

1 3. The ONT takes the Internet broadband signal that come in on the fiber
2 drop and converts it into a signal usable by the computer, similar to the
3 function of the modem in the traditional copper network. The ONT
4 generally outputs the broadband signal as an Ethernet signal usable by the
5 end-user's computer. With the addition of a small piece of electronics, the
6 IPTV signal that comes in on the fiber drop is usable by the end-user's
7 television.

8 **Q. Please discuss the feeder, distribution, and drop fiber going to the ONT.**

9 **A. The network the Company deployed was for the provision of Digital TV,**
10 **Internet, and voice. Even if the end-user only subscribes to voice service, the**
11 **fiber to their home carries the Digital TV signal. Q. Please explain why a**
12 **portion of the FTTH costs should be allocated to broadband service and**
13 **removed from the intrastate jurisdiction.**

14 **A. The FTTH and ONTs installed by LaHarpe allow the Company to provide voice,**
15 **Internet broadband, and Digital TV services to the end-users. The revenues from**
16 **the Internet broadband and Digital TV services are not regulated intrastate**
17 **revenues. Therefore, it is reasonable to remove the costs of providing the**
18 **advanced broadband service from the intrastate jurisdiction since broadband is not**
19 **an intrastate service.**

20 **Q. Does the State have the authority to make a FTTH adjustment?**

21 **A. Yes. As pointed out in a FCC Report and Order:**

1 The costs and revenues allocated to nonregulated activities are
2 excluded from the jurisdictional separations process. In contrast,
3 the costs and revenues allocated to regulated activities are
4 apportioned between the state and interstate jurisdictions in
5 accordance with the part 36 jurisdictional separations rules. Each
6 regulatory jurisdiction applies its own ratemaking processes to the
7 amounts assigned to it by part 36. States, however, may add back
8 costs that are identified as nonregulated under part 64, or remove
9 additional costs that are identified as regulated under part 64.¹⁷
10 (Emphasis added, footnotes omitted)

11 Therefore, a state commission has the right to remove any reasonable amount of
12 the FTTH costs from the intrastate regulated services. For example, as pointed out
13 above the ONT not only replaced the old NID but it also replaced equipment that
14 was previously considered to be nonregulated or 100% interstate.

15 **Q. A 2005 FCC Order¹⁸ did not require wireline broadband service providers to**
16 **separate out the underlying transmission on a common carrier basis and**
17 **classified that transmission as a regulated activity under Part 64. Did the**
18 **FCC recognize that would cause ratemaking adjustments in the intrastate**
19 **jurisdiction?**

20 **A.** Yes. The FCC in that Order noted that even though it declined to require such a
21 classification, a State may choose to reallocate those costs in its ratemaking
22 proceedings. Paragraph 135 of that FCC Order states:

23 Because the costs of requiring that incumbent LECs classify their
24 non-common carrier, broadband Internet access transmission
25 operations as nonregulated activities under part 64 exceed the
26 potential benefits, we decline to require such a classification.

¹⁷ Paragraph 129 of the August 5, 2005 *Report and Order and Notice of Proposed Rulemaking* in CC Docket Nos. 02-33, 01-337, 95-20, and 98-10 and WC Docket Nos. 04-242 and 05-271 (FCC 05-150) ("WBI Order").

¹⁸ The August 5, 2005 *Report and Order and Notice of Proposed Rulemaking* in CC Docket Nos. 02-33, 01-337, 95-20, and 98-10 and WC Docket Nos. 04-242 and 05-271 (FCC 05-150) ("WBI Order").

1 Classifying those operations as regulated under part 32 means that
2 any necessary ratemaking adjustments, including any reallocations
3 of costs, will be addressed in the ratemaking process in the relevant
4 regulatory jurisdiction.¹⁹ (Emphasis added)

5 Therefore, it is expected and proper for the state to evaluate the costs of the
6 transmission of Internet broadband and Digital TV services.

7 **Q. What is the impact of the allocation of these FTTH costs?**

8 A. Staff supports allocating a portion of the costs of the ONTs and FTTH to
9 broadband service.

10 One option is to allocate these FTTH costs based on a capacity based allocator.

11 At a minimum broadband service requires 768 kbps bandwidth and joint use voice
12 service requires 64 kbps of bandwidth. In other words, the broadband service uses
13 at least 12 times²⁰ as much capacity as one voice service uses.

14 Based on the capability of providing two voice lines and minimum broadband
15 service for a total bandwidth of 896 kbps,²¹ and 2 lines of voice service using 128
16 kbps²² of that capacity, 14.29%²³ of the FTTH and ONT costs would be allocated
17 to joint use. The remainder of the costs would not be included in the costs
18 allocated to the state jurisdiction.

¹⁹ Paragraph 135 of the August 5, 2005 *Report and Order and Notice of Proposed Rulemaking* in CC Docket Nos. 02-33, 01-337, 95-20, and 98-10 and WC Docket Nos. 04-242 and 05-271 (FCC 05-150).

²⁰ 768 kbps/64 kbps = 12

²¹ 2 * 64 kbps + 768 kbps = 896 kbps

²² 2 * 64 kbps = 128 kbps

²³ (2 * 64 kbps) / 896 kbps = 14.29%

1 **Q. Is allocating the FTTH costs based on the voice grade equivalent bandwidth**
2 **a method recognized in separation practices?**

3 A. Yes, the existing separations procedures recognize that a service that uses a
4 greater bandwidth on the facility should be allocated more of the costs than a
5 smaller bandwidth service on the same facility. Separation procedures measure
6 the difference in bandwidth by what is called “voice grade equivalence.” For
7 example, a wideband service that uses a bandwidth equivalent to 12 voice service
8 bandwidths is assigned 12 times the cost that is assigned to one voice service.

9 FCC Separations Procedures defines Loop as:

10 A pair of wire, or its equivalent, between a customer’s station and
11 the central office from which the station is served.²⁴ (Emphasis
12 added)

13 “Or its equivalent” in the definition is determined by voice grade equivalency.

14 For example, Wideband Channel is defined as:

15 A communication channel of a bandwidth equivalent to twelve or
16 more voice grade channels.²⁵

17 In addition, the FCC defines voice-grade equivalent lines as:

18 Telephone lines terminating at most homes, and at many offices,
19 are “voice grade” circuits. These are analog circuits having 3 to 4
20 kHz of bandwidth, the digital equivalent of which is a 64 Kbps
21 circuit.²⁶

²⁴ Appendix to Part 36 – Glossary (47 CFR §36 App.)

²⁵ Appendix to Part 36 – Glossary (47 CFR §36 App.)

²⁶ Fn. 201 of the March 30, 2000 *Report and Order* in CC Docket No. 99-301 (FCC 00-114)

1 Therefore, the use of 64 Kbps voice-grade equivalence for the allocation of the
2 FTTH costs between the voice and broadband services is consistent with FCC
3 separation procedures.

4 **Q. Is the allocation reasonable even if the end-user does not subscribe to all**
5 **three services?**

6 A. Yes. 47 CFR §36.153 describes how the cable and wire facility costs are assigned
7 to the various separation categories. 47 CFR §36.153(a)(1)(A) states:

8 From an analysis of cable engineering and assignment records,
9 determine in terms of equivalent gauge the number of pairs in use
10 or reserved, for each category. The corresponding percentages of
11 use, or reservation, are applied to the cost of the section of cable,
12 ... (Emphasis added)

13 Also, 47 CFR §64.901(b)(4) states:²⁷

14 The allocation of central office equipment and outside plant
15 investment costs between regulated and nonregulated activities
16 shall be based upon the relative regulated and nonregulated usage
17 of the investment during the calendar year when nonregulated
18 usage is greatest in comparison to regulated usage during the three
19 calendar years beginning with the calendar year during which the
20 investment usage forecast is filed. (Emphasis added)

21 It is clear that the FCC Separations Procedures specifically allows for the
22 allocation to separations categories or to non-regulated activities based on the
23 reserved or future use of the costs. For example, the ONT has a data port that is
24 “reserved” for advanced broadband use and the fiber to the home has the reserved
25 capacity to provide the advanced broadband services.

²⁷ Outside plant includes cable and wire facilities (C&WF)

1 In addition, the Telecommunications Act of 1996 (TA96) requires that residential
2 basic exchange service "bear no more than a reasonable share of the joint and
3 common costs of facilities used to provide those services". The TA96 specifically
4 states:

5 Section 254(k)--SUBSIDY OF COMPETITIVE SERVICES
6 PROHIBITED.--A telecommunications carrier may not use
7 services that are not competitive to subsidize services that are
8 subject to competition. The Commission, with respect to
9 interstate services, and the States, with respect to intrastate
10 services, shall establish any necessary cost allocation rules,
11 accounting safeguards, and guidelines to ensure that services
12 included in the definition of universal service bear no more than a
13 reasonable share of the joint and common costs of facilities used to
14 provide those services.

15 **Q. Could you summarize your testimony on FTTH costs?**

16 A. The Company's method of assigning the FTTH costs to joint use telephone until
17 the Company starts receiving revenues for advanced broadband services causes
18 the regulated voice service to subsidize the costs to provide those advanced
19 broadband services. It is unreasonable for the regulated voice service or the KUSF
20 to support the Company's ability to provide advanced broadband services that are
21 not regulated by the State.

22 **Q. What is your proposal regarding the allocation of a portion of the FTTH**
23 **costs to broadband services?**

24 A. The allocation of the FTTH costs is an issue that the Commission will need to
25 address in a future generic proceeding. A reasonable allocation method of the
26 FTTH costs in Kansas would ensure that the Kansas ratepayers are not providing
27 a subsidy for the provision of non-state regulated services.

Roxie McCullar, Consultant
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Roxie McCullar is a regulatory consultant. She received her Master of Arts degree in Accounting from the University of Illinois-Springfield. She received her Bachelor of Science degree in Mathematics from Illinois State University. Over the past 15 years Ms. McCullar has filed testimony in over 35 state regulatory proceedings on cost allocation, universal service, and depreciation issues. In addition, Ms. McCullar has assisted Mr. Dunkel in numerous other proceedings.

PRESENT POSITION

William Dunkel and Associates
Position: Consultant

- Prefiled on behalf of the Kansas Corporation Commission Staff in an audit involving Gorham Telephone Company, Docket No. 12-GRHT-633-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in an audit involving S&T Telephone Cooperative Association, Inc., Docket No. 12-S&TT-234-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Cunningham Telephone Company, Inc., Docket No. 11-CNHT-659-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Rainbow Telephone Association, Docket No. 11-RNBT-608-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Pioneer Telephone Association, Docket No. 11-PNRT-315-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Assisted Kansas Corporation Staff in audit involving Golden Belt Telephone Association, Docket No. 10-GNBT-526-KSF in which I addressed cost study issues and support fund adjustments.
- Assisted Kansas Corporation Staff in audit involving United Telephone Association, Docket No. 10-UTAT-525-KSF in which I addressed cost study issues and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Haviland Telephone Company, Inc., Docket No. 10-HVDT-288-KSF in which I addressed cost study issues and support fund adjustments.

- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Blue Valley Tele-Communications, Inc., Docket No. 09-BLVT-913-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Assisted Kansas Corporation Staff in audit involving Twin Valley Telephone Company, Docket No. 09-TVWT-069-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Mutual Telephone Company, Docket No. 09-MLTL-091-KSF in which I addressed cost study issues and support fund adjustments.
- Assisted Kansas Corporation Staff in audit involving Columbus Telephone Company, Docket No. 08-CBST-400-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Moundridge Telephone Company, Docket No. 08-MRGT-221-KSF in which I addressed cost study issues and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Peoples Telecommunications, LLC, Docket No. 07-PLTT-1289-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Madison Telephone, LLC, Docket No. 07-MDTT-195-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Rainbow Telecommunications Association, Inc., Docket No. 06-RNBT-1322-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Wamego Telecommunications Company, Inc., Docket No. 06-WCTC-1020-AUD in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving H&B Communications, Inc., Docket No. 06-H&BT-1007-AUD in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Elkhart Telephone Company, Inc., Docket No. 06-ELKT-365-AUD in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving South Central Telephone Association, Inc., Docket No. 05-SCNT-1048-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled on behalf of the Utah Committee of Consumer Services in general rate case involving Carbon/Emery Telecom, Inc., Docket No. 05-2302-01 in which I addressed cost study issues and depreciation rates.

- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Totah Communications, Inc., Docket No. 05-TTHT-895-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled on behalf of the Maine Office of Public Advocate in Docket No. 2005-155, an investigation of Verizon's alternative form of regulation in which I addressed depreciation calculations.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Tri-County Telephone Association, Docket No. 05-TRCT-607-KSF in which I addressed cost study issues and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving KanOkla Telephone Association, Inc, Docket No. 05-KOKT-060-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Cunningham Telephone, Inc, Docket No. 05-CNHT-020-AUD in which I addressed cost study issues and support fund adjustments.
- Testified on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving United Telephone Association, Inc, Docket No. 04-UTAT-690-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Council Grove Telephone Company, Docket No. 04-CGTT-679-KSF in which I addressed cost study issues and support fund adjustments.
- Testified on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Golden Belt Telephone Association, Docket No. 04-GNBT-130-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Twin Valley Telephone, Inc., Docket No. 03-TWVT-1031-AUD in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Haviland Telephone Company, Docket No. 03-HVDT-664-RTS in which I addressed cost study issues and support fund adjustments.
- Testified on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Wheat State Telephone Company, Docket No. 03-WHST-503-AUD, in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving S&A Telephone Company, Docket No. 03-S&AT-160-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving JBN Telephone Company, Docket No. 02-JBNT-846-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Blue Valley Telephone Company, Inc., Docket No. 02-BLVT-377-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving S&T Telephone Cooperative Association, Inc., Docket No. 02-S&TT-390-AUD, in which I addressed cost study issues.

- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Craw-Kan Telephone Cooperative, Docket No. 01-CRKT-713-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Sunflower Telephone Company, Inc., Docket No. 01-SFLT-879-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Bluestem Telephone Company, Inc., Docket No. 01-BSST-878-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Pioneer Telephone Company, Docket No. 01-PNRT-929-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Southern Kansas Telephone Company, Docket No. 01-SNKT-544-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Rural Telephone Company, Docket No. 01-RRLT-518-KSF, in which I addressed cost study issues.
- Testified on behalf of the Government and Consumers Intervenors (GCI) before the Illinois Commerce Commission in an Alternative Regulation case involving Ameritech Illinois, Docket No. 98-0252, in which I addressed cost study issues.

Participated in, but did not testify in, the following proceedings:

- DC Formal Case No. 1093 (Washington Gas Light General Rate Proceeding)
- Kansas Docket No. 12-KGSG-835-RTS (Kansas Gas Rate Proceeding)
- Kansas Docket No. 12-KCPE-764-RTS (Kansas City Power & Light General Rate Proceeding)
- Indiana Cause No. 44075 (Indiana Michigan Power Company General Rate Proceeding)
- Kansas Docket No. 12-ATMG-564-RTS (Atmos Energy General Rate Proceeding)
- Maryland Case No. 9286 (Potomac Electric Power Company General Rate Proceeding)
- Maryland Case No. 9285 (Delmarva Power & Light Company General Rate Proceeding)
- Kansas Docket No. 12-WSEE-112-RTS (Westar Energy, Inc. General Rate Proceeding)
- Kansas Docket No. 11-MDWE-609-RTS (Midwest Energy General Rate Proceeding)
- Kansas Docket No. 08-GIMX-1142-GIV (Generic Depreciation Docket)
- New Mexico Case No. 10-00086-UT (Public Service Company of New Mexico General Rate Proceeding)
- Georgia Public Service Commission Docket No. 31647 (Atlanta Gas Light Company Rate Proceeding)
- Kansas Docket No. 10-KCPE-415-RTS (Kansas City Power & Light General Rate Proceeding)
- DC Formal Case No. 1076 (PEPCO General Rate Proceeding)
- Missouri Case No. ER-2010-0036 (AmerenUE Electric Rate Proceeding)

- Michigan Case No. U-15981 (Wisconsin Electric Power Company Depreciation Rate Proceeding)
- Alaska Docket No. U-09-097 (Chugach Electric Association, Inc. Depreciation Rate Proceeding)
- Alaska Docket No. U-09-077 (Homer Electric Association, Inc. Depreciation Rate Proceeding)
- Alaska Docket No. U-09-029 (TDX Sand Point Generating, Inc. Depreciation Rate Proceeding)
- Michigan Case No. U-15778 (SEMCO Energy Gas Company Depreciation Rate Proceeding)
- Michigan Case No. U-15699 (Michigan Consolidated Gas Company Depreciation Rate Proceeding)
- Michigan Case No. U-15629 (Consumers Energy Company Depreciation Rate Proceeding)
- New Mexico Case No. 08-00273-UT (Public Service Company of New Mexico General Rate Proceeding)
- Missouri Case No. ER-2008-0318 (AmerenUE Electric Rate Proceeding)
- Missouri Case No. ER-2008-0093 (Empire District Electric Company General Rate Proceeding)
- Kansas Docket No. 08-MDWE-594-RTS (Midwest Energy General Rate Proceeding)
- Alaska Docket No. U-07-174 (Enstar Natural Gas Company and Alaska Pipeline Company Depreciation Rate Proceeding)
- Alaska Docket No. U-08-004 (Anchorage Water and Wastewater Utility Depreciation Rate Proceeding)
- Kansas Case No. 08-ATMG-280-RTS (Atmos Energy General Rate Proceeding)
- Kansas Case No. 08-SEPE-257-DRS (Sunflower Electric Depreciation Rate Proceeding)
- Maryland Case No. 9103 (WGL Depreciation Rate Proceeding)
- Maryland Case No. 9096 (BGE Depreciation Rate Proceeding)
- Maryland Case No. 9092 (PEPCO General Rate Proceeding)
- Missouri Case No. ER-2007-0002 (AmerenUE Electric Rate Proceeding)
- Maryland Case No. 9062 (Chesapeake Utility Corporation General Rate Proceeding)
- Indiana Cause No. 42959 (Indiana Michigan Power Company Depreciation Rate Case)
- Arizona Docket No. T-0151B-03-0454 (Qwest Renewed Price Regulation Plan)
- Illinois Docket No. 04-0461 (SBC Imputation Requirements)
- Utah Docket No. 04-049-62 (Qwest Price Cap Compliance Filing)
- Utah Docket No. 03-049-49 (Qwest Price Flexibility-Residential)
- Utah Docket No. 03-049-50 (Qwest Price Flexibility-Business)
- Alaska Docket Nos. U-1-83, U-01-85, U-01-87 (General Rate Proceeding)
- Maryland Case No. 8960 (Washington Gas Light Company Depreciation Rate Proceeding)
- Pennsylvania Docket Nos. C-200271905 (Access Charge Complaint Proceeding)
- Illinois Docket No. 03-0323 (IL UNE Law Proceeding)
- Illinois Docket No. 02-0864 (SBC UNE Rate Proceeding)

- Pennsylvania Docket Nos. A-310200F0002, A-311350F0002, A-310222F0002, A-310291F0003 (Verizon for Approval of Agreement and Plan of Merger)
- California Docket A.02-01-004 (Kerman General Rate Case)
- Pennsylvania Docket Nos. P-00991649, P-00991648, M-00021596 (Joint Petition for Global Resolution of Telecommunications Proceedings)
- Illinois Docket No. 02-0560 (Verizon Advanced Services Waiver)
- Utah Docket No. 01-2383-01 (Qwest Price Flexibility-Residential)
- Utah Docket No. 02-049-82 (Qwest Price Flexibility-Business)
- Missouri Docket No. TR-2001-65 (Cost of Access Proceeding)
- Kansas Docket No. 02-WLST-210-AUD (Audit and General Rate Proceeding)
- Kansas Docket No. 02-HOMT-209-AUD (Audit and General Rate Proceeding)
- New Mexico Case No. 3223 (Universal service fund proceeding)
- Arizona Docket No. T-00000A-00-0194 (Wholesale cost/UNE proceeding of Qwest)
- Arizona TX 98-00716 (Tax Case of Citizens Telecommunications Company of White Mountain, et. al.)
- Maryland Case No. 8862 (PIC change charge case of Verizon Maryland)
- Maryland Case No. 8745 (Universal Service Proceeding of Verizon-Maryland)
- Arizona Docket No. T-01051B-99-0105 (General rate case of Qwest)
- New Mexico Case No. 3300 (Subsidy case of VALOR)
- New Mexico Case No. 3325 (Subsidy case of Qwest)
- New Mexico Case No. 3008 (General Rate/Depreciation case of USWest)
- Arizona Docket No. T-02724A-00-0595 (Earnings Review of Table Top Telephone Co.)
- Arizona Docket No. T-01051B-97-0689 (Depreciation case of US West)
- Illinois Docket No. 99-0412 (EAS case involving Geneseo Telephone Company)
- Kansas Docket No. 00-UTDT-455-GIT (Universal Service Fund case involving Sprint)
- Kansas Docket No. 98-SWBT-677-GIT (Universal Service Fund case involving SWBT)
- Illinois Docket Nos. 98-0200/98-0537 (Consolidated) (Usage sensitive service of GTE)
- Kansas Docket No. 98-SWBT-431-DRS (Depreciation case of SWBT)
- Florida Undocketed Special Project (Fair and Reasonable Rates of GTE, BellSouth, and Sprint)
- Pennsylvania Docket No. A-310125F002 (GTE North Interconnection Proceeding)
- Oklahoma Cause No. PUD 96-0000214 (Public Service of Oklahoma Depreciation Case)
- Hawaii Docket No. 7702 (GTE Hawaiian Tel Interconnection/avoided cost proceeding)
- Washington Docket No. UT-960369 (US West avoided cost proceeding)

Participation in the above proceeding included some or all of the following:

Developing analyses, preparing data requests, analyzing issues, writing draft testimony, preparing data responses, preparing draft questions for cross examination, drafting briefs, and developed various quantitative models.

EDUCATION

Master of Arts in Accounting from the University of Illinois-Springfield, Springfield, Illinois.

12 hours of Business and Management classes at Benedictine University-Springfield College in Illinois, Springfield, Illinois.

27 hours of Graduate Studies in Mathematics at Illinois State University, Normal, Illinois.

Bachelor of Science in Mathematics from Illinois State University, Normal, Illinois.

Relevant Coursework:

- | | |
|--------------------------------------|--|
| -Calculus | -Discrete Mathematics |
| -Number Theory | -Mathematical Statistics |
| -Linear Programming | -Differential Equations |
| -Finite Sampling | -Statistics for Business and Economics |
| -Introduction to Micro Economics | -Introduction to Macro Economics |
| -Principles of MIS | -Introduction to Financial Accounting |
| -Intermediate Managerial Accounting | -Introduction to Managerial Accounting |
| -Intermediate Financial Accounting I | -Intermediate Financial Accounting II |
| -Advanced Financial Accounting | -Auditing Concepts/Responsibilities |
| -Accounting Information Systems | -Federal Income Tax |
| -Fraud Forensic Accounting | -Accounting for Government & Non-Profit |
| -Commercial Law | -Advanced Utilities Regulation |
| -Advanced Auditing | -Advanced Corporation & Partnership Taxation |

ADJUSTMENT TO FEDERAL UNIVERSAL SERVICE SUPPORT

| Description | Projected Monthly Amounts per USAC Report | Annualize | Projected Annual Amounts | Intrastate Percentage | Total Intrastate Adjustment |
|--|---|-----------|--------------------------------|--------------------------|-----------------------------------|
| USAC Projected Monthly High Cost Loop Support for 2012 | \$59,231 | 12 | \$710,772 | | |
| Less: Support Amount included in Section 9 of Company's filing | | | <u>(\$362,691)</u> | | |
| Staff Adjustment IS-1 to Company's Filed Amount | | | \$348,081 | 100% | \$348,081 |

Source:

USAC Projected Amounts from Appendix HC01 USAC's November 2, 2012 Report for the First Quarter 2013.

High Cost Loop Support based on 12-months ended December 31, 2010, see Response to Staff Data Request No. 16.

COMPARISON OF USAC PROJECTIONS AND ACTUAL SUPPORT RECEIVED JANUARY - DECEMBER 2008

| | Projected Monthly Amounts per USAC Report | Quarterly | Projected Quarterly Amounts | Total Amounts | |
|--|---|-----------|-----------------------------------|------------------|------------|
| Actual 2008 Support Amount | | | | | ** A |
| <u>January - March 2008</u> | | | | | |
| First Quarter 2008 Projected High Cost Loop Support | \$40,794 | 3 | \$122,382 | | |
| <u>April - June 2008</u> | | | | | |
| Second Quarter 2008 Projected High Cost Loop Support | \$42,511 | 3 | \$127,533 | | |
| <u>July - September 2008</u> | | | | | |
| Third Quarter 2008 Projected High Cost Loop Support | \$42,764 | 3 | \$128,292 | | |
| <u>October - December 2008</u> | | | | | |
| Fourth Quarter 2008 Projected High Cost Loop Support | \$42,764 | 3 | \$128,292 | | |
| Total 2008 Projected Support Amounts | | | | <u>\$506,499</u> | B |
| Difference | | | | | ** C = A-B |

Sources:

Actual 2008 support amount from Confidential Section 8(ii) of the Company filing
 First Quarter projections from Appendix HC01 of USAC's November 2, 2007 Report for the First Quarter 2008
 Second Quarter projections from Appendix HC01 of USAC's February 1, 2008 Report for the Second Quarter 2008
 Third Quarter projections from Appendix HC01 of USAC's May 2, 2008 Report for the Third Quarter 2008
 Fourth Quarter projections from Appendix HC01 of USAC's August 1, 2008 Report for the Fourth Quarter 2008

COMPARISON OF USAC PROJECTIONS AND ACTUAL SUPPORT RECEIVED JANUARY - DECEMBER 2009

| | Projected Monthly Amounts per USAC Report | Quarterly | Projected Quarterly Amounts | Total Amounts | |
|--|---|-----------|-----------------------------------|------------------|------------|
| Actual 2009 Support Amount | | | | ** | ** A |
| <u>January - March 2009</u> | | | | | |
| First Quarter 2009 Projected High Cost Loop Support | \$47,548 | 3 | \$142,644 | | |
| <u>April - June 2009</u> | | | | | |
| Second Quarter 2009 Projected High Cost Loop Support | \$47,511 | 3 | \$142,533 | | |
| <u>July - September 2009</u> | | | | | |
| Third Quarter 2009 Projected High Cost Loop Support | \$48,845 | 3 | \$146,535 | | |
| <u>October - December 2009</u> | | | | | |
| Fourth Quarter 2009 Projected High Cost Loop Support | \$48,845 | 3 | \$146,535 | | |
| Total 2009 Projected Support Amounts | | | | <u>\$578,247</u> | B |
| Difference | | | | ** | ** C = A-B |

Sources:

Actual 2009 support amount from Confidential Section 8(ii) of the Company filing
 First Quarter projections from Appendix HC01 of USAC's October 31, 2008 Report for the First Quarter 2009
 Second Quarter projections from Appendix HC01 of USAC's January 30, 2009 Report for the Second Quarter 2009
 Third Quarter projections from Appendix HC01 of USAC's May 1, 2009 Report for the Third Quarter 2009
 Fourth Quarter projections from Appendix HC01 of USAC's July 31, 2009 Report for the Fourth Quarter 2009

COMPARISON OF USAC PROJECTIONS AND ACTUAL SUPPORT RECEIVED JANUARY - DECMEBER 2010

| | Projected Monthly Amounts per USAC Report | Quarterly | Projected Quarterly Amounts | Total Amounts | |
|--|---|-----------|-----------------------------------|------------------|------------|
| Actual 2010 Support Amount | | | | ** | ** A |
| <u>January - March 2010</u> | | | | | |
| First Quarter 2010 Projected High Cost Loop Support | \$57,772 | 3 | \$173,316 | | |
| <u>April - June 2010</u> | | | | | |
| Second Quarter 2010 Projected High Cost Loop Support | \$57,644 | 3 | \$172,932 | | |
| <u>July - September 2010</u> | | | | | |
| Third Quarter 2010 Projected High Cost Loop Support | \$57,644 | 3 | \$172,932 | | |
| <u>October - December 2010</u> | | | | | |
| Fourth Quarter 2010 Projected High Cost Loop Support | \$57,644 | 3 | \$172,932 | | |
| Total 2010 Projected Support Amounts | | | | <u>\$692,112</u> | B |
| Difference | | | | ** | ** C = A-B |

Sources:

Actual 2010 support amount from Confidential Section 8(ii) of the Company filing

First Quarter projections from Appendix HC01 of USAC's November 2, 2009 Report for the First Quarter 2010

Second Quarter projections from Appendix HC01 of USAC's January 29, 2010 Report for the Second Quarter 2010

Third Quarter projections from Appendix HC01 of USAC's April 30, 2010 Report for the Third Quarter 2010

Fourth Quarter projections from Appendix HC01 of USAC's August 2, 2010 Report for the Fourth Quarter 2010

COMPARISON OF USAC PROJECTIONS AND ACTUAL SUPPORT RECEIVED JANUARY - DECMEBER 2011

| | Projected Monthly Amounts per USAC Report | Quarterly | Projected Quarterly Amounts | Total Amounts | |
|--|---|-----------|-----------------------------------|------------------|---------|
| Actual 2011 Support Amount | | | | \$723,095 | A |
| <u>January - March 2011</u> | | | | | |
| First Quarter 2011 Projected High Cost Loop Support | \$56,709 | 3 | \$170,127 | | |
| <u>April - June 2011</u> | | | | | |
| Second Quarter 2011 Projected High Cost Loop Support | \$58,361 | 3 | \$175,083 | | |
| <u>July - September 2011</u> | | | | | |
| Third Quarter 2011 Projected High Cost Loop Support | \$60,452 | 3 | \$181,356 | | |
| <u>October - December 2011</u> | | | | | |
| Fourth Quarter 2011 Projected High Cost Loop Support | \$60,452 | 3 | \$181,356 | | |
| Total 2011 Projected Support Amounts | | | | <u>\$707,922</u> | B |
| Difference | | | | \$15,173 | C = A-B |

Sources:

Actual 2011 support amount from Section 9(i) of the Company filing

First Quarter projections from Appendix HC01 of USAC's November 2, 2010 Report for the First Quarter 2011

Second Quarter projections from Appendix HC01 of USAC's January 31, 2011 Report for the Second Quarter 2011

Third Quarter projections from Appendix HC01 of USAC's May 2, 2011 Report for the Third Quarter 2011

Fourth Quarter projections from Appendix HC01 of USAC's August 2, 2011 Report for the Fourth Quarter 2011

Schedule RM-3

Responses to Staff Data Request

Nos. 13, 16, 17, 18, 20, 31, and 32

Note: In an effort to conserve resources, Staff has excluded portions of the Responses to Staff Data Request Nos. 13 and 17 not applicable to the particular discussion. Staff can provide the complete Response upon request.

**Kansas Corporation Commission
Information Request**

Request No: 13

Company Name LAHARPE TELEPHONE COMPANY, INC. LHPT
Docket Number 12-LHPT-875-AUD
Request Date October 19, 2012
Date Information Needed October 27, 2012

RE: 2011 NECA Cost Study

Please Provide the Following:

Please provide the supporting workpapers for the 2011 NECA Cost Study provided in response to Initial DR2. These workpapers should include the calculation of the category assignments, the calculation of the traffic factors, the calculation of the non-regulated adjustments, the calculation of the other cost study adjustments, etc.

Submitted By McCullar / Bowman

Submitted To Dion Nero

Response:

Please see the attached files. Where possible, the files have been provided in electronic form with formulas intact in support of data requests 11 and 12. In some cases, the calculations are a part of Alexicon's proprietary separations software and cannot be provided in electronic format with formulas intact.

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

Verification of Response

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

Signed: Vincent Spilheimer

Date: 10/25/2012

LaHarpe Telephone Company, Inc.
Central Office Equipment Study
For the Year Ended 12/31/2011
Schedule: COE-1

LaHarpe COE 2011
ddn
5/19/2012

Categorization Allocation

| Terminations: | December 31, 2011 | % |
|---------------------|-------------------|-----------|
| Exchange Telephone | 310 | 57.6208% |
| Digital Television | 145 | |
| High Speed Internet | 83 | |
| ILEC Broadband | 228 | 42.3792% |
| Total Terminations | 538 | 100.0000% |

Category 4.13 allocation 57.6208%
Category 4.11 allocation 42.3792%

Categorization Amount

| | | Optical Network Terminals | ONT Engineering, Labor Benefits | ONT AFUDC / Interest Expense |
|---------------|----------|------------------------------|------------------------------------|------------------------------------|
| | | \$ 1,714 | \$ - | \$ - |
| Category 4.13 | 57.6208% | \$ 988 | \$ - | \$ - |
| Category 4.11 | 42.3792% | \$ 726 | \$ - | \$ - |

**Kansas Corporation Commission
Information Request**

Request No: 16

Company Name LAHARPE TELEPHONE COMPANY, INC. LHPT
Docket Number 12-LHPT-875-AUD
Request Date October 19, 2012
Date Information Needed October 27, 2012
RE: FHCL Support

Please Provide the Following:

Appendix HC01 of USAC's August 2, 2012 Fourth Quarter 2012 Fund Projections show the Company will receive \$62,046 per month of High Cost Loop Support.

- a. Has the Company received notification from USAC showing it will receive a different amount of Federal High Cost Loop Support for the fourth quarter of 2012 than that shown in the August 2, 2012 report? If yes, please provide a copy of the documentation from USAC?
- b. Are the USAC projected support amounts in the "Federal Universal Service Support Mechanisms Fund Size Projections for the Fourth Quarter 2012" based on the Company's calendar year 2010 NECA cost study filed in July 2011 or a supplemental cost study filing as allowed in Section 36.612 of the FCC Rules (47 CFR 36.612)? If the USAC projected support is based on a supplemental filing please provide the date of the filing and the 12-month period for which the latest USAC projected support amounts are based.
- c. Does this USAC projected High Cost Loop Support amount of \$62,046 per month includes the limit on the amount of capital and operating expenses as described beginning in paragraph 210 of FCC 11-161?

Submitted By McCullar / Bowman

Submitted To Dion Nero

Response:

- a) No.
- b) Yes, the amounts are based upon the 2010 cost study.
- c) Yes.

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

Verification of Response

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

Signed: Vincent Spradner

Date: 10/25/2012

**Kansas Corporation Commission
Information Request**

Request No: 17

Company Name LAHARPE TELEPHONE COMPANY, INC. LHPT
Docket Number 12-LHPT-875-AUD
Request Date October 19, 2012
Date Information Needed October 27, 2012

RE: FTTH

Please Provide the Following:

Please provide the following information regarding the Company's installed Fiber to the Home:

- a. State the total bandwidth available, the total upstream bandwidth available, and the total downstream bandwidth available.
- b. Please identify and explain all services that are currently being provided by the Company and its affiliates using FTTH.
- c. Please identify and explain all services that are planned by the Company and its affiliates in using FTTH.
- d. Provide all reference sources, materials and or documents the Company is relying upon to support its position that its FTTH investment should be allowed in its KUSF audit filing for purposes of determining cost of service.

Submitted By McCullar / Bowman

Submitted To Dion Nero

Response:

- a. Total available upstream 25Mb, total available downstream 25Mb.
- b. LaHarpe and its affiliates provide Voice, Long Distance, Video and Ethernet services via FTTH.
- c. All future plans for FTTH services encompass the services listed in (b).
- d. See attached sheet.

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

Verification of Response

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

Signed: _____

Vincent J. Williams

Date: _____

10/25/2012

LaHarpe Telephone Company

12-LHPT-875-AUD

Data Request 17(d): Provide all reference sources, materials and or documents the Company is relying upon to support its position that its FTTH investment should be allowed in its KUSF audit filing for purposes of determining cost of service.

Response:

LaHarpe Telephone Company is relying on numerous support including Kansas statutes; KUSF audits of other companies; relevant sections of the 1934 Communications Act, amended; the Federal Code of Regulations, Title 47, Parts 32, 36, and 64; as well as NECA Cost Issues and Guidelines. Please note that certain portions of state and federal statutes and regulations rely on other portions of the regulations. In these circumstances, we have provided the directly relevant sections as opposed to the entire federal regulation (for example, 47 CFR §36 – Jurisdictional Separations is all interrelated).

The following attached references support the inclusion of fiber-to-the-home in the Company's cost of service:

- 47 USC §153 – Definitions
- 47 USC §157 – New Technologies
- 47 CFR §32.1-32.4 – Preface
- 47 CFR §32.14 Regulated Accts
- 47 CFR §32.23 Nonregulated Activities
- 47 CFR §32.27 Transactions w Affiliates
- 47 CFR §32.2212 Digital Switching
- 47 CFR §32.2232 Circuit Equipment
- 47 CFR §32.2422 Underground Cable
- 47 CFR §32.2423 Buried Cable
- 47 CFR §32.2441 Conduit
- 47 CFR §32.9000 Glossary
- 47 CFR §36.2 Separations Fundamental Principles
- 47 CFR §36.121 COE General
- 47 CFR §36.125 Local Switching
- 47 CFR §36.126 Circuit Equipment
- 47 CFR §36.151 CWF General
- 47 CFR §36.153 CWF Assign to Cat
- 47 CFR §36.154 CWF Cat 1
- 47 CFR §64.9 Alloc of Non-reg Costs
- NECA Cost Issues Manual
- NECA DSL Apportionment Cost Guideline
- NECA DSL Separations Cost Guideline



- NECA INID Cost Guideline
- NECA Softswitch Cost Guideline
- NECA VOIP Cost Guideline
- NECA Wideband Categorization Cost Guideline
- NECA Wideband Internet Cost Guideline

A handwritten signature in black ink, located in the bottom right corner of the page. The signature is stylized and appears to be a combination of letters and a flourish.

**Kansas Corporation Commission
Information Request**

Request No: 18

Company Name LAHARPE TELEPHONE COMPANY, INC. LHPT
Docket Number 12-LHPT-875-AUD
Request Date October 19, 2012
Date Information Needed October 27, 2012

RE: FTTH Services Provided

Please Provide the Following:

As of December 31, 2011, what percent of the Company's FTTH end-users' subscribe to the following services or combination of services:

- a. just voice service;
- b. just internet access service;
- c. just access to digital television service;
- d. voice and internet access services;
- e. voice and digital television services;
- f. internet access and digital television services;
- g. all three services, voice, internet access, and digital television services.

Submitted By McCullar / Bowman

Submitted To Dion Nero

Response:

- a. just voice service; 24%
- b. just internet access service; 0%
- c. just access to digital television service; 0%
- d. voice and internet access services; 26%
- e. voice and digital television services; 22%
- f. internet access and digital television services; 0%
- g. all three services, voice, internet access, and digital television services; 28%

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

Verification of Response

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

Signed: _____

Vincent S. Palmer

Date: _____

10/25/2012

**Kansas Corporation Commission
Information Request**

Request No: 20

Company Name LAHARPE TELEPHONE COMPANY, INC. LHPT
Docket Number 12-LHPT-875-AUD
Request Date October 19, 2012
Date Information Needed October 27, 2012

RE: FTTH

Please Provide the Following:

- a. Which separations category(ies) are the ONT costs assigned? What total investment amount is included in each category and which portion of that amount is assigned to the intrastate jurisdiction?
- b. Which separations category(ies) are the fiber drop costs assigned? What total investment amount is included in each category and which portion of that amount is assigned to the intrastate jurisdiction?
- c. Which separations category(ies) are the fiber cable loop costs assigned? What total investment amount is included in each category and which portion of that amount is assigned to the intrastate jurisdiction?
- d. Provide any supporting work papers showing the calculation of the allocation of the FTTH investments to the separations categories and jurisdictions.

Submitted By McCullar / Bowman

Submitted To Dion Nero

Response:

- a) ONT costs are assigned to category 4.11 and 4.13 circuit equipment. Investment and allocations were provided in response to DR# 13.
- b) All fiber drop costs fall into C&WF category 1.0. However is fiber loop and drop costs are not separately identified from other category 1.0 costs. Approximately 75.3% of category 1 costs are assigned to the intrastate jurisdiction through the separations process.
- c) See b. above.
- d) The workpapers supporting the allocations to jurisdictions were provided in Section 15 of the Company's initial filing and in response to DR #13.

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

Verification of Response

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

Signed: *Vincent S. Spiermer*

Date: 10/25/2012

**Kansas Corporation Commission
Information Request**

Request No: 31

Company Name LAHARPE TELEPHONE COMPANY, INC. LHPT
Docket Number 12-LHPT-875-AUD
Request Date November 17, 2012
Date Information Needed November 26, 2012

RE: Section 9(i)

Please Provide the Following:

Line 43 of Section 9(i) shows the allocation of account 7500-Interest and Related Items 100% to intrastate. Please provide support for this amount to be directly assigned to intrastate.

Submitted By McCullar / Bowman

Submitted To Vince Wiemer

Response:

The allocation factor for account 7500-Interest and Related Items in the Initial Filing is an error. The correct Intrastate factor should be .714035.

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

Verification of Response

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

Signed: Vince Wiemer

Date: 11/20/2012

**Kansas Corporation Commission
Information Request**

Request No: 32

Company Name LAHARPE TELEPHONE COMPANY, INC. LHPT
Docket Number 12-LHPT-875-AUD
Request Date November 17, 2012
Date Information Needed November 26, 2012

RE: Response to Staff DR No. 13

Please Provide the Following:

- a. Line 93 of Schedule EX page 3 of the 2011 NECA cost study shows the Carrier Billed Revenue Allocator and points to Schedule C line 7 as the support for that allocator. Schedule C provided in response to Staff Data Request No. 13 shows a different allocator than the one used in the 2011 NECA cost study. Please reconcile the allocator shown in the supporting workpapers and the allocator used in the 2011 NECA cost study.
- b. The allocators shown on lines 85, 90 and 96 also reference Schedule C as the supporting workpaper, however the allocators in the 2011 NECA cost study are different than the allocator shown on the supporting workpaper. Please also reconcile these allocators shown in the support workpapers with the allocators used in the 2011 NECA cost study.

Submitted By McCullar / Bowman

Submitted To Vince Wiemer

Response:

The allocator submitted as Schedule C was incorrect (not the final version submitted with the Cost Study). The correct allocator which matches the NECA Cost Study is attached.

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

Verification of Response

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

Signed: Vince Wiemer

Date: 11/20/2012

LaHarpe Telephone Company, Inc.
Interstate Separations Study
For the Year Ended 12/31/2011
COMMERCIAL FACTORS

Septre 12
 ddn
 7/25/12 10:18 AM
 X:/Client Active/DDN

Schedule: C

| Line | Factor | Source | Total | INTERSTATE | | STATE INTERLATA | | STATE INTRALATA | | LOCAL | |
|------|---|-------------|----------|------------|--------------|-----------------|--------------|-----------------|--------------|----------|--------------|
| | | | | MTS | Private Line | MTS | Private Line | MTS | Private Line | MTS | Private Line |
| 1 | Marketing Factor | CM-1 (7) | 1.000000 | 0.318863 | | 0.081874 | | 0.427451 | | 0.171812 | |
| 2 | End User Service Order Processing Factor | CM-2 (5) | 1.000000 | | 0.106240 | | 0.178983 | | 0.178983 | | 0.535794 |
| 3 | End User Presub Service Order Processing Factor | Direct Asgn | 1.000000 | 1.000000 | | | | | | | |
| 4 | End User Payment & Collection Factor | CM-1 (12) | 1.000000 | 0.265047 | | 0.072681 | | 0.509752 | | 0.152520 | |
| 5 | End User Bill Inquiry Factor | CM-2 (7) | 1.000000 | 0.559813 | 0.000000 | 0.133971 | 0.000000 | 0.133971 | 0.000000 | 0.172245 | |
| 6 | IXC Service Order Processing Factor | CM-2 (16) | 1.000000 | 1.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 | | |
| 7 | Carrier Billed Revenue Factor | CM-1 (18) | 1.000000 | 0.293376 | 0.000000 | 0.109272 | 0.000000 | 0.597352 | 0.000000 | | |
| 8 | IXC Bill Inquiry Factor | CM-2 (18) | 1.000000 | 1.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 | | |
| 9 | Coin Collection and Administration Factor | CM-1 (22) | 1.000000 | 0.493438 | | 0.048969 | | 0.333523 | | 0.124070 | |
| 10 | Toll Ticket Processing Factor | CM-1 (26) | 1.000000 | 0.241267 | | 0.114986 | | 0.643747 | | | |
| 11 | Other Billing and Collection Factor | CM-2 (34) | 1.000000 | 0.333333 | | 0.166667 | | 0.166667 | | 0.333333 | |
| 12 | End User Billing and Collection Factor | Direct Asgn | 1.000000 | 1.000000 | | | | | | | |
| 13 | Carrier Access Billing Expense Factor | CM-1 (20) | 1.000000 | 0.500000 | | 0.077320 | | 0.422680 | | | |

CERTIFICATE OF SERVICE

12-LHPT-875-AUD

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Direct Testimony was served by electronic service on this 19th day of December, 2012, to the following parties who have waived receipt of follow-up hard copies.

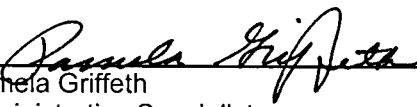
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Pamela Griffeth
Administrative Specialist