BEFORE THE
TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE

IN RE: PETITION OF UNITED TELEPHONE COMPANY TO CHANGE AND INCREASE CERTAIN INTRASTATE RATES AND CHARGES SO AS TO PERMIT IT TO EARN A FAIR AND ADEQUATE RATE OF RETURN ON ITS PROPERTY USED AND USEFUL IN FURNISHING TELEPHONE SERVICE TO ITS CUSTOMERS IN TENNESSEE AND TO ADOPT NEW AND REALISTIC DEPRECIATION RATES FOR CENTRAL OFFICE EQUIPMENT

DOCKET NO. 01-00451

DIRECT TESTIMONY
OF
JOE SHIRLEY

ON BEHALF OF THE TRA STAFF (AS A PARTY)

OCTOBER 3, 2001

Q. Please state your name?

A. Joe Shirley.

Q. By whom are you employed?

A. The Tennessee Regulatory Authority (the "TRA").

Q. How long have you been employed by the TRA?

A. Approximately three and one-half years.

Q. What is your position with the TRA?

A. I am a Telecommunications Consultant.

Q. Briefly describe your job responsibilities?

A. I am responsible for researching and analyzing the various issues presented in the telecommunications proceedings brought before the TRA.

Q. Do you have any other professional job experience?

A. Yes. In addition to my three and one-half years as a Telecommunications Consultant for the TRA, I have approximately two years of experience as a Financial Analyst with the Tennessee Public Service Commission where I assisted in the preparation of earnings reviews of public utilities, primarily rate-of-return regulated telephone companies.

I also have about four years of experience as a Legislative Auditor-In-Charge with the Tennessee Comptroller of the Treasury where I was responsible for planning, conducting, and supervising the financial and compliance audits of various state departments, agencies, and institutions, as well as researching and writing various audit programs, manuals, and accounting guides.

Finally, I was employed for approximately seven years as an Internal Auditor for the Tennessee Board of Regents and Volunteer State Community College where I worked with the Chancellor, President, and senior management personnel to strengthen and improve financial accountability and operating controls and procedures.

Q. What is your educational background and job qualifications?

A. I earned my Bachelor of Science degree in Accounting from Western Kentucky University in 1985 and my Masters in Business Administration from Middle Tennessee State University in 1993. Also, in 1987 I became a Certified Public Accountant and I currently hold an active license to practice public accounting in Tennessee.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to put forward the forecasted rate base, revenues, expenses, and fair rate of return for United Telephone Company ("United Telephone" or "Company") for the attrition year ending December 31, 2002. The attrition year forecast is adjusted to represent a normal year of operations for which rates can be set to generate a fair rate of return for the Company on its regulated rate base investment. Often, adjustments need to be made to revenues, expenses, and rate base so that a normal year's operations are reflected in the financial forecast. For example, a one-time expense might be recorded in the attrition year but may never be incurred again. This expense amount would be removed from the attrition period forecast so that ratepayers would not have to pay for this nonrecurring expense in future years. Another example would be adjustments for out-of-period revenue and expense amounts that are booked in the attrition period.

Attached are exhibits to my testimony which provide the financial schedules necessary to support my forecast. The summary of my forecast is presented in Exhibits A-01 through A-05, my rate base forecast is presented in Exhibits B-01 through B-08, my revenue forecast is presented in Exhibits C-01 through C-15, and my expense forecast is presented in Exhibits D-01 through D-26.

Additionally, I will recommend to the TRA a rate design proposal that should be adopted in order to address the overearnings situation identified in my financial forecast. My rate design calculations are presented in Exhibits E-01 through E-13.

SUMMARY:

Q. Please provide a brief description of the rate-of-return approach used to set rates for a regulated local exchange company such as United Telephone?

A. The goal of the regulatory model that I used to forecast United Telephone's earnings is to identify the amount of regulated revenues that are required to cover the Company's regulated operating expenses, including taxes, and to generate a fair rate of return. The Company's rate base represents the regulated investment on which it is allowed to earn a fair rate of return. The fair rate of return includes both the cost of debt for funds contributed by lenders and the cost of equity for funds contributed by the Company's shareholders. Because the model is concerned only with identifying the amount of regulated revenues needed to provide regulated telephone service, it becomes necessary to divide common expenses between the regulated and nonregulated activities of the Company. Thus, another important objective is to prevent ratepayers, such as residential and business local service customers, from paying for the nonregulated activities of the Company through regulated rates.

Q. Please summarize the results of your forecast of the Company's earnings for the attrition period?

A. The results of my forecast are summarized on Exhibits A-01 through A-05. As shown at the bottom of the TRA Staff column on Exhibit A-01, I project that the Company will have excess earnings of over $940,000 in the 2002 attrition year. The excess revenues were determined by calculating the difference between the net operating income that is required to permit the Company to earn a fair rate of return on its rate base investment (referred to as <u>required</u> net operating income) and the projected net operating income at present rates (referred to as <u>projected</u> net operating income.) The required net operating income was computed by multiplying the Company's projected rate base, as summarized on Exhibit A-02, by the Company's fair rate of return that is calculated on Exhibit A-03. The projected net operating income was computed by deducting projected regulated operating expenses and taxes from projected regulated revenues. A summary of these calculations is presented in the forecasted income statement on Exhibit A-04. After determining the required net operating income and projected net operating income, the difference between these two amounts was divided by the revenue retention factor, as computed on Exhibit A-05, to convert the excess net operating income to the excess revenue figure computed on Exhibit A-01.

Q. How does the results of your forecast compare with the Company's forecast for the 2002 attrition year?

A. While I have projected excess revenues (as shown on Exhibit A-01), the Company projects that it will not earn enough revenues at present rates to achieve a fair rate of return. The Company's forecast produces a revenue deficiency of approximately $1.4 million.

Q. Please explain why your forecasted results differ from the Company's?

A. The primary reasons that my forecasted earnings are higher than the Company's forecast for the 2002 attrition year are:

1. I have projected approximately $997,000 more in local service revenues;
2. I have projected approximately $397,000 more in interstate access revenues;
3. I did not project any long distance revenues, whereas the Company projected negative long distance revenues of approximately $112,000;
4. I have projected approximately $532,000 less in regulated operations and maintenance expenses;
5. I have projected approximately $791,000 less in depreciation expense; and
6. I did not include approximately $3 million in unamortized extraordinary retirement in my rate base that the Company included in its rate base.

On the other hand, some of the differences between my forecast and the Company's forecast are favorable to the Company in that they cause my forecasted earnings to be lower than the Company's. These include my net exclusion of approximately $87,000 ($147,000 in revenues less $60,000 in associated expenses) in interstate billing and collection revenues from my forecast, and my adjustment of the Company's fair rate of return from 6.74% to 7.86%. This higher rate of return increases the Company's required net operating income by approximately $465,000 and consequently, increases required revenues necessary to earn a fair rate of return by $756,000.

All of these differences between my forecast and the Company's forecast will be explained in greater detail later in my testimony.

RATE BASE:

Q. Please describe your computation of the rate base forecast?

A. Rate base represents the Company's net investment that is utilized to provide regulated telephone service on which the Company is entitled to earn a fair rate of return. Exhibit B-01 presents a summary of the various components of rate base.

With respect to additions to rate base, telephone plant in service composes the vast majority of all additions. As shown on Exhibits B-03.1 through B-03.4, telephone plant in service was computed by taking the plant account balances reported in the 2000 Annual Report, and adjusting these balances by the forecasted plant additions and plant retirements over the attrition period that were provided by the Company. The average plant in service for the attrition period, as computed on Exhibit B-02, was included as an addition to rate base. Another large addition to rate base is construction work in progress. For this addition, I accepted the Company's forecast for average construction work in progress. Another addition is materials and supplies, which I computed on Exhibit B-04 as the average of the balances reported in the last three Annual Reports. Finally, I computed the working capital addition to rate base by multiplying the forecasted operations and maintenance expenses by one-twelfth, which represents a one-month cash requirement. Working capital represents the amount of funds required to meet the Company's current obligations and to maintain minimum bank balances. Working capital is added to rate base because the Company's investors are entitled to earn a fair rate of return on this investment, just as they are entitled to earn a fair return on the amounts invested for plant in service, construction of plant, and materials and supply inventories.

As for deductions to rate base, accumulated depreciation is subtracted so that only the net plant in service is included in the rate base investment. As shown on Exhibits B-06.1 through B-06.4, accumulated depreciation was computed by taking the accumulated depreciation account balances reported in the 2000 Annual Report and adjusting these balances by the forecasted depreciation expense computed on Exhibits D-18 and D-19 and the forecasted plant retirements over the attrition period that were provided by the Company. The average accumulated depreciation over the attrition period, as computed on Exhibit B-05, was deducted in order to include net plant in service in the rate base. Another significant reduction in rate base for this Company is accumulated deferred federal income tax, which is generated by timing differences related to the deduction of certain expenses for tax purposes as contrasted with accounting purposes. For United

Telephone, an accumulated deferred federal income tax deduction to rate base is taken because, through the attrition period, United Telephone will recognize a tax benefit created primarily by the acceleration of depreciation expenses on telephone plant in service for tax purposes. This calculation is shown on Exhibit B-07. Similarly, unamortized investment tax credits should be deducted from rate base. I accepted the Company's forecast for average unamortized investment tax credits because the amount is small due to the demise of investment tax credits in the Tax Reform Act of 1986. Finally, the amount held by the Company in customer deposits is a deduction from rate base, which I computed on Exhibit B-08 as the average of the balances reported in the last three Annual Reports. Customer deposits are not generated from Company rates or services rendered and, thus, are not included in forecasted revenues. The process of collecting customer deposits and returning them to ratepayers at a later date, however, provides a positive cash flow for the Company to use in its normal business operations. It is therefore proper to deduct customer deposits from rate base so that ratepayers are not providing a return on funds that they themselves have supplied to the Company for use in its regulated operations.

When all the additions and deductions to rate base that I described are summed and netted, they produce a rate base of $41,505,795 for the 2002 attrition year.

Q. Please explain any differences between your rate base calculations for the 2002 attrition year and the Company's?

A. First, United Telephone included $3,050,224 in unamortized extraordinary retirement in its rate base that I did not include in mine. This amount represents the retirement of certain digital electronic switching equipment many years before the end of its depreciable life. As part of its rate case petition, the Company is requesting to shorten the depreciable life of such equipment from 25 years to 12½ years. The Company is also requesting to amortize the extraordinary retirement over a ten-year period. Nevertheless, whether the depreciable life of digital electronic switching equipment should be shortened and whether the Company should be able to recover the expense of the early retirement over a ten-year amortization period are separate issues from the issue of whether this equipment should be included in the Company's rate base. If the extraordinary retirement is included in rate base, the Company, and therefore its shareholders, will be allowed to earn a fair rate of return on this amount. I do not believe that this is the appropriate outcome because it does not provide the Company with an incentive to make prudent investments. For this reason, rate base should include only plant that is currently being used to provide telephone service. Because the plant that the Company retired early is no longer used or useful in providing telephone service, I excluded the extraordinary retirement from my rate base calculation.

Second, the accumulated depreciation and accumulated deferred federal income tax amounts are different because the depreciation rates I used differ from the rates that United Telephone used. In developing its forecast, United Telephone used the higher depreciation rates that it is requesting in its petition to compute depreciation expense, accumulated depreciation, and accumulated deferred federal income tax. Conversely, in order to obtain the financial status of United Telephone assuming that none of the relief requested in its petition is granted, I used the lower, currently-approved TRA depreciation rates to compute depreciation expense. As a result, my average accumulated depreciation is lower because I added less depreciation expense to compute accumulated depreciation. Additionally, my average accumulated deferred federal income tax is higher because the larger timing differences between the tax depreciation expense and my lower accounting depreciation expense generated larger accumulated deferred federal income tax amounts.

Finally, there are small differences in my computations and the Company's in the areas of average telephone plant in service, materials and supplies, working capital, and customer deposits. However, when all of these small differences are netted together, they result in my rate base being about $20,000 greater than the Company's rate base for the 2002 attrition year.

REVENUES:

Q. How did you arrive at total revenues for the 2002 attrition year?

A. First, I made separate projections for each major revenue category, which are local service, network access, long distance, miscellaneous, and uncollectible revenues. I then aggregated the amounts projected for each of these categories to arrive at total revenues.

Q. Please explain the forecasting conventions that you used to compute local service revenues?

A. Local service revenue is a function of the number of access lines and the amount of local service revenues collected from end-user customers for each line. Accordingly, as shown on Exhibit C-03, by computing the percentage change in average access lines for the twelve months ended April 30, 2001, over the average access lines for the twelve months ended April 30, 2000; I calculated an access line growth rate of 6.73%. Next, as shown on Exhibit C-04, I calculated a local revenue per average line growth rate of 4.79% by computing the percentage change in local revenues per average line for the year ended 2000 over the local revenues per average line for the year ended 1999.

I then forecasted the average access lines for the 2002 attrition year by growing the actual average lines for 2000 by the calculated access line growth rate, and I forecasted the local revenues per average line for the 2002 attrition year by growing the actual local revenues per average line for 2000 by the calculated local revenues per average line growth rate. Finally, I multiplied the number of forecasted average access lines by the forecasted amount of local revenues per average line to arrive at local service revenues of $3,923,574 for the attrition year. These calculations are shown on Exhibit C-02.

Q. Does your forecast of local service revenues differ substantially from United Telephone's forecast?

A. Yes. United Telephone forecasted local service revenues of $2,926,755 for the attrition year ending December 31, 2002. That amount is $996,819 less than my forecasted amount.

Q. What is your opinion of United Telephone's forecast of local service revenues for the 2002 attrition year?

A. It is unreasonable. United Telephone's local service revenue forecast does not meet a basic test of reasonableness. For 2002, the Company projects that it will collect $2,926,755 in local revenues from an average access line count of 15,189. Considering that the 13-month average of access lines for 2000 was 14,041 lines, United Telephone used an annual growth factor of 4.01% for average access lines.

First, I believe that this access line growth rate is understated. As Exhibit C-03 shows, the latest available data indicates that access lines are growing at 6.73% per year. Additionally, as of April 2001, United Telephone had already achieved an access line count of 14,634. Thus, United Telephone anticipates adding only an average of approximately 40 new lines per month for the period of time beginning May 2001 and ending December 2002. However, since January 1998, United Telephone has added an average of about 85 new lines per month through April 2001, more than twice the Company's projection. Moreover, United Telephone has applied for a new $26 million RUS loan because, according to the Direct Testimony of Mr. Bivens, "United is positioned in a high growth area of Middle Tennessee and must be able to meet the needs and demands of its customers." See Mr. Bivens' Direct Testimony at page 2, question 10. For these reasons, I believe that United Telephone's projection of access lines for the 2002 attrition year is understated.

Secondly, United Telephone is projecting only $192.69 in local service revenue per average line, which is computed by dividing the Company's projected local revenues of $2,926,755 by its projected access line count of 15,189. Because the average local service revenue per average access line for 2000 was $223.39, United Telephone's projection results in an annual growth factor of negative 7.13%. There is no evidence whatsoever to suggest that local revenue per line is declining. In fact, just the opposite is true. For 1998, local service revenue per average access line was $206.39; for 1999, local revenue per average line was $213.18; and, as mentioned previously, for 2000 this figure was $223.39. As Exhibit C-04 shows, the latest available data indicates that local service revenue per average access line is growing at a positive 4.79%.

Because United Telephone has understated both its average access line count and the amount of local revenue collected per line, its local service revenue forecast is substantially understated. One only has to review United Telephone's Annual Report for 2000 to realize the significance of this understatement. This report, generated solely by the Company, shows local service revenues of $3,136,563 for 2000; however, United Telephone's forecasting techniques produced a local service revenue projection of only $2,926,755 for 2002. Thus, United Telephone apparently believes that local service revenues will actually decline by $209,808 per year from present levels.

I do not see how the Company's forecast could be viewed as reasonable in light of the fact that both access lines and local revenue per line – the two primary drivers of local service revenues – have experienced consistent, positive growth over recent years and, further, that much of United Telephone's service territory is located in high growth areas of the state.

Q. Please explain how the total network access revenues were projected?

A. As shown on Exhibit C-05, my projection for total network access revenues for the 2002 attrition year is $6,992,759. This figure is an aggregate of the following five separate forecasts: (1) interstate access; (2) intrastate-interLATA access; (3) intrastate-intraLATA access; (4) intrastate special access; and (5) payphone access.

Q. Please describe how you computed the interstate access forecast?

A. For interstate access, I relied heavily upon the monthly NECA AS3000 settlement statements and United Telephone's prior financial statements for information. The settlement statements are particularly relevant because these are the source documentation of interstate access revenues. As shown on Exhibit C-06, the interstate settlement process is divided into three parts – traffic sensitive, carrier common line, and end user charges. Because each of these calculations are made separately during the settlement process, I computed a forecast for each of these components and added them together to arrive at total interstate access revenues. I will address each of these three components of interstate access separately.

First, the traffic sensitive settlement is driven by the number of minutes that the Company's network is used to originate and terminate interstate toll calls as well as interstate access rates and return factors instituted by NECA. My traffic sensitive access forecast is presented on Exhibit C-07. Over the past couple of years, interstate minutes of use have been increasing significantly; however, the settlement per minute of use has been declining. Nevertheless, traffic sensitive access revenues have increased overall. When one considers the strong access line growth that United Telephone has experienced over the past few years, the strong growth in interstate access minutes of use makes sense. As new local service customers are added, these same customers are likely to both make and receive interstate toll calls, thereby causing an increase in originating and terminating minutes of use and, consequently, interstate access revenues. Taking into account that the traffic sensitive settlement per minute of use has been declining, and in an effort to build a conservative forecast, I grew the interstate minutes of use by only one-half of the access line growth rate. Consequently, I left the settlement per minute of use flat. As shown on Exhibit C-07, this technique produces traffic sensitive revenues of $2,136,648 for 2001 and $2,210,614 for 2002. These amounts appear reasonable in light of the fact that the NECA AS3000 settlement statements through July 2001 show annualized traffic sensitive access revenues of $2,120,652 for 2001, which is within less than 1% of my forecast for 2001. Additionally, traffic sensitive revenues for the second half of 2001 are likely to be higher than for the first half because minutes of use typically increase during the Thanksgiving and Christmas holiday season and because NECA instituted a 1.9% increase in interstate switched access charges effective July 2001 that is not included in my forecast.

Second, the carrier common line (or "CCL") forecast depends on the number of access lines and the CCL rates and return factors instituted by NECA. My CCL access forecast is presented on Exhibit C-08. The CCL access revenues have been increasing over the past couple of years, primarily being driven by the increase in access lines as the CCL compensation per line has remained fairly constant. However, in July 2001, NECA instituted a 10.3% increase in the CCL rate. Based on this action by NECA, my forecast, as shown on Exhibit C-08, includes a 10.3% increase in the CCL per average line. When the CCL per average line is multiplied by the projected access lines, it produces CCL revenues of $805,498 for 2001 and $901,638 for 2002. In comparison, the annualized CCL revenues for 2001 is $801,535. This amount is based on the NECA AS3000 settlement statements for January 2001 through July 2001 and assumes the 10.3% increase in CCL rates for the last half of 2001. The annualized 2001 CCL revenues per the NECA AS3000s are within one-half of 1% of my forecast for 2001 CCL revenues.

Third, the end user settlements are dependent upon the number of access lines and the end user subscriber line charges assessed for each line. My end user access forecast is presented on Exhibit C-09. While the data indicates that end user charges per line have been increasing somewhat over the past couple of years, I have left the end user per line flat at the 2000 level and multiplied that amount by the projected access lines to compute the end user forecast. For 2001, I computed end user access of $676,468; and for 2002, I computed $722,014. The annualized 2001 end user revenues based on the NECA AS3000 reports through July 2001 are $658,371, which is within about 2.5% of my end user forecast.

Q. How does your interstate access revenue forecast compare with the Company's forecast?

A. United Telephone's projections for interstate access revenues are substantially lower than my forecast. For 2001, United Telephone projects $3,335,877 in interstate access revenues whereas I project $3,620,614, a difference of $284,737. For 2002, United Telephone projects $3,437,157 in interstate access revenues whereas I project $3,834,266, a difference of $397,109.

I believe that the forecasting techniques that I utilized for projecting interstate access revenues, as I described previously, have produced a better result. This is supported by examining the NECA AS3000 settlement statements themselves.

According to the settlement statements, interstate access revenues for 1998 were $3,055,549; for 1999 interstate access revenues were $3,122,985; for 2000 interstate access revenues were $3,420,441; and annualized 2001 revenues are $3,580,558.

My 2001 and 2002 projections of $3,620,614 and $3,834,266, respectively, are in line with this growth trend for interstate access revenues. On the other hand, United Telephone's interstate access revenue forecast does not fall within the growth trend that is evident from analysis of the NECA AS3000 statements. For the 2002 attrition year, United Telephone projects $3,437,157 in interstate access revenues. The Company's projection for 2002 is about the same as the settlements for the year ended 2000, and is over 4% less than the annualized settlements for 2001. In light of United Telephone's positive growth in access lines and positive growth in interstate minutes of use as well as NECA's July 2001 increase in CCL rates, all of which are key determinants of interstate access revenues, I do not believe that the Company's forecast of interstate access revenues is reasonable.

Q. Please describe how you forecasted your intrastate switched access revenues?

A. The intrastate switched access revenues are broken into intraLATA revenues, which are primarily handled through the intraLATA toll settlement process administered by BellSouth, and interLATA which are handled through carrier access billings. The interLATA switched access forecast is presented in Exhibit C-10. Although the data shows that there has been significant growth in interLATA revenues over recent years, I grew these revenues at one-half of the projected access line growth rate.

For intraLATA switched access, I primarily examined the monthly BellSouth settlement statements. My analysis of the BellSouth settlement statements is presented on Exhibit C-11. Additionally, there is a small amount of intraLATA switched access charges that are collected through carrier access billing. This activity is summarized on Exhibit C-12. Over the last three years, intraLATA toll minutes have remained fairly flat, although associated revenues have increased slightly due in part to the addition of compensation for the termination of wireless traffic beginning in 1998. Also, there is some amount of uncertainty caused by BellSouth's desire to eventually terminate its administration of the intraLATA toll settlements. Because of these factors, I did not grow intraLATA switched access revenues, instead including these revenues in my forecast at the year 2000 levels. Examination of the BellSouth settlement statements for January 2001 through July 2001 shows that, while my approach may be conservative, it produces a result that is within a range of reasonableness. These statements indicate that the annualized 2001 intraLATA switched access revenue from the BellSouth settlement process is $1,841,836, whereas the adjusted 2000-level revenue included in my forecast is $1,815,996.

Q. Does your intrastate switched access revenue forecast differ from the Company's forecast?

A. No, not significantly. I have projected a total of $2,927,244 in intrastate switched access revenues for the 2002 attrition year. United Telephone projected a total $2,921,000, a difference of only $6,244 or 0.2%.

Q. How did you compute the intrastate special access revenue forecast?

A. Because I did not have sufficient data to do my own forecast, and because intrastate special access revenues accounts for only about 3% of total access revenues, I accepted the Company's forecast for intrastate special access revenues without any adjustments.

Q. How did you compute the payphone access revenue forecast?

A. As with intrastate special access revenues, I accepted the Company's forecast for payphone access revenues because I did not have sufficient data to compute my own forecast and because payphone access represents an insignificant amount of total access revenues.

Q. Please explain how you arrived at the long distance revenue forecast?

A. For the years 1998, 1999, and 2000, United Telephone has reported a small amount of long distance revenues in its Annual Reports - $27,182 in 1998, $24,753 in 1999, and $25,323 in 2000. Interestingly, United Telephone is projecting a <u>negative</u> $112,110 in long distance revenues for each of the years ending 2001 and 2002. Because long distance revenues have not materially contributed to United Telephone's total operating revenues in recent years, and because I cannot agree with the Company's negative revenue projection, I decided to forecast long distance revenues at $0 for the 2002 attrition year.

Q. Why do you not agree with United Telephone's negative long distance revenue forecast?

A. I do not concur with the Company's forecast because it is a negative amount. Barring absurd assumptions, such as paying customers to take your goods or services, negative revenues is a conceptual impossibility. If a business fails to make a single sale of goods or services, revenues will be zero; however, revenues should never fall below this amount. In his Supplemental Testimony, Mr. Enoch states on page 2 at question 6 that the negative long distance revenues is derived from annualization of the May 31, 2001, balances in the long distance revenue accounts. I cannot agree with this forecasting technique given the results that it has produced. While I recognize that the Company's books of account are valuable sources of information that should be used in developing the financial forecast, the forecasting of the Company's earnings is not simply a bookkeeping exercise. The forecasting techniques that are used should have some rational relationship to the underlying activities that are being projected and, of course, the results that the techniques produce should pass a basic test of reasonableness.

Q. Please explain how you computed miscellaneous revenues?

A. As shown on Exhibit C-13, miscellaneous revenues is an aggregate of three numbers, billing and collection, directory revenues, and NECA interstate and intrastate uncollectible compensation from AT&T. I accepted the Company's forecast for directory revenues and uncollectibles compensation. As set out on Exhibit C-14, I conducted an analysis of intrastate billing and collection data to compute the billing and collection revenues included in my forecast. Essentially, I divided intrastate billing and collection activity into four segments, (1) BellSouth billing and collection, (2) UTC Long Distance billing and collection, (3) AT&T billing and collection, and (4) all other billing and collection. I have projected an overall decline in billing and collection revenues, which is caused in part by BellSouth's reduction of billing rates during 2001 and a reduction in the number of BellSouth's billed messages. However, as the number of BellSouth billed messages have declined, the billing and collection activities of other carriers have increased and should continue to increase over the attrition period.

Q. How does your forecast of miscellaneous revenues differ from United Telephone's?

A. There are two primary differences. First, my forecast for intrastate billing and collection is about $24,000 (or 5%) higher than United Telephone's forecast for the 2002 attrition year. Second, I did not include any interstate billing and collection revenues in my forecast because this activity has been de-tariffed by the FCC. As a result, my miscellaneous revenue forecast is about $123,000 (or 20%) less than the Company's forecast.

Additionally, because I did not include any interstate billing and collection revenues, I deducted 6% of customer operations expenses (about $60,000) in order to recognize the costs associated with interstate billing and collection activities. This calculation is made on Line 11 of Exhibit D-15. The net effect of these adjustments is favorable to the Company.

Q. How did you compute uncollectible revenues?

A. As Exhibit C-15 indicates, the uncollectible revenue factor for gross revenues was 0.926% for 2000. I used this factor to forecast uncollectible revenues. The Company used an uncollectible revenue factor of 1.393%.

EXPENSES:

Q. Please describe the approach that you used to compute operating expenses?

A. There are three broad categories of operating expenses – operations and maintenance expense, depreciation expense, and taxes. The operations and maintenance expense calculations are presented on Exhibits D-01 through D-17. Depreciation expenses are shown on Exhibits D-18 and D-19, and operating and income taxes are shown on Exhibits D-20 through D-26.

Q. Please explain your operations and maintenance expense forecast?

A. The expense matrices presented on Exhibit D-01 for 2002 and Exhibit D-02 for 2001 summarizes the operations and maintenance expense forecast. As illustrated on the matrices, operations and maintenance expenses are separated into four categories – plant specific, plant nonspecific, customer operations and corporate operations. Additionally, these categories are made up of four classes of operating expenses – salaries and wages, benefits, rents, and other operating expenses. I first calculated an expense forecast for each class of operating expenses, and I then spread these expense forecasts to the four categories of operations and maintenance expense by the expense ratios computed from the 2000 annual report (the operations and maintenance expense ratios are presented on Exhibit D-03).

First, salaries and wages are computed on Exhibit D-05. On Exhibit D-05, I simply priced out the amount of salaries and wages for each Company employee based on the Company's projected pay rates for 2001 and 2002 to arrive at regular salaries and wages. Additionally, as shown on Exhibit D-06, I determined the amount of overtime pay for 2000 and grew that amount by the Company's projected pay increases to compute an overtime pay forecast. I added the regular pay and overtime pay together to determine the amount of total salaries and wages. From total salaries and wages, I deducted projected amounts for salaries and wages that are capitalized and salaries and wages that are directly assigned to nonregulated activities. I calculated the capitalized and direct nonregulated salaries and wages by using the capitalization and direct nonregulated ratios that the Company utilized in 2000. The computation of these ratios is presented on Exhibit D-07. As shown at the bottom of Exhibit D-05, subtracting capitalized and nonregulated salaries and wages from total salaries and wages leaves the amount of regulated salaries and wages that is carried to the expense matrices on Exhibits D-01 and D-02.

Second, I computed an employee benefits forecast. A summary of the benefits forecast is presented on Exhibit D-08. Payroll taxes are a significant portion of employee benefits and are computed by simply applying the statutory tax rates to the tax bases, which are determined from the number of employees and total salaries and wages. The calculations for Social Security and Medicare taxes are presented on Exhibit D-09, and federal and state unemployment taxes are computed on Exhibit D-10. Next, life and health insurance, which is the largest single component of employee benefits, is priced out on Exhibit D-11 by using the insurance rates and number of insurance subscribers provided by the Company. Additionally, the amounts for Workers Compensation and pension contributions are included in the benefits forecast at the amounts provided by the Company without any adjustment. Although the Company did not provide any information concerning 401 K contributions, employee local service, coffee, uniforms, and unused accrued sick leave, I quantified these amounts on Exhibit D-12 from the Company's ledger entries for inclusion in my benefits forecast. Not having information concerning the 401 K match and participation rates, I included this amount in my benefits forecast at the 2000 level. I also included the employee local service in the forecast at the 2000 level because I assumed that local rates would not be increased during the attrition period. I included coffee and uniforms in the benefits forecast by growing the 2000 amount by the inflation factor computed on Exhibit D-17 because these items are purchases that are akin to general operating expenses. Finally, I included unused accrued sick leave in the benefits forecast by growing the 2000 amount by the salary and wage growth rate provided by the Company because sick leave is accrued at the employees' pay rates. Each of these components of benefits are aggregated on Exhibit D-08 to arrive at total benefits. Finally, as shown at the bottom of Exhibit D-08, I subtracted capitalized and direct nonregulated benefits from total benefits to arrive at the amount of regulated benefits that are included in the expense matrices on Exhibits D-01 and D-02.

Third, I included rents in the operations and maintenance expense forecast at the amounts projected by the Company in its Financial Statements and Auditors Report for the year ended December 31, 2000. Rents are summarized on Exhibit D-14 and are included on the expense matrices on Exhibits D-01 and D-02.

Fourth, other operations and maintenance expenses are forecasted on Exhibits D-15 through D-17. Other operations and maintenance expenses are simply those operating expenses that are not salaries and wages, benefits, or rents. As shown on Exhibit D-15, I determined the amount of unadjusted other operating expenses for 2000 by subtracting actual 2000 salaries and wages, benefits, and rents from the total operations and maintenance expenses for 2000. I then adjusted the other operating expenses for 2000 to remove nonrecurring items, such as out-of-period or one-time expenses. This adjustment is necessary in order to normalize the other operating expense base that will be used to forecast this expense category into the attrition period. The nonrecurring expense adjustments are quantified on Exhibit D-16. Also, as I mentioned during my testimony on miscellaneous revenues, I deducted 6% of the 2000 customer operations expenses from other operating expenses in order to account for costs that are associated with interstate billing and collection activities whose revenues were excluded from the forecast. After computing an adjusted other operating expense amount to be used for forecasting purposes, I then calculated an inflation factor. This calculation is shown on Exhibit D-17. Essentially, the inflation factor consists of two elements. The first is the percentage change in the index for the GDP price deflator using the most recent information released by the Bureau of Economic Analysis. This component of the inflation factor accounts for rising prices attributable to general inflationary trends. The second component of the inflation factor is one-half of the access line growth rate. This second component is designed to account for an overall shift upward in operating expenses due to the growth of the Company's regulated telephone operations. When added together, these components produce an inflation factor of 5.64%. As presented on Exhibit D-15, I used this inflation factor to grow other operating expenses over the attrition period. I then transferred the other operating expense forecast to the expense matrices on Exhibits D-01 and D-02.

After computing an expense forecast for each class of operating expenses and spreading these expenses to the four categories of operations and maintenance expense, the final step in arriving at regulated operations and maintenance expense for the attrition period is the indirect allocation of costs to nonregulated activities. The Company allocates indirect costs to nonregulated activities based on the percentage of nonregulated revenues to total revenues. This ratio is then applied to plant nonspecific, customer operations, and corporate operations expenses to determine the amount allocated to nonregulated activities. This method of assigning costs to nonregulated activities is perhaps not the best method available. However, United Telephone is a small independent LEC and, thus, it may not be prudent for the Company to conduct expensive cost studies to arrive at specific nonregulated separations factors. Accordingly, I have adopted the Company's method for assigning costs to nonregulated activities.

There is, however, one significant difference between the Company's allocation to nonregulated activities and my allocation. As illustrated on Exhibit D-04, I have included all nonregulated activities, including UTC Long Distance, in the calculation of the nonregulated indirect expense ratio. On the other hand, United Telephone excludes UTC Long Distance from its allocation of nonregulated costs and, instead, relies in part on an administrative and management contract between the Company and UTC Long

Distance as reimbursement for the general expenses that the regulated operation incurs on behalf of the long distance affiliate. Notwithstanding the fact that UTC Long Distance has been formally organized into a separate entity, I do not believe that it should be treated any differently than any other nonregulated activity for purposes of allocating general administrative and management expenses between regulated and nonregulated operations. With respect to administrative and management functions, UTC Long Distance operates practically in the same way as the Company's other nonregulated activities (such as Internet or Inside Wire). For instance, the long distance company occupies virtually the same office space, utilizes virtually the same furniture and equipment, relies on virtually the same administrative and management personnel, and consumes virtually the same types of administrative resources that the Company's other nonregulated operations do. Accordingly, as demonstrated on Exhibit D-04, I have included the revenues of UTC Long Distance along with the other nonregulated revenues in the numerator of the nonregulated indirect expense ratio. Consequently, as shown on Exhibit D-16, I have made a nonrecurring adjustment to total operations and maintenance expense for the amount of administrative and management fees received by United Telephone from UTC Long Distance. The actual computations of the indirect nonregulated expense allocations are performed on the expense matrices on Exhibits D-01 and D-02.

Q. How does your operations and maintenance expense forecast differ from the Company's forecast for the 2002 attrition year?

A. For the 2002 attrition year, the Company is projecting total operations and maintenance expenses of $4,243,580 as compared with my projection of $3,711,414 as shown on Exhibit D-01. The Company's projection is over $500,000 and 14% higher than my forecast. This difference is caused primarily by two factors. First, as previously mentioned, the method I used to allocate indirect nonregulated expenses resulted in more administrative and management expenses being allocated to nonregulated activities than the Company's allocation to nonregulated activities. Second, there is a significant difference in the forecasting techniques for projecting operations and maintenance expenses that caused the Company's projected expenses to be higher. The Company developed its forecast by growing the 2000 expenses by management growth factors, which resulted in an across-the-board annual growth rate of 7.96%. Alternatively, I employed a zero-based budgeting convention to compute salaries and wages, benefits, and rents based on the Company's requirements over the attrition period and assumptions concerning, for instance, estimated pay increases and insurance rates, actuarial studies, and rental agreements. Moreover, I used a 5.64% inflation factor to grow other expenses, which is based on the GDP price deflator index and projected growth in regulated telephone operations. In summary, I believe that the forecasting techniques and growth rates that I utilized in developing my operations and maintenance expense forecast produces a more reasonable result than the Company's approach.

Q. Please explain how you computed depreciation expense?

A. After projecting the telephone plant in service for the attrition period, which is shown on Exhibits B-03.1 through B-03.4, I applied the currently-approved TRA depreciation rates to the projected plant balances to compute depreciation expense. The depreciation calculations are presented on Exhibits D-18 and D-19.

Q. How does your depreciation expense calculations differ from the Company's calculations?

A. For the 2002 attrition period, my depreciation calculations produced an expense of $2,064,228, as shown on Exhibit D-19. For the same year, the Company has projected depreciation of $2,855,886. While there is an insignificant difference in our respective projections of telephone plant in service, the primary reason for the difference in our depreciation calculations is that I used the currently-approved TRA depreciation rates whereas the Company used the depreciation rates that it is requesting the TRA to approve as part of its rate case petition. One must use the currently-approved TRA depreciation rates in order to determine the financial status of the Company under present rates. Whether depreciation rates should be adjusted is a rate design issue that is addressed later in my testimony.

Q. Please describe the various operating and income taxes and the techniques that you used in their forecast?

A. There are five taxes that must be computed as part of the Company's financial forecast. These are property tax, franchise tax, TRA inspection fee, state excise tax, and federal income tax. The computation of each tax involves, first, determining the tax base and, second, applying the tax rate to the calculated tax base. Exhibit D-20 presents a summary of all taxes except for federal income tax, which is on Exhibit D-26.

The property tax calculation is shown on Exhibits D-21 and D-22. Cities and counties levy taxes on the assessed value of any of the Company's utility property that is located in their jurisdiction. These taxing jurisdictions, along with the computation of the Company's composite property tax rate, are presented on Exhibit D-22. The assessed value of the Company's utility property is computed on Exhibit D-21. I began with the unequalized value for 2001, which was obtained from the Office of State Assessed Properties, Comptroller of the Treasury, and multiplied that amount by the actual assessment rate for 2000. After computing the assessed value as the Company's property tax base, I multiplied that amount by the Company's composite property tax rate to arrive at projected property taxes for 2001. The 2001 projection was increased by the amount of growth in projected net plant (or 11.104%) to arrive at the property tax projection for 2002. These computations are shown on Exhibit D-21. Due to the State Board of Equalization's implementation of a new law that the General Assembly passed last Spring, I anticipate that the Company's property tax liability will decrease during the attrition period. Essentially, this new legislation effectively reduces the assessments for utility property by 15%.

For United Telephone, the franchise tax is levied against the net value of the Company's real and tangible personal property. The computation of this tax base as well as the application of the tax rate is presented on Exhibit D-23.

The TRA inspection fee is assessed against net intrastate revenues. As shown on Exhibit D-24, projected net intrastate revenues for the attrition period were multiplied by the fee rates to compute the inspection fee forecast.

The state's excise tax is essentially a 6% tax on the Company's taxable income. Exhibit D-25 presents the calculation of the taxable income and the calculation of the excise tax itself. For excise tax purposes, taxable income is computed by deducting projected operating expenses (including depreciation), other operating taxes, and interest from the Company's projected net operating revenues. This amount is then multiplied by the 6% excise tax rate to arrive at the amount of projected excise tax.

Finally, the Company's federal income tax liability is computed by applying the effective 34% corporate income tax rate to taxable income. The federal income tax calculations are presented on Exhibit D-26.

Q. How do your projected taxes differ from United Telephone's projections?

A. First, I have projected less property tax than the Company for the 2002 attrition year. As I have previously discussed, I believe that property taxes will decline slightly over the attrition period due to recent changes in the law concerning the assessment of utility property. This decline is also supported by the Comptroller's Office reduced valuation of United Telephone's utility property for 2001. Second, I have projected less franchise tax than the Company. Apparently, the Company did not deduct accumulated depreciation in arriving at the net book value of its property that is subject to tax. However, because the franchise tax is applied against the net book value of the property owned, which is cost less accumulated depreciation, I deducted accumulated depreciation in computing my projected franchise tax base. Finally, as illustrated on Exhibit A-04, because I have forecasted more operating revenues and net operating income than the

Company, I have projected higher amounts for the TRA inspection fee, state excise tax, and federal income tax, all of which are functions of these projected amounts.

FAIR RATE OF RETURN:

Q. Please explain how you computed the fair rate of return for United Telephone?

A. Basically, I accepted the Company's weighted cost of capital with one adjustment. I allowed the Company to earn the customary 11.25% return on its interstate investment. Because United Telephone is an average cost company and, therefore, rates are set based on combined revenues and expenses, I used the customary 75% intrastate - 25% interstate jurisdictional split employed by the FCC in order to determine the interstate portion of the Company's fair rate of return. As a result of this adjustment, I computed a fair rate of return of 7.86%. This adjustment to the Company's weighted cost of capital provides a significant benefit to United Telephone. The calculation of the Company's fair rate of return is shown on Exhibit A-03.

RATE DESIGN:

Q. Please explain the significance of the excess revenues identified in the TRA Staff column on Exhibit A-01?

A. As shown on Exhibit A-01, I have computed excess revenues of $941,788 for the 2002 attrition year. These excess revenues are also referred to as overearnings. What this means is the present rates that are in effect will generate more revenues than is required to allow the Company to earn a fair rate of return on its regulated telephone investment as depicted in the Company's rate base forecast. In other words, if the present rates are not adjusted, the Company's ratepayers will pay more for regulated telephone service than is required to cover the Company's regulated operating expenses, taxes, and cost of capital, including a fair rate of return to the Company's shareholders.

Q. How should the TRA resolve the overearnings situation that you have identified?

A. I believe that it is necessary for the TRA to adjust the Company's revenues, expenses, and rate base so that the amount of revenues collected by the Company matches the revenue requirements of covering its operating expenses, taxes, and cost of capital. I have developed a rate design proposal that adjusts the Company's present rates to fit its projected revenue requirements.

Q. Please describe the rate design proposal and recommendations that you have for the TRA?

A. I have four specific recommendations which I believe, if implemented, will best achieve the goal of setting rates to meet the Company's revenue requirements. First, I recommend that the "temporary" credits currently in effect for residential and business customers be made permanent effective immediately. As alluded to in the Company's rate case petition, the Public Service Commission instituted credits of $2.00 per month for residential lines and $4.00 per month for business lines to resolve a prior overearnings situation. My local service revenue forecast assumes that these credits will remain in place throughout the attrition period. In other words, I projected local service revenues at the post-credit rates that are currently being charged to residential and business customers rather than the pre-credit tariffed rates for residential and business service. Accordingly, my forecast reveals that the "temporary" credits instituted by the Public Service Commission should be made permanent. I therefore recommend that the TRA direct United Telephone to re-file its tariffs for residential and business local service to permanently reduce these local service rates to the post-credit rates that are currently being charged to customers. Reducing the tariffed local service charges from the pre-credit rates to the post-credit rates will have no financial impact on the Company because the Company is currently billing and receiving the post-credit rates.

Second, I recommend that touch-tone charges be eliminated for all residential and business customers beginning in 2002. United Telephone currently bills a $1.00 per month touch-tone charge for residential service, and a $1.50 per month touch-tone charge for business service. There is a growing trend in the industry to reduce touch-tone charges such that this feature becomes part of the overall charge for basic local service. This makes sense when one considers that, in today's digital calling environment, touch-tone is hardly a service feature that should be marketed and sold separately from basic telephone service. Nearly all the local service subscribers want and receive touch-tone functionality. This attitude toward touch-tone is reflected in the state's price regulation statutes which, although not applicable to United Telephone, nonetheless classifies touch-tone as a basic local exchange service in Tennessee. Moreover, the benefits of eliminating touch-tone charges would reach nearly every residential and business customer in United Telephone's service area. I would therefore recommend that the Company's touch-tone charges be reduced to zero, thereby merging this basic service feature into the residential and business local access line rates.

Third, I recommend that the currently-approved TRA depreciation rate for digital electronic switching equipment be increased from 4% to 7% beginning in 2001. In its rate case petition, the Company requests that the depreciation rate for central office equipment be reduced from a 25-year depreciable life (or 4% rate) to a 12½-year depreciable life (or 8% rate). After comparing United Telephone's depreciation rate for digital electronic switching equipment (which is recorded in Account No. 2212) with other, similar rate-of-return regulated telephone companies, I agree that the Company's depreciation rate for this account should be increased. Specifically, I examined the Annual Reports of Ardmore, Loretto, and Millington telephone companies to determine the currently-approved TRA depreciation rates for central office equipment. I selected these companies for comparison because they are small, independent local exchange companies similar to United Telephone. I ascertained that the digital electronic switching depreciation rates approved for these companies were 6.80% for Ardmore, 7.00% for Loretto, and 6.72% for Millington. Based in part on these comparisons, I conclude that United Telephone's digital electronic switching depreciation rate should be changed from 4% to 7%, which will bring it in line with the rates approved for other, similar companies.

Finally, I recommend that the Company be allowed to recover the cost of its extraordinary retirement of digital electronic switching equipment over a ten-year amortization period beginning in 2001. In 1998, 1999, and 2000, the Company prematurely retired central office equipment with a net book value of $3,210,672. According to the Company, this equipment was installed in 1992 but became obsolete because it could not be upgraded to accommodate certain custom calling features.

Apparently, the Company had relied on the vendor to select equipment that could be upgraded. When the Company later determined that the equipment could not be upgraded, the Company retired the equipment early. While I previously testified that the amount of this extraordinary retirement should not be include in the Company's rate base, I will recommend that the Company be allowed to recover the cost of this extraordinary retirement over a ten-year period.

Q. Will the rate design proposal that you have just described resolve the Company's overearnings situation and, if so, please explain how?

A. Yes, for all intents and purposes. I have recomputed the Company's revenues and revenue requirements assuming the implementation of all my rate design recommendations. These calculations are reflected in Exhibits E-01 through E-13. As noted previously, there is no financial impact to the Company if the TRA directs the Company to reduce its tariffed local service rates to the post-credit rates that are currently being charged. As shown on Exhibit E-03, I project that the elimination of the touch-tone charges will result in a loss of $203,154 in local service revenues for the attrition year ending 2002. As shown on Exhibits E-04 and E-05, I project that increasing the depreciation rate for digital electronic switching and allowing the Company to recover the cost of the extraordinary retirement of central office equipment over a ten-year period will cause an increase in depreciation and amortization expense of $732,775 for 2001 and $789,648 for 2002. When these revenue and expense calculations are changed, it becomes necessary to calculate the impact of these changes on taxes and rate base. For instance, decreasing revenues and increasing depreciation expenses causes a reduction in the Company's franchise tax, TRA inspection fee, excise tax, and federal income tax. The tax effect of implementing my rate design proposal is computed on Exhibits E-06 through E-09. Additionally, increasing depreciation and amortization has an impact on rate base because these expenses are used in computing accumulated depreciation and accumulated deferred federal income taxes, two key components of rate base. The rate base effect of implementing my rate design proposal is computed on Exhibits E-10 through E-13.

The overall financial impact of my rate design proposal is summarized on Exhibits E-01 and E-02. Exhibit E-02 presents a forecasted income statement that shows the effect of my rate design proposal on operating revenues, depreciation and amortization expense, taxes, and rate base. Exhibit E-01 summarizes the results of operations assuming implementation of my rate design proposal. As shown at the bottom of Exhibit E-01, implementation of my rate design recommendations will essentially resolve the Company's overearnings situation for 2002. For 2001, however, I project that the Company will still earn excess revenues of approximately $327,000 if my rate design proposal is fully implemented. Accordingly, the TRA could authorize the Company to take a double year's amortization of its extraordinary retirement in 2001. This action would increase the amortization expense for 2001 by approximately $321,000 above the amount projected in my rate design calculations. This increased amortization expense will practically eliminate the Company's projected overearnings for 2001 as well.

Q. Does this conclude your testimony?

A. Yes.

Line	Description of Exhibit	Exhibit No.
	EXPENSE EXHIBITS:	
1	Operations and Maintenance Expense Matrix - 2002	D-01
2	Operations and Maintenance Expense Matrix - 2001	D-02
3	Operations and Maintenance Expense Ratios	D-03
4	Nonregulated Indirect Expense Ratio	D-04
5	Salaries and Wages	D-05
6	Overtime Pay	D-06
7	Salary and Wage Analysis - 2000	D-07
8	Benefits Summary	D-08
9	FICA and Medicare Tax	D-09
10	FUTA & SUTA	D-10
11	Life & Health Insurance	D-11
12	Quantification of Selected Benefits - 2000	D-12
13	Benefit Analysis - 2000	D-13
14	Rents	D-14
15	Other Operations & Maintenance Expense	D-15
16	Nonrecurring Expense Adjustments	D-16
17	Inflation Factor	D-17
18	Depreciation Expense - TRA Approved Rates - 2001	D-18
19	Depreciation Expense - TRA Approved Rates - 2002	D-19
20	Other Taxes	D-20
21	Property Taxes	D-21
22	Composite Property Tax Rate	D-22
23	Franchise Tax	D-23
24	TRA Inspection Fee	D-24
25	Excise Tax	D-25
26	Federal Income Tax	D-26
	RATE DESIGN EXHIBITS:	
27	Forecasted Results of Operations - Recommended Rates	E-01
28	Forecasted Income Statement - Recommended Rates	E-02
29	Touch-Tone Revenue Reduction - Recommended Rates	E-03
30	Depreciation and Amortization Expense - 2001 - Recommended Rates	E-04
31	Depreciation and Amortization Expense - 2002 - Recommended Rates	E-05
32	Franchise Tax - Recommended Rates	E-06
33	TRA Inspection Fee - Recommended Rates	E-07
34	Excise Tax - Recommended Rates	E-08
35	Federal Income Tax - Recommended Rates	E-09
36	Rate Base Summary - Recommended Rates	E-10
37	Accumulated Depreciation - 13 Month Average - Recommended Rates	E-11
38	Accumulated Depreciation - 12/31/00 - 6/30/01 - Recommended Rates	E-12.1
39	Accumulated Depreciation - 6/30/01 - 12/31/01 - Recommended Rates	E-12.2
40	Accumulated Depreciation - 12/31/01 - 6/30/02 - Recommended Rates	E-12.3
41	Accumulated Depreciation - 6/30/02 - 12/31/02 - Recommended Rates	E-12.4
42	Accumulated Deferred Federal Income Tax - Recommended Rates	E-13

United Telephone Company
Forecasted Results of Operations
Attrition Year Ending December 31, 2002

EXHIBIT A-01
9/30/01 10:08 AM

Line	Description	TRA Staff		Company	
1	Rate Base	$ 41,505,795	A/	$ 41,064,144	H/
2	Fair Rate of Return	7.86%	B/	6.74%	H/
3	Required Net Operating Income	$ 3,262,355	C/	$ 2,767,568	H/
4	Net Operating Income - Present Rates	3,841,235	D/	1,907,180	H/
5	Excess Net Operating Income	$ 578,880	E/	(860,388)	H/
6	Revenue Retention Factor	0.61466	F/	0.61309	H/
7	Total Excess (Deficient) Revenue	$ 941,788	G/	$ (1,403,368)	H/

A/ Exhibit A-02, Line 11.

B/ Exhibit A-03, Line 13.

C/ L1 * L2.

D/ Exhibit A-04, Line 16.

E/ L4 - L3.

F/ Exhibit A-05, Line 7.

G/ L5 / L6.

H/ Supplemental Testimony of Joe M. Enoch, Exhibit 1 - Revised.

United Telephone Company
Forecasted Rate Base
Attrition Year Ending December 31, 2002

EXHIBIT A-02
9/30/01 10:08 AM

Line	Description	TRA Staff		Company	
	ADDITIONS				
1	TPIS and CWIP	$ 55,876,534	A/	$ 55,854,613	C/
2	Unamortized Extraordinary Retirement	-		3,050,224	C/
3	Materials and Supplies	385,968	B/	300,000	C/
4	Working Capital	309,285	B/	350,000	C/
5	Total Additions	$ 56,571,787	B/	$ 59,554,837	C/
	DEDUCTIONS				
6	Accumulated Depreciation	$ 9,408,477	B/	$ 13,635,068	C/
7	Accumulated Deferred Federal Income Tax	5,534,293	B/	4,779,657	C/
8	Unamortized Investment Tax Credit	68,468	B/	68,468	C/
9	Customer Deposits	54,754	B/	7,500	C/
10	Total Deductions	$ 15,065,992	B/	$ 18,490,693	C/
11	Rate Base	$ 41,505,795	B/	$ 41,064,144	C/

A/ Exhibit B-01, Line 1 plus Exhibit B-01, Line 2.

B/ Exhibit B-01.

C/ Supplemental Testimony of Joe M. Enoch, Exhibit 2 - Revised.

United Telephone Company
Fair Rate of Return

EXHIBIT A-03
9/30/01 10:08 AM

Line	Description	Ratio	Cost	Weighted Cost
1	Long Term Debt No. 1	0.373% A/	2.000% A/	0.007% B/
2	Long Term Debt No. 2	22.813% A/	5.000% A/	1.141% B/
3	Long Term Debt No. 3	44.063% A/	6.250% A/	2.754% B/
4	Long Term Debt No. 4	17.689% A/	6.250% A/	1.106% B/
5	Total Long Term Debt	84.938% C/		5.008% C/
6	Common Stock	15.062% A/	11.500% A/	1.732% B/
7	Weighted Cost of Capital	100.00% D/		6.74% D/
8	Intrastate Investment Factor			75.00% E/
9	Intrastate Return			5.05% F/
10	Authorized Interstate Return			11.25% E/
11	Interstate Investment Factor			25.00% E/
12	Interstate Return			2.81% G/
13	Fair Rate of Return			7.86% H/

A/ Response to 9/17/01 TRA Staff Data Request, Item No. 11.

B/ Ratio * Cost.

C/ L1 + L2 + L3 + L4.

D/ L5 + L6.

E/ Traditional jurisdictional separations factors and authorized interstate return.
See 47 C.F.R. Section 36.154 for separations factors.

F/ L7 * L8.

G/ L10 * L11.

H/ L9 + L12.

United Telephone Company
Forecasted Income Statement
Attrition Year Ending December 31, 2002

EXHIBIT A-04
9/30/01 10:08 AM

Line	Description	TRA Staff		Company	
1	Local Service	$ 3,923,574	A/	$ 2,926,755	J/
2	Network Access	6,992,759	A/	6,589,406	J/
3	Long Distance	-	A/	(112,110)	J/
4	Miscellaneous	597,401	A/	720,237	J/
5	Uncollectibles	(106,617)	A/	(141,022)	J/
6	Total Operating Revenues	$ 11,407,117	A/	$ 9,983,266	J/
7	Plant Specific	$ 1,467,519	B/	$ 1,609,718	K/
8	Plant Nonspecific	338,648	B/	391,629	K/
9	Customer Operations	940,999	B/	1,131,974	K/
10	Corporate Operations	964,247	B/	1,110,259	K/
11	Operations & Maintenance	$ 3,711,413	B/	$ 4,243,580	K/
12	Depreciation	2,064,228	C/	2,855,886	K/
13	Other Operating Taxes	882,223	D/	829,200	K/
14	Federal Income Taxes	908,018	E/	147,420	K/
15	Total Operating Expenses	$ 7,565,882	F/	$ 8,076,086	K/
16	Net Operating Income	$ 3,841,235	G/	$ 1,907,180	K/
17	Rate Base	41,505,795	H/	41,064,144	L/
18	Earned Rate of Return	9.255%	I/	4.644%	I/

A/ Exhibit C-01.

B/ Exhibit D-01.

C/ Exhibit D-19.

D/ Exhibit D-20.

E/ Exhibit D-26.

F/ L11 + L12 + L13 + L14.

G/ L6 - L15.

H/ Exhibit A-02.

I/ L16 / L17.

J/ Supplemental Testimony of Joe M. Enoch, Exhibit 6 - Revised.

K/ Supplemental Testimony of Joe M. Enoch, Exhibit 5 - Revised.

L/ Supplemental Testimony of Joe M. Enoch, Exhibit 2 - Revised.

United Telephone Company
Revenue Retention Factor

EXHIBIT A-05
9/30/01 10:08 AM

Line	Description	Rate		Retention	
1	Gross Revenue			1.00000	A/
2	Uncollectible Ratio	0.00926	B/	0.00926	C/
3	Net Revenues			0.99074	D/
4	Excise Tax Rate	0.06000	E/	0.05944	F/
5	Adjusted Net Revenues			0.93130	G/
6	Federal Income Tax Rate	0.34000	H/	0.31664	I/
7	Revenue Retention Factor			0.61466	J/

A/ Represents $1 of Gross Revenue.

B/ Exhibit C-15, Line 7.

C/ Retention per Line 1 * Rate per Line 2.

D/ L1 - L2.

E/ Exhibit D-25, Line 6.

F/ Retention per Line 3 * Rate per Line 4.

G/ L3 - L4.

H/ Exhibit D-26, Line 6.

I/ Retention per Line 5 * Rate per Line 6.

J/ L5 - L6.

United Telephone Company
Rate Base Summary

EXHIBIT B-01
9/30/01 10:09 AM

Line	Description		2001			2002	
	ADDITIONS						
1	Telephone Plant in Service	$	46,396,162	A/	$	52,876,534	A/
2	Construction Work in Progress		3,000,000	B/		3,000,000	B/
3	Materials and Supplies		385,968	C/		385,968	C/
4	Working Capital		294,736	D/		309,285	E/
5	Total Additions	$	50,076,866	F/	$	56,571,787	F/
	DEDUCTIONS						
6	Accumulated Depreciation	$	7,488,851	G/	$	9,408,477	G/
7	Accumulated Deferred FIT		4,508,620	H/		5,534,293	H/
8	Unamortized ITC		95,076	I/		68,468	I/
9	Customer Deposits		54,754	J/		54,754	J/
10	Total Deductions	$	12,147,301	K/	$	15,065,992	K/
11	Rate Base	$	37,929,565	L/	$	41,505,795	L/

A/ Exhibit B-02, Line 14 (2001) and Line 28 (2002).

B/ Supplemental Testimony of Joe M. Enoch, Exhibit 2 - Revised and 9/27/01 Email from Joe Enoch.

C/ Exhibit B-04, Line 4.

D/ Regulated O&M Expense per Exhibit D-02, Line 5 divided by 12.

E/ Regulated O&M Expense per Exhibit D-01, Line 5 divided by 12.

F/ L1 + L2 + L3 + L4.

G/ Exhibit B-05, Line 14 (2001) and Line 28 (2002).

H/ Exhibit B-07, Line 12 (2001) and Line 13 (2002).

I/ Response to 8/13/01 TRA Staff Data Request, Item No. 16.

J/ Exhibit B-08, Line 4.

K/ L6 + L7 + L8 + L9.

L/ L5 - L10.

United Telephone Company
Telephone Plant In Service
13-Month Average

EXHIBIT B-02
9/30/01 10:09 AM

Line	Mo.-Yr.	Amount	
1	Dec-00	$ 44,288,959	A/
2	01-Jan	44,323,959	A/
3	01-Feb	44,358,959	A/
4	01-Mar	44,393,959	A/
5	01-Apr	44,428,959	A/
6	01-May	44,463,959	A/
7	01-Jun	47,684,765	A/
8	01-Jul	47,719,765	B/
9	01-Aug	47,754,765	B/
10	01-Sep	47,789,765	B/
11	01-Oct	47,824,765	B/
12	01-Nov	47,859,765	B/
13	01-Dec	50,257,771	B/
14	2001 Average	$ 46,396,162	C/
15	01-Dec	$ 50,257,771	B/
16	02-Jan	50,292,771	D/
17	02-Feb	50,327,771	D/
18	02-Mar	50,362,771	D/
19	02-Apr	50,397,771	D/
20	02-May	50,432,771	D/
21	02-Jun	52,416,382	D/
22	02-Jul	52,451,382	E/
23	02-Aug	52,486,382	E/
24	02-Sep	56,557,382	E/
25	02-Oct	56,592,382	E/
26	02-Nov	56,627,382	E/
27	02-Dec	58,192,033	E/
28	2002 Average	$ 52,876,534	F/

A/ Exhibit B-03.1, Line 20.

B/ Exhibit B-03.2, Line 20.

C/ (Sum of Line 1 through Line 13) / 13.

D/ Exhibit B-03.3, Line 20.

E/ Exhibit B-03.4, Line 20.

F/ (Sum of Line 15 through Line 27) / 13.

United Telephone Company
Telephone Plant In Service

EXHIBIT B-03.1
9/30/01 10:09 AM

Line	Account	Description	Balance 12/31/2000	Added	Retired	Balance 01/31/2001	Added	Retired	Balance 02/28/2001	Added	Retired	Balance 03/31/2001	Added	Retired	Balance 04/30/2001	Added	Retired	Balance 05/31/2001	Added	Retired	Balance 06/30/2001
1	2111	Land	174,853			174,853			174,853			174,853			174,853			174,853			174,853
2	2112	Motor Vehicles	585,425			585,425			585,425			585,425			585,425			585,425			585,425
3	2116	Other Work Equipment	89,228			89,228			89,228			89,228			89,228			89,228			89,228
4	2121	Buildings	2,137,654			2,137,654			2,137,654			2,137,654			2,137,654			2,137,654	37,161		2,174,815
5	2122	Furniture	71,972			71,972			71,972			71,972			71,972			71,972			71,972
6	2123	Office Equipment	82,306			82,306			82,306			82,306			82,306			82,306			82,306
7	2124	General Purpose Computers	803,076			803,076			803,076			803,076			803,076			803,076			803,076
8	2212	Digital Electronic Switching	12,459,039			12,459,039			12,459,039			12,459,039			12,459,039			12,459,039	2,528,770		14,987,809
9	2232	Circuit Equipment	2,707,718			2,707,718			2,707,718			2,707,718			2,707,718			2,707,718			2,707,718
10	2411	Poles	4,217,297	5,000		4,222,297	5,000		4,227,297	5,000		4,232,297	5,000		4,237,297	5,000		4,242,297	5,000	10,000	4,237,297
11	2421	Aerial Cable-Fiber	2,091,092			2,091,092			2,091,092			2,091,092			2,091,092			2,091,092			2,091,092
12	2421	Aerial Cable-Metal	15,082,356	30,000		15,112,356	30,000		15,142,356	30,000		15,172,356	30,000		15,202,356	30,000		15,232,356	689,875	30,000	15,892,231
13	2422	Underground Cable-Fiber	56,115			56,115			56,115			56,115			56,115			56,115			56,115
14	2422	Underground Cable-Metal	935,887			935,887			935,887			935,887			935,887			935,887			935,887
15	2423	Buried Cable-Fiber	102,439			102,439			102,439			102,439			102,439			102,439			102,439
16	2423	Buried Cable-Metal	894,374			894,374			894,374			894,374			894,374			894,374			894,374
17	2431	Aerial Wire	745,051			745,051			745,051			745,051			745,051			745,051			745,051
18	2441	Conduit System-Fiber	1,764			1,764			1,764			1,764			1,764			1,764			1,764
19	2441	Conduit System-Metal	1,051,313			1,051,313			1,051,313			1,051,313			1,051,313			1,051,313			1,051,313
20		TOTAL TPIS A/ B/ C/ D/	44,288,959	35,000	-	44,323,959	35,000	-	44,358,959	35,000	-	44,393,959	35,000	-	44,428,959	35,000	-	44,463,959	3,260,806	40,000	47,684,765

A/ December 31, 2000 Balance from 2000 Annual Report.

B/ Plant Additions from Response to 9/17/01 TRA Staff Data Request, Item No. 3.

C/ Plant Retirements from Response to 9/17/01 TRA Staff Data Request, Item No. 4.

D/ Monthly Balances computed by <u>adding</u> Prior Month's Balance <u>plus</u> Plant Additions <u>minus</u> Plant Retirements.

United Telephone Company
Telephone Plant In Service

EXHIBIT B-03.2
9/30/01 10:09 AM

Line	Account	Description	Added	Retired	Balance 07/30/2001	Added	Retired	Balance 08/31/2001	Added	Retired	Balance 09/30/2001	Added	Retired	Balance 10/31/2001	Added	Retired	Balance 11/30/2001	Added	Retired	Balance 12/31/2001
1	2111	Land			174,853			174,853			174,853			174,853			174,853			174,853
2	2112	Motor Vehicles			585,425			585,425			585,425			585,425			585,425			585,425
3	2116	Other Work Equipment			89,228			89,228			89,228			89,228			89,228			89,228
4	2121	Buildings			2,174,815			2,174,815			2,174,815			2,174,815			2,174,815			2,174,815
5	2122	Furniture			71,972			71,972			71,972			71,972			71,972			71,972
6	2123	Office Equipment			82,306			82,306			82,306			82,306			82,306			82,306
7	2124	General Purpose Computers			803,076			803,076			803,076			803,076			803,076			803,076
8	2212	Digital Electronic Switching			14,987,809			14,987,809			14,987,809			14,987,809			14,987,809			14,987,809
9	2232	Circuit Equipment			2,707,718			2,707,718			2,707,718			2,707,718			2,707,718			2,707,718
10	2411	Poles	5,000		4,242,297	5,000		4,247,297	5,000		4,252,297	5,000		4,257,297	5,000		4,262,297	5,000		4,267,297
11	2421	Aerial Cable-Fiber			2,091,092			2,091,092			2,091,092			2,091,092			2,091,092	462,303		2,553,395
12	2421	Aerial Cable-Metal	30,000		15,922,231	30,000		15,952,231	30,000		15,982,231	30,000		16,012,231	30,000		16,042,231	1,141,927		17,184,158
13	2422	Underground Cable-Fiber			56,115			56,115			56,115			56,115			56,115			56,115
14	2422	Underground Cable-Metal			935,887			935,887			935,887			935,887			935,887	245,450		1,181,337
15	2423	Buried Cable-Fiber			102,439			102,439			102,439			102,439			102,439			102,439
16	2423	Buried Cable-Metal			894,374			894,374			894,374			894,374			894,374	297,876		1,192,250
17	2431	Aerial Wire			745,051			745,051			745,051			745,051			745,051			745,051
18	2441	Conduit System-Fiber			1,764			1,764			1,764			1,764			1,764			1,764
19	2441	Conduit System-Metal			1,051,313			1,051,313			1,051,313			1,051,313			1,051,313	245,450		1,296,763
20		TOTAL TPIS A/ B/ C/ D/	35,000	-	47,719,765	35,000	-	47,754,765	35,000	-	47,789,765	35,000	-	47,824,765	35,000	-	47,859,765	2,398,006	-	50,257,771

A/ December 31, 2000 Balance from 2000 Annual Report.

B/ Plant Additions from Response to 9/17/01 TRA Staff Data Request, Item No. 3.

C/ Plant Retirements from Response to 9/17/01 TRA Staff Data Request, Item No. 4.

D/ Monthly Balances computed by adding Prior Month's Balance plus Plant Additions minus Plant Retirements.

United Telephone Company
Telephone Plant In Service

EXHIBIT B-03.3
9/30/01 10:09 AM

Line	Account	Description	Added	Retired	Balance 01/31/2002	Added	Retired	Balance 02/28/2002	Added	Retired	Balance 03/31/2002	Added	Retired	Balance 04/30/2002	Added	Retired	Balance 05/31/2002	Added	Retired	Balance 06/30/2002
1	2111	Land			174,853			174,853			174,853			174,853			174,853			174,853
2	2112	Motor Vehicles			585,425			585,425			585,425			585,425			585,425			585,425
3	2116	Other Work Equipment			89,228			89,228			89,228			89,228			89,228			89,228
4	2121	Buildings			2,174,815			2,174,815			2,174,815			2,174,815			2,174,815			2,174,815
5	2122	Furniture			71,972			71,972			71,972			71,972			71,972			71,972
6	2123	Office Equipment			82,306			82,306			82,306			82,306			82,306			82,306
7	2124	General Purpose Computers			803,076			803,076			803,076			803,076			803,076			803,076
8	2212	Digital Electronic Switching			14,987,809			14,987,809			14,987,809			14,987,809			14,987,809	762,773		15,750,582
9	2232	Circuit Equipment			2,707,718			2,707,718			2,707,718			2,707,718			2,707,718			2,707,718
10	2411	Poles	5,000		4,272,297	5,000		4,277,297	5,000		4,282,297	5,000		4,287,297	5,000		4,292,297	5,000		4,297,297
11	2421	Aerial Cable-Fiber			2,553,395			2,553,395			2,553,395			2,553,395			2,553,395	230,053		2,783,448
12	2421	Aerial Cable-Metal	30,000		17,214,158	30,000		17,244,158	30,000		17,274,158	30,000		17,304,158	30,000		17,334,158	593,273		17,927,431
13	2422	Underground Cable-Fiber			56,115			56,115			56,115			56,115			56,115			56,115
14	2422	Underground Cable-Metal			1,181,337			1,181,337			1,181,337			1,181,337			1,181,337	122,141		1,303,478
15	2423	Buried Cable-Fiber			102,439			102,439			102,439			102,439			102,439			102,439
16	2423	Buried Cable-Metal			1,192,250			1,192,250			1,192,250			1,192,250			1,192,250	148,230		1,340,480
17	2431	Aerial Wire			745,051			745,051			745,051			745,051			745,051			745,051
18	2441	Conduit System-Fiber			1,764			1,764			1,764			1,764			1,764			1,764
19	2441	Conduit System-Metal			1,296,763			1,296,763			1,296,763			1,296,763			1,296,763	122,141		1,418,904
20		TOTAL TPIS A/ B/ C/ D/	35,000	-	50,292,771	35,000	-	50,327,771	35,000	-	50,362,771	35,000	-	50,397,771	35,000	-	50,432,771	1,983,611	-	52,416,382

A/ December 31, 2000 Balance from 2000 Annual Report.

B/ Plant Additions from Response to 9/17/01 TRA Staff Data Request, Item No. 3.

C/ Plant Retirements from Response to 9/17/01 TRA Staff Data Request, Item No. 4.

D/ Monthly Balances computed by adding Prior Month's Balance plus Plant Additions minus Plant Retirements.

United Telephone Company
Telephone Plant In Service

EXHIBIT B-03.4
9/30/01 10:09 AM

Line	Account	Description	Added	Retired	Balance 07/30/2002	Added	Retired	Balance 08/31/2002	Added	Retired	Balance 09/30/2002	Added	Retired	Balance 10/31/2002	Added	Retired	Balance 11/30/2002	Added	Retired	Balance 12/31/2002
1	2111	Land			174,853			174,853			174,853			174,853			174,853			174,853
2	2112	Motor Vehicles			585,425			585,425			585,425			585,425			585,425			585,425
3	2116	Other Work Equipment			89,228			89,228			89,228			89,228			89,228			89,228
4	2121	Buildings			2,174,815			2,174,815			2,174,815			2,174,815			2,174,815			2,174,815
5	2122	Furniture			71,972			71,972			71,972			71,972			71,972			71,972
6	2123	Office Equipment			82,306			82,306			82,306			82,306			82,306			82,306
7	2124	General Purpose Computers			803,076			803,076			803,076			803,076			803,076			803,076
8	2212	Digital Electronic Switching			15,750,582			15,750,582	1,000,000		16,750,582			16,750,582			16,750,582	1,167,790		17,918,372
9	2232	Circuit Equipment			2,707,718			2,707,718			2,707,718			2,707,718			2,707,718			2,707,718
10	2411	Poles	5,000		4,302,297	5,000		4,307,297	5,000		4,312,297	5,000		4,317,297	5,000		4,322,297	5,000		4,327,297
11	2421	Aerial Cable-Fiber			2,783,448			2,783,448	588,984		3,372,432			3,372,432			3,372,432	70,232		3,442,664
12	2421	Aerial Cable-Metal	30,000		17,957,431	30,000		17,987,431	1,472,100		19,459,531	30,000		19,489,531	30,000		19,519,531	201,960		19,721,491
13	2422	Underground Cable-Fiber			56,115			56,115			56,115			56,115			56,115			56,115
14	2422	Underground Cable-Metal			1,303,478			1,303,478	312,708		1,616,186			1,616,186			1,616,186	37,208		1,653,394
15	2423	Buried Cable-Fiber			102,439			102,439			102,439			102,439			102,439			102,439
16	2423	Buried Cable-Metal			1,340,480			1,340,480	379,500		1,719,980			1,719,980			1,719,980	45,253		1,765,233
17	2431	Aerial Wire			745,051			745,051			745,051			745,051			745,051			745,051
18	2441	Conduit System-Fiber			1,764			1,764			1,764			1,764			1,764			1,764
19	2441	Conduit System-Metal			1,418,904			1,418,904	312,708		1,731,612			1,731,612			1,731,612	37,208		1,768,820
20		TOTAL TPIS A/ B/ C/ D/	35,000	-	52,451,382	35,000	-	52,486,382	4,071,000	-	56,557,382	35,000	-	56,592,382	35,000	-	56,627,382	1,564,651	-	58,192,033

A/ December 31, 2000 Balance from 2000 Annual Report.

B/ Plant Additions from Response to 9/17/01 TRA Staff Data Request, Item No. 3.

C/ Plant Retirements from Response to 9/17/01 TRA Staff Data Request, Item No. 4

D/ Monthly Balances computed by adding Prior Month's Balance plus Plant Additions minus Plant Retirements.

United Telephone Company
Materials & Supplies

EXHIBIT B-04
9/30/01 10:10 AM

Line	Year	Amount	
1	1998	$ 395,615	A/
2	1999	323,900	A/
3	2000	438,390	A/
4	Average	$ 385,968	B/

A/ Annual Reports.

B/ (L1 + L2 + L3) / 3.

United Telephone Company
Accumulated Depreciation
13-Month Average

EXHIBIT B-05
9/30/01 10:10 AM

Line	Mo.-Yr.	Amount	
1	Dec-00	$ 6,613,593	A/
2	01-Jan	6,759,789	A/
3	01-Feb	6,906,101	A/
4	01-Mar	7,052,531	A/
5	01-Apr	7,199,077	A/
6	01-May	7,345,739	A/
7	01-Jun	7,452,518	A/
8	01-Jul	7,609,972	B/
9	01-Aug	7,767,542	B/
10	01-Sep	7,925,228	B/
11	01-Oct	8,083,032	B/
12	01-Nov	8,240,952	B/
13	01-Dec	8,398,988	B/
14	2001 Average	$ 7,488,851	C/
15	01-Dec	$ 8,398,988	B/
16	02-Jan	8,564,212	D/
17	02-Feb	8,729,552	D/
18	02-Mar	8,895,009	D/
19	02-Apr	9,060,583	D/
20	02-May	9,226,274	D/
21	02-Jun	9,392,081	D/
22	02-Jul	9,564,099	E/
23	02-Aug	9,736,233	E/
24	02-Sep	9,908,484	E/
25	02-Oct	10,093,279	E/
26	02-Nov	10,278,189	E/
27	02-Dec	10,463,217	E/
28	2002 Average	$ 9,408,477	F/

A/ Exhibit B-06.1, Line 20.

B/ Exhibit B-06.2, Line 20.

C/ (Sum of Line 1 through Line 13) / 13.

D/ Exhibit B-06.3, Line 20.

E/ Exhibit B-06.4, Line 20.

F/ (Sum of Line 15 through Line 27) / 13.

United Telephone Company
Accumulated Depreciation

EXHIBIT B-06.1
9/30/01 10:10 AM

Line	Account	Description	TRA Depr. Rate	Balance 12/31/2000	01-Jan Depr. Exp.	01-Jan Removal	Balance 01/31/2001	01-Feb Depr. Exp.	01-Feb Removal	Balance 02/28/2001	01-Mar Depr. Exp.	01-Mar Removal
1	2111	Land	0.00%	-	-		-	-		-	-	
2	2112	Motor Vehicles	12.00%	109,562	5,854		115,416	5,854		121,270	5,854	
3	2116	Other Work Equipment	8.00%	69,593	595		70,188	595		70,783	595	
4	2121	Buildings	2.00%	359,647	3,563		363,210	3,563		366,773	3,563	
5	2122	Furniture	6.00%	42,254	360		42,614	360		42,974	360	
6	2123	Office Equipment	6.00%	23,434	412		23,846	412		24,257	412	
7	2124	General Purpose Computers	6.00%	277,367	4,015		281,382	4,015		285,398	4,015	
8	2212	Digital Electronic Switching	4.00%	(1,350,203)	41,530		(1,308,673)	41,530		(1,267,143)	41,530	
9	2232	Circuit Equipment	4.00%	456,835	9,026		465,861	9,026		474,886	9,026	
10	2411	Poles	4.00%	824,490	14,058		838,548	14,074		852,622	14,091	
11	2421	Aerial Cable-Fiber	4.00%	197,712	6,970		204,682	6,970		211,653	6,970	
12	2421	Aerial Cable-Metal	4.00%	5,352,040	50,275		5,402,315	50,375		5,452,689	50,475	
13	2422	Underground Cable-Fiber	4.00%	906	187		1,093	187		1,280	187	
14	2422	Underground Cable-Metal	4.00%	31,061	3,120		34,181	3,120		37,300	3,120	
15	2423	Buried Cable-Fiber	2.40%	955	205		1,160	205		1,365	205	
16	2423	Buried Cable-Metal	2.40%	82,542	1,789		84,331	1,789		86,119	1,789	
17	2431	Aerial Wire	4.00%	109,717	2,484		112,201	2,484		114,684	2,484	
18	2441	Conduit System-Fiber	2.00%	15	3		18	3		21	3	
19	2441	Conduit System-Metal	2.00%	25,666	1,752		27,418	1,752		29,170	1,752	
20		TOTAL ACC. DEPR. A/ B/ C/ D/		6,613,593	146,196	-	6,759,789	146,313	-	6,906,101	146,429	-

Line	Account	Description	Balance 03/31/2001	01-Apr Depr. Exp.	01-Apr Removal	Balance 04/30/2001	01-May Depr. Exp.	01-May Removal	Balance 05/31/2001	01-Jun Depr. Exp.	01-Jun Removal	Balance 06/30/2001
1	2111	Land	-	-		-	-		-	-		-
2	2112	Motor Vehicles	127,125	5,854		132,979	5,854		138,833	5,854		144,687
3	2116	Other Work Equipment	71,378	595		71,972	595		72,567	595		73,162
4	2121	Buildings	370,335	3,563		373,898	3,563		377,461	3,563		381,024
5	2122	Furniture	43,334	360		43,693	360		44,053	360		44,413
6	2123	Office Equipment	24,669	412		25,080	412		25,492	412		25,903
7	2124	General Purpose Computers	289,413	4,015		293,429	4,015		297,444	4,015		301,459
8	2212	Digital Electronic Switching	(1,225,613)	41,530		(1,184,082)	41,530		(1,142,552)	41,530		(1,101,022)
9	2232	Circuit Equipment	483,912	9,026		492,938	9,026		501,964	9,026		510,989
10	2411	Poles	866,713	14,108		880,821	14,124		894,945	14,141	(10,000)	899,086
11	2421	Aerial Cable-Fiber	218,623	6,970		225,593	6,970		232,564	6,970		239,534
12	2421	Aerial Cable-Metal	5,503,164	50,575		5,553,738	50,675		5,604,413	50,775	(30,000)	5,625,187
13	2422	Underground Cable-Fiber	1,467	187		1,654	187		1,841	187		2,028
14	2422	Underground Cable-Metal	40,420	3,120		43,539	3,120		46,659	3,120		49,779
15	2423	Buried Cable-Fiber	1,570	205		1,775	205		1,979	205		2,184
16	2423	Buried Cable-Metal	87,908	1,789		89,697	1,789		91,486	1,789		93,274
17	2431	Aerial Wire	117,168	2,484		119,651	2,484		122,135	2,484		124,618
18	2441	Conduit System-Fiber	24	3		27	3		30	3		33
19	2441	Conduit System-Metal	30,923	1,752		32,675	1,752		34,427	1,752		36,179
20		TOTAL ACC. DEPR. A/ B/ C/ D/	7,052,531	146,546	-	7,199,077	146,663	-	7,345,739	146,779	(40,000)	7,452,518

A/ December 31, 2000 Balance from 2000 Annual Report.

B/ Depreciation Expense from Exhibit D-18 for 2001 and Exhibit D-19 for 2002.

C/ Net Removals from Plant Retirements per Exhibit B-03.1 through Exhibit B-03.4.

D/ Monthly Balances computed by adding Prior Month's Balance plus Depreciation Expense minus Net Removal.

United Telephone Company
Accumulated Depreciation

EXHIBIT B-06.2
9/30/01 10:10 AM

Line	Account	Description	TRA Depr. Rate	01-Jul Depr. Exp.	01-Jul Removal	Balance 07/30/2001	01-Aug Depr. Exp.	01-Aug Removal	Balance 08/31/2001	01-Sep Depr. Exp.	01-Sep Removal	Balance 09/30/2001	01-Oct Depr. Exp.	01-Oct Removal	Balance 10/31/2001	01-Nov Depr. Exp.	01-Nov Removal	Balance 11/30/2001	01-Dec Depr. Exp.	01-Dec Removal	Balance 12/31/2001
1	2111	Land	0.00%	-		-	-		-	-		-	-		-	-		-	-		-
2	2112	Motor Vehicles	12.00%	5,854		150,542	5,854		156,396	5,854		162,250	5,854		168,104	5,854		173,959	5,854		179,813
3	2116	Other Work Equipment	8.00%	595		73,757	595		74,352	595		74,947	595		75,542	595		76,136	595		76,731
4	2121	Buildings	2.00%	3,625		384,648	3,625		388,273	3,625		391,898	3,625		395,522	3,625		399,147	3,625		402,772
5	2122	Furniture	6.00%	360		44,773	360		45,133	360		45,493	360		45,853	360		46,212	360		46,572
6	2123	Office Equipment	6.00%	412		26,315	412		26,726	412		27,138	412		27,549	412		27,961	412		28,372
7	2124	General Purpose Computers	6.00%	4,015		305,475	4,015		309,490	4,015		313,505	4,015		317,521	4,015		321,536	4,015		325,552
8	2212	Digital Electronic Switching	4.00%	49,959		(1,051,063)	49,959		(1,001,104)	49,959		(951,144)	49,959		(901,185)	49,959		(851,225)	49,959		(801,266)
9	2232	Circuit Equipment	4.00%	9,026		520,015	9,026		529,041	9,026		538,067	9,026		547,092	9,026		556,118	9,026		565,144
10	2411	Poles	4.00%	14,124		913,210	14,141		927,351	14,158		941,509	14,174		955,683	14,191		969,874	14,208		984,082
11	2421	Aerial Cable-Fiber	4.00%	6,970		246,504	6,970		253,474	6,970		260,445	6,970		267,415	6,970		274,385	6,970		281,356
12	2421	Aerial Cable-Metal	4.00%	52,974		5,678,161	53,074		5,731,235	53,174		5,784,409	53,274		5,837,684	53,374		5,891,058	53,474		5,944,532
13	2422	Underground Cable-Fiber	4.00%	187		2,215	187		2,402	187		2,589	187		2,777	187		2,964	187		3,151
14	2422	Underground Cable-Metal	4.00%	3,120		52,898	3,120		56,018	3,120		59,138	3,120		62,257	3,120		65,377	3,120		68,496
15	2423	Buried Cable-Fiber	2.40%	205		2,389	205		2,594	205		2,799	205		3,004	205		3,209	205		3,414
16	2423	Buried Cable-Metal	2.40%	1,789		95,063	1,789		96,852	1,789		98,641	1,789		100,429	1,789		102,218	1,789		104,007
17	2431	Aerial Wire	4.00%	2,484		127,102	2,484		129,585	2,484		132,069	2,484		134,552	2,484		137,036	2,484		139,519
18	2441	Conduit System-Fiber	2.00%	3		36	3		39	3		41	3		44	3		47	3		50
19	2441	Conduit System-Metal	2.00%	1,752		37,931	1,752		39,684	1,752		41,436	1,752		43,188	1,752		44,940	1,752		46,692
20		TOTAL ACC. DEPR. A/ B/ C/ D/		157,453	-	7,609,972	157,570	-	7,767,542	157,687	-	7,925,228	157,803	-	8,083,032	157,920	-	8,240,952	158,037	-	8,398,988

A/ December 31, 2000 Balance from 2000 Annual Report.

B/ Depreciation Expense from Exhibit D-18 for 2001 and Exhibit D-19 for 2002.

C/ Net Removals from Plant Retirements per Exhibit B-03.1 through Exhibit B-03.4.

D/ Monthly Balances computed by adding Prior Month's Balance plus Depreciation Expense minus Net Removal.

United Telephone Company
Accumulated Depreciation

EXHIBIT B-06.3
9/30/01 10:10 AM

Line	Account	Description	TRA Depr. Rate	02-Jan Depr. Exp.	02-Jan Removal	Balance 01/31/2002	02-Feb Depr. Exp.	02-Feb Removal	Balance 02/28/2002	02-Mar Depr. Exp.	02-Mar Removal	Balance 03/31/2002	02-Apr Depr. Exp.	02-Apr Removal	Balance 04/30/2002	02-May Depr. Exp.	02-May Removal	Balance 05/31/2002	02-Jun Depr. Exp.	02-Jun Removal	Balance 06/30/2002
1	2111	Land	0.00%	-		-	-		-	-		-	-		-	-		-	-		-
2	2112	Motor Vehicles	12.00%	5,854		185,667	5,854		191,521	5,854		197,376	5,854		203,230	5,854		209,084	5,854		214,938
3	2116	Other Work Equipment	8.00%	595		77,326	595		77,921	595		78,516	595		79,111	595		79,705	595		80,300
4	2121	Buildings	2.00%	3,625		406,396	3,625		410,021	3,625		413,646	3,625		417,270	3,625		420,895	3,625		424,520
5	2122	Furniture	6.00%	360		46,932	360		47,292	360		47,652	360		48,012	360		48,372	360		48,731
6	2123	Office Equipment	6.00%	412		28,784	412		29,195	412		29,607	412		30,019	412		30,430	412		30,842
7	2124	General Purpose Computers	6.00%	4,015		329,567	4,015		333,582	4,015		337,598	4,015		341,613	4,015		345,628	4,015		349,644
8	2212	Digital Electronic Switching	4.00%	49,959		(751,307)	49,959		(701,347)	49,959		(651,388)	49,959		(601,429)	49,959		(551,469)	49,959		(501,510)
9	2232	Circuit Equipment	4.00%	9,026		574,169	9,026		583,195	9,026		592,221	9,026		601,247	9,026		610,272	9,026		619,298
10	2411	Poles	4.00%	14,224		998,306	14,241		1,012,547	14,258		1,026,805	14,274		1,041,079	14,291		1,055,370	14,308		1,069,678
11	2421	Aerial Cable-Fiber	4.00%	8,511		289,867	8,511		298,378	8,511		306,890	8,511		315,401	8,511		323,912	8,511		332,424
12	2421	Aerial Cable-Metal	4.00%	57,281		6,001,812	57,381		6,059,193	57,481		6,116,673	57,581		6,174,254	57,681		6,231,934	57,781		6,289,715
13	2422	Underground Cable-Fiber	4.00%	187		3,338	187		3,525	187		3,712	187		3,899	187		4,086	187		4,273
14	2422	Underground Cable-Metal	4.00%	3,938		72,434	3,938		76,372	3,938		80,310	3,938		84,248	3,938		88,185	3,938		92,123
15	2423	Buried Cable-Fiber	2.40%	205		3,618	205		3,823	205		4,028	205		4,233	205		4,438	205		4,643
16	2423	Buried Cable-Metal	2.40%	2,385		106,391	2,385		108,776	2,385		111,160	2,385		113,545	2,385		115,929	2,385		118,314
17	2431	Aerial Wire	4.00%	2,484		142,003	2,484		144,486	2,484		146,970	2,484		149,453	2,484		151,937	2,484		154,420
18	2441	Conduit System-Fiber	2.00%	3		53	3		56	3		59	3		62	3		65	3		68
19	2441	Conduit System-Metal	2.00%	2,161		48,854	2,161		51,015	2,161		53,176	2,161		55,337	2,161		57,499	2,161		59,660
20		TOTAL ACC. DEPR. A/ B/ C/ D/		165,224	-	8,564,212	165,340	-	8,729,552	165,457	-	8,895,009	165,574	-	9,060,583	165,690	-	9,226,274	165,807	-	9,392,081

A/ December 31, 2000 Balance from 2000 Annual Report.

B/ Depreciation Expense from Exhibit D-18 for 2001 and Exhibit D-19 for 2002.

C/ Net Removals from Plant Retirements per Exhibit B-03.1 through Exhibit B-03.4.

D/ Monthly Balances computed by adding Prior Month's Balance plus Depreciation Expense minus Net Removal.

United Telephone Company
Accumulated Depreciation

EXHIBIT B-06.4
9/30/01 10:10 AM

Line	Account	Description	TRA Depr. Rate	02-Jul Depr. Exp.	02-Jul Removal	Balance 07/30/2002	02-Aug Depr. Exp	02-Aug Removal	Balance 08/31/2002	02-Sep Depr. Exp.	02-Sep Removal	Balance 09/30/2002	02-Oct Depr. Exp.	02-Oct Removal	Balance 10/31/2002	02-Nov Depr. Exp.	02-Nov Removal	Balance 11/30/2002	02-Dec Depr. Exp.	02-Dec Removal	Balance 12/31/2002
1	2111	Land	0.00%	-		-	-		-	-		-	-		-	-		-	-		-
2	2112	Motor Vehicles	12.00%	5,854		220,793	5,854		226,647	5,854		232,501	5,854		238,355	5,854		244,210	5,854		250,064
3	2116	Other Work Equipment	8.00%	595		80,895	595		81,490	595		82,085	595		82,680	595		83,275	595		83,869
4	2121	Buildings	2.00%	3,625		428,145	3,625		431,769	3,625		435,394	3,625		439,019	3,625		442,643	3,625		446,268
5	2122	Furniture	6.00%	360		49,091	360		49,451	360		49,811	360		50,171	360		50,531	360		50,891
6	2123	Office Equipment	6.00%	412		31,253	412		31,665	412		32,076	412		32,488	412		32,899	412		33,311
7	2124	General Purpose Computers	6.00%	4,015		353,659	4,015		357,675	4,015		361,690	4,015		365,705	4,015		369,721	4,015		373,736
8	2212	Digital Electronic Switching	4.00%	52,502		(449,008)	52,502		(396,506)	52,502		(344,004)	55,835		(288,169)	55,835		(232,334)	55,835		(176,498)
9	2232	Circuit Equipment	4.00%	9,026		628,324	9,026		637,350	9,026		646,375	9,026		655,401	9,026		664,427	9,026		673,452
10	2411	Poles	4.00%	14,324		1,084,002	14,341		1,098,343	14,358		1,112,701	14,374		1,127,075	14,391		1,141,466	14,408		1,155,874
11	2421	Aerial Cable-Fiber	4.00%	9,278		341,702	9,278		350,980	9,278		360,258	11,241		371,500	11,241		382,741	11,241		393,982
12	2421	Aerial Cable-Metal	4.00%	59,758		6,349,473	59,858		6,409,331	59,958		6,469,289	64,865		6,534,154	64,965		6,599,119	65,065		6,664,185
13	2422	Underground Cable-Fiber	4.00%	187		4,460	187		4,647	187		4,834	187		5,021	187		5,208	187		5,395
14	2422	Underground Cable-Metal	4.00%	4,345		96,468	4,345		100,813	4,345		105,158	5,387		110,545	5,387		115,933	5,387		121,320
15	2423	Buried Cable-Fiber	2.40%	205		4,848	205		5,053	205		5,257	205		5,462	205		5,667	205		5,872
16	2423	Buried Cable-Metal	2.40%	2,681		120,995	2,681		123,676	2,681		126,357	3,440		129,797	3,440		133,237	3,440		136,677
17	2431	Aerial Wire	4.00%	2,484		156,904	2,484		159,387	2,484		161,871	2,484		164,354	2,484		166,838	2,484		169,321
18	2441	Conduit System-Fiber	2.00%	3		71	3		74	3		77	3		80	3		83	3		86
19	2441	Conduit System-Metal	2.00%	2,365		62,025	2,365		64,390	2,365		66,754	2,886		69,640	2,886		72,526	2,886		75,412
20		TOTAL ACC. DEPR. A/ B/ C/ D/		172,018	-	9,564,099	172,135	-	9,736,233	172,251	-	9,908,484	184,794	-	10,093,279	184,911	-	10,278,189	185,027	-	10,463,217

A/ December 31, 2000 Balance from 2000 Annual Report.

B/ Depreciation Expense from Exhibit D-18 for 2001 and Exhibit D-19 for 2002.

C/ Net Removals from Plant Retirements per Exhibit B-03.1 through Exhibit B-03.4.

D/ Monthly Balances computed by adding Prior Month's Balance plus Depreciation Expense minus Net Removal.

United Telephone Company
Accumulated Deferred Federal Income Tax

EXHIBIT B-07
9/30/01 10:11 AM

Line	Description	Tax Timing Differences		ADFIT	
1	Accumulated Deferred Federal Income Tax at 12/31/00			$ 3,855,080	A/
2	Tax Depreciation for 2001	$ 5,669,749	B/		
3	Book Depreciation for 2001	1,825,395	C/		
4	Tax Timing Differences for 2001	3,844,354	D/		
5	Statutory Federal Income Tax Rate	34.00%		1,307,080	E/
6	Accumulated Deferred Income Tax at 12/31/01			5,162,160	F/
7	Tax Depreciation for 2002	4,253,242	B/		
8	Book Depreciation for 2002	2,064,228	G/		
9	Depreciation Timing Differences for 2002	2,189,014	H/		
10	Statutory Federal Income Tax Rate	34.00%		744,265	I/
11	Accumulated Deferred Income Tax at 12/31/02			$ 5,906,425	J/
12	Average ADFIT for 2001			$ 4,508,620	K/
13	Average ADFIT for 2002			$ 5,534,293	L/

A/ Response to 6/14/01 CAPD Data Request, Item No. 4, Page 54 of 73.

B/ Response to 9/17/01 TRA Staff Data Request, Item No. 9.

C/ Exhibit D-18, Line 20.

D/ Line 2 - Line 3.

E/ Line 4 * 34.00%.

F/ Line 1 + Line 5.

G/ Exhibit D-19, Line 20.

H/ Line 7 - Line 8.

I/ Line 9 * 34.00%.

J/ Line 6 + Line 10.

K/ (Line 1 + Line 6) / 2.

L/ (Line 6 + Line 11) / 2.

United Telephone Company
Customer Deposits

EXHIBIT B-08
9/30/01 10:11 AM

Line	Year	Amount	
1	1998	54,593	A/
2	1999	57,690	A/
3	2000	51,980	A/
4	Average	$ 54,754	B/

A/ Annual Reports.

B/ (L1 + L2 + L3) / 3.

United Telephone Company
Revenue Summary

EXHIBIT C-01
9/30/01 10:11 AM

Line	Category		2001			2002	
1	Local Service	$	3,508,073	A/	$	3,923,574	A/
2	Network Access		6,724,459	B/		6,992,759	B/
3	Long Distance		-			-	
4	Miscellaneous		544,908	C/		597,401	C/
5	Uncollectibles		(99,799)	D/		(106,617)	D/
6	Total Revenues	$	10,677,641	E/	$	11,407,117	E/

A/ Exhibit C-02, Line 2 (2001) and Line 3 (2002).

B/ Exhibit C-05, Line 6.

C/ Exhibit C-13, Line 4.

D/ (L1+L2+L3+L4) * -0.926% Uncollectible Revenue Factor, (See Exh. C-15, Ln. 7).

E/ L1+L2+L3+L4+L5.

United Telephone Company
Local Service Revenues

EXHIBIT C-02
9/30/01 10:12 AM

Line	Year	Average Lines		Local Revenues Per Avg. Line		Local Revenues	
1	2000	14,041	A/	223.39	A/	3,136,619	D/
2	2001	14,986	B/	234.09	C/	3,508,073	D/
3	2002	15,995	B/	245.30	C/	3,923,574	D/

A/ Exhibit C-04, Line 3.

B/ Average Lines * 106.73%. See Average Access Line Growth Rate, Exh. C-03, Ln. 29.

C/ Local Revenues Per Average Line * 104.79%. See Local Revenue Per Average Line Growth Rate, Exh. C-04, Ln. 4.

D/ Average Lines * Local Revenues Per Average Line.

United Telephone Company
Average Access Line Growth Rate

EXHIBIT C-03
9/30/01 10:12 AM

Line	Month	Monthly Lines A/	Average Lines B/	Amount Change C/	Percent Change D/
1	Apr-99	12,916			
2	May-99	12,963			
3	Jun-99	13,033			
4	Jul-99	13,119			
5	Aug-99	13,224			
6	Sep-99	13,317			
7	Oct-99	13,346			
8	Nov-99	13,439			
9	Dec-99	13,556			
10	Jan-00	13,649			
11	Feb-00	13,751			
12	Mar-00	13,869			
13	Apr-00	13,933			
14	Average Yr. Ended 4/30/00		13,393	-	-
15	Apr-00	13,933			
16	May-00	13,997			
17	Jun-00	14,092			
18	Jul-00	14,127			
19	Aug-00	14,236			
20	Sep-00	14,294			
21	Oct-00	14,299			
22	Nov-00	14,353			
23	Dec-00	14,377			
24	01-Jan	14,412			
25	01-Feb	14,501			
26	01-Mar	14,573			
27	01-Apr	14,634			
28	Average Yr. Ended 4/30/01		14,294	901	6.73%
29	Average Access Line Growth Rate				6.73% E/

A/ Access lines for April 1999 through December 2000 from Response to 6/14/01 CAPD Data Request, Item No. 9, Pages 3 of 40 through 38 of 40. Access lines for January 2001 through April 2001 from 3.01 Reports.

B/ 13-month average of access lines by year.

C/ Amount change in average access lines per year.

D/ Percentage change in average access lines per year.

E/ Percentage change in average access lines for 12 months ended 4/30/01 over 12 months ended 4/30/00.

United Telephone Company
Local Revenue Per Average Line Growth Rate

EXHIBIT C-04
9/30/01 10:12 AM

Line	Year	Local Revenues A/	Average Lines B/	Revenues Per Line C/	Amount Change D/	Percent Change E/
1	1998	$ 2,486,643	12,048	$ 206.39	$ -	-
2	1999	2,779,001	13,036	213.18	6.79	3.29%
3	2000	3,136,563	14,041	223.39	10.21	4.79%
4	Local Revenue Per Average Line Growth Rate					4.79% F/

A/ Annual Reports.

B/ Access lines for January 1998 through December 2000 from Response to 6/14/01 CAPD Data Request, Item No. 9, Pages 3 of 40 through 38 of 40. Access lines for December 1997 from 3.01 Report.

Mo./Yr.	Lines	Mo./Yr.	Lines	Mo./Yr.	Lines
Dec-97	11,548	Dec-98	12,495	Dec-99	13,556
Jan-98	11,651	Jan-99	12,565	Jan-00	13,649
Feb-98	11,763	Feb-99	12,675	Feb-00	13,751
Mar-98	11,842	Mar-99	12,814	Mar-00	13,869
Apr-98	11,911	Apr-99	12,916	Apr-00	13,933
May-98	11,965	May-99	12,963	May-00	13,997
Jun-98	12,036	Jun-99	13,033	Jun-00	14,092
Jul-98	12,141	Jul-99	13,119	Jul-00	14,127
Aug-98	12,231	Aug-99	13,224	Aug-00	14,236
Sep-98	12,289	Sep-99	13,317	Sep-00	14,294
Oct-98	12,336	Oct-99	13,346	Oct-00	14,299
Nov-98	12,415	Nov-99	13,439	Nov-00	14,353
Dec-98	12,495	Dec-99	13,556	Dec-00	14,377
1998 Average	12,048	1999 Average	13,036	2000 Average	14,041

C/ Local Revenues / Average Lines.

D/ Amount change in local revenues per average line per year.

E/ Percentage change in local revenues per average line per year.

F/ Percentage change in local revenues per average line for 2000 over 1999.

United Telephone Company
Network Access Revenues

EXHIBIT C-05
9/30/01 10:12 AM

Line	Description		2001			2002	
1	Interstate Access	$	3,620,614	A/	$	3,834,266	A/
2	Intrastate-InterLATA Access		1,056,037	B/		1,091,573	B/
3	Intrastate-IntraLATA Access		1,835,671	C/		1,835,671	C/
4	Intrastate Special Access		210,133	D/		229,045	D/
5	Payphone Access		2,004	D/		2,204	D/
6	Total Access Revenues	$	6,724,459	E/	$	6,992,759	E/

A/ Exhibit C-06, Line 4.

B/ Exhibit C-10, Line 4 (2001) and Line 5 (2002).

C/ Exhibit C-11, Line 4 (2001) and Line 5 (2002) + Exhibit C-12, Line 4 (2001) and Line 5 (2002).

D/ Supplemental Testimony of Joe M. Enoch filed on 9/12/01, Exhibit 10 - Revised.

E/ L1+L2+L3+L4+L5.

United Telephone Company
Interstate Access Revenues

EXHIBIT C-06
9/30/01 10:12 AM

Line	Description		2001			2002	
1	Interstate Access Revenues - TS	$	2,138,648	A/	$	2,210,614	A/
2	Interstate Access Revenues - CCL		805,498	B/		901,638	B/
3	Interstate Access Revenues - EU		676,468	C/		722,014	C/
4	Interstate Access Revenues - Total	$	3,620,614	D/	$	3,834,266	D/

A/ Exhibit C-07, Line 4 (2001) and Line 5 (2002).

B/ Exhibit C-08, Line 4 (2001) and Line 5 (2002).

C/ Exhibit C-09, Line 4 (2001) and Line 5 (2002).

D/ L1+L2+L3.

United Telephone Company
Interstate Access - Traffic Sensitive Revenues

EXHIBIT C-07
9/30/01 10:12 AM

Line	Year	Interstate MOU		Amount Change		Percent Change		NECA TS Settlement		Settlement Per MOU	
1	1998	28,877,208	A/	-		-		$ 1,905,994	D/	$ 0.06600	E/
2	1999	33,135,679	A/	4,258,471	B/	14.747%	C/	1,868,727	D/	0.05640	E/
3	2000	41,689,006	A/	8,553,327	B/	25.813%	C/	2,068,882	D/	0.04963	E/
4	2001	43,091,841	H/	1,402,835	B/	3.365%	G/	2,138,648	I/	0.04963	F/
5	2002	44,541,881	H/	1,450,040	B/	3.365%	G/	2,210,614	I/	0.04963	F/

A/ Response to 6/14/01 CAPD Data Request, Item No. 10, Pages 74 of 76 through 76 of 76.

B/ Amount change in Interstate MOU by year.

C/ Percentage change in Interstate MOU by year.

D/ NECA AS3000 Settlement Statements for Traffic Sensitive settlements.
See Response to 6/14/01 CAPD Data Request, Item No. 10, Pages 2 of 76 through 73 of 76.

E/ NECA TS Settlement / Interstate MOU.

F/ Settlement Per MOU for 2000.

G/ Access Line Growth Rate of 6.73% * 50%. See Access Line Growth Rate, Exh. C-03, Ln. 29.

H/ Interstate MOU * 103.365%. Growth factor is one-half of Access Line Growth Rate (see Note G/).

I/ Interstate MOU * Settlement Per MOU.

United Telephone Company
Interstate Access - Carrier Common Line Revenues

EXHIBIT C-08
9/30/01 10:12 AM

Line	Year	Average Lines		NECA CCL Settlement		NECA CCL Per Avg. Line		Amount Change		Percent Change	
1	1998	12,048	A/	$ 620,620	C/	$ 51.51	D/	$ -		-	
2	1999	13,036	A/	677,886	C/	52.00	D/	0.49	E/	0.95%	F/
3	2000	14,041	A/	717,724	C/	51.12	D/	(0.88)	E/	-1.70%	F/
4	2001	14,986	B/	805,498	J/	53.75	H/	2.63	E/	5.15%	G/
5	2002	15,995	B/	901,638	J/	56.37	I/	2.62	E/	4.88%	G/

A/ Exhibit C-04, Note B/.

B/ Exhibit C-02, Line 2 (2001) and Line 3 (2002).

C/ NECA AS3000 Monthly Settlement Statements for Carrier Common Line settlements.
See Response to 6/14/01 CAPD Data Request, Item No. 10, Pages 2 of 76 through 73 of 76.

D/ NECA CCL Settlement / Average Lines.

E/ Amount change in NECA CCL Per Average Line by year.

F/ Percentage change in NECA CCL Per Average Line by year.

G/ Scheduled 10.3% increase in NECA CCL settlements effective July 3, 2001. One-half for 2001 (10.3%*(6/12)) and one-half less growth on compounded 2001 growth for 2002 (10.3%*(6/12)-(5.15%^2)). See NECA News Release "NECA annual filing revises access charges" at www.neca.org/pr061801a.htm.

H/ 2000 NECA CCL Per Average Line * 105.15% (See Note G/ for calculation of growth factor.)

I/ 2001 NECA CCL Per Average Line * 104.88% (See Note G/ for calculation of growth factor.)

J/ NECA CCL Per Average Line * Average Lines.

United Telephone Company
Interstate Access - End User Revenues

EXHIBIT C-09
9/30/01 10:12 AM

Line	Year	Average Lines		NECA EU Settlement		NECA EU Per Avg.Line		Amount Change		Percent Change
1	1998	12,048	A/	$ 528,935	C/	$ 43.90	D/	$ -		-
2	1999	13,036	A/	576,372	C/	44.21	D/	0.31	E/	0.71% F/
3	2000	14,041	A/	633,835	C/	45.14	D/	0.93	E/	2.10% F/
4	2001	14,986	B/	676,468	H/	45.14	G/	(0.00)	E/	0.00% F/
5	2002	15,995	B/	722,014	H/	45.14	G/	-	E/	0.00% F/

A/ Exhibit C-04, Note B/.

B/ Exhibit C-02, Line 2 (2001) and Line 3 (2002).

C/ NECA AS3000 Settlement Statements for End User settlements.
See Response to 6/14/01 CAPD Data Request, Item No. 10, Pages 2 of 76 through 73 of 76.

D/ NECA EU Settlement / Average Lines

E/ Amount change in NECA EU Per Average Line by year.

F/ Percentage change in NECA EU Per Average Line by year.

G/ NECA EU Per Average Line for 2000.

H/ NECA EU Per Average Line * Average Lines.

United Telephone
Intrastate-InterLATA Access

EXHIBIT C-10
9/30/01 10:12 AM

Line	Year	InterLATA MOU		Percent Change		InterLATA Access Charges		Access Per MOU	
1	1998	7,783,141	A/	-		$ 291,363	C/	$ 0.03744	D/
2	1999	9,605,534	A/	23.41%	B/	561,104	C/	0.05841	D/
3	2000	15,395,698	A/	60.28%	B/	1,021,701	C/	0.06636	D/
4	2001	15,913,763	G/	3.365%	F/	1,056,037	H/	0.06636	E/
5	2002	16,449,261	G/	3.365%	F/	1,091,573	H/	0.06636	E/

A/ Response to 6/14/01 CAPD Data Request, Item No. 11, Pages 2 of 4 through 4 of 4.

B/ Percentage change in Intrastate-InterLATA MOU by year.

C/ Response to 8/13/01 TRA Staff Data Request, Item No. 4, Page 2 of 2.

D/ InterLATA Access Charges / InterLATA MOU.

E/ Access Per MOU for 2000.

F/ Access Line Growth Rate of 6.73% * 50%. See Access Line Growth Rate, Exh. C-03, Ln. 29.

G/ InterLATA MOU * 103.365%. Growth factor is one-half of Access Line Growth Rate (see Note F/).

H/ InterLATA MOU * Access Per MOU.

United Telephone Company
Intrastate-IntraLATA Access - BST Settlements

EXHIBIT C-11
9/30/01 10:12 AM

Line	Year	IntraLATA MOU		Percent Change		BST SN-642 Settlement		Wireless Prior Period Adjustment		Adjusted BST SN-642 Settlement		Adjusted Settlement Per MOU		Percent Change Per MOU	
1	1998	23,028,146	A/	-		$ 1,736,449	D/	$ (52,396)	E/	$ 1,684,053	G/	$0.0731302	H/	-	
2	1999	24,373,765	A/	5.84%	C/	1,843,028	D/	-		1,843,028	G/	$0.0756152	H/	3.40%	J/
3	2000	22,671,197	A/	-6.99%	C/	1,883,521	D/	(67,525)	F/	1,815,996	G/	$0.0801015	H/	5.93%	J/
4	2001	22,671,197	B/	0.00%	C/	-		-		1,815,996	K/	$0.0801015	I/	0.00%	J/
5	2002	22,671,197	B/	0.00%	C/	-		-		1,815,996	K/	$0.0801015	I/	0.00%	J/

A/ Response to 6/14/01 CAPD Data Request, Item No. 11, Pages 2 of 4 through 4 of 4.

B/ IntraLATA MOU for 2000.

C/ Percentage change in IntraLATA MOU by year.

D/ BST SN-642 Settlement Statements. See Response to 6/14/01 CAPD Data Request, Item No. 12, Separate Box.

E/ Average monthly wireless access for July 1998 through December 1998 per SN-642's of $8,513 * 12 = $102,161 less total wireless access for 1998 per SN-642's of $154,557.

F/ Wireless prior period adjustment per handwritten note on December 2000 SN-642.

G/ BST SN-642 Settlement - Wireless Prior Period Adjustment.

H/ Adjusted BST SN-642 Settlement / IntraLATA MOU.

I/ Adjusted Settlement Per MOU for 2000.

J/ Percentage change in Adjusted Settlement Per MOU by year.

K/ Adjusted Settlement Per MOU * IntraLATA MOU.

United Telephone Company
Intrastate-IntraLATA Access - Other Carriers

EXHIBIT C-12
9/30/01 10:12 AM

Line	Year	Other IntraLATA MOU		Percent Change		Other Access Charges		Other Access Per MOU	
1	1998	293,790	A/	-		$ 10,907	A/	$ 0.037125	D/
2	1999	397,230	A/	35.21%	C/	22,429	A/	$ 0.056465	D/
3	2000	309,248	A/	-22.15%	C/	19,675	A/	$ 0.063621	D/
4	2001	309,248	B/	0.00%	C/	19,675	F/	$ 0.063621	E/
5	2002	309,248	B/	0.00%	C/	19,675	F/	$ 0.063621	E/

A/ Response to 8/13/01 TRA Staff Data Request, Item No. 4, Page 2 of 2.

B/ Other IntraLATA MOU for 2000.

C/ Percentage change in Other IntraLATA MOU by year.

D/ Other Access Charges / Other IntraLATA MOU.

E/ Other Access Per MOU for 2000.

F/ Other Access Per MOU * Other IntraLATA MOU.

United Telephone Company
Miscellaneous Revenues

EXHIBIT C-13
9/30/01 10:12 AM

Line	Description	2001		2002	
1	Billing & Collection - Intrastate	$ 426,281	A/	$ 473,708	A/
2	Directory Revenues	28,850	B/	29,427	B/
3	AT&T Uncollectibles Compensation	89,777	C/	94,266	C/
4	Total Miscellaneous Revenues	$ 544,908	D/	$ 597,401	D/

A/ Exhibit C-14, Line 4 (2001) and Line 5 (2002).

B/ Supplemental Testimony of Joe M. Enoch filed on 9/12/01, Exhibit 10 - Revised.

C/ Supplemental Testimony of Joe M. Enoch filed on 9/12/01, Exhibit 10 - Revised and Response to 8/13/01 TRA Staff Data Request, Item Nos. 13.b and 13.c.

D/ L1+L2+L3.

United Telephone Company
Billing and Collection - Intrastate

EXHIBIT C-14
9/30/01 10:12 AM

Line	Year	Average Mo. Billed Messages	Billing Rate	Annual Billing Revenues	Annual Recording Revenues	Annual Processing Revenues	IntraLATA Settlment B&C	UTCLD B&C	AT&T B&C	Independent B&C	Intrastate B&C
1	1998	208,437 A/	$ 0.1804 E/	$ 451,224 H/	$ 15,085 E/	$ 28,705 E/	$ 495,014 J/	$ 2,861 K/	$ 39,760 N/	$ 5,243 N/	$ 542,878 R/
2	1999	221,043 A/	0.1804 E/	478,514 H/	15,585 E/	29,656 E/	523,755 J/	16,846 K/	38,419 N/	6,362 N/	585,382 R/
3	2000	170,650 A/	0.1804 E/	369,423 H/	12,230 E/	23,272 E/	404,925 J/	75,522 K/	42,238 N/	8,368 N/	531,053 R/
4	2001	140,887 B/	0.1334 F/	225,532 H/	1,851 I/	3,523 I/	230,906 J/	127,391 M/	56,743 P/	11,241 Q/	426,281 R/
5	2002	116,316 D/	0.1200 G/	167,495 H/	-	-	167,495 J/	214,882 M/	76,229 P/	15,102 Q/	473,708 R/
	Growth Factors:										
6		-17.44% C/						68.68% L/	34.34% O/	34.34% O/	

A/ Annual Billed Messages Per BST SN-642s / 12. For BST SN-642 Settlement Statements see Response to 6/14/01 CAPD Data Request, Item No. 12, Separate Box.

B/ Total Billed Messages Per January 2001 through July 2001 BST SN-642s / 7. For BST SN-642 Settlement Statements see Response to 8/13/01 TRA Staff Data Request, Item No. 9, Separate Box.

C/ Annual percentage growth rate in Average Monthly Billed Messages for 2001 over 2000, ((140,887-170,650) / 170,650).

D/ Average Monthly Billed Messages for 2001 * 82.56% (See Note C/ for growth factor).

E/ BST SN-642 Settlement Statements. See Response to 6/14/01 CAPD Data Request, Item No. 12, Separate Box.

F/ Weighted Billing Rate for 2001 (($.1804 * 2/12)+($.1400 * 2/12)+($.1200 * 8/12)). See Response to 8/13/01 TRA Staff Data Request, Item No. 8.

G/ Response to 8/13/01 TRA Staff Data Request, Item No. 8.

H/ Average Monthly Billed Messages * Billing Rate * 12.

I/ BST SN-642 Settlement Statements for January 2000 through July 2000. See Response to 8/13/01 TRA Staff Data Request, Item No. 9, Separate Box.

J/ Annual Billing Revenues + Annual Recording Revenues + Annual Processing Revenues.

K/ Response to 8/13/01 TRA Staff Data Request, Item No. 6, Pages 2 of 37 through 37 of 37.

L/ Annualized percentage growth in UTCLD B&C for July 2000 through December 2000.

M/ UTCLD B&C * 168.68% (See Note L/ for growth factor).

N/ Response to 8/13/01 TRA Staff Data Request, Item No. 7, Page 2 of 2.

O/ One-half of UTCLD Annualized Growth Rate (68.68% * 50%)

P/ AT&T B&C * 134.34% (See Note O/ for growth factor).

Q/ Independent B&C * 134.34% (See Note O/ for growth factor).

R/ IntraLATA Settlement B&C + UTCLD B&C + AT&T B&C + Independent B&C.

United Telephone Company
Uncollectible Revenue Factor

EXHIBIT C-15
9/30/01 10:14 AM

Line	Description		1998			1999			2000	
1	Uncollectible Revenue	$	126,472	A/	$	89,072	A/	$	93,915	A/
2	Local Revenue	$	2,486,643	A/	$	2,779,001	A/	$	3,136,562	A/
3	Access Revenue		5,093,897	A/		5,267,210	A/		6,185,945	A/
4	Long Distance Revenue		27,182	A/		24,753	A/		25,323	A/
5	Miscellaneous Revenue		839,876	A/		840,393	A/		793,270	A/
6	Gross Revenues	$	8,447,598	B/	$	8,911,357	B/	$	10,141,100	B/
7	Uncollectible Ratio		1.497%	C/		1.000%	C/		0.926%	C/

A/ Response to 6/14/01 CAPD Data Request, Item No. 9, Page 2 of 40.

B/ L2+L3+L4+L5.

C/ L1 / L6.

United Telephone Company
Operations and Maintenance Expense Matrix - 2002

EXHIBIT D-01
9/30/01 10:14 AM

Line	Expense Category	Salaries & Wages		Benefits		Rents		Other		Total O&M Expense		Indirect Nonregulated		Regulated O&M Expense	
1	Plant Specific	$ 542,385	E/	$ 193,921	F/	$ 78,277	C/	$ 652,936	G/	$ 1,467,519	H/	$ -		$ 1,467,519	K/
2	Plant Nonspecific	149,835	E/	53,571	F/	-		180,375	G/	383,781	H/	45,133	I/	338,648	K/
3	Customer Operations	416,345	E/	148,858	F/	-		501,206	G/	1,066,409	H/	125,410	I/	940,999	K/
4	Corporate Operations	426,631	E/	152,535	F/	-		513,589	G/	1,092,755	H/	128,508	I/	964,247	K/
5	Total O&M Expense	$ 1,535,197	A/	$ 548,885	B/	$ 78,277	C/	$ 1,848,106	D/	$ 4,010,465	H/	$ 299,051	J/	$ 3,711,414	K/

A/ Exhibit D-05, Line 56.

B/ Exhibit D-08, Line 14.

C/ Exhibit D-14, Line 3.

D/ Exhibit D-15, Line 16.

E/ Total Salaries & Wages per Line 5 * O&M Expense Ratios by Expense Category per Exhibit D-03.

F/ Total Benefits per Line 5 * O&M Expense Ratios by Expense Category per Exhibit D-03.

G/ Total Other per Line 5 * O&M Expense Ratios by Expense Category per Exhibit D-03.

H/ Salaries & Wages + Benefits + Rents + Other.

I/ Total O&M Expense * Nonregulated Indirect Expense Ratio for 2002 per Exhibit D-04.

J/ L2 + L3 + L4.

K/ Total O&M Expense - Indirect Nonregulated.

United Telephone Company
Operations and Maintenance Expense Matrix - 2001

EXHIBIT D-02
9/30/01 10:14 AM

Line	Expense Category	Salaries & Wages		Benefits		Rents		Other		Total O&M Expense		Indirect Nonregulated		Regulated O&M Expense	
1	Plant Specific	$ 526,507	E/	$ 191,841	F/	$ 78,277	C/	$ 618,076	G/	$ 1,414,701	H/	$ -		$ 1,414,701	K/
2	Plant Nonspecific	145,449	E/	52,997	F/	-		170,745	G/	369,191	H/	48,918	I/	320,273	K/
3	Customer Operations	404,157	E/	147,261	F/	-		474,447	G/	1,025,865	H/	135,927	I/	889,938	K/
4	Corporate Operations	414,142	E/	150,899	F/	-		486,169	G/	1,051,210	H/	139,285	I/	911,925	K/
5	Total O&M Expense	$ 1,490,255	A/	$ 542,997	B/	$ 78,277	C/	$ 1,749,437	D/	$ 3,860,966	H/	$ 324,130	J/	$ 3,536,836	K/

A/ Exhibit D-05, Line 56.

B/ Exhibit D-08, Line 14.

C/ Exhibit D-14, Line 3.

D/ Exhibit D-15, Line 14.

E/ Total Salaries & Wages per Line 5 * O&M Expense Ratios by Expense Category per Exhibit D-03.

F/ Total Benefits per Line 5 * O&M Expense Ratios by Expense Category per Exhibit D-03.

G/ Total Other per Line 5 * O&M Expense Ratios by Expense Category per Exhibit D-03.

H/ Salaries & Wages + Benefits + Rents + Other.

I/ Total O&M Expense * Nonregulated Indirect Expense Ratio for 2001 per Exhibit D-04.

J/ L2 + L3 + L4.

K/ Total O&M Expense - Indirect Nonregulated.

United Telephone Company
Operations & Maintenance Expense Ratios

EXHIBIT D-03
9/30/01 10:14 AM

Line	O&M Expense Category	Total Amount		O&M Expense Ratios	
1	Plant Specific	$ 1,302,755	A/	35.33%	D/
2	Plant Nonspecific	360,081	B/	9.76%	E/
3	Customer Operations	1,000,287	B/	27.12%	F/
4	Corporate Operations	1,024,980	B/	27.79%	G/
5	Total O&M Expense	$ 3,688,103	C/	100.00%	C/

A/ Plant Specific per 2000 Annual Report, Page 9, of $1,383,481 minus 2000 Rents per Exhibit D-14, Line 3, of $80,726.

B/ 2000 Annual Report, Page 10.

C/ L1 + L2 + L3 + L4.

D/ L1 / L5.

E/ L2 / L5.

F/ L3 / L5.

G/ L4 / L5.

United Telephone Company
Nonregulated Indirect Expense Ratio

EXHIBIT D-04
9/30/01 10:14 AM

Line	Description	2001		2002	
1	Nonregulated Revenues	$ 848,248	A/	$ 738,248	A/
2	UTC Long Distance Revenues	782,351	B/	782,351	B/
3	Total Nonregulated Revenues	$ 1,630,599	C/	$ 1,520,599	C/
4	Regulated Revenues	10,677,641	D/	11,407,117	D/
5	Total Revenues	$ 12,308,240	E/	$ 12,927,716	E/
6	Nonregulated Indirect Exp. Ratio	13.25%	F/	11.76%	F/

A/ Response to 6/14/01 CAPD Data Request, Item No. 39, Page 3 of 3.

B/ Response to 8/13/01 TRA Staff Data Request, Item No. 2, Page 23 of 27.

C/ L1 + L2.

D/ Exhibit C-01, Line 6.

E/ L3 + L4.

F/ L3 / L5.

United Telephone Company
Salaries and Wages

EXHIBIT D-05
9/30/01 10:15 AM

Line	Employee Name A/	2000 Pay Rate A/	2001 Pay Rate A/	2002 Pay Rate A/	Pay Pds./ Reg. Hrs. A/	2001 Sal. & Wages B/	2002 Sal. & Wages C/
1	C. NUNN	$ 2,844.68	$ 2,930.02	$ 3,018.51	12	$ 35,160	$ 36,222
2	R. ROGERS	2,844.68	2,930.02	3,018.51	12	35,160	36,222
3	J. CABANISS	2,844.68	2,930.02	3,018.51	12	35,160	36,222
4	H. E. BIVENS	2,844.68	2,930.02	3,018.51	12	35,160	36,222
5	K. BRAYTON	3,329.93	3,429.83	3,533.41	12	41,158	42,401
6	C. JONES	2,359.82	2,430.61	2,504.02	12	29,167	30,048
7	H. BIVENS	42.40	43.67	44.99	2,080	90,834	93,579
8	L. HOWARD	27.55	28.10	28.95	2,080	58,448	60,216
9	T. WELCH	24.81	25.56	26.33	2,080	53,165	54,766
10	D. PERRYMAN	17.26	17.26	17.78	2,080	35,901	36,982
11	J. DAUGHRITY	20.40	20.60	21.22	2,080	42,848	44,138
12	B. STINNETT	20.07	20.27	20.88	2,080	42,162	43,430
13	D. RING	23.00	23.00	23.69	2,080	47,840	49,275
14	D. ROBERSON	16.88	17.39	17.91	2,080	36,171	37,253
15	M. HEATHCOTT	23.05	23.28	23.98	2,080	48,422	49,878
16	L. GENTRY	12.43	12.80	13.19	2,080	26,624	27,435
17	C. BOWMAN	12.05	12.29	12.66	2,080	25,563	26,333
18	K. HAZEL	12.61	12.99	13.38	2,080	27,019	27,830
19	C. PATTERSON	14.61	14.76	15.21	2,080	30,701	31,637
20	K. BEASLEY	9.36	10.30	10.61	2,080	21,424	22,069
21	Tammy WELCH	12.24	13.46	13.87	2,080	27,997	28,850
22	C. AUTRY	10.33	10.85	11.18	2,080	22,568	23,254
23	T. FULTON	9.15	9.61	9.90	2,080	19,989	20,592
24	R. RUSSELL	8.80	9.24	9.52	2,080	19,219	19,802
25	V. SEEGRAVES	24.63	24.88	25.63	2,080	51,750	53,310
26	D. BUSSELL	24.63	24.63	25.37	2,080	51,230	52,770
27	R. BURTON	28.60	30.03	30.94	2,080	62,462	64,355
28	D. REEVES	10.62	11.68	12.03	2,080	24,294	25,022
29	A. COMSTOCK	6.50	7.15	7.37	2,080	14,872	15,330
30	T. GENTRY	23.06	23.29	23.99	2,080	48,443	49,899
31	W. TOWNSEND	23.06	23.29	23.99	2,080	48,443	49,899
32	R. CORLEY	23.06	23.29	23.99	2,080	48,443	49,899
33	J. HINSON	23.06	23.29	23.99	2,080	48,443	49,899
34	B. CURTIS	23.06	23.29	23.99	2,080	48,443	49,899
35	D. GLASSCOCK	23.06	23.29	23.99	2,080	48,443	49,899
36	G. WEBB	22.61	22.84	23.53	2,080	47,507	48,942
37	R. PICKLE	23.06	23.29	23.99	2,080	48,443	49,899
38	D. PRUITT	23.06	23.29	23.99	2,080	48,443	49,899
39	B. MEDLEY	19.30	20.07	20.68	2,080	41,746	43,014
40	B. GARVIN	16.72	17.72	18.26	2,080	36,858	37,981
41	C. ESTES	15.49	16.57	17.07	2,080	34,466	35,506
42	B. BYRD	14.11	15.24	15.70	2,080	31,699	32,656
43	S. LIGGETT	17.69	18.75	19.32	2,080	39,000	40,186
44	G. HILL	14.55	15.28	15.74	2,080	31,782	32,739
45	P. GREEN	13.86	15.25	15.71	2,080	31,720	32,677
46	K. EDMONSON	11.55	12.71	13.09	2,080	26,437	27,227
47	K. NEWCOMB	12.00	12.00	12.36	2,080	24,960	25,709
48	J. MOORE	-	14.00	14.42	2,080	29,120	29,994
49	P. OSTEEN	-	12.00	12.36	2,080	24,960	25,709
50	J. ROBERSON	-	20.00	20.60	2,080	41,600	42,848
51	REGULAR PAY D/	-	-	-	-	$ 1,921,870	$ 1,979,826
52	OVERTIME PAY E/	$ 95,385	-	-	-	98,266	101,234
53	TOTAL PAY F/					$ 2,020,136	$ 2,081,059
54	CAPITALIZED G/					241,406	248,687
55	DIRECT NONREG H/					288,475	297,175
56	EXPENSE MATRIX I/					$ 1,490,255	$ 1,535,197

A/ Response to 7/27/01 CAPD Data Request, Item No. 48, Page 2 of 2.

B/ 2001 Pay Rate * Pay Periods (Salary) or Regular Hours (Wages).

C/ 2002 Pay Rate * Pay Periods (Salary) or Regular Hours (Wages).

D/ Sum of Line 1 through Line 50.

E/ Exhibit D-06, Line 56 (2001) and Line 58 (2002).

F/ L51 + L52.

G/ L53 * 11.95% Capitalization Ratio per Exhibit D-07, Line 13.

H/ L53 * 14.28% Direct Nonregulated Ratio per Exhibit D-07, Line 13.

I/ L53 - L54 - L55.

United Telephone Company
Overtime Pay

EXHIBIT D-06
9/30/01 10:15 AM

Line	Employee Name A/	2000 Regular A/	2000 Total A/	Overtime B/	
1	C. NUNN	$ 34,136.16	$ 34,136.16	$ -	
2	R. ROGERS	34,136.16	34,136.16	-	
3	J. CABANISS	34,136.16	34,136.16	-	
4	H. E. BIVENS	34,136.16	34,136.16	-	
5	K. BRAYTON	39,959.16	42,576.46	2,617.30	
6	C. JONES	28,317.84	28,317.84	-	
7	H. BIVENS	98,019.77	98,019.77	-	
8	L. HOWARD	60,135.92	60,589.00	453.08	
9	T. WELCH	52,544.12	52,997.20	453.08	
10	D. PERRYMAN	36,395.73	36,848.81	453.08	
11	J. DAUGHRITY	42,832.00	42,832.00	-	
12	B. STINNETT	42,988.56	43,500.47	511.91	
13	D. RING	46,727.75	48,268.75	1,541.00	
14	D. RING	1,541.00	-	(1,541.00)	
15	D. ROBERSON	35,755.16	37,540.22	1,785.06	
16	M. HEATHCOTT	48,712.80	48,712.80	-	
17	L. GENTRY	26,363.17	26,936.68	573.51	
18	C. BOWMAN	19,686.03	25,888.88	6,202.85	
19	C. BOWMAN	5,796.05	-	(5,796.05)	
20	K. HAZEL	26,672.94	26,890.52	217.58	
21	C. PATTERSON	30,796.11	31,274.69	478.58	
22	C. PATTERSON	29.22	-	(29.22)	
23	K. BEASLEY	18,187.12	18,375.49	188.37	
24	Tammy WELCH	24,801.18	25,633.59	832.41	
25	C. AUTRY	16,089.89	16,151.89	62.00	
26	T. FULTON	17,098.00	17,363.85	265.85	
27	R. RUSSELL	17,599.60	17,840.20	240.60	
28	T. CERVANTES	1,042.88	1,042.88	-	
29	V. SEEGRAVES	52,775.70	61,144.93	8,369.23	
30	D. BUSSELL	52,689.50	53,761.08	1,071.58	
31	R. BURTON	62,176.00	62,176.00	-	
32	D. REEVES	21,471.92	23,107.56	1,635.64	
33	A. COMSTOCK	7,660.11	7,703.99	43.88	
34	T. GENTRY	49,575.45	53,985.69	4,410.24	
35	W. TOWNSEND	48,410.92	51,195.42	2,784.50	
36	R. CORLEY	49,852.17	60,713.54	10,861.37	
37	J. HINSON	49,379.44	53,945.32	4,565.88	
38	B. CURTIS	50,048.18	52,798.09	2,749.91	
39	D. GLASSCOCK	50,025.12	58,274.85	8,249.73	
40	G. WEBB	28,210.30	28,210.30	-	
41	R. PICKLE	49,794.52	62,506.35	12,711.83	
42	D. PRUITT	49,367.91	55,957.33	6,589.42	
43	B. MEDLEY	39,822.00	41,411.61	1,589.61	
44	B. GARVIN	34,291.35	38,071.77	3,780.42	
45	C. ESTES	32,204.58	38,813.16	6,608.58	
46	B. BYRD	28,596.03	31,360.99	2,764.96	
47	S. LIGGETT	36,210.00	36,456.13	246.13	
48	G. HILL	29,996.14	33,336.89	3,340.75	
49	P. GREEN	28,037.47	29,172.43	1,134.96	
50	K. EDMONSON	23,576.65	25,610.49	2,033.84	
51	G. LEVI	4,396.00	4,711.00	315.00	
52	K. NEWCOMB	4,420.00	4,438.00	18.00	
53	J. BAILEY	4,702.88	4,702.88	-	
54	2000 Totals A/	$ 1,762,326.98	$ 1,857,712.43	$ 95,385.45	C/
55	Overtime Growth			3.02%	D/
56	2001 Overtime			$ 98,266.09	E/
57	Overtime Growth			3.02%	D/
58	2002 Overtime			$ 101,233.73	F/

A/ Response to 7/27/01 CAPD Data Request, Item No. 52, Page 2 of 4.

B/ 2000 Total Pay - 2000 Regular Pay.

C/ Sum of Line 1 through Line 53.

D/ Response to 6/14/01 CAPD Data Request, Item No. 14, Page 1 of 3.

E/ L54 * 103.02% (See Note D/ for growth factor).

F/ L56 * 103.02% (See Note D/ for growth factor).

United Telephone Company
Salary and Wage Analysis - 2000

EXHIBIT D-07
9/30/01 10:15 AM

Line	Yr. 2000 Month	Total A/	Capitalized B/	Total Expensed C/	Direct Nonreg. Expense D/	Matrix Expense E/	Capitalization Ratio F/	Direct Nonreg. Ratio G/
1	Jan	$ 144,872.84	$ 14,978.98	$ 129,893.86	$ 18,118.22	$ 111,775.64		
2	Feb	134,714.12	14,846.21	119,867.91	15,100.26	104,767.65		
3	Mar	168,146.58	22,756.93	145,389.65	21,578.82	123,810.83		
4	Apr	140,783.43	20,747.47	120,035.96	18,341.66	101,694.30		
5	May	137,593.41	15,328.67	122,264.74	17,428.60	104,836.14		
6	Jun	165,298.45	12,668.94	152,629.51	25,573.63	127,055.88		
7	Jul	144,802.06	15,306.70	129,495.36	18,361.18	111,134.18		
8	Aug	142,737.80	20,849.12	121,888.68	19,381.17	102,507.51		
9	Sep	175,788.03	22,218.10	153,569.93	29,998.21	123,571.72		
10	Oct	144,076.24	20,780.24	123,296.00	20,515.46	102,780.54		
11	Nov	155,001.74	19,609.30	135,392.44	27,148.37	108,244.07		
12	Dec	203,894.73	21,860.56	182,034.17	33,801.03	148,233.14		
13	Total	$ 1,857,709.43	$ 221,951.22	$ 1,635,758.21	$ 265,346.61	$ 1,370,411.60	11.95%	14.28%

A/ Sum of Monthly Salary and Wage Distributions by Account FYE 2000 for All Accounts.

B/ Sum of Monthly Salary and Wage Distributions by Account FYE 2000 for Accounts 2003 through 3122.

C/ Total Salaries and Wages - Capitalized Salaries and Wages.

D/ Sum of Monthly Salary and Wage Distributions by Account FYE 2000 for Accounts 7990 and 7991.

E/ Total Expensed Salaries and Wages - Direct Nonregulated Salaries and Wages.

F/ Capitalized Salaries and Wages / Total Salaries and Wages.

G/ Direct Nonregulated Salaries and Wages / Total Salaries and Wages.

United Telephone Company
Benefits Summary

EXHIBIT D-08
9/30/01 10:15 AM

Line	Description		2001			2002	
1	FICA & Medicare	$	153,894	A/	$	158,384	A/
2	FUTA & SUTA		3,675	B/		3,675	B/
3	Life & Health Insurance		310,980	C/		311,980	C/
4	Worker's Compensation		27,434	D/		28,806	D/
5	Pension		164,127	E/		164,127	E/
6	401 K Plan		47,788	F/		47,788	F/
7	Employee Local Service		3,604	F/		3,604	F/
8	Coffee		1,350	G/		1,426	H/
9	Uniforms		13,023	G/		13,758	H/
10	Accrued Sick Leave		10,194	I/		10,502	J/
11	Total Benefits	$	736,068	K/	$	744,049	K/
12	Capitalized		87,960	L/		88,914	L/
13	Direct Nonregulated		105,111	M/		106,250	M/
14	Expense Matrix	$	542,997	N/	$	548,885	N/

A/ Exhibit D-09, Line 8.

B/ Exhibit D-10, Line 10.

C/ Exhibit D-11, Line 8.

D/ Response to 6/14/01 CAPD Data Request, Item No. 17, Page 1 of 1.

E/ Response to 6/14/01 CAPD Data Request, Item No. 22, Page 1 of 1.

F/ Exhibit D-12, Line 13.

G/ Amount per Exhibit D-12, Line 13 * Inflation Factor per Exhibit D-17, Line 6.

H/ Amount for 2001 * Inflation Factor per Exhibit D-17, Line 6.

I/ Amount per Exhibit D-12, Line 13 * 103.02% (Composite Salary and Wage Growth Rate per Response to 6/14/01 CAPD Data Request, Item No. 14, Page 1 of 3).

J/ Amount for 2001 * 103.02% (See Note I/ for growth factor).

K/ Sum of Line 1 through Line 10.

L/ L11 * 11.95% Capitalization Ratio per Exhibit D-07, Line 13.

M/ L11 * 14.28% Direct Nonregulated Ratio per Exhibit D-07, Line 13.

N/ L11 - L12 - L13.

United Telephone Company
FICA and Medicare Tax

EXHIBIT D-09
9/30/01 10:15 AM

Line	Description	2001		2002	
1	Total Salaries and Wages	$ 2,020,136	A/	$ 2,081,059	A/
2	Medicare Tax Rate	1.45%	B/	1.45%	B/
3	Total Medicare Tax	$ 29,292	C/	$ 30,175	C/
4	Salaries Exceeding FICA Tax Base	$ 10,434	D/	$ 13,179	D/
5	Salaries and Wages Subject to FICA	$ 2,009,703	E/	$ 2,067,880	E/
6	FICA Tax Rate	6.20%	B/	6.20%	B/
7	Total FICA Tax	$ 124,602	F/	$ 128,209	F/
8	Total FICA and Medicare Tax	$ 153,894	G/	$ 158,384	G/

A/ Exhibit D-05, Line 53.

B/ IRS Publication 15T.

C/ L1 * L2.

D/ Exhibit D-05, Line 7 - $80,400 (FICA Tax Base from IRS Publication 15T.)

E/ L1 - L4.

F/ L5 * L6.

G/ L3 + L7.

United Telephone Company
FUTA & SUTA

EXHIBIT D-10
9/30/01 10:15 AM

Line	Description	2001		2002	
1	Taxable Wage Base Per Employee	$ 7,000	A/	$ 7,000	A/
2	No. of Employees Exceeding Base	50	B/	50	B/
3	Subtotal	$ 350,000	C/	$ 350,000	C/
4	Wages Less Than Base	-		-	
5	Taxable Salaries and Wages	$ 350,000	D/	$ 350,000	D/
6	FUTA Tax Rate	0.80%	A/	0.80%	A/
7	Total FUTA	$ 2,800	E/	$ 2,800	E/
8	SUTA Tax Rate	0.25%	A/	0.25%	A/
9	Total SUTA	$ 875	F/	$ 875	F/
10	Total FUTA & SUTA	$ 3,675	G/	$ 3,675	G/

A/ Response to 7/9/01 TRA Staff Data Request, Item No. 19, Page 1 of 1.

B/ Employee counts per Exhibit D-05.

C/ L1 * L2.

D/ L3 + L4.

E/ L5 * L6.

F/ L5 * L8.

G/ L7 + L9.

United Telephone Company
Life & Health Insurance

EXHIBIT D-11
9/30/01 10:15 AM

Line	Coverage	Monthly Amount	2001 Subscribers	2002 Subscribers	2001 Amount	2002 Amount
1	Health - Family Coverage	$ 640.55 A/	25 A/	25 A/	$ 192,165 D/	$ 192,165 E/
2	Health - Two Person	464.67 A/	15 A/	15 A/	83,641 D/	83,641 E/
3	Health - Subscriber Only	232.24 A/	5 A/	5 A/	13,934 D/	13,934 E/
4	Total Health Insurance				$ 289,740 F/	$ 289,740 F/
5	Employee Life Insurance	5.40 B/	50 C/	50 C/	3,240 E/	3,240 F/
6	Additional Life Insurance	-	-		18,000 B/	19,000 B/
7	Total Life Insurance				$ 21,240 G/	$ 22,240 G/
8	Total Life & Health				$ 310,980 H/	$ 311,980 H/

A/ Response to 7/27/01 CAPD Data Request, Item No. 61, Page 1 of 1.

B/ Response to 6/14/01 CAPD Data Request, Item No. 16, Page 1 of 1.

C/ Employee counts per Exhibit D-05.

D/ Monthly Amount * 2001 Subscribers * 12.

E/ Monthly Amount * 2002 Subscribers * 12.

F/ L1 + L2 + L3.

G/ L5 + L6.

H/ L4 + L7.

United Telephone Company
Quantification of Selected Benefits - 2000

EXHIBIT D-12
9/30/01 10:15 AM

Line	Yr. 2000 Month	Emp. Local Service A/	401 K Plan B/	Coffee C/	Uniforms D/	Unused Sick Leave E/
1	Jan	$ -	$ 3,475.63	$ 256.30	$ 741.76	$ 819.24
2	Feb	-	3,340.63	186.10	901.30	880.04
3	Mar	823.50	4,276.70	-	773.40	2,078.35
4	Apr	138.12	3,552.00	149.70	730.52	1,132.60
5	May	-	3,416.80	90.70	3,224.10	815.26
6	Jun	891.66	4,162.90	29.85	742.62	1,402.96
7	Jul	-	3,898.52	79.90	730.52	(646.15)
8	Aug	-	4,026.08	29.85	913.15	(2,186.66)
9	Sep	893.85	5,029.36	144.05	1,041.92	1,108.12
10	Oct	-	3,901.54	29.85	883.75	1,598.21
11	Nov	-	4,016.23	71.05	832.68	2,248.85
12	Dec	856.56	4,691.24	210.31	812.32	644.59
13	Total F/	$ 3,603.69	$ 47,787.63	$ 1,277.66	$ 12,328.04	$ 9,895.41

A/ Sum of Monthly Benefit Accruals FYE 2000 for Account 6723.1.

B/ Sum of Monthly Benefit Accruals FYE 2000 for Account 6728.14.

C/ Sum of Monthly Benefit Accruals FYE 2000 for Account 6728.2.

D/ Sum of Monthly Benefit Accruals FYE 2000 for Account 6723.2.

E/ Sum of Monthly Benefit Accruals FYE 2000 for Account 4120.4 MINUS Sum of Monthly Benefit Distributions for Sick Leave FYE 2000 for All Accounts.

F/ Sum of Line 1 through Line 12.

United Telephone Company
Benefit Analysis - 2000

EXHIBIT D-13
9/30/01 10:15 AM

Line	Yr. 2000 Month	Total A/	Capitalized B/	Total Expensed C/	Direct Nonreg. Expense D/	Matrix Expense E/	Capitalization Ratio F/	Direct Nonreg. Ratio G/
1	Jan	$ 55,665.48	$ 5,625.43	$ 50,040.05	$ 6,803.30	$ 43,236.74		
2	Feb	55,952.95	6,235.27	49,717.68	6,334.28	43,383.40		
3	Mar	63,707.43	8,097.59	55,609.84	7,681.91	47,927.93		
4	Apr	52,345.86	7,466.18	44,879.68	6,599.66	38,280.02		
5	May	54,867.98	6,206.07	48,661.91	7,036.28	41,625.62		
6	Jun	57,006.69	4,213.03	52,793.66	8,503.58	44,290.08		
7	Jul	54,843.74	6,758.22	48,085.52	8,054.58	40,030.94		
8	Aug	50,695.74	7,143.60	43,552.14	6,657.22	36,894.92		
9	Sep	59,144.27	7,370.10	51,774.17	9,944.42	41,829.75		
10	Oct	54,949.60	7,647.21	47,302.39	7,547.63	39,754.76		
11	Nov	58,060.93	6,971.37	51,089.56	9,651.23	41,438.33		
12	Dec	63,501.57	6,724.46	56,777.11	10,396.15	46,380.96		
13	Total	$ 680,742.23	$ 80,458.53	$ 600,283.70	$ 95,210.25	$ 505,073.45	11.82%	13.99%

A/ Sum of Monthly Benefit Distributions by Account FYE 2000 for All Accounts.

B/ Sum of Monthly Benefit Distributions by Account FYE 2000 for Accounts 2003 through 3122.

C/ Total Benefits - Capitalized Benefits.

D/ Sum of Monthly Benefit Distributions by Account FYE 2000 for Accounts 7990 and 7991.

E/ Total Expensed Benefits - Direct Nonregulated Benefits.

F/ Capitalized Benefits / Total Benefits.

G/ Direct Nonregulated Benefits / Total Benefits.

United Telephone Company
Rents

EXHIBIT D-14
9/30/01 10:16 AM

Line	Rents Description	2000 A/		2001 B/		2002 B/	
1	Pitney Bowes	$	30,497	$	29,007	$	29,007
2	Octel Capital		50,228		49,270		49,270
3	Expense Matrix C/	$	80,726	$	78,277	$	78,277

A/ Response to CAPD 7/27/01 Data Request, Item No. 62, Page 1 of 1.

B/ Response to CAPD 6/14/01 Data Request, Item No. 4, Page 65 of 73
(Financial Statements and Auditor's Report FYE 12/31/00 - Note K).

C/ L1 + L2.

United Telephone Company
Other Operations & Maintenance Expense

EXHIBIT D-15
9/30/01 10:16 AM

Line	Description		Amount	
1	Plant Specific - FYE 2000	$	1,383,481	A/
2	Plant Nonspecific - FYE 2000		360,081	A/
3	Customer Operations - FYE 2000		1,000,287	A/
4	Corporate Operations - FYE 2000		1,024,980	A/
5	Total O&M Expense	$	3,768,829	B/
	LESS:			
6	Salaries & Wages - FYE 2000		1,370,412	C/
7	Benefits - FYE 2000		505,073	D/
8	Rents - FYE 2000		80,726	E/
9	Unadjusted Other O&M - FYE 2000	$	1,812,618	F/
	ADJUSTMENTS:			
10	Nonrecurring Expense Adjustments		(96,564)	G/
11	Interstate Billing & Collection		(60,017)	H/
12	Adjusted Other O&M - FYE 2000	$	1,656,037	I/
13	Inflation Factor		5.64%	J/
14	Other O&M Expense Matrix - FYE 2001	$	1,749,437	K/
15	Inflation Factor		5.64%	J/
16	Other O&M Expense Matrix - FYE 2002	$	1,848,106	L/

A/ 2000 Annual Report, Pages 9-10.

B/ L1 + L2 + L3 + L4.

C/ Exhibit D-07, Line 13.

D/ Exhibit D-13, Line 13.

E/ Exhibit D-14, Line 3.

F/ L5 - L6 - L7 - L8.

G/ Exhibit D-16, Line 9.

H/ L3 * -6.00%.

I/ L9 + L10 +L11.

J/ Exhibit D-17, Line 6.

K/ L12 * 105.64% (See Note J/ for growth factor).

L/ L14 * 105.64% (See Note J/ for growth factor).

United Telephone Company
Nonrecurring Expense Adjustments

EXHIBIT D-16
9/30/01 10:16 AM

Line	Description	Amount	
1	UTCLD Admn. & Mgmt. Fees - Account 5280/9100	$ 13,200	A/
2	1999 Directory Expenses Booked in 2000	(74,000)	B/
3	1999 Work Orders Booked in 2000 - Account 6212/1100	(204)	C/
4	1999 Work Orders Booked in 2000 - Account 6212/1600	(542)	C/
5	1999 Work Orders Booked in 2000 - Account 6232/0000	(4,522)	C/
6	1999 Work Orders Booked in 2000 - Account 6431/0000	(117)	C/
7	1999 Work Orders Booked in 2000 - Account 6532/0000	(15,938)	C/
8	Ladd Engineering Nonrecurring Charges - Account 6232	(14,442)	D/
9	Total Nonrecurring Expense Adjustments	$ (96,564)	E/

A/ 2000 General Ledger and Response to 6/14/01 CAPD Data Request, Item No. 12, Page 14 of 24 through Page 16 of 24.

B/ Supplemental Testimony of Joe M. Enoch filed on 9/12/01 at page 2, question 7 and discussions with CAPD.

C/ 2000 General Ledger and Response to 7/27/01 CAPD Data Request, Item No. 55.

D/ 2000 General Ledger and Response to 7/27/01 CAPD Data Request, Item No. 54.

E/ Sum of Line 1 through Line 8.

United Telephone Company
Inflation Factor

EXHIBIT D-17
9/30/01 10:17 AM

1996 = 100.00

Line	Description	Inflation Factor	
1	2001 - 2nd Qtr GDP Implicit Price Deflator	109.24	A/
2	2000 - 2nd Qtr GDP Implicit Price Deflator	106.81	A/
3	Index Change	2.43	B/
4	Percent Change	2.275%	C/
5	One-half Access Line Growth Rate	3.365%	D/
6	Inflation Factor	5.640%	E/

A/ U.S. Dept. of Labor, Bureau of Economic Analysis - Table 7.1. Quantity and Price Indexes for Gross Domestic Product - Line 4 Implicit Price Deflator.

B/ L1 - L2.

C/ L3 / L2.

D/ Exhibit C-03, Line 29 * 50%.

E/ L4 + L5.

United Telephone Company
Depreciation Expense - TRA Approved Rates

EXHIBIT D-18
9/30/01 10:17 AM

Line	Account	Description	Depr. Rate B/	01-Jan Depr. Exp.	01-Feb Depr. Exp.	01-Mar Depr. Exp.	01-Apr Depr. Exp.	01-May Depr. Exp.	01-Jun Depr. Exp.	01-Jul Depr. Exp.	01-Aug Depr. Exp.	01-Sep Depr. Exp.	01-Oct Depr. Exp.	01-Nov Depr. Exp.	01-Dec Depr. Exp.	2001 Depr. Exp. C/
1	2111	Land	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
2	2112	Motor Vehicles	12.00%	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	70,251
3	2116	Other Work Equipment	8.00%	595	595	595	595	595	595	595	595	595	595	595	595	7,138
4	2121	Buildings	2.00%	3,563	3,563	3,563	3,563	3,563	3,563	3,625	3,625	3,625	3,625	3,625	3,625	43,125
5	2122	Furniture	6.00%	360	360	360	360	360	360	360	360	360	360	360	360	4,318
6	2123	Office Equipment	6.00%	412	412	412	412	412	412	412	412	412	412	412	412	4,938
7	2124	General Purpose Computers	6.00%	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	48,185
8	2212	Digital Electronic Switching	4.00%	41,530	41,530	41,530	41,530	41,530	41,530	49,959	49,959	49,959	49,959	49,959	49,959	548,937
9	2232	Circuit Equipment	4.00%	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	108,309
10	2411	Poles	4.00%	14,058	14,074	14,091	14,108	14,124	14,141	14,124	14,141	14,158	14,174	14,191	14,208	169,592
11	2421	Aerial Cable-Fiber	4.00%	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	83,644
12	2421	Aerial Cable-Metal	4.00%	50,275	50,375	50,475	50,575	50,675	50,775	52,974	53,074	53,174	53,274	53,374	53,474	622,492
13	2422	Underground Cable-Fiber	4.00%	187	187	187	187	187	187	187	187	187	187	187	187	2,245
14	2422	Underground Cable-Metal	4.00%	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	37,435
15	2423	Buried Cable-Fiber	2.40%	205	205	205	205	205	205	205	205	205	205	205	205	2,459
16	2423	Buried Cable-Metal	2.40%	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	21,465
17	2431	Aerial Wire	4.00%	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	29,802
18	2441	Conduit System-Fiber	2.00%	3	3	3	3	3	3	3	3	3	3	3	3	35
19	2441	Conduit System-Metal	2.00%	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	21,026
20		TOTAL DEPRECIATION A/		$ 146,196	$ 146,313	$ 146,429	$ 146,546	$ 146,663	$ 146,779	$ 157,453	$ 157,570	$ 157,687	$ 157,803	$ 157,920	$ 158,037	$ 1,825,395

A/ Monthly TPIS Balances per Exhibit B-03 multiplied by TRA Depreciation Rates per 2000 Annual Report divided by 12.

B/ 2000 Annual Report.

C/ Sum of Monthly Depreciation Expense for January through December.

United Telephone Company
Depreciation Expense - TRA Approved Rates

EXHIBIT D-19
9/30/01 10:17 AM

Line	Account	Description	Depr. Rate B/	02-Jan Depr. Exp.	02-Feb Depr. Exp.	02-Mar Depr. Exp.	02-Apr Depr. Exp.	02-May Depr. Exp.	02-Jun Depr. Exp.	02-Jul Depr. Exp.	02-Aug Depr. Exp.	02-Sep Depr. Exp.	02-Oct Depr. Exp.	02-Nov Depr. Exp.	02-Dec Depr. Exp.	2002 Depr. Exp. C/
1	2111	Land	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
2	2112	Motor Vehicles	12.00%	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	70,251
3	2116	Other Work Equipment	8.00%	595	595	595	595	595	595	595	595	595	595	595	595	7,138
4	2121	Buildings	2.00%	3,625	3,625	3,625	3,625	3,625	3,625	3,625	3,625	3,625	3,625	3,625	3,625	43,496
5	2122	Furniture	6.00%	360	360	360	360	360	360	360	360	360	360	360	360	4,318
6	2123	Office Equipment	6.00%	412	412	412	412	412	412	412	412	412	412	412	412	4,938
7	2124	General Purpose Computers	6.00%	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	48,185
8	2212	Digital Electronic Switching	4.00%	49,959	49,959	49,959	49,959	49,959	49,959	52,502	52,502	52,502	55,835	55,835	55,835	624,768
9	2232	Circuit Equipment	4.00%	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	108,309
10	2411	Poles	4.00%	14,224	14,241	14,258	14,274	14,291	14,308	14,324	14,341	14,358	14,374	14,391	14,408	171,792
11	2421	Aerial Cable-Fiber	4.00%	8,511	8,511	8,511	8,511	8,511	8,511	9,278	9,278	9,278	11,241	11,241	11,241	112,627
12	2421	Aerial Cable-Metal	4.00%	57,281	57,381	57,481	57,581	57,681	57,781	59,758	59,858	59,958	64,865	64,965	65,065	719,653
13	2422	Underground Cable-Fiber	4.00%	187	187	187	187	187	187	187	187	187	187	187	187	2,245
14	2422	Underground Cable-Metal	4.00%	3,938	3,938	3,938	3,938	3,938	3,938	4,345	4,345	4,345	5,387	5,387	5,387	52,823
15	2423	Buried Cable-Fiber	2.40%	205	205	205	205	205	205	205	205	205	205	205	205	2,459
16	2423	Buried Cable-Metal	2.40%	2,385	2,385	2,385	2,385	2,385	2,385	2,681	2,681	2,681	3,440	3,440	3,440	32,670
17	2431	Aerial Wire	4.00%	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	29,802
18	2441	Conduit System-Fiber	2.00%	3	3	3	3	3	3	3	3	3	3	3	3	35
19	2441	Conduit System-Metal	2.00%	2,161	2,161	2,161	2,161	2,161	2,161	2,365	2,365	2,365	2,886	2,886	2,886	28,720
20		TOTAL DEPRECIATION A/		$ 165,224	$ 165,340	$ 165,457	$ 165,574	$ 165,690	$ 165,807	$ 172,018	$ 172,135	$ 172,251	$ 184,794	$ 184,911	$ 185,027	$ 2,064,228

A/ Monthly TPIS Balances per Exhibit B-03 multiplied by TRA Depreciation Rates per 2000 Annual Report divided by 12.

B/ 2000 Annual Report.

C/ Sum of Monthly Depreciation Expense for January through December.

United Telephone Company
Other Taxes

EXHIBIT D-20
9/30/01 10:17 AM

Line	Description	2001		2002	
1	Property Tax	$ 511,031	A/	$ 567,449	A/
2	Franchise Tax	113,496	B/	128,171	B/
3	TRA Inspection Fee	15,104	C/	16,136	C/
4	Excise Tax	166,576	D/	170,467	D/
5	Total Other Taxes	$ 806,207	E/	$ 882,223	E/

A/ Exhibit D-21, Line 5.

B/ Exhibit D-23, Line 9.

C/ Exhibit D-24, Line 10.

D/ Exhibit D-25, Line 7.

E/ L1 + L2 + L3 + L4.

United Telephone Company
Property Taxes

EXHIBIT D-21
09/30/2001 10:17

Line	Description	2001		2002	
1	Unequalized Value	$ 45,000,000	A/	$ 49,968,000	F/
2	Assessment Rate	45.516%	B/	45.516%	B/
3	Assessed Value	$ 20,482,200	C/	$ 22,743,435	C/
4	Composite Tax Rate	2.495%	D/	2.495%	D/
5	Property Taxes	$ 511,031	E/	$ 567,449	E/

A/ Comptroller of the Treasury, Property Tax Division.

B/ Assessed Value for 2000 per Exhibit D-22, Line 17 of $23,668,413 divided by $52,000,000 Unequalized Value for 2000 per Comptroller of the Treasury, Property Tax Division.

C/ L1 * L2.

D/ Composite Tax Rate per Exhibit D-22, Line 17.

E/ L3 * L4.

F/ 2001 Unequlized Value multiplied by 111.104% Growth in Net Plant on 01/01/2002 over Net Plant on 01/01/2001, computed as follows:

Description	01/01/2001	01/01/2002
Telephone Plant in Service	$ 44,288,959	$ 50,257,771
Accumulated Depreciation	6,613,593	8,398,988
Net Plant	$ 37,675,366	$ 41,858,783
Dollar Difference		$ 4,183,417
Percent Difference		11.104%

United Telephone Company
Composite Property Tax Rate

EXHIBIT D-22
9/30/01 10:17 AM

Line	Jurisdiction	2000 Assessment A/	2000 Taxes A/	Composite Tax Rate B/
1	Chapel Hill	$ 4,847,277.00	$ 67,862.00	1.40%
2	Bell Buckle	1,448.00	4.92	0.34%
3	Marshall Co.	7,592,269.00	238,397.00	3.14%
4	Tullahoma	24,013.00	573.91	2.39%
5	Williamson Co.	3,586,486.00	105,562.00	2.94%
6	Nolensville	1,194,991.00	597.00	0.05%
7	Coffee Co.	24,013.00	576.31	2.40%
8	Estill Springs	651,455.00	5,472.22	0.84%
9	Franklin Co.	1,304,882.00	36,128.00	2.77%
10	Moore Co.	11,422.00	242.00	2.12%
11	Rutherford Co.	644,251.00	17,910.00	2.78%
12	Decherd	13,271.00	157.00	1.18%
13	Winchester	601.00	6.00	1.00%
14	Davidson Co.	938,920.00	31,829.39	3.39%
15	Bedford Co.	2,818,417.00	84,834.00	3.01%
16	Shelbyville	14,697.00	281.00	1.91%
17	2000 Totals	$ 23,668,413.00	$ 590,432.75	2.495%

A/ Response to 6/14/01 CAPD Data Request, Item No. 30, Page 54 of 119 through Page 69 of 119.

B/ 2000 Taxes / 2000 Assessment.

United Telephone Company
Franchise Tax

EXHIBIT D-23
9/30/01 10:18 AM

Line	Description		2001			2002	
1	Telephone Plant In Service	$	50,257,771	A/	$	58,192,033	B/
2	Accumulated Depreciation		8,398,988	C/		10,463,217	D/
3	Net Telephone Plant In Service	$	41,858,783	E/	$	47,728,816	E/
4	Construction Work In Progress		3,000,000	F/		3,000,000	F/
5	Materials and Supplies		385,968	G/		385,968	G/
6	Rental Value of Property Used		153,684	H/		153,684	H/
7	Total Subject to Tax	$	45,398,435	I/	$	51,268,468	I/
8	Franchise Tax Rate		0.25%	J/		0.25%	J/
9	Franchise Tax	$	113,496	K/	$	128,171	K/

A/ Exhibit B-03.2, Line 20.

B/ Exhibit B-03.4, Line 20.

C/ Exhibit B-06.2, Line 20.

D/ Exhibit B-06.4, Line 20.

E/ L1 - L2.

F/ Exhibit B-01, Line 2.

G/ Exhibit B-04, Line 4.

H/ Response to 6/14/01 CAPD Data Request, Item No. 30, Page 15 of 119.

I/ L3 + L4 + L5 + L6.

J/ Statutory Tax Rate.

K/ L7 * L8.

United Telephone Company
TRA Inspection Fee

EXHIBIT D-24
9/30/01 10:18 AM

Line	Description	2001		2002	
1	Total Revenues	$ 10,677,641	A/	$ 11,407,117	A/
2	Interstate Access	3,620,614	B/	3,834,266	B/
3	Total Intrastate Revenues	$ 7,057,027	C/	$ 7,572,851	C/
4	Less: Exemption	5,000	D/	5,000	D/
5	Net Intrastate Revenues	$ 7,052,027	E/	$ 7,567,851	E/
6	Less: First $1,000,000	1,000,000	D/	1,000,000	D/
7	All Over $1,000,000	$ 6,052,027	F/	$ 6,567,851	F/
	COMPUTATION OF FEE				
8	First $1,000,000 @ .3% D/	$ 3,000	G/	$ 3,000	G/
9	All Over $1,000,000 @ .2% D/	12,104	H/	13,136	H/
10	Total Inspection Fee	$ 15,104	I/	$ 16,136	I/

A/ Exhibit C-01, Line 6.

B/ Exhibit C-05, Line 1.

C/ L1 - L2.

D/ Response to 6/14/01 CAPD Data Request, Item No. 30, Page 119 of 119.

E/ L3 - L4.

F/ L5 - L6.

G/ L6 * .003.

H/ L7 * .002.

I/ L8 + L9.

United Telephone Company
Excise Tax

EXHIBIT D-25
9/30/01 10:18 AM

Line	Description	2001		2002	
1	Operating Revenues	$ 10,677,641	A/	$ 11,407,117	A/
	Less:				
2	Operating Expenses	5,362,231	B/	5,775,642	C/
3	Other Taxes	639,631	D/	711,756	D/
4	Interest Expense	1,899,513	E/	2,078,610	E/
5	Taxable Income	$ 2,776,266	F/	$ 2,841,109	F/
6	Tax Rate	6.00%	G/	6.00%	G/
7	Excise Tax	$ 166,576	H/	$ 170,467	H/

A/ Exhibit C-01, Line 6.

B/ Regulated Operations & Maintenance per Exhibit D-02 + Depreciation per Exhibit D-18.

C/ Regulated Operations & Maintenance per Exhibit D-01 + Depreciation per Exhibit D-19.

D/ Exhibit D-20, Line 1 (Property Taxes) + Line 2 (Franchise Taxes) + Line 3 (TRA Inspection Fee).

E/ Rate Base per Exhibit B-01, Line 11 * Weighted Cost of Long Term Debt per Exhibit A-03, Line 5.

F/ L1 - L2 - L3 - L4.

G/ Statutory Tax Rate.

H/ L5 * L6.

United Telephone Company
Federal Income Tax

EXHIBIT D-26
9/30/01 10:18 AM

Line	Description	2001		2002	
1	Operating Revenues	$ 10,677,641	A/	$ 11,407,117	A/
	Less:				
2	Operating Expenses	5,362,231	B/	5,775,642	C/
3	Other Taxes	806,207	D/	882,223	D/
4	Interest Expense	1,899,513	E/	2,078,610	E/
5	Taxable Income	$ 2,609,690	F/	$ 2,670,642	F/
6	Tax Rate	34.00%	G/	34.00%	G/
7	Federal Income Tax	$ 887,295	H/	$ 908,018	H/

A/ Exhibit C-01, Line 6.

B/ Regulated Operations & Maintenance per Exhibit D-02 + Depreciation per Exhibit D-18.

C/ Regulated Operations & Maintenance per Exhibit D-01 + Depreciation per Exhibit D-19.

D/ Exhibit D-20, Line 5.

E/ Rate Base per Exhibit B-01, Line 11 * Weighted Cost of Long Term Debt per Exhibit A-03, Line 5.

F/ L1 - L2 - L3 - L4.

G/ Statutory Tax Rate.

H/ L5 * L6.

United Telephone Company
Forecasted Results of Operations
Recommended Rates

EXHIBIT E-01
9/30/01 10:18 AM

Line	Description	2001		2002	
1	Rate Base	$ 37,696,503	A/	$ 40,766,817	A/
2	Fair Rate of Return	7.86%	B/	7.86%	B/
3	Required Net Operating Income	$ 2,962,945	C/	$ 3,204,272	C/
4	Net Operating Income - Recommended	3,164,000	D/	3,215,031	D/
5	Excess Net Operating Income	$ 201,055	E/	$ 10,759	E/
6	Revenue Retention Factor	0.61466	F/	0.61466	F/
7	Total Excess Revenue	$ 327,099	G/	$ 17,504	G/

A/ Exhibit E-02, Line 17.

B/ Exhibit A-03, Line 13.

C/ L1 * L2.

D/ Exhibit E-02, Line 16.

E/ L4 - L3.

F/ Exhibit A-05, Line 7.

G/ L5 / L6.

United Telephone Company
Forecasted Income Statement
Recommended Rates

EXHIBIT E-02
9/30/01 10:18 AM

Line	Description		2001			2002	
1	Local Service	$	3,508,073	A/	$	3,720,420	B/
2	Network Access		6,724,459	A/		6,992,759	A/
3	Long Distance		-	A/		-	A/
4	Miscellaneous		544,908	A/		597,401	A/
5	Uncollectibles		(99,799)	A/		(104,736)	C/
6	Total Operating Revenues	$	10,677,641	A/	$	11,205,844	D/
7	Plant Specific	$	1,414,701	E/	$	1,467,519	F/
8	Plant Nonspecific		320,273	E/		338,648	F/
9	Customer Operations		889,938	E/		940,999	F/
10	Corporate Operations		911,925	E/		964,247	F/
11	Operations & Maintenance	$	3,536,837	E/	$	3,711,413	F/
12	Depreciation & Amortization		2,558,170	G/		2,853,876	H/
13	Other Operating Taxes		761,219	I/		821,031	I/
14	Federal Income Taxes		657,415	J/		604,493	J/
15	Total Operating Expenses	$	7,513,641	K/	$	7,990,813	K/
16	Net Operating Income	$	3,164,000	L/	$	3,215,031	L/
17	Rate Base		37,696,503	M/		40,766,817	M/
18	Earned Rate of Return		8.393%	N/		7.886%	N/

A/ Exhibit C-01.

B/ Exhibit C-01 Line 1 - Exhibit E-03, Line 9.

C/ (L1+L2+L3+L4) * -0.926% Uncollectible Revenue Factor per Exhibit C-15, Line 7.

D/ L1 + L2 + L3 + L4 + L5.

E/ Exhibit D-02.

F/ Exhibit D-01.

G/ Exhibit E-04, Line 20.

H/ Exhibit E-05, Line 20.

I/ Exhibit E-09, Line 3.

J/ Exhibit E-09, Line 7.

K/ L11 + L12 + L13 + L14.

L/ L6 - L15.

M/ Exhibit E-10, Line 11.

N/ L16 / L17.

United Telephone Company
Touch-Tone Revenue Reduction
Recommended Rates

EXHIBIT E-03
9/30/01 10:18 AM

Line	Description	Lines		Touch-Tone Charge Reduction		Touch-Tone Revenue Reduction	
1	Residential Lines	12,924	A/				
2	Business Lines	1,710	A/				
3	Total Lines	14,634	B/				
4	Residential Mix	88.31%	C/				
5	Business Mix	11.69%	D/				
6	2002 Projected Lines	15,995	E/				
7	2002 Residential Lines	14,126	F/	$ 1.00	H/	$ 169,512	I/
8	2002 Business Lines	1,869	G/	$ 1.50	H/	33,643	I/
9	2002 Touch-Tone Revenues					$ 203,154	J/

A/ April 2001 3.01 Report.

B/ L1 + L2.

C/ L1 / L3.

D/ L2 / L3.

E/ Exhibit C-02, Line 3.

F/ L4 * L6.

G/ L5 * L6.

H/ Original Petition at 5.

I/ Lines * Touch-Tone Charge Reduction * 12.

J/ L7 + L8.

United Telephone Company
Depreciation and Amortization Expense
Recommended Rates

EXHIBIT E-04
9/30/01 10:18 AM

Line	Account	Description	Depr. Rate B/	01-Jan Depr. Exp.	01-Feb Depr. Exp.	01-Mar Depr. Exp.	01-Apr Depr. Exp.	01-May Depr. Exp.	01-Jun Depr. Exp.	01-Jul Depr. Exp.	01-Aug Depr. Exp.	01-Sep Depr. Exp.	01-Oct Depr. Exp.	01-Nov Depr. Exp.	01-Dec Depr. Exp.	2001 Depr. Exp. C/
1	2111	Land	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
2	2112	Motor Vehicles	12.00%	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	70,251
3	2116	Other Work Equipment	8.00%	595	595	595	595	595	595	595	595	595	595	595	595	7,138
4	2121	Buildings	2.00%	3,563	3,563	3,563	3,563	3,563	3,563	3,625	3,625	3,625	3,625	3,625	3,625	43,125
5	2122	Furniture	6.00%	360	360	360	360	360	360	360	360	360	360	360	360	4,318
6	2123	Office Equipment	6.00%	412	412	412	412	412	412	412	412	412	412	412	412	4,938
7	2124	General Purpose Computers	6.00%	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	48,185
8	**2212**	**Digital Electronic Switching**	**7.00%**	99,434	99,434	99,434	99,434	99,434	99,434	114,185	114,185	114,185	114,185	114,185	114,185	1,281,712
9	2232	Circuit Equipment	4.00%	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	108,309
10	2411	Poles	4.00%	14,058	14,074	14,091	14,108	14,124	14,141	14,124	14,141	14,158	14,174	14,191	14,208	169,592
11	2421	Aerial Cable-Fiber	4.00%	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	83,644
12	2421	Aerial Cable-Metal	4.00%	50,275	50,375	50,475	50,575	50,675	50,775	52,974	53,074	53,174	53,274	53,374	53,474	622,492
13	2422	Underground Cable-Fiber	4.00%	187	187	187	187	187	187	187	187	187	187	187	187	2,245
14	2422	Underground Cable-Metal	4.00%	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	37,435
15	2423	Buried Cable-Fiber	2.40%	205	205	205	205	205	205	205	205	205	205	205	205	2,459
16	2423	Buried Cable-Metal	2.40%	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	21,465
17	2431	Aerial Wire	4.00%	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	29,802
18	2441	Conduit System-Fiber	2.00%	3	3	3	3	3	3	3	3	3	3	3	3	35
19	2441	Conduit System-Metal	2.00%	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	21,026
20		Total Depreciation & Amortization A/		$ 204,099	$ 204,216	$ 204,333	$ 204,449	$ 204,566	$ 204,683	$ 221,679	$ 221,796	$ 221,912	$ 222,029	$ 222,146	$ 222,262	$ 2,558,170

A/ Monthly TPIS Balances per Exhibit B-03 multiplied by Depreciation Rates divided by 12.

B/ 2000 Annual Report, except Rate for Line 8 is changed from 4% to 7% plus monthly amortization of extraordinary retirement of $26,756.

C/ Sum of Monthly Depreciation Expense for January through December.

United Telephone Company
Depreciation and Amortization Expense
Recommended Rates

EXHIBIT E-05
9/30/01 10:18 AM

Line	Account	Description	Depr. Rate B/	02-Jan Depr. Exp.	02-Feb Depr. Exp.	02-Mar Depr. Exp.	02-Apr Depr. Exp.	02-May Depr. Exp.	02-Jun Depr. Exp.	02-Jul Depr. Exp.	02-Aug Depr. Exp.	02-Sep Depr. Exp.	02-Oct Depr. Exp.	02-Nov Depr. Exp.	02-Dec Depr. Exp.	2002 Depr. Exp. C/
1	2111	Land	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
2	2112	Motor Vehicles	12.00%	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	5,854	70,251
3	2116	Other Work Equipment	8.00%	595	595	595	595	595	595	595	595	595	595	595	595	7,138
4	2121	Buildings	2.00%	3,625	3,625	3,625	3,625	3,625	3,625	3,625	3,625	3,625	3,625	3,625	3,625	43,496
5	2122	Furniture	6.00%	360	360	360	360	360	360	360	360	360	360	360	360	4,318
6	2123	Office Equipment	6.00%	412	412	412	412	412	412	412	412	412	412	412	412	4,938
7	2124	General Purpose Computers	6.00%	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	48,185
8	**2212**	**Digital Electronic Switching**	**7.00%**	114,185	114,185	114,185	114,185	114,185	114,185	118,634	118,634	118,634	124,468	124,468	124,468	1,414,416
9	2232	Circuit Equipment	4.00%	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	9,026	108,309
10	2411	Poles	4.00%	14,224	14,241	14,258	14,274	14,291	14,308	14,324	14,341	14,358	14,374	14,391	14,408	171,792
11	2421	Aerial Cable-Fiber	4.00%	8,511	8,511	8,511	8,511	8,511	8,511	9,278	9,278	9,278	11,241	11,241	11,241	112,627
12	2421	Aerial Cable-Metal	4.00%	57,281	57,381	57,481	57,581	57,681	57,781	59,758	59,858	59,958	64,865	64,965	65,065	719,653
13	2422	Underground Cable-Fiber	4.00%	187	187	187	187	187	187	187	187	187	187	187	187	2,245
14	2422	Underground Cable-Metal	4.00%	3,938	3,938	3,938	3,938	3,938	3,938	4,345	4,345	4,345	5,387	5,387	5,387	52,823
15	2423	Buried Cable-Fiber	2.40%	205	205	205	205	205	205	205	205	205	205	205	205	2,459
16	2423	Buried Cable-Metal	2.40%	2,385	2,385	2,385	2,385	2,385	2,385	2,681	2,681	2,681	3,440	3,440	3,440	32,670
17	2431	Aerial Wire	4.00%	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484	29,802
18	2441	Conduit System-Fiber	2.00%	3	3	3	3	3	3	3	3	3	3	3	3	35
19	2441	Conduit System-Metal	2.00%	2,161	2,161	2,161	2,161	2,161	2,161	2,365	2,365	2,365	2,886	2,886	2,886	28,720
20		Total Depreciation & Amortization A/		$ 229,449	$ 229,566	$ 229,683	$ 229,799	$ 229,916	$ 230,033	$ 238,150	$ 238,267	$ 238,384	$ 253,427	$ 253,543	$ 253,660	$ 2,853,876

A/ Monthly TPIS Balances per Exhibit B-03 multiplied by Depreciation Rates divided by 12.

B/ 2000 Annual Report, except Rate for Line 8 is changed from 4% to 7% plus monthly amortization of extraordinary retirement of $26,756.

C/ Sum of Monthly Depreciation Expense for January thrc December.

United Telephone Company
Franchise Tax
Recommended Rates

EXHIBIT E-06
9/30/01 10:18 AM

Line	Description	2001		2002	
1	Telephone Plant In Service	$ 50,257,771	A/	$ 58,192,033	B/
2	Accumulated Depreciation	9,131,763	C/	11,985,639	D/
3	Net Telephone Plant In Service	$ 41,126,008	E/	$ 46,206,394	E/
4	Construction Work In Progress	3,000,000	F/	3,000,000	F/
5	Materials and Supplies	385,968	G/	385,968	G/
6	Rental Value of Property Used	153,684	H/	153,684	H/
7	Total Subject to Tax	$ 44,665,660	I/	$ 49,746,046	I/
8	Franchise Tax Rate	0.25%	J/	0.25%	J/
9	Franchise Tax	$ 111,664	K/	$ 124,365	K/

A/ Exhibit B-03.2, Line 20.

B/ Exhibit B-03.4, Line 20.

C/ Exhibit E-12.2, Line 20.

D/ Exhibit E-12.4, Line 20.

E/ L1 - L2.

F/ Exhibit B-01, Line 2.

G/ Exhibit B-04, Line 4.

H/ Response to 6/14/01 CAPD Data Request, Item No. 30, Page 15 of 119.

I/ L3 + L4 + L5 + L6.

J/ Statutory Tax Rate.

K/ L7 * L8.

United Telephone Company
TRA Inspection Fee
Recommended Rates

EXHIBIT E-07
9/30/01 10:18 AM

Line	Description	2001			2002		
1	Total Revenues	$	10,677,641	A/	$	11,205,844	A/
2	Interstate Access		3,620,614	B/		3,834,266	B/
3	Total Intrastate Revenues	$	7,057,027	C/	$	7,371,578	C/
4	Less: Exemption		5,000	D/		5,000	D/
5	Net Intrastate Revenues	$	7,052,027	E/	$	7,366,578	E/
6	Less: First $1,000,000		1,000,000	D/		1,000,000	D/
7	All Over $1,000,000	$	6,052,027	F/	$	6,366,578	F/
	COMPUTATION OF FEE						
8	First $1,000,000 @ .3% D/	$	3,000	G/	$	3,000	G/
9	All Over $1,000,000 @ .2% D/		12,104	H/		12,733	H/
10	Total Inspection Fee	$	15,104	I/	$	15,733	I/

A/ Exhibit E-02, Line 6.

B/ Exhibit C-05, Line 1.

C/ L1 - L2.

D/ Response to 6/14/01 CAPD Data Request, Item No. 30, Page 119 of 119.

E/ L3 - L4.

F/ L5 - L6.

G/ L6 * .3%.

H/ L7 * .2%.

I/ L8 + L9.

United Telephone Company
Excise Tax
Recommended Rates

EXHIBIT E-08
9/30/01 10:20 AM

Line	Description	2001		2002	
1	Operating Revenues	$ 10,677,641	A/	$ 11,205,844	A/
	Less:				
2	Operating Expenses	6,095,007	B/	6,565,289	C/
3	Other Taxes	637,799	D/	707,547	D/
4	Interest Expense	1,887,841	E/	2,041,602	E/
5	Taxable Income	$ 2,056,994	F/	$ 1,891,406	F/
6	Tax Rate	6.00%	G/	6.00%	G/
7	Excise Tax	$ 123,420	H/	$ 113,484	H/

A/ Exhibit E-02, Ln. 6.

B/ Regulated Operations & Maintenance per Exhibit E-02, Ln. 11 + Depreciation per Exhibit E-04, Ln. 20.

C/ Regulated Operations & Maintenance per Exhibit E-02, Ln. 11 + Depreciation per Exhibit E-05, Ln. 20.

D/ Exhibit D-21, Ln. 5 (Property Taxes) + Exhibit E-06, Ln. 9 (Franchise Taxes) + Exhibit E-07, Ln. 10 (TRA Inspection Fee).

E/ Rate Base per Exhibit E-10, Ln. 11 * Weighted Cost of Long Term Debt per Exhibit A-03, Ln. 5.

F/ L1 - L2 - L3 - L4.

G/ Statutory Tax Rate.

H/ L5 * L6.

United Telephone Company
Federal Income Tax
Recommended Rates

EXHIBIT E-09
9/30/01 10:21 AM

Line	Description	2001			2002		
1	Operating Revenues	$	10,677,641	A/	$	11,205,844	A/
	Less:						
2	Operating Expenses		6,095,007	B/		6,565,289	C/
3	Other Taxes		761,219	D/		821,031	D/
4	Interest Expense		1,887,841	E/		2,041,602	E/
5	Taxable Income	$	1,933,574	F/	$	1,777,922	F/
6	Tax Rate		34.00%	G/		34.00%	G/
7	Federal Income Tax	$	657,415	H/	$	604,493	H/

A/ Exhibit E-02, Ln. 6.

B/ Regulated Operations & Maintenance per Exhibit E-02, Ln. 11 + Depreciation per Exhibit E-04, Ln. 20.

C/ Regulated Operations & Maintenance per Exhibit E-02, Ln. 11 + Depreciation per Exhibit E-05, Ln. 20.

D/ Exhibit D-21, Ln. 5 (Property Taxes) + Exhibit E-06, Ln. 9 (Franchise Taxes) + Exhibit E-07, Ln. 10 (TRA Inspection Fee).

E/ Rate Base per Exhibit E-10, Ln. 11 * Weighted Cost of Long Term Debt per Exhibit A-03, Ln. 5.

F/ L1 - L2 - L3 - L4.

G/ Statutory Tax Rate.

H/ L5 * L6.

United Telephone Company
Rate Base Summary
Recommended Rates

EXHIBIT E-10
9/30/01 10:21 AM

Line	Description	2001		2002	
	ADDITIONS				
1	Telephone Plant in Service	$ 46,396,162	A/	$ 52,876,534	A/
2	Construction Work in Progress	3,000,000	B/	3,000,000	B/
3	Materials and Supplies	385,968	C/	385,968	C/
4	Working Capital	294,736	D/	309,285	E/
5	Total Additions	$ 50,076,866	F/	$ 56,571,787	F/
	DEDUCTIONS				
6	Accumulated Depreciation	$ 7,846,485	G/	$ 10,530,839	G/
7	Accumulated Deferred FIT	4,384,048	H/	5,150,909	H/
8	Unamortized ITC	95,076	I/	68,468	I/
9	Customer Deposits	54,754	J/	54,754	J/
10	Total Deductions	$ 12,380,363	K/	$ 15,804,970	K/
11	Rate Base	$ 37,696,503	L/	$ 40,766,817	L/

A/ Exhibit B-02, Line 14 (2001) and Line 28 (2002).

B/ Supplemental Testimony of Joe M. Enoch, Exhibit 2 - Revised and 9/27/01 Email from Joe Enoch.

C/ Exhibit B-04, Line 4.

D/ Regulated O&M Expense per Exhibit D-02, Line 5 divided by 12.

E/ Regulated O&M Expense per Exhibit D-01, Line 5 divided by 12.

F/ L1 + L2 + L3 + L4.

G/ Exhibit E-11, Line 14 (2001) and Line 28 (2002).

H/ Exhibit E-13, Line 12 (2001) and Line 13 (2002).

I/ Response to 8/13/01 TRA Staff Data Request, Item No. 16.

J/ Exhibit B-08, Line 4.

K/ L6 + L7 + L8 + L9.

L/ L5 - L10.

United Telephone Company
Accumulated Depreciation
13 Month Average
Recommended Rates

EXHIBIT E-11
9/30/01 10:22 AM

Line	Month	Amount	
1	Dec-00	$ 6,613,593	A/
2	01-Jan	6,817,692	A/
3	01-Feb	7,021,909	A/
4	01-Mar	7,226,241	A/
5	01-Apr	7,430,691	A/
6	01-May	7,635,257	A/
7	01-Jun	7,799,940	A/
8	01-Jul	8,021,619	B/
9	01-Aug	8,243,414	B/
10	01-Sep	8,465,326	B/
11	01-Oct	8,687,355	B/
12	01-Nov	8,909,501	B/
13	01-Dec	9,131,763	B/
14	2001 Average	$ 7,846,485	C/
15	01-Dec	$ 9,131,763	B/
16	02-Jan	9,361,212	D/
17	02-Feb	9,590,778	D/
18	02-Mar	9,820,461	D/
19	02-Apr	10,050,260	D/
20	02-May	10,280,176	D/
21	02-Jun	10,510,209	D/
22	02-Jul	10,748,359	E/
23	02-Aug	10,986,626	E/
24	02-Sep	11,225,010	E/
25	02-Oct	11,478,436	E/
26	02-Nov	11,731,979	E/
27	02-Dec	11,985,639	E/
28	2002 Average	$ 10,530,839	F/

A/ Exhibit E-12.1, Line 20.

B/ Exhibit E-12.2, Line 20.

C/ (Sum of Line 1 through Line 13) / 13.

D/ Exhibit E-12.3, Line 20.

E/ Exhibit E-12.4, Line 20.

F/ (Sum of Line 15 through Line 27) / 13.

United Telephone Company
Accumulated Depreciation
Recommended Rates

EXHIBIT E-12.1
9/30/01 10:22 AM

Line	Account	Description	Rcmnd Depr. Rate	Balance 12/31/2000	01-Jan Depr. Exp.	01-Jan Removal	Balance 01/31/2001	01-Feb Depr. Exp.	01-Feb Removal	Balance 02/28/2001	01-Mar Depr. Exp.	01-Mar Removal	Balance 03/31/2001	01-Apr Depr. Exp.	01-Apr Removal	Balance 04/30/2001	01-May Depr. Exp.	01-May Removal	Balance 05/31/2001	01-Jun Depr. Exp.	01-Jun Removal	Balance 06/30/2001
1	2111	Land	0.00%	-	-		-	-		-	-		-	-		-	-		-	-		-
2	2112	Motor Vehicles	12.00%	109,562	5,854		115,416	5,854		121,270	5,854		127,125	5,854		132,979	5,854		138,833	5,854		144,687
3	2116	Other Work Equipment	8.00%	69,593	595		70,188	595		70,783	595		71,378	595		71,972	595		72,567	595		73,162
4	2121	Buildings	2.00%	359,647	3,563		363,210	3,563		366,773	3,563		370,335	3,563		373,898	3,563		377,461	3,563		381,024
5	2122	Furniture	6.00%	42,254	360		42,614	360		42,974	360		43,334	360		43,693	360		44,053	360		44,413
6	2123	Office Equipment	6.00%	23,434	412		23,846	412		24,257	412		24,669	412		25,080	412		25,492	412		25,903
7	2124	General Purpose Computers	6.00%	277,367	4,015		281,382	4,015		285,398	4,015		289,413	4,015		293,429	4,015		297,444	4,015		301,459
8	**2212**	**Digital Electronic Switching**	**7.00%**	(1,350,203)	99,434		(1,250,769)	99,434		(1,151,336)	99,434		(1,051,902)	99,434		(952,468)	99,434		(853,034)	99,434		(753,601)
9	2232	Circuit Equipment	4.00%	456,835	9,026		465,861	9,026		474,886	9,026		483,912	9,026		492,938	9,026		501,964	9,026		510,989
10	2411	Poles	4.00%	824,490	14,058		838,548	14,074		852,622	14,091		866,713	14,108		880,821	14,124		894,945	14,141	(10,000)	899,086
11	2421	Aerial Cable-Fiber	4.00%	197,712	6,970		204,682	6,970		211,653	6,970		218,623	6,970		225,593	6,970		232,564	6,970		239,534
12	2421	Aerial Cable-Metal	4.00%	5,352,040	50,275		5,402,315	50,375		5,452,689	50,475		5,503,164	50,575		5,553,738	50,675		5,604,413	50,775	(30,000)	5,625,187
13	2422	Underground Cable-Fiber	4.00%	906	187		1,093	187		1,280	187		1,467	187		1,654	187		1,841	187		2,028
14	2422	Underground Cable-Metal	4.00%	31,061	3,120		34,181	3,120		37,300	3,120		40,420	3,120		43,539	3,120		46,659	3,120		49,779
15	2423	Buried Cable-Fiber	2.40%	955	205		1,160	205		1,365	205		1,570	205		1,775	205		1,979	205		2,184
16	2423	Buried Cable-Metal	2.40%	82,542	1,789		84,331	1,789		86,119	1,789		87,908	1,789		89,697	1,789		91,486	1,789		93,274
17	2431	Aerial Wire	4.00%	109,717	2,484		112,201	2,484		114,684	2,484		117,168	2,484		119,651	2,484		122,135	2,484		124,618
18	2441	Conduit System-Fiber	2.00%	15	3		18	3		21	3		24	3		27	3		30	3		33
19	2441	Conduit System-Metal	2.00%	25,666	1,752		27,418	1,752		29,170	1,752		30,923	1,752		32,675	1,752		34,427	1,752		36,179
20		TOTAL ACC. DEPR A/ B/ C/ D/		6,613,593	204,099	-	6,817,692	204,216	-	7,021,909	204,333	-	7,226,241	204,449	-	7,430,691	204,566	-	7,635,257	204,683	(40,000)	7,799,940

A/ December 31, 2000 Balance from 2000 Annual Report.

B/ Depreciation Expense from Exhibit E-04 for 2001 and Exhibit E-05 for 2002.

C/ Net Removals from Plant Retirements per Exhibit B-03.1 through Exhibit B-03.4.

D/ Monthly Balances computed by adding Prior Month's Balance plus Depreciation Expense minus Net Removal.

EXHIBIT E-12.2
9/30/01 10:22 AM

United Telephone Company
Accumulated Depreciation
Recommended Rates

Line	Account	Description	Rcmnd Depr. Rate	01-Jul Depr. Exp.	01-Jul Removal	Balance 07/30/2001	01-Aug Depr. Exp.	01-Aug Removal	Balance 08/31/2001	01-Sep Depr. Exp.	01-Sep Removal	Balance 09/30/2001	01-Oct Depr. Exp.	01-Oct Removal	Balance 10/31/2001	01-Nov Depr. Exp.	01-Nov Removal	Balance 11/30/2001	01-Dec Depr. Exp.	01-Dec Removal	Balance 12/31/2001
1	2111	Land	0.00%	-		-	-		-	-		-	-		-	-		-	-		-
2	2112	Motor Vehicles	12.00%	5,854		150,542	5,854		156,396	5,854		162,250	5,854		168,104	5,854		173,959	5,854		179,813
3	2116	Other Work Equipment	8.00%	595		73,757	595		74,352	595		74,947	595		75,542	595		76,136	595		76,731
4	2121	Buildings	2.00%	3,625		384,648	3,625		388,273	3,625		391,898	3,625		395,522	3,625		399,147	3,625		402,772
5	2122	Furniture	6.00%	360		44,773	360		45,133	360		45,493	360		45,853	360		46,212	360		46,572
6	2123	Office Equipment	6.00%	412		26,315	412		26,726	412		27,138	412		27,549	412		27,961	412		28,372
7	2124	General Purpose Computers	6.00%	4,015		305,475	4,015		309,490	4,015		313,505	4,015		317,521	4,015		321,536	4,015		325,552
8	**2212**	**Digital Electronic Switching**	**7.00%**	114,185		(639,416)	114,185		(525,231)	114,185		(411,046)	114,185		(296,861)	114,185		(182,676)	114,185		(68,491)
9	2232	Circuit Equipment	4.00%	9,026		520,015	9,026		529,041	9,026		538,067	9,026		547,092	9,026		556,118	9,026		565,144
10	2411	Poles	4.00%	14,124		913,210	14,141		927,351	14,158		941,509	14,174		955,683	14,191		969,874	14,208		984,082
11	2421	Aerial Cable-Fiber	4.00%	6,970		246,504	6,970		253,474	6,970		260,445	6,970		267,415	6,970		274,385	6,970		281,356
12	2421	Aerial Cable-Metal	4.00%	52,974		5,678,161	53,074		5,731,235	53,174		5,784,409	53,274		5,837,684	53,374		5,891,058	53,474		5,944,532
13	2422	Underground Cable-Fiber	4.00%	187		2,215	187		2,402	187		2,589	187		2,777	187		2,964	187		3,151
14	2422	Underground Cable-Metal	4.00%	3,120		52,898	3,120		56,018	3,120		59,138	3,120		62,257	3,120		65,377	3,120		68,496
15	2423	Buried Cable-Fiber	2.40%	205		2,389	205		2,594	205		2,799	205		3,004	205		3,209	205		3,414
16	2423	Buried Cable-Metal	2.40%	1,789		95,063	1,789		96,852	1,789		98,641	1,789		100,429	1,789		102,218	1,789		104,007
17	2431	Aerial Wire	4.00%	2,484		127,102	2,484		129,585	2,484		132,069	2,484		134,552	2,484		137,036	2,484		139,519
18	2441	Conduit System-Fiber	2.00%	3		36	3		39	3		41	3		44	3		47	3		50
19	2441	Conduit System-Metal	2.00%	1,752		37,931	1,752		39,684	1,752		41,436	1,752		43,188	1,752		44,940	1,752		46,692
20		TOTAL ACC. DEPR. A/ B/ C/ D/		221,679	-	8,021,619	221,796	-	8,243,414	221,912	-	8,465,326	222,029	-	8,687,355	222,146	-	8,909,501	222,262	-	9,131,763

A/ December 31, 2000 Balance from 2000 Annual Report.

B/ Depreciation Expense from Exhibit E-04 for 2001 and Exhibit E-05 for 2002.

C/ Net Removals from Plant Retirements per Exhibit B-03.1 through Exhibit B-03.4.

D/ Monthly Balances computed by adding Prior Month's Balance plus Depreciation Expense minus Net Removal.

EXHIBIT E-12.3
9/30/01 10:22 AM

United Telephone Company
Accumulated Depreciation
Recommended Rates

Line	Account	Description	Rcmnd Depr. Rate	02-Jan Depr. Exp.	02-Jan Removal	Balance 01/31/2002	02-Feb Depr. Exp.	02-Feb Removal	Balance 02/28/2002	02-Mar Depr. Exp	02-Mar Removal	Balance 03/31/2002
1	2111	Land	0.00%	-		-	-		-	-		-
2	2112	Motor Vehicles	12.00%	5,854		185,667	5,854		191,521	5,854		197,376
3	2116	Other Work Equipment	8.00%	595		77,326	595		77,921	595		78,516
4	2121	Buildings	2.00%	3,625		406,396	3,625		410,021	3,625		413,646
5	2122	Furniture	6.00%	360		46,932	360		47,292	360		47,652
6	2123	Office Equipment	6.00%	412		28,784	412		29,195	412		29,607
7	2124	General Purpose Computers	6.00%	4,015		329,567	4,015		333,582	4,015		337,598
8	**2212**	**Digital Electronic Switching**	**7.00%**	114,185		45,694	114,185		159,878	114,185		274,063
9	2232	Circuit Equipment	4.00%	9,026		574,169	9,026		583,195	9,026		592,221
10	2411	Poles	4.00%	14,224		998,306	14,241		1,012,547	14,258		1,026,805
11	2421	Aerial Cable-Fiber	4.00%	8,511		289,867	8,511		298,378	8,511		306,890
12	2421	Aerial Cable-Metal	4.00%	57,281		6,001,812	57,381		6,059,193	57,481		6,116,673
13	2422	Underground Cable-Fiber	4.00%	187		3,338	187		3,525	187		3,712
14	2422	Underground Cable-Metal	4.00%	3,938		72,434	3,938		76,372	3,938		80,310
15	2423	Buried Cable-Fiber	2.40%	205		3,618	205		3,823	205		4,028
16	2423	Buried Cable-Metal	2.40%	2,385		106,391	2,385		108,776	2,385		111,160
17	2431	Aerial Wire	4.00%	2,484		142,003	2,484		144,486	2,484		146,970
18	2441	Conduit System-Fiber	2.00%	3		53	3		56	3		59
19	2441	Conduit System-Metal	2.00%	2,161		48,854	2,161		51,015	2,161		53,176
20		TOTAL ACC. DEPR. A/ B/ C/ D/		229,449	-	9,361,212	229,566	-	9,590,778	229,683	-	9,820,461

Line	Account	Description	02-Apr Depr. Exp.	02-Apr Removal	Balance 04/30/2002	02-May Depr. Exp.	02-May Removal	Balance 05/31/2002	02-Jun Depr. Exp.	02-Jun Removal	Balance 06/30/2002
1	2111	Land	-		-	-		-	-		-
2	2112	Motor Vehicles	5,854		203,230	5,854		209,084	5,854		214,938
3	2116	Other Work Equipment	595		79,111	595		79,705	595		80,300
4	2121	Buildings	3,625		417,270	3,625		420,895	3,625		424,520
5	2122	Furniture	360		48,012	360		48,372	360		48,731
6	2123	Office Equipment	412		30,019	412		30,430	412		30,842
7	2124	General Purpose Computers	4,015		341,613	4,015		345,628	4,015		349,644
8	**2212**	**Digital Electronic Switching**	114,185		388,248	114,185		502,433	114,185		616,618
9	2232	Circuit Equipment	9,026		601,247	9,026		610,272	9,026		619,298
10	2411	Poles	14,274		1,041,079	14,291		1,055,370	14,308		1,069,678
11	2421	Aerial Cable-Fiber	8,511		315,401	8,511		323,912	8,511		332,424
12	2421	Aerial Cable-Metal	57,581		6,174,254	57,681		6,231,934	57,781		6,289,715
13	2422	Underground Cable-Fiber	187		3,899	187		4,086	187		4,273
14	2422	Underground Cable-Metal	3,938		84,248	3,938		88,185	3,938		92,123
15	2423	Buried Cable-Fiber	205		4,233	205		4,438	205		4,643
16	2423	Buried Cable-Metal	2,385		113,545	2,385		115,929	2,385		118,314
17	2431	Aerial Wire	2,484		149,453	2,484		151,937	2,484		154,420
18	2441	Conduit System-Fiber	3		62	3		65	3		68
19	2441	Conduit System-Metal	2,161		55,337	2,161		57,499	2,161		59,660
20		TOTAL ACC. DEPR. A/ B/ C/ D/	229,799	-	10,050,260	229,916	-	10,280,176	230,033	-	10,510,209

A/ December 31, 2000 Balance from 2000 Annual Report.

B/ Depreciation Expense from Exhibit E-04 for 2001 and Exhibit E-05 for 2002.

C/ Net Removals from Plant Retirements per Exhibit B-03.1 through Exhibit B-03.4.

D/ Monthly Balances computed by <u>adding</u> Prior Month's Balance <u>plus</u> Depreciation Expense <u>minus</u> Net Removal.

EXHIBIT E-12.4
9/30/01 10:22 AM

United Telephone Company
Accumulated Depreciation
Recommended Rates

Line	Account	Description	Rcmnd Depr. Rate	02-Jul Depr. Exp.	02-Jul Removal	Balance 07/30/2002	02-Aug Depr. Exp.	02-Aug Removal	Balance 08/31/2002	02-Sep Depr. Exp.	02-Sep Removal	Balance 09/30/2002	02-Oct Depr. Exp.	02-Oct Removal	Balance 10/31/2002	02-Nov Depr. Exp.	02-Nov Removal	Balance 11/30/2002	02-Dec Depr. Exp.	02-Dec Removal	Balance 12/31/2002
1	2111	Land	0.00%	-		-	-		-	-		-	-		-	-		-	-		-
2	2112	Motor Vehicles	12.00%	5,854		220,793	5,854		226,647	5,854		232,501	5,854		238,355	5,854		244,210	5,854		250,064
3	2116	Other Work Equipment	8.00%	595		80,895	595		81,490	595		82,085	595		82,680	595		83,275	595		83,869
4	2121	Buildings	2.00%	3,625		428,145	3,625		431,769	3,625		435,394	3,625		439,019	3,625		442,643	3,625		446,268
5	2122	Furniture	6.00%	360		49,091	360		49,451	360		49,811	360		50,171	360		50,531	360		50,891
6	2123	Office Equipment	6.00%	412		31,253	412		31,665	412		32,076	412		32,488	412		32,899	412		33,311
7	2124	General Purpose Computers	6.00%	4,015		353,659	4,015		357,675	4,015		361,690	4,015		365,705	4,015		369,721	4,015		373,736
8	**2212**	**Digital Electronic Switching**	**7.00%**	118,634		735,252	118,634		853,887	118,634		972,521	124,468		1,096,989	124,468		1,221,457	124,468		1,345,924
9	2232	Circuit Equipment	4.00%	9,026		628,324	9,026		637,350	9,026		646,375	9,026		655,401	9,026		664,427	9,026		673,452
10	2411	Poles	4.00%	14,324		1,084,002	14,341		1,098,343	14,358		1,112,701	14,374		1,127,075	14,391		1,141,466	14,408		1,155,874
11	2421	Aerial Cable-Fiber	4.00%	9,278		341,702	9,278		350,980	9,278		360,258	11,241		371,500	11,241		382,741	11,241		393,982
12	2421	Aerial Cable-Metal	4.00%	59,758		6,349,473	59,858		6,409,331	59,958		6,469,289	64,865		6,534,154	64,965		6,599,119	65,065		6,664,185
13	2422	Underground Cable-Fiber	4.00%	187		4,460	187		4,647	187		4,834	187		5,021	187		5,208	187		5,395
14	2422	Underground Cable-Metal	4.00%	4,345		96,468	4,345		100,813	4,345		105,158	5,387		110,545	5,387		115,933	5,387		121,320
15	2423	Buried Cable-Fiber	2.40%	205		4,848	205		5,053	205		5,257	205		5,462	205		5,667	205		5,872
16	2423	Buried Cable-Metal	2.40%	2,681		120,995	2,681		123,676	2,681		126,357	3,440		129,797	3,440		133,237	3,440		136,677
17	2431	Aerial Wire	4.00%	2,484		156,904	2,484		159,387	2,484		161,871	2,484		164,354	2,484		166,838	2,484		169,321
18	2441	Conduit System-Fiber	2.00%	3		71	3		74	3		77	3		80	3		83	3		86
19	2441	Conduit System-Metal	2.00%	2,365		62,025	2,365		64,390	2,365		66,754	2,886		69,640	2,886		72,526	2,886		75,412
20		TOTAL ACC. DEPR. A/ B/ C/ D/		238,150	-	10,748,359	238,267	-	10,986,626	238,384	-	11,225,010	253,427	-	11,478,436	253,543	-	11,731,979	253,660	-	11,985,639

A/ December 31, 2000 Balance from 2000 Annual Report.

B/ Depreciation Expense from Exhibit E-04 for 2001 and Exhibit E-05 for 2002.

C/ Net Removals from Plant Retirements per Exhibit B-03.1 through Exhibit B-03.4.

D/ Monthly Balances computed by <u>adding</u> Prior Month's Balance <u>plus</u> Depreciation Expense <u>minus</u> Net Removal.

United Telephone Company
Accumulated Deferred Federal Income Tax
Recommended Rates

EXHIBIT E-13
9/30/01 10:22 AM

Line	Description	Tax Timing Differences		ADFIT	
1	Accumulated Deferred Federal Income Tax at 12/31/00			$ 3,855,080	A/
2	Tax Depreciation for 2001	$ 5,669,749	B/		
3	Book Depreciation for 2001	2,558,170	C/		
4	Tax Timing Differences for 2001	3,111,579	D/		
5	Statutory Federal Income Tax Rate	34.00%		1,057,937	E/
6	Accumulated Deferred Income Tax at 12/31/01			4,913,017	F/
7	Tax Depreciation for 2002	4,253,242	B/		
8	Book Depreciation for 2002	2,853,876	G/		
9	Depreciation Timing Differences for 2002	1,399,366	H/		
10	Statutory Federal Income Tax Rate	34.00%		475,784	I/
11	Accumulated Deferred Income Tax at 12/31/02			$ 5,388,801	J/
12	Average ADFIT for 2001			$ 4,384,048	K/
13	Average ADFIT for 2002			$ 5,150,909	L/

A/ Response to 6/14/01 CAPD Data Request, Item No. 4, Page 54 of 73.

B/ Response to 9/17/01 TRA Staff Data Request, Item No. 9.

C/ Exhibit E-04, Line 20.

D/ Line 2 - Line 3.

E/ Line 4 * 34.00%.

F/ Line 1 + Line 5.

G/ Exhibit E-05, Line 20.

H/ Line 7 - Line 8.

I/ Line 9 * 34.00%.

J/ Line 6 + Line 10.

K/ (Line 1 + Line 6) / 2.

L/ (Line 6 + Line 11) / 2.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE

IN RE: PETITION OF UNITED TELEPHONE COMPANY TO CHANGE AND INCREASE CERTAIN INTRASTATE RATES AND CHARGES SO AS TO PERMIT IT TO EARN A FAIR AND ADEQUATE RATE OF RETURN ON ITS PROPERTY USED AND USEFUL IN FURNISHING TELEPHONE SERVICE TO ITS CUSTOMERS IN TENNESSEE AND TO ADOPT NEW AND REALISTIC DEPRECIATION RATES FOR CENTRAL OFFICE EQUIPMENT	)	DOCKET NO. 01-00451

AFFIDAVIT

I, Joe Shirley, Telecommunications Consultant for the Tennessee Regulatory Authority, hereby certify that the foregoing Direct Testimony with Exhibits A-01 through E-13 represents my opinion on behalf of the TRA Staff (as a party) in the above-referenced case.

Joe Shirley

Joe Shirley
TRA Staff (as a party)

Sworn and subscribed before me this
3rd day of October, 2001.

Lynda Lu Perrin

NOTARY PUBLIC

My commission expires: July 27, 2002

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served, via the method(s) indicated, this the 3rd day of October, 2001, on the following:

[X] Hand Delivery [ ] Facsimile [ ] U.S. Mail	Vance L. Broemel, Esq. Office of the Attorney General Consumer Advocate and Protection Division 425 5th Avenue North, 3rd Floor Nashville, TN 37243
[X] Hand Delivery [ ] Facsimile [ ] U.S. Mail	J. Richard Collier, Esq. Tennessee Regulatory Authority 460 James Robertson Parkway Nashville, TN 37243
[X] Hand Delivery [ ] Facsimile [ ] U.S. Mail	T.G. Pappas, Esq. Dale Grimes, Esq. Bass, Berry & Sims PLC 315 Deadrick Street #2700 Nashville, TN 37238

Gary Hotvedt