

LORETTO TELEPHONE COMPANY, INC.

Revision of Business Rates to Reflect Ad Valorem Tax Equity Payment

True-up Property Tax Savings and Pass Through Amount
for implementation on October 1, 2006

Loretto Telephone Company, Inc. accrued the following entry for year end 2005	ACCOUNT NUMBER	DEBIT	CREDIT
OTHER ACCTS RECEIVABLE/PROPERTY TAX	1190.04	\$52,319.86	
OPER. TAX/REAL PROPERTY	7240.01		\$52,319.86
TO RECOGNIZE STATE PROPERTY TAX RECOVERY DUE TO BUSINESS RATE REDUCTION TAX EQUITY RELIEF FOR 2005			
Note: Beginning balance \$64779.15 less received payment June 2005 for \$36745.34 + journal entry = ending balance \$80353.67			

Loretto Telephone Company, Inc. captures the actual amount of pass through as follows: cumulative entries for 2005	ACCOUNT NUMBER	DEBIT	CREDIT
PROPERTY TAX EQUITY RELIEF (CONTRA TO REVENUE ACCOUNT)	5001.01	\$9,337.50	
BASIC AREA REVENUES/SUBSCRIBER STATIONS	5001.		\$9,337.50
(Amount is captured by mutiplying the number of access lines times the amount of pass through credit each month)			

Loretto Telephone Company, Inc. booked the June 2006 Tax Equity Payment as follows:	ACCOUNT NUMBER	DEBIT	CREDIT
CASH GENERAL FUNDS/ 1ST FARMERS & MERCHANTS BANK	1130.05	\$44,650.43	
OTHER ACCTS RECEIVABLE/PROPERTY TAX	1190.04		\$44,650.43
TO RECORD RECEIPT OF FUNDS FROM STATE FOR PROPERTY TAX RELIEF			

LORETTO TELEPHONE COMPANY, INC.
PROPERTY TAX EQUITY RELIEF
ACCOUNT # 5001.01

MONTH	2005 AMOUNT	2006 AMOUNT
JAN		\$3,083.45
FEB		\$3,108.35
MAR		\$3,112.50
APR		\$3,116.65
MAY		\$3,079.30
JUN		\$3,079.30
JUL		\$3,095.90
AUG		\$3,087.60
SEP		\$3,087.60 ESTIMATED
OCT	\$3,133.25	
NOV	\$3,100.05	
DEC	\$3,104.20	
YEARLY TOTALS	\$9,337.50	\$27,850.65
GRAND TOTAL	\$37,188.15	

LORETTO TELEPHONE COMPANY, INC.
2006-2007 Property Tax Savings and Pass Through Amount
for implementation on 10/1/06

Flow Through Amount for October 1, 2006 Through September 2007 (See attached 2005-2006 Property Tax Calculation)	\$	44,340
Business Access Lines @ 08/01/06		744
Net Pass Through per Business Access Line	\$	59.60
Number of Months		12
Price Adjustment per Business Customer	\$	4.97
Proposed Monthly Business Customer Price Adjustment		\$4.97

LORETTO TELEPHONE COMPANY, INC.
2006-2007 Property Tax Savings
for implementation on 10/1/06

1. Total Equity Payment Received June/July 2006	\$ 44,650.43	
Subtotal		\$ 44,650.43
2. Jurisdictional Separations Impact (part 36/69). Line 1 * separations factor		\$ -
3. Impact to USF support, if applicable (include supporting calculations)		\$ -
4. Net Tax Savings to Company to be flowed through to business customers. (Line 1 less lines 2 and 3)		\$ 44,650.43
5. Total Rate Reduction from October 1, 2005 through September 30, 2006	\$ (37,204.75)	
2005-2006 flow through amount	\$ 36,894.45	
Subtotal		\$ (310.30)
6. Difference (Line 4 less Line 5)		<u>\$ 44,340.13</u>
If Line 4 is greater than Line 5, then the difference represents the additional amount that existing rates need to be reduced. If Line 5 is greater Line 4, then the difference represents the amount by which existing rates may be increased.		