

Citizens Telephone Company

Case: TI-04-016A

December 31, 2002

Revenue Requirement

Line		11.08%
		Return
(A)		(B)
1	Net Orig Cost Rate Base (Sch 2)	\$ 5,472,730
2	Rate of Return	11.08%

3	Net Operating Income Requirement	\$ 606,378
4	Net Income Available (Sch 8)	\$ 740,275

5	Additional NOI BT Needed	\$ (133,897)
6	Income Tax Requirement (Sch 10)	
7	Required Current Income Tax	\$ 347,260
8	Test Year Current Income Tax	\$ 427,462

9	Additional Current Tax Required	\$ (80,202)
10	Required Deferred ITC	\$ 0
11	Test Year Deferred ITC	\$ 0

12	Additional Deferred ITC Required	\$ 0

13	Total Additional Tax Required	\$ (80,202)

14	Gross Revenue Requirement	\$ (214,099)

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Rate Base

Line Description	Amount
(A)	(B)
1 Total Plant in Service (Sch 3)	\$ 9,320,311
Subtract from Total Plant	
2 Depreciation Reserve (Sch 6)	\$ 3,055,801

3 Net Plant in Service	\$ 6,264,510
Add to Net Plant in Service	
4 Cash Working Capital (Sch)	\$ 0
5 Materials and Supplies-Exempt	50,646
6 Prepaid Expenses	14,697
7 CoBank Stock	40,196
Subtract from Net Plant	
8 Federal Tax Offset 0.0000 %	\$ 0
9 State Tax Offset 0.0000 %	0
10 City Tax Offset 0.0000 %	0
11 Interest Expense Offset 0.0000 %	0
12 Customer Advances for Construction	0
13 Contribution in aid of Construction	0
14 Deferred Income Taxes-Depreciation	874,450
15 Customer Deposits	22,869

16 Total Rate Base	\$ 5,472,730
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Total Plant in Service

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
Detail Accounts							
1	2111.000	Land	\$ 119,840	\$ 0	62.7822	\$ 0 P-1	\$ 75,238
2	2112.000	Motor Vehicles	311,318	6,148	62.7822	0 P-2	199,312
3	2116.000	Other Work Equipment	178,425	4,183	62.7822	0 P-3	114,645
4	2121.000	Buildings	987,972	12,959	62.7822	0 P-4	628,407
5	2122.000	Furniture	140,907	0	62.7822	0 P-5	88,465
6	2123.100	Office Equipment - Basic	25,258	(5,114)	62.7822	0 P-6	12,647
7	2123.200	Office Equipment	66,149	1,761	62.7822	0 P-7	42,635
8	2124.000	General Purpose Computers	579,596	3,658	62.7822	0 P-8	366,180
9		Total	\$ 2,409,465	\$ 23,595		\$ 0	\$ 1,527,529
Operating Plant Accounts							
10	2212.000	Digital Electronic Switching	\$ 3,075,114	\$ 92,036	38.3996	\$ 0 P-9	\$ 1,216,173
11	2232.100	Circuit Equipment - Subscriber	1,590,317	0	60.4171	0 P-10	960,823
12	2232.200	Circuit Equipment - Toll Carrier	151,772	125,187	60.4171	0 P-11	167,331
13	2423.300	Buried Cable - Fiber	1,147,431	0	72.5927	0 P-18	832,951
14	2411.000	Poles	50	0	0.0000	0 P-21	0
15	2421.000	Aerial Cable	4,847	0	72.5927	0 P-12	3,519
16	2422.100	Underground Cable - Metallic	360,100	0	72.5927	0 P-14	261,406
17	2423.100	Buried Cable	4,143,722	90,341	72.5927	0 P-16	3,073,621
18	2412.200	Aerial Drops	10,328	(1,550)	72.5927	0 P-13	6,372
19	2422.200	Underground Cable - Fiber	154,224	0	72.5927	0 P-15	111,955
20	2423.200	Buried Cable Drops	907,818	44,020	72.5927	0 P-17	690,965
21	2431.000	Aerial Wire	210	0	0.0000	0 P-19	0
22	2441.000	Conduit Systems	644,233	0	72.5927	0 P-20	467,666
23		Total	\$ 12,190,166	\$ 350,034		\$ 0	\$ 7,792,782

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Total Plant in Service

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
Amortizable Assets							
24	2680.000	Amortizable Tangible Assets	\$ 0	\$ 0	100.0000	\$ 0	\$ 0
25	2681.000	Capital Leases	0	0	100.0000	0	0
26	2682.000	Leasehold Improvements	0	0	100.0000	0	0
27	2690.000	Intangibles	0	0	100.0000	0	0
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28		Total	\$ 0	\$ 0		\$ 0	\$ 0

29		Total Plant In Service	\$ 14,599,631	\$ 373,629		\$ 0	\$ 9,320,311

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Adjustments to Total Plant

Adj No Description	Total Co Adjustment	Mo Juris Adjustment
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Motor Vehicles	P-2	\$ 6,148
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1. To reflect net plant additions. (Winter)		\$ 6,148
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Other Work Equipment	P-3	\$ 4,183
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1. To reflect plant additions. (Winter)		\$ 4,183
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Buildings	P-4	\$ 12,959
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1. To adjust for plant additions. (Winter)		\$ 12,959
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Office Equipment - Basic	P-6	\$ (5,114)
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1. To adjust for plant additions. (Winter)		\$ (5,114)
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Office Equipment	P-7	\$ 1,761
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1. To adjust for plant additions. (Winter)		\$ 1,761
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General Purpose Computers	P-8	\$ 3,658
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1. To adjust for plant additions. (Winter)		\$ 3,658
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Adjustments to Total Plant

Adj No Description	Total Co Adjustment	Mo Juris Adjustment
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Digital Electronic Switching	P-9	\$ 92,036
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1. To increase plant for LNP hardware and software costs.	\$ 100,000
2. To adjust for plant additions. (Winter)	\$ (7,964)

Circuit Equipment - Toll Carrier	P-11	\$ 125,187
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1. To adjust for plant additions. (Winter)	\$ 125,187
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Aerial Drops	P-13	\$ (1,550)
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1. To adjust for plant additions. (Winter)	\$ (1,550)
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Buried Cable	P-16	\$ 90,341
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1. To adjust for plant additions. (Winter)	\$ 90,341
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Buried Cable Drops	P-17	\$ 44,020
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1. To adjust for plant additions. (Winter)	\$ 44,020
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Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
Detail Accounts					
1	2111.000	Land	\$ 75,238	0.0000	\$ 0
2	2112.000	Motor Vehicles	199,312	14.0000	27,904
3	2116.000	Other Work Equipment	114,645	7.1400	8,186
4	2121.000	Buildings	628,407	2.8600	17,972
5	2122.000	Furniture	88,465	7.1400	6,316
6	2123.100	Office Equipment - Basic	12,647	2.0000	253
7	2123.200	Office Equipment	42,635	11.9000	5,074
8	2124.000	General Purpose Computers	366,180	11.0000	40,280

9		Total	\$ 1,527,529		\$ 105,985
Operating Plant Accounts					
10	2212.000	Digital Electronic Switching	\$ 1,216,173	6.6700	\$ 81,119
11	2232.100	Circuit Equipment - Subscriber	960,823	10.0000	96,082
12	2232.200	Circuit Equipment - Toll Carrier	167,331	10.0000	16,733
13	2423.300	Buried Cable - Fiber	832,951	3.5700	29,736
14	2411.000	Poles	0	0.0000	0
15	2421.000	Aerial Cable	3,519	4.7600	168
16	2422.100	Underground Cable - Metallic	261,406	3.8500	10,064
17	2423.100	Buried Cable	3,073,621	3.5700	109,728
18	2412.200	Aerial Drops	6,372	4.7600	303
19	2422.200	Underground Cable - Fiber	111,955	3.5700	3,997
20	2423.200	Buried Cable Drops	690,965	3.5700	24,667
21	2431.000	Aerial Wire	0	0.0000	0
22	2441.000	Conduit Systems	467,666	2.0000	9,353

23		Total	\$ 7,792,782		\$ 381,950

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Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
Amortizable Assets					
24	2680.000	Amortizable Tangible Assets	\$ 0	0.0000	\$ 0
25	2681.000	Capital Leases	0	0.0000	0
26	2682.000	Leasehold Improvements	0	0.0000	0
27	2690.000	Intangibles	0	0.0000	0

28		Total	\$ 0		\$ 0

29	Total Depreciation Expense	\$ 9,320,311	\$ 487,935
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Depreciation Reserve

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
Detail Accounts							
1	2112.000	Motor Vehicles	\$ (11,338)	\$ 0	58.4548	\$ 0 R-1	\$ (6,628)
2	2123.200	Office Equipment - Communications	57,522	0	58.4548	0 R-6	33,624
3	2116.000	Other Work Equipment	83,730	0	58.4548	0 R-2	48,944
4	2121.000	Buildings	191,070	0	58.4548	0 R-3	111,690
5	2122.000	Furniture	34,913	0	58.4548	0 R-4	20,408
6	2123.100	Office Equipment - Basic	25,258	0	58.4548	0 R-5	14,765
7	2124.000	General Purpose Computers	233,184	0	58.4545	0 R-7	136,307
8		Total	\$ 614,339	\$ 0		\$ 0	\$ 359,110
Operating Plant Accounts							
9	2212.000	Digital Electronic Switching	\$ 1,790,565	\$ 0	58.4548	\$ 0 R-8	\$ 1,046,671
10	2232.000	Circuit Equipment	894,079	0	58.4548	0 R-9	522,632
11	2423.200	Buried Cable - Drops	255,392	0	58.4548	0 R-16	149,289
12	2422.200	Underground Cable - FO	28,707	0	58.4548	0 R-14	16,781
13	2411.000	Poles	50	0	0.0000	0 R-10	0
14	2421.100	Aerial Cable	(6,114)	0	58.4548	0 R-11	(3,574)
15	2422.100	Underground Cable	93,872	0	58.4548	0 R-13	54,873
16	2423.100	Buried Cable	1,204,112	0	58.4548	0 R-15	703,861
17	2421.200	Aerial Cable - Aerial Drops	891	0	58.4548	0 R-12	521
18	2431.000	Aerial Wire	210	0	0.0000	0 R-17	0
19	2441.000	Conduit Systems	131,547	0	58.4548	0 R-18	76,896
20	2423.300	Buried Cable - FO	220,240	0	58.4548	0 R-19	128,741
21		Total	\$ 4,613,551	\$ 0		\$ 0	\$ 2,696,691
Amortizable Assets							
22	2680.000	Amortizable Tangible Assets	\$ 0	\$ 0	100.0000	\$ 0	\$ 0
23	2681.000	Capital Leases	0	0	100.0000	0	0
24	2682.000	Leasehold Improvements	0	0	100.0000	0	0
25	2690.000	Intangibles	0	0	100.0000	0	0
26		Total	\$ 0	\$ 0		\$ 0	\$ 0
27		Total Plant In Service	\$ 5,227,890	\$ 0		\$ 0	\$ 3,055,801

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Income Statement

Line No	Acct Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
	(A)	(B)	(C)	(D)	(E)	(F)
Operating Revenues						
1	5000.000 Local Network Revenue	\$ 723,584	\$ (4,285)	100.0000	\$ 0 S-1	\$ 719,299
2	5081.000 End User Access Charges	348,389	0	0.0000	0 S-2	0
3	5082.000 Switched Access Revenue	1,283,757	0	0.0000	0 S-3	0
4	5083.000 Special Access Revenue	198,764	0	0.0000	0 S-4	0
5	5084.000 State Access Revenue	1,268,239	(45,719)	100.0000	0 S-5	1,222,520
6	5100.000 Long Distance Network Revenue	21,562	0	100.0000	0 S-6	21,562
7	5210.000 Reciprocal Compensation	1,903	0	100.0000	0 S-7	1,903
8	5230.000 Directory Revenue	106,953	0	100.0000	0 S-8	106,953
9	5240.000 Rent Revenue	3,717	0	100.0000	0 S-9	3,717
10	5260.000 Miscellaneous	20,249	0	100.0000	0 S-10	20,249
11	5265.000 NECA/USF	843,974	18,238	100.0000	0 S-11	862,212
12	5274.000 Interstate B&C	9,666	0	0.0000	0 S-12	0
13	5284.000 Intrastate IntraLata B&C	3,680	0	100.0000	0 S-13	3,680
14	5285.000 Intrastate IntraLata B&C	50,887	0	100.0000	0 S-14	50,887
15	5286.000 OSP Billing & Collection	7,919	0	100.0000	0 S-15	7,919
16	5300.000 Uncollectible Operating Revenue	(136,598)	108,987	100.0000	0 S-16	(27,611)
17	5005.000 Wireless Termination Revenue	185,589	(80,166)	100.0000	0 S-17	105,423
18	5040.000 Local Private Line Revenue	11,032	0	100.0000	0 S-18	11,032
19	Total	\$ 4,953,266	\$ (2,945)		\$ 0	\$ 3,109,745
Operation & Maintenance Expense						
20	Plant Specific Expense	\$ 738,027	\$ 35,000	60.4162	\$ 0 S-24	\$ 467,034
21	Plant Nonspecific Operations	262,234	0	59.5447	0 S-25	156,146
22	Customer Operations	410,447	0	49.3502	0 S-19	202,556
23	Corporate Operations	816,076	32,085	56.8281	10,000 S-23	491,994
24	Total	\$ 2,226,784	\$ 67,085		\$ 10,000	\$ 1,317,730
Depreciation Expense						
25	Depreciation Expense	\$ 868,416	\$ 0	59.7356	(30,819) S-20	\$ 487,935
26	Cost of Removal	20,000	0	59.7356	0	11,947
27	Total	\$ 888,416	\$ 0		\$ (30,819)	\$ 499,882
Other Operating Expenses						
28	7240.000 Other Operating Taxes	\$ 185,120	\$ 0	63.5520	0 S-22	\$ 117,647
29	Total	\$ 185,120	\$ 0		\$ 0	\$ 117,647

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Income Statement

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)

30		Total Operating Expenses	\$ 3,300,320	\$ 67,085		\$ (20,819)	\$ 1,935,259

31		Net Income Before Taxes	\$ 1,652,946	\$ (70,030)		\$ 20,819	\$ 1,174,486

Current Income Taxes							
32		Current Income Taxes	\$ 11,681	\$ 0	62.7154	\$ 420,136 S-21	\$ 427,462
			-----	-----		-----	-----
33		Total	\$ 11,681	\$ 0		\$ 420,136	\$ 427,462
Deferred Income Taxes							
34		Deferred Income Taxes	\$ 0	\$ 0	100.0000	\$ 6,749	\$ 6,749
			-----	-----		-----	-----
35		Total	\$ 0	\$ 0		\$ 6,749	\$ 6,749

36		Total Income Taxes	\$ 11,681	\$ 0		\$ 426,885	\$ 434,211

37		Net Operating Income	\$ 1,641,265	\$ (70,030)		\$ (406,066)	\$ 740,275

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Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment
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Local Network Revenue	S-1	\$ (4,285)
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1. To eliminate interLATA PIC charges. (Winter)	\$ (4,285)	
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State Access Revenue	S-5	\$ (45,719)
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1. To reflect unidentified/un-reimbursed terminating minutes of use - D/R No. 7. (Winter)	\$ (31,200)	
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2. To adjust for reduced access revenue. (Winter)	\$ (14,519)	
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NECA/USF	S-11	\$ 18,238
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1. To adjust NECA/USF to actual. (Winter)	\$ 18,238	
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Uncollectible Operating Revenue	S-16	\$ 108,987
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1. To reflect 5 year average. (Winter)	\$ 108,987	
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Wireless Termination Revenue	S-17	\$ (80,166)
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1. To reflect wireless terminating agreements per Data Request No. 3. (Winter)	\$ (80,166)	
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Winter

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Citizens Telephone Company

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Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Depreciation Expense S-20		\$ (30,819)

1. To adjust to depreciation expense. (Winter)		\$ (30,819)

Corporate Operations S-23	\$ 32,085	\$ 10,000

1. To reflect Staff's payroll annualization. (Winter)	\$ (8,719)	
2. To reflect medical insurance premuim increases. (Winter)	\$ 15,804	
3. To increase for yearly FCC LNP costs. (Winter)	\$ 25,000	
4. To increase expense for rate case expense. (Winter)		\$ 10,000

Plant Specific Expense S-24	\$ 35,000	

1. To adjust for additional cost due to employee activation per D/R No. 3. (Winter)	\$ 35,000	

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Income Tax

Line		Test Year	11.08% Return
(A)		(B)	

1	Net Income Before Taxes (Sch 8)	\$ 1,174,486	\$ 960,387

	Add to Net Income Before Taxes		
2	Book Depreciation Expense	\$ 499,882	\$ 499,882
		-----	-----
3	Total	\$ 499,882	\$ 499,882
	Subtr from Net Income Before Taxes		
4	Interest Expense 0.6100 %	\$ 33,384	\$ 33,384
5	Book Depreciation Expense	499,882	499,882
		-----	-----
6	Total	\$ 533,266	\$ 533,266

7	Net Taxable Income	\$ 1,141,102	\$ 927,003

	Provision for Federal Income Tax		
8	Net Taxable Income	\$ 1,141,102	\$ 927,003
9	Deduct Missouri Income Tax 100.0 %	\$ 59,830	\$ 48,605
10	Deduct City Income Tax	0	0
11	Federal Taxable Income	1,081,272	878,398
		-----	-----
12	Total Federal Tax	\$ 367,632	\$ 298,655
	Provision for Missouri Income Tax		
13	Net Taxable Income	\$ 1,141,102	\$ 927,003
14	Deduct Federal Income Tax 50.0 %	\$ 183,816	\$ 149,328
15	Deduct City Income Tax	0	0
16	Missouri Taxable Income	957,286	777,676
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17	Total Missouri Tax	\$ 59,830	\$ 48,605

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Income Tax

Line		Test Year	11.08% Return
	(A)	(B)	
	Provision for City Income Tax		
18	Net Taxable Income	\$ 1,141,102	\$ 927,003
19	Deduct Federal Income Tax	\$ 367,632	\$ 298,655
20	Deduct Missouri Income Tax	59,830	48,605
21	City Taxable Income	713,640	579,743
		-----	-----
22	Total City Tax	\$ 0	\$ 0
	Summary of Provision for Income Tax		
23	Federal Income Tax	\$ 367,632	\$ 298,655
24	Missouri Income Tax	59,830	48,605
25	City Income Tax	0	0
		-----	-----
26	Total	\$ 427,462	\$ 347,260
	Deferred Income Taxes		
27	Deferred Investment Tax Credit	\$ 0	\$ 0
28	Deferred Repair Allowance	0	0
29	Deferred Tax Depreciation	0	0
30	Amort of Deferred Tax Depreciation	0	0
31	Amort of Repair Allowance	0	0
32	Amort of Deferred ITC	6,749	6,749
33	Deferred Unbilled	0	0
		-----	-----
34	Total	\$ 6,749	\$ 6,749

35	Total Income Tax	\$ 434,211	\$ 354,009



April 12, 2004

Manager of the Data Center
Missouri Public Service Commission
200 Madison Street, Suite 100
Post Office Box 360
Jefferson City, Missouri 65102-0360

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*Records
Public Service Commission*

Dear Manager of the Data Center:

Enclosed please find two (2) copies of the 2003 annual report of Citizens Telephone Company of Higginsville, Missouri. One is marked "Redacted Public Version" whereby the Operational Statistics in Schedule 11 have been removed. We request that the other, which is marked "Sealed Complete Version" whereby the Operational Statistics in Schedule 11 material have been supplied, be kept under seal. If you have any questions, please call us.

Sincerely,

Brian L. Cornelius
President

BLC:
Enclosure