Exhibit No.:
Witness: Imhoff, Sommerer, Thompson
Type of Exhibit:
Prepared Testimony
Company: Grand River Mutual
Telephone Corporation
Case No.: TR-85-242

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY DIVISION

PREPARED TESTIMONY

OF

THOMAS M. IMHOFF

DAVID M. SOMMERER

RACHELLE L. THOMPSON

Jefferson City, Missouri
November, 1985

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of Grand River Mutual)
Telephone Corporation for authority to)
make permanent its existing interim)
rates for telephone service provided in)
exchanges upgraded in Phase I of its)
upgrade program.)

CASE NO. TR-85-242

AFFIDAVIT OF THOMAS M. IMHOFF

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Thomas M. Imhoff, of lawful age, on his oath states: That he has participated in the preparation of the attached written testimony and appendices attached thereto in question and answer form, consisting of __ pages of testimony to be presented in the above case, that the answers in the attached written testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Thomas M. Imhoff

Subscribed and sworn to before me this 22nd day of November, 1985.

Judy Fritsch
Notary Public

JUDY FRITSCH
NOTARY PUBLIC STATE OF MISSOURI
COLE CO.
MY COMMISSION EXP. JULY 31,1989
ISSUED THRU MISSOURI NOTARY ASSOC.

My Commission expires

PREPARED TESTIMONY

OF

THOMAS M. IMHOFF

GRAND RIVER MUTUAL TELEPHONE

CASE NO. TR-85-242

Q. Please state your name and business address.

A. Thomas M. Imhoff, P.O. Box 360, Jefferson City, Missouri 65102.

Q. What is your position and by whom are you employed?

A. I am a Regulatory Auditor with the Missouri Public Service Commission.

Q. Please describe your educational background.

A. I attended Southwest Missouri State University at Springfield, Missouri, from which I received a Bachelor of Science Degree in Business Administration, Accounting Major, in May, 1981.

Q. What has been the nature of your duties with the Commission?

A. I have, under the direction of the Chief Accountant, Utility Division, assisted with audits and examinations of the books and records of public utilities in regard to proposed rate increases, along with other miscellaneous duties within the Accounting Department.

Q. Have you previously filed prepared testimony in cases before the Commission?

A. Yes, I have, in regard to the following case numbers:

GR-82-104 Bowling Green Gas Company

TR-82-123 Atlas Mobilfone Inc.

GR-82-197 Missouri Edison Company

ER-82-198 Missouri Edison Company

GR-82-235	Great River Gas Company
SR-82-69	Terre-Du-Lac Utilities
WR-82-70	Terre-Du-Lac Utilities
ER-83-61	Citizens Electric Company
TR-83-164	General Telephone Company of the Midwest
TR-83-334	Missouri Telephone Company
TR-83-350	Mobilpage Inc.
ER-84-168	Union Electric Company
WR-85-16	Missouri-American Water Company
GR-85-136	Great River Gas Company

Q. Have you made an examination of Grand River Mutual Telephone Company's (hereinafter Company) books in regard to Case No. TR-85-242?

A. Yes, I have, with the assistance of other Staff members.

Q. What test year is Staff using?

A. Staff is using a test year for the twelve month period ending June 30, 1985.

Q. What is the purpose of this proceeding?

A. The purpose of this proceeding is to establish permanent rates in place of the current interim rates for the ten exchanges that have completed the major upgrade of plant.

Q. Do these ten exchanges represent the total company?

A. No. There are 44 exchanges representing the total company, 32 exchanges are in Missouri and 12 exchanges are in Iowa.

The company is going through a major upgrade of plant for their entire system which is being constructed over several years.

These ten exchanges represent those in the first phase of construction for the Missouri exchanges being upgraded.

Q. Why are permanent rates being set for only ten exchanges instead of all Missouri?

A. Case No. TR-83-273 established interim rates to be effective as the construction on the company's upgrade program was completed. The construction project was assigned and will be completed in three phases as the Commission ordered in TR-83-273. The company is to file for permanent rates within 6 months of each phase's completion.

Q. How did Staff allocate expenses down to the ten exchanges?

A. Staff allocated the expenses based on access lines. The company proposed the use of the average number of access lines during the test year. Staff also allocated expenses based upon the number of access lines, however, staff determined the number of access lines based on actual data as of September 30, 1985.

Q. Why and what allocation factors did staff utilize for the Phase I, ten exchanges?

A. Staff derived two allocation factors: 14.58609% based on total company access lines and 21.12879% based on total Missouri access lines. Appendix TMI-1 illustrates how staff's computation of revenues and expenses were derived for the ten exchanges in Phase I.

For the operating revenues and uncollectible revenues one hundred percent (100%) are applicable to the ten exchanges, therefore, the entire amount is reflected in Accounting Schedule 2 instead of applying an allocation factor.

All operating expenses, including Depreciation expense, were allocated down to the ten exchanges by applying the total company allocation factor of 14.58609%, because these amounts (operating expenses) were booked in the general ledger, and reflect total company amounts.

The Taxes Other than Income Taxes were allocated down to the ten exchanges by applying the total Missouri allocation factor of 21.12879%, because staff could specifically identify these balances as total Missouri.

The Income Taxes was booked for total company, therefore, Staff used the total company allocation factor of 14.58609%.

Q. What Accounting Schedules are you sponsoring?

A. I am sponsoring the following Accounting Schedules.

Accounting Schedule 1	Gross Revenue Requirement
Accounting Schedule 2	Income Statement

Q. Would you please explain these Accounting Schedules?

A. Yes. Accounting Schedule 1 represents the Gross Revenue Requirement. The Revenue Requirement is developed from information supplied by the following accounting schedules. Rate Base, Income Statement and a Rate of Return calculated by the Staff's Financial Analysis Department. In this case Staff's Financial Analysis Department believes Company's proposed rate of return of 4.75% is fair and reasonable provided Company's net operating income and rate base figures were calculated accurately.

Accounting Schedule 2 represents the staff's as adjusted Income Statement which reflects the allocated levels of the ten exchanges per books and the net staff adjustments for each account.

Q. What Staff Adjustments are you sponsoring?

A. I am sponsoring the following Staff Adjustments: T-1.1, T-1.2, T-2.1, T-2.2, T-4.1, T-5.5, T-7.2, T-8.2, T-8.5, T-9.2 and T-9.3.

Q. Mr. Imhoff, please explain these Staff adjustments.

A. Staff Adjustment T-1.1 and T-2.1 reclassifies to Toll Service Revenues, revenues that were incorrectly booked to Local Service Revenues.

Staff Adjustment T-2.2 adjusts Local Service Revenues to the current level to reflect the customer annualization through June of 1985.

Staff Adjustment T-2.2 annualizes Toll Service Revenues to a current level. To calculate the Toll Service Revenue, staff takes income statement expenses and allocates them into Toll Service Revenues by utilizing the Company's Toll Cost Study factors. The adjusted income statement expenses in the toll service calculation are Maintenance Expense, Depreciation Expense, Traffic Expense, Commercial Expense, General Office Salaries and expense, Other Operating Expense, Payroll Taxes, Ad Valorem Taxes, Other Taxes, and Revenue Accounting Expense (This line item expense is separated from General Office Salaries and expense for this calculation, but not for purposes on the income statement).

The earnings base for the toll settlement consists of Telephone Plant-in-Service, Telephone Plant Under Construction, Materials and Supplies, Depreciation Reserve, Rural Telephone Bank (RTB) Stock.

The company's toll settlement process pertains to three toll pools: Interstate, Intrastate Interlata and Intrastate Intralata. Staff used the most current rates of return on the earnings base for all three toll pools. The rates of return utilized by Staff are:

Intrastate Interlata	11.0710%
Intrastate Intralata	6.4058%
Interstate	12.7500%

Q. Mr. Imhoff, please explain your other Staff adjustments.

A. Staff adjustment T-4.1 annualizes uncollectible revenues to a level consistent with the proposed level of annualized revenues. Staff used the same ratio of uncollectible writeoffs to the related revenues as that used in the test year.

Staff adjustments T-5.5 and T-8.5 increase expense for the increase in costs associated with the maintenance agreements on computer equipment with Honeywell and Digital Corporations.

Staff adjustment T-7.2 disallows various advertising expenses that are of a goodwill and institutional nature. It also disallows donations and contributions to various organizations, e.g., the Princeton Swim Team, Bethany Chamber of Commerce, and Missourians for Right to Work.

Staff adjustment T-8.2 disallows a subscription to the National Automobile Dealers as being nonbeneficial to the ratepayer.

Staff adjustment T-9.2 disallows expenses for the company's payment of free telephone service to its employees. The free telephone service is for an access line and two instruments plus special features.

Staff adjustment T-9.3 disallows membership dues to the Missour Chamber of Commerce, the National Right to Work Committee, and Missourians for Right to Work.

Q. How did staff treat income taxes?

A. Staff is not proposing any adjustment on income taxes because the company is a non-taxable entity and pays income taxes only on Directory Advertising Sales. Staff accepts the test year level of income taxes and Directory Advertising Sales in calculating the revenue requirement in this case.

Q. Does this conclude your prepared testimony?

A. Yes, it does.

GRAND RIVER MUTUAL TELEPHONE COMPANY
CASE NO. TR-85-242
INCOME STATEMENT FOR STAFF'S TEST YEAR

SOURCE: MASTER GENERAL LEDGER

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	1984 JULY	1984 AUGUST	1984 SEPTEMBER	1984 OCTOBER	1984 NOVEMBER	1984 DECEMBER	1985 JANUARY	1985 FEBRUARY	1985 MARCH	1985 APRIL	1985 MAY	1985 JUNE	TOTAL TEST YEAR	10 EXCHG. FACTORS	10 EXCHG. TOTAL
	REVENUE															
500	SUBSCRIBERS STATION	$32,405	$32,560	$32,217	$31,699	$31,556	$31,837	$31,274	$31,282	$30,670	$30,848	$31,391	$33,690	$381,429	100.00000%	$381,429
501	PUBLIC TELEPHONE	$68	($16)	$42	$19	$19	$24	($2)	$37	($1)	$18	$32	$17	$257	100.00000%	$257
	TOTAL LOCAL SERVICE REVENUE	$32,474	$32,544	$32,260	$31,718	$31,575	$31,860	$31,272	$31,319	$30,670	$30,866	$31,422	$33,707	$381,686		$381,686
510	MESSAGE TOLLS	$73,828	$65,063	$65,765	$75,820	$54,567	$72,141	$85,496	$64,472	$82,084	$69,417	$67,516	$70,396	$846,565	100.00000%	$846,565
	TOTAL TOLL SERVICE REVENUE	$73,828	$65,063	$65,765	$75,820	$54,567	$72,141	$85,496	$64,472	$82,084	$69,417	$67,516	$70,396	$846,565		$846,565
521,523-526	OTHER OPERATING REVENUE	$584	$754	$1,021	$1,071	$1,064	$1,097	$1,051	$844	$879	$928	$930	$943	$11,167	100.00000%	$11,167
530	UNCOLLECTIBLE OPERATING REV.-DR	$109	$1,369	$545	$888	$1,190	$740	$562	$406	$1,061	$1,316	$472	$817	$9,467	100.00000%	$9,467
	TOTAL OPERATING REVENUES	$106,777	$96,992	$98,501	$107,730	$86,016	$104,358	$117,258	$96,229	$112,571	$99,895	$99,397	$104,229	$1,229,951		$1,229,951
	OPERATING EXPENSES															
602.1	REPAIRS OF POLE LINES	$135	$1,174	$285	$267	$316	$254	$42	$189	$251	$993	$614	$640	$5,261	14.58609%	$767
602.2	REPAIRS OF AERIAL CABLE	$2,935	$2,219	$3,453	$2,448	$1,814	$9,814	$1,945	$2,179	$3,084	$6,110	$3,718	$3,325	$43,043	14.58609%	$6,278
602.4	REPAIRS OF BURIED CABLE	$22,172	$26,658	$26,230	$23,356	$15,619	$22,552	$15,523	$12,343	$13,591	$23,658	$28,293	$24,348	$254,342	14.58609%	$37,099
602.5	REPAIRS OF SUBMARINE CABLE	$3,784	$5,986	$6,814	$4,251	$2,834	$4,113	$2,477	$3,027	$4,249	$955	$76	$466	$39,032	14.58609%	$5,693
603	TEST DECK WORK	$6,431	$5,623	$5,410	$6,031	$5,214	$6,943	$7,047	$5,624	$7,356	$5,282	$2,742	$4,553	$68,257	14.58609%	$9,956
604	REPAIRS OF COE	$49,968	$57,724	$53,385	$43,507	$29,665	$51,384	$35,291	$38,863	$50,490	$67,465	$53,852	$41,799	$573,391	14.58609%	$83,635
605	REPAIRS OF STATION EQUIP.	$35,026	$37,622	$35,934	$39,764	$32,298	$227,922	$31,764	$34,647	$48,547	$39,125	$39,866	$32,667	$635,181	14.58609%	$92,648
606	REPAIRS OF BUILDING & GROUNDS	$3,921	$15,471	$5,737	$4,337	$2,491	($2,374)	$3,233	$10,450	$4,635	$2,661	$10,542	$6,431	$67,535	14.58609%	$9,851
607	REPAIR OF PAYSTATIONS	$2,085	$1,212	$1,382	$799	$1,293	$1,089	$826	$1,376	$1,009	$962	$1,225	$947	$14,205	14.58609%	$2,072
610	MAINTAINING TRANSMISSION POWER	$9,851	$13,364	$12,248	$9,811	$8,314	$8,752	$9,589	$10,819	$9,853	$9,212	$12,064	$11,734	$125,620	14.58609%	$18,323
	TOTAL MAINTENANCE EXPENSES	$136,309	$167,052	$150,977	$134,570	$99,858	$330,459	$107,737	$119,517	$143,063	$156,423	$152,992	$126,910	$1,825,867		$266,323
608	DEPRECIATION EXP.	$169,137	$168,724	$169,501	$169,482	$169,953	$168,055	$169,311	$169,047	$168,742	$168,473	$167,310	$168,898	$2,026,633	14.58609%	$295,606
633	OTHER TRAFFIC EXP.	$2,190	$1,261	$1,233	$1,233	$1,205	$3,404	$1,395	$1,395	$1,007	$1,409	$1,379	$194	$17,307	14.58609%	$2,524
634	JOINT TRAFFIC EXP.	$42,666	$12,805	$732	$28,440	$23,703	$40,220	$13,995	$23,003	$15,797	$16,488	$14,640	$18,034	$250,522	14.58609%	$36,541
	TOTAL TRAFFIC EXPENSES	$44,856	$14,066	$1,965	$29,673	$24,908	$43,624	$15,390	$24,398	$16,804	$17,897	$16,019	$18,228	$267,829		$39,066
640	GENERAL COMMERCIAL ADM.	$1,958	$2,441	$7,625	$3,197	$2,627	$1,476	$3,033	$2,805	$2,445	$2,657	$2,069	$2,120	$34,452	14.58609%	$5,025
642	ADVERTISING	$744	$1,148	$1,204	$723	$2,733	$921	$1,166	$1,282	$1,828	$347	$1,844	$485	$14,424	14.58609%	$2,104
645	LOCAL COMMERCIAL OPER.	$28,613	$31,514	$39,230	$33,630	$27,853	$22,316	$33,863	$30,409	$30,390	$31,411	$31,320	$29,636	$370,186	14.58609%	$53,996
649	DIRECTORY EXPENSES	$7,054	$6,971	$7,644	$7,345	$7,286	$24,015	$7,174	$6,969	$6,900	$6,946	$6,914	$6,873	$102,092	14.58609%	$14,891
657	OTHER COMMERCIAL EXP.	$0		$0	$0	$0	$25,415	$2,351	$2,192	$2,185	$2,720	$2,370	$2,624	$39,858	14.58609%	$5,814
	TOTAL COMMERCIAL EXPENSES	$38,369	$42,074	$55,703	$44,894	$40,499	$74,143	$47,588	$43,658	$43,748	$44,082	$44,517	$41,737	$561,012		$81,830

APPENDIX TMI-1
PAGE 2 of 2
SOURCE: MASTER GENERAL LEDGER

GRAND RIVER MUTUAL TELEPHONE COMPANY
CASE NO. TR-85-242
INCOME STATEMENT FOR STAFF'S TEST YEAR

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	1984 JULY	1984 AUGUST	1984 SEPTEMBER	1984 OCTOBER	1984 NOVEMBER	1984 DECEMBER	1985 JANUARY	1985 FEBRUARY	1985 MARCH	1985 APRIL	1985 MAY	1985 JUNE	TOTAL TEST YEAR	10 EXCHG. FACTORS	10 EXCHG. TOTAL
661	EXECUTIVE DEPT. SALARIES & EXP.	$16,479	$19,266	$19,541	$17,383	$16,764	$9,666	$25,859	$16,048	$16,219	$17,539	$16,369	($5,714)	$185,418	14.58609%	$27,045
662	ACCT. SALARIES & EXPENSES	$41,652	$37,749	$45,029	$48,996	$51,573	$73,607	$39,946	$46,269	$41,973	$41,275	$44,567	$68,875	$581,512	14.58609%	$84,820
664	LAW DEPT. SALARIES & EXP.	$996	$410	$1,005	$5,322	$486	$3,084	$152	$449	$887	$423	$815	$1,039	$15,069	14.58609%	$2,198
665	OTHER GENERAL OFFICE SALARIES & EXP.	$5,441	$8,649	$7,300	$5,688	$5,897	$4,757	$6,604	$6,950	$8,743	$7,952	$4,794	$5,346	$78,122	14.58609%	$11,395
	TOTAL GENERAL OFFICE SALARIES & EXPENSES	$64,568	$66,075	$72,875	$77,390	$74,721	$91,113	$72,561	$69,716	$67,823	$67,189	$66,545	$69,546	$860,121		$125,458
668	INSURANCE EXP.	$1,822	$1,822	$1,822	$2,157	$1,998	$1,822	$2,089	$2,089	$2,089	$2,089	$2,089	$2,119	$24,006	14.58609%	$3,502
669	ACCIDENTS & DAMAGES	$205	($359)	($182)	$7	($1,185)	($2,313)	($313)	$0	$0	($139)	$0	$389	($3,889)	14.58609%	($567)
671	OPERATING RENTS	$716	$565	$565	$565	$590	$506	$899	$565	$565	$376	$351	$351	$6,616	14.58609%	$965
672	RELIEF & PENSIONS	$53,305	$50,819	$50,005	$50,609	$46,132	$42,691	$48,327	$29,835	$40,567	$52,155	$56,560	$53,960	$574,965	14.58609%	$83,865
675	OTHER EXPENSES	$15,459	$20,325	$16,462	$11,097	$8,729	$25,119	$5,405	$8,766	$19,363	$43,522	$6,391	$10,775	$191,414	14.58609%	$27,920
	TOTAL OTHER OPERATING EXPENSES	$71,508	$73,171	$68,672	$64,436	$56,264	$67,825	$56,406	$41,255	$62,584	$98,004	$65,392	$67,594	$793,112		$115,684
305.1	STATE UNEMPLOYMENT TAXES	$4	$4	$4	$4	$4	$4	$970	$781	$701	$569	$289	$6	$3,338	21.12879%	$705
	MISSOURI PROPERTY TAXES	$29,000	$29,000	$29,000	$29,000	$29,000	$4,491	$29,000	$29,000	$30,034	$29,000	$29,000	$29,000	$324,525	21.12879%	$68,568
	MISSOURI FRANCHISE TAXES	$874	$874	$874	$874	$874	$874	$874	$874	$0	$1,034	$1,034	$1,034	$10,091	21.12879%	$2,132
	OTHER TAXES	$0	$0	$0	$0	$0	$0	$0	$0	$35	$10	$0	$0	$45	21.12879%	$10
	TOTAL ACCOUNT 305.1	$29,877	$29,877	$29,877	$29,877	$29,877	$5,368	$30,843	$30,655	$30,770	$30,613	$30,323	$30,041	$337,999		$71,415
305.2	FEDERAL UNEMPLOYMENT TAXES	$2	$2	$2	$2	$2	$2	$1,492	$1,184	$1,024	$590	$185	$3	$4,488	21.12879%	$948
	FICA TAXES	$10,245	$12,491	$9,863	$9,928	$12,269	$9,764	$13,148	$11,287	$10,500	$10,691	$13,260	$10,512	$133,958	21.12879%	$28,304
	TOTAL ACCOUNT 305.2	$10,247	$12,493	$9,865	$9,930	$12,271	$9,766	$14,640	$12,471	$11,524	$11,281	$13,445	$10,515	$138,446		$29,252
	TOTAL TAXES OTHER THAN INCOME TAXES	$40,124	$42,370	$39,742	$39,808	$42,148	$15,134	$45,483	$43,126	$42,294	$41,894	$43,768	$40,555	$476,445		$100,667
305.3	FEDERAL INCOME TAXES	$750	$750	$750	$750	$750	$1,750	$750	$750	$750	$750	$750	$750	$10,000	14.58609%	$1,459
	NET OPERATING INCOME															$499,466

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of Grand River Mutual Telephone Corporation for authority to make permanent its existing interim rates for telephone service provided in exchanges upgraded in Phase I of its upgrade program.)	CASE NO. TR-85-242

AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

David M. Sommerer, of lawful age, on his oath states: That he has participated in the preparation of the attached written testimony and appendices attached thereto in question and answer form, consisting of __ pages of testimony to be presented in the above case, that the answers in the attached written testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

David M. Sommerer

Subscribed and sworn to before me this 22nd day of November, 1985.

Judy Fritsch

Notary Public

JUDY FRITSCH
NOTARY PUBLIC STATE OF MISSOURI
COLE CO.
MY COMMISSION EXP. JULY 31,1989
ISSUED THRU MISSOURI NOTARY ASSOC.

My Commission expires ______________________