

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

MIDCONTINENT COMMUNICATIONS,  
A SOUTH DAKOTA PARTNERSHIP,  
COMPLAINANT

VS.

NORTH DAKOTA TELEPHONE COMPANY,  
RESPONDENT

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) Case No. PU-05-451  
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**DIRECT TESTIMONY OF**

**WARREN R. FISCHER**

On Behalf Of

**MIDCONTINENT COMMUNICATIONS**

**EXHIBIT WRF-1**

December 21, 2005

## **Warren R. Fischer, CPA**

**Director of Business Services and Research  
QSI Consulting, Inc.**

2500 Cherry Creek Drive South  
Suite 319  
Denver, Colorado, 80209-3279  
(303) 722-2684 voice  
(303) 883-9014 mobile  
(303) 733-3016 facsimile  
[WFischer@QSIconsulting.com](mailto:WFischer@QSIconsulting.com)

### **Biography**

Mr. Fischer is a QSI partner and currently serves as Director of Business Services and Research in QSI's Telecommunications Division. Mr. Fischer has over ten years of experience in the telecommunications industry and joined QSI after five years of service within AT&T's Local Service & Access Management and Wireless Services divisions. During his telecommunications career, Mr. Fischer has focused his attention largely on TELRIC pricing, local market entry, Section 271 compliance, access and universal service reform issues and damages assessment.

Mr. Fischer is an experienced and effective expert witness and has provided expert testimony before 14 state utility commissions and other administrative agencies. Mr. Fischer is an active Certified Public Accountant who is licensed in the States of Colorado and California. Mr. Fischer's professional experience as a C.P.A. includes two years in public practice with Deloitte and Touche LLP and over 17 years of managing financial analysis, reporting and forecasting processes for various multi-national corporations.

### **Educational Background**

**Bachelor of Science, Business Administration (emphasis in Accounting)**  
University of Colorado at Boulder, Boulder, Colorado 1984



## Professional Experience

### **QSI Consulting, Inc.**

2000 - Current  
Director of Business Services and Research

### **AT&T Corp.**

1997 - 2000  
Financial Manager  
1996 - 1997  
Supervisor  
Network Services Division

### **AT&T Wireless Services**

1995 - 1996  
Marketing Analyst / Planner  
Cellular Division

### **E. & J. Gallo Winery**

1994 - 1995  
Senior Financial Analyst  
1991 - 1994  
Operations Accountant

### **Century 21 Real Estate Corporation**

1987 - 1991  
Financial Analyst

### **Deloitte & Touche LLP**

1985 - 1987  
Audit-in-Charge

## Expert Testimony – Profile

*The information below is Mr. Fischer's best effort to identify all proceedings wherein he has either provided pre-filed written testimony, an expert report or provided live testimony.*

### **Before the Federal Communications Commission**

#### **File Nos. EB-01-MD-001 and EB-01-MD-002**

*In the matter of the formal complaints of AT&T corp. and Sprint Communications Company L.P., vs. Business Telecom, Inc.*

On behalf of Business Telecom, Inc.  
Affidavit

February 23, 2001

### **Before the Public Utilities Commission of the State of Colorado**

#### **Docket No. 99A-161T**

*In the matter of the application of U S WEST Communications, Inc., to reduce business basic exchange and long-distance revenues upon receipt of the Colorado high-cost support mechanism in accordance with Decision No. C 99-222*

On behalf of AT&T Communications of the Mountain States, Inc.  
Direct

August 6, 1999

### **Before the Public Utilities Commission of the State of Colorado**

#### **Docket No. 98A-068T**

*In the matter of the application of U S WEST Communications, Inc., to restructure and reduce switched access rates pursuant to the stipulation in Docket No. 97A-540T*

On behalf of AT&T Communications of the Mountain States, Inc.  
Amended Direct  
Supplemental

May 17, 1999

June 9, 1999

**Before the Public Service Commission of Florida**

**Docket No. 041464-TP**

*Petition of Sprint-Florida, Inc. for Arbitration of an Interconnection Agreement with Florida Digital Network, Inc. Pursuant to Section 252 of the Telecommunications Act of 1996*

On Behalf of Florida Digital Network, Inc. D/B/A FDN Communications

Direct

May 27, 2005

**Before the Public Service Commission of Florida**

**Docket No. 990649B-TP**

*In re: investigation into pricing of unbundled network elements*

On Behalf of AT&T Communications of the Southern States, Inc., MCImetro Access Transmission Services, LLC & MCI WorldCom Communications, Inc., and Florida Digital Network, Inc. (collectively called the "ALEC Coalition")

Rebuttal

January 30, 2002

**Before the Illinois Commerce Commission**

**Docket No. 02-0864**

*Illinois Bell Telephone Company: Filing to increase unbundled loop and nonrecurring rates (tariffs filed December 24, 2002)*

On Behalf of AT&T Communications of Illinois, Inc., WorldCom, Inc. ("MCI"), McLeodUSA Telecommunications Services, Inc., Covad Communications Company, TDS Metrocom, LLC, Allegiance Telecom of Illinois, Inc., RCN Telecom Services of Illinois, LLC, Globalcom, Inc., Z-Tel Communications, Inc., XO Illinois, Inc., Forte Communications, Inc., and CIMCO Communications, Inc.

Direct

May 6, 2003

Rebuttal

January 20, 2004

Surrebuttal

February 20, 2004

Supplemental Surrebuttal

May 5, 2004

**Before the Indiana Utility Regulatory Commission**

**Cause No. 42393**

*In the matter of the commission investigation and generic proceeding of rates and unbundled network elements and collocation for Indiana Bell Telephone Company, Incorporated d/b/a SBC Indiana pursuant to the Telecommunications Act of 1996 and related Indiana statutes*

On behalf of AT&T Communications of Indiana, G.P. and TCG Indianapolis ("AT&T"), WorldCom, Inc. ("MCI"), McLeodUSA Telecommunications Services, Inc., Covad Communications Company, and Z-Tel Communications, Inc.

Response

August 15, 2003

**Before the Public Service Commission of Maryland**

**Case No. 8879**

*In the matter of the investigation into rates for unbundled network elements pursuant to the Telecommunications Act of 1996*

On Behalf of the Staff of the Public Service Commission of Maryland

Rebuttal

September 5, 2001

Supplemental Rebuttal

October 4, 2001

Surrebuttal

October 15, 2001

**Before the Massachusetts Department of Telecommunications and Energy**

**Docket DTE 01-20**

*Investigation by the department on its own motion into the appropriate pricing, based upon total element long-run incremental costs, for unbundled network elements and combinations of unbundled network elements, and the appropriate avoided cost discount for Verizon New England Inc., d/b/a Verizon Massachusetts' resale services*

On Behalf of the CLEC Coalition

Rebuttal

July 17, 2001

**Before the Michigan Public Service Commission**

**Case No. U-13531**

*In the matter, on the commission's own motion, to review the costs of telecommunications services provided by SBC Michigan*

On behalf of AT&T Communications of Michigan, Inc., and TCG Detroit ("AT&T")

Initial

January 20, 2004

Final Reply

May 10, 2004

**Before the Michigan Public Service Commission**

**Case No. U-11756**

*In the matter of the complaint of Michigan Pay Telephone Association et al. Against Ameritech Michigan and Verizon North Inc., f/k/a GTE North Incorporated*

On behalf of Michigan Pay Telephone Association and the other payphone service provider Complainants

Direct

February 10, 2003

**Before the Public Service Commission of the State of Montana**

**Docket No. D97.5.87**

*IN THE MATTER OF the Investigation into U S WEST Communications, Inc.'s Compliance with Section 271(c) of the Telecommunications Act of 1996*

On behalf of AT&T Communications of the Mountain States

Direct

June 1998

Rebuttal

June 1998

Supplemental Rebuttal

November 1998

**Before the Public Service Commission of the State of Montana**

**Docket No. D96.12.220**

*IN THE MATTER of the Application of U S WEST Communications, Inc. to Restructure its Prices for Regulated Telecommunications Service.*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

October 1997

**Before the Nebraska Public Service Commission**

**Application No. C-1628**

*In the matter of the Nebraska Public Service Commission, on its own motion, seeking to conduct an investigation into intrastate access charge reform and intrastate universal service fund*

On behalf of AT&T Communications of the Midwest, Inc.

Direct

October 20, 1998

**Before the Nebraska Public Service Commission**

**Application No. C-1830**

*In the Matter of US West Communications, Inc., filing its notice of intention to file Section 271(c) application with the FCC and request for Commission to verify US West compliance with Section 271(c)*

On behalf of AT&T Communications of the Midwest, Inc.

Direct and rebuttal

August 1998

**Before the Nebraska Public Service Commission**

**Docket No. C-1519**

*In the matter of the emergency petition of MCI Telecommunications Corporation and AT&T Communications of the Midwest, Inc. to investigate compliance of Nebraska LECs with FCC payphone orders*

On behalf of AT&T Communications of the Midwest, Inc.

Direct

January 20, 1998

**Before the New Mexico State Corporation Commission**

**Docket No. 96-310-TC and Docket No. 97-334-TC**

*In the matter of the consideration of the adoption of a rule concerning costing methodologies and In the matter of the implementation of new rules related to the rural, high-cost, and low-income components of the New Mexico universal service fund*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

July 8, 1998

Rebuttal

August 5, 1998

**Before the New Mexico State Corporation Commission**

**Docket No. 97-106-TC**

*In The Matter Of Qwest Corporation's Section 271 Application And Motion For Alternative Procedure To Manage The Section 271 Process*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

July 1998

Rebuttal

July 1998

Reply

September 1998

**Before the New Mexico State Corporation Commission**

**Docket No. 97-69-TC**

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

March 20, 1997

**Before the North Carolina Utilities Commission**

**Docket No. P-100, Sub 133d, Phase I**

*In the matter of general proceeding to determine permanent pricing for unbundled network elements*

On Behalf of New Entrants

Direct

August 11, 2000

**Before the Public Service Commission of the State of North Dakota**

**Docket No. PU-314-97-465**

*In the matter of U S WEST Communications, Inc., universal service costs investigation*

On behalf of AT&T Communications of the Midwest, Inc.

Rebuttal

February 27, 1998

**Before the Public Service Commission of Wisconsin**

**Docket No. 6720-TI-187**

*Petition of SBC Wisconsin to determine rates and costs for unbundled network elements*

On behalf of AT&T Communications of Wisconsin, L.P. and TCG Milwaukee ("AT&T"), and MCI, Inc.

Rebuttal

June 15, 2004

**Before the Wyoming Public Service Commission**

**Docket No. 70000-TA-98-442**

*In the matter of the second application of U S WEST Communications, Inc., for a finding that its interexchange telecommunications services are subject to competition*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

January 6, 1999

**Before the Wyoming Public Service Commission**

**Docket No. 70000-TR-98-420**

*In the matter of the application of U S WEST Communications, Inc., for authority to implement price ceiling in conjunction with its proposed Wyoming price regulation plan for essential and noncompetitive telecommunication services*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

September 9, 1998

**Before the Wyoming Public Service Commission**

**General Order No. 81**

*In the matter of the investigation by the Commission of the feasibility of developing its own costing model for use in determining federal universal service fund support obligations in Wyoming*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

November 1997

Amended Direct

January 23, 1998

Rebuttal

February 6, 1998

**Before the Wyoming Public Service Commission**

**Docket No. 72000-TI-97-107 and Docket No. 70000 TI-97-352**

*In the matter of the petition of AT&T for the Commission to initiate investigation of U S WEST Communications, Inc.'s compliance with Section 271 of the Telecommunications Act of 1996*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

1998

**Before the Wyoming Public Service Commission**

**Docket No. 72000-TC-97-99**

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

May 15, 1997

**Before the Wyoming Public Service Commission**

**Docket No. 70007-TR-95-15**

On behalf of AT&T Communications of the Mountain States, Inc.

Adopted Pre-filed Direct

October 1996

## **Selected Reports, Presentations and Publications**

QSI Final Report to the Hawaii Public Utilities Commission "Analysis and Recommendations Related to Docket No. 04-0140 *Merger Application Of Paradise Mergersub, Inc. (n/k/a Hawaiian telecom Mergersub, Inc.), Verizon Hawaii, Inc. and Related Companies*" February 7, 2005

QSI Technical Report No. 012605A "IP-Enabled Voice Services: Impact of Applying Switched Access Charges to IP-PSTN Voice Services"  
*Ex Parte filing in FCC dockets WC Dockets No. 04-36 (In the Matter of IP-Enabled Services), 03-266 (In the Matter of Level 3 Communications LLC Petition for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of 47 U.S.C. § 251(g), Rule 51.701(b)(1), and Rule 69.5(b); IP Enabled Services)*  
Washington DC, January 27, 2005

QSI Report to the Wyoming Legislature "The Wyoming Universal Service Fund. *An Evaluation of the Basis and Qualifications for Funding*" December 3, 2004

QSI Audit Report to the Wyoming Public Service Commission on the "Wyoming Universal Service Fund from October 28, 1999 through December 31, 2001" May 15, 2002



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MIDCONTINENT COMMUNICATIONS,  
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**DIRECT TESTIMONY OF**

**WARREN R. FISCHER**

On Behalf Of

**MIDCONTINENT COMMUNICATIONS**

**EXHIBIT WRF-2**

December 21, 2005

**Table 1**

**NDTC's Revenue in the Devils Lake Exchanges Subject to Resale (Per Line Per Year)**

Revenue Account	2004 Revenue Per Line	2004 Revenue Per Line Subject to Resale
Local Network Access	\$ 308.71	\$ 308.71
Network Access Services	\$ 529.09	\$ -
Long Distance Network Services	\$ 0.75	\$ 0.75
Billing and Collection Revenue	\$ 18.55	\$ -
Miscellaneous Revenue	\$ 32.14	\$ 9.86
<b>TOTAL DEVILS LAKE PER LINE PER YEAR</b>	<b>\$ 889.24</b>	<b>\$ 319.32</b>
<i>% of Total Revenues in Devils Lake</i>		36%

**Table 2**

**NDTC's Annual Per Line Revenue Loss On Resale-Based Customers at 16.15% Resale Discount**

Revenue Account	2004 Revenue Per Line	2004 Revenue Per Line Subject to Resale	Potential Revenue Loss via Resale
Local Network Access	\$ 308.71	\$ 308.71	\$ 49.86
Network Access Services	\$ 529.09	\$ -	\$ -
Long Distance Network Services	\$ 0.75	\$ 0.75	\$ 0.12
Billing and Collection Revenue	\$ 18.55	\$ -	\$ -
Miscellaneous Revenue	\$ 32.14	\$ 9.86	\$ 1.59
<b>TOTAL DEVILS LAKE PER LINE PER YEAR</b>	<b>\$ 889.24</b>	<b>\$ 319.32</b>	<b>\$ 51.57</b>
<i>% of Total Revenues in Devils Lake</i>		36%	5.8%

**Table 3.**

**Devils Lake Gross Revenue Loss Under Different Penetration Scenarios and 16.15% Resale Discount**

Devils Lake Total Annual Operating Revenue (2004)	\$	5,040,579			
NDTC Total Annual Operating Revenue (2004)	\$	16,977,056			
<b>PENETRATION RATE SCENARIOS</b>	<b>2%</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>	
Lines Lost to Resale	113	567	1,134	1,701	
<b>Estimated Annual Gross Revenue Loss</b>	<b>\$ 5,846</b>	<b>\$ 29,232</b>	<b>\$ 58,465</b>	<b>\$ 87,697</b>	
<b>Gross Revenue Loss as % of Devils Lake Total Revenue</b>	<b>0.116%</b>	<b>0.580%</b>	<b>1.160%</b>	<b>1.740%</b>	
<b>Gross Revenue Loss as % of NDTC Total Revenue</b>	<b>0.034%</b>	<b>0.172%</b>	<b>0.344%</b>	<b>0.517%</b>	

**Table 5.**

**NDTC's Annual Per Line Net Income Loss On Resale-Based Customers at 16.15% Resale Discount**

Revenue Account	2004 Revenue Per Line	2004 Revenue Per Line Subject to Resale	Potential Revenue Loss via Resale	Potential Avoided Cost	Net Loss via Resale
Local Network Access	\$ 308.71	\$ 308.71	\$ 49.86	\$ 45.72	\$ 4.13
Network Access Services	\$ 529.09	\$ -	\$ -	\$ -	\$ -
Long Distance Network Services	\$ 0.75	\$ 0.75	\$ 0.12	\$ 0.12	\$ -
Billing and Collection Revenue	\$ 18.55	\$ -	\$ -	\$ -	\$ -
Miscellaneous Revenue	\$ 32.14	\$ 9.86	\$ 1.59	\$ 1.59	\$ -
<b>TOTAL DEVILS LAKE PER LINE PER YEAR</b>	<b>\$ 889.24</b>	<b>\$ 319.32</b>	<b>\$ 51.57</b>	<b>\$ 47.44</b>	<b>\$ 4.13</b>

**Table 6.**

**Devils Lake Net Income Loss Under Different Penetration Scenarios and 16.15% Resale Discount**

NDTC Net Operating Income (2004)	\$	2,736,472			
<b>PENETRATION RATE SCENARIOS</b>	<b>2%</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>	
Lines Lost to Resale	113	567	1,134	1,701	
<b>Estimated Annual Net Income Loss</b>	<b>\$ 469</b>	<b>\$ 2,344</b>	<b>\$ 4,688</b>	<b>\$ 7,031</b>	
<b>Net Income Loss as % of NDTC Net Operating Income</b>	<b>0.017%</b>	<b>0.086%</b>	<b>0.171%</b>	<b>0.257%</b>	

# **NORTH DAKOTA TELEPHONE COMPANY** **DEVILS LAKE PER LINE IMPACT OF RESALE ENTRY**

Assumed Resale Discount				16.15%		
Assumed Avoided Cost Percent					16.15%	
Features Revenue as % of Local Network Access					8.3%	
Revenue	2004 Revenue Per Line	2004 Revenue Per Line Subject to Resale	Potential Revenue Loss via Resale	Potential Avoided Cost	Note	Net Loss via Resale
Local Network Access	\$ 308.71	\$ 308.71	\$ 49.86	\$ 45.72	Assuming no cost savings on features.	\$ 4.13
Network Access Services	\$ 529.09	\$ -	\$ -	\$ -		\$ -
Long Distance Network Services	\$ 0.75	\$ 0.75	\$ 0.12	\$ 0.12		\$ -
Billing and Collection Revenue	\$ 18.55	\$ -	\$ -	\$ -		\$ -
Miscellaneous Revenue	\$ 32.14	\$ 9.86	\$ 1.59	\$ 1.59		\$ -
<b>TOTAL PER LINE PER YEAR</b>	<b>\$ 889.24</b>	<b>\$ 319.32</b>	<b>\$ 51.57</b>	<b>\$ 47.44</b>		<b>\$ 4.13</b>

## **DEVILS LAKE TOTAL IMPACT UNDER DIFFERENT PENETRATION SCENARIOS**

Devils Lake Total Lines	5,668
Devils Lake Total Annual Operating Revenue (2004)	\$ 5,040,579
NDTC Total Annual Operating Revenue (2004)	\$ 16,977,056
NDTC Net Operating Income (2004)	\$ 2,736,472

PENETRATION RATE SCENARIOS	2%	5%	10%	15%	20%	25%	30%
LINES LOST TO RESALE	113	283	567	850	1,134	1,417	1,701
ESTIMATED ANNUAL TOTAL GROSS REVENUE LOSS	\$ 5,846	\$ 14,616	\$ 29,232	\$ 43,849	\$ 58,465	\$ 73,081	\$ 87,697
ESTIMATED ANNUAL TOTAL NET PROFIT LOSS	\$ 469	\$ 1,172	\$ 2,344	\$ 3,516	\$ 4,688	\$ 5,859	\$ 7,031
ESTIMATED NET PROFIT LOSS AS A % OF DEVILS LAKE TOTAL REVENUE	0.0093%	0.0232%	0.0465%	0.0697%	0.0930%	0.1162%	0.1395%
ESTIMATED NET PROFIT LOSS AS A % OF NDTC TOTAL REVENUE	0.0028%	0.0069%	0.0138%	0.0207%	0.0276%	0.0345%	0.0414%
ESTIMATED NET PROFIT LOSS AS A % OF NDTC NET OPERATING REVENUE	0.0171%	0.0428%	0.0856%	0.1285%	0.1713%	0.2141%	0.2569%



ILEC Provided Lines (FCC data compiled from Form 477)

[http://www.fcc.gov/Bureaus/Common\\_Carrier/Reports/FCC-State\\_Link/IAD/RBOC\\_Local\\_Telephone\\_Dec\\_2004.xls](http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/RBOC_Local_Telephone_Dec_2004.xls)

As of December 2004

	Qwest ND	Nationwide
Total lines and channels provided to end users	134,368	122,094,383
Lines and channels that are provided to unaffiliated carriers under a Total Service Resale arrangement	2,856	1,112,918
Lines and channels that are provided to unaffiliated carriers under other resale arrangements, such as resold centrex	190	138,709
Lines and channels that are provided to unaffiliated carriers under a UNE loop arrangement, where switching is not provided	22,493	3,955,383
Lines and channels that are provided to unaffiliated carriers under a UNE loop arrangement, where switching is also provided	26,480	16,369,009
<b>Total Lines</b>	<b>186,387</b>	<b>143,670,402</b>
% Lines Provided Via Resale	<u>1.6%</u>	<u>0.9%</u>
% Lines Provided Via Resale, UNE-L and UNE-P	28%	15%

**NORTH DAKOTA TELEPHONE COMPANY  
DETERMINATION OF REVENUES SUBJECT TO RESALE IN DEVILS LAKE EXCHANGE**

										Assumed Resale Discount 16.15%
ACCOUNT	NDTC TOTAL COMPANY			DEVILS LAKE						
	By Account	By Account Group	% of Account Group	By Account	By Account Group	Per Line Annual	Assumed % Revenues Subject to Resale	Note	Per Line Revenue Subject to Resale	Potential Revenue Loss via Resale
Source:	Discovery <sup>1</sup>	Discovery <sup>1</sup>	Calculated	Projected Based on NDTC totals	Discovery <sup>2</sup>					
<b>Local Service</b>										
1.5001. Local Service	\$ 4,941,869		100%	\$ 1,749,911		\$ 308.71	100%		\$ 308.71	\$ 49.86
Total Local Service Revenues		\$ 4,941,869			\$ 1,749,911					
5060 Other basic area revenue								Per 47 CFR 32.5060 include features revenue. We are assuming NDTC reports features revenue under 5001		
<b>Network Access</b>										
1.5081. End User Revenue	\$ 1,620,841		15%	\$ 448,994		\$ 79.21	0% Per 47 CFR 51.605		\$ -	\$ -
1.5082. Interstate Switched Access Revenue	\$ 3,603,707		33%	\$ 998,273		\$ 176.11	0% Per 47 CFR 51.605		\$ -	\$ -
1.5083. Special Access Revenue	\$ 2,057,108		19%	\$ 569,845		\$ 100.53	0% Per 47 CFR 51.605		\$ -	\$ -
1.5086. Intrastate Switched Access Revenue	\$ 3,545,005		33%	\$ 982,011		\$ 173.24	0% Per 47 CFR 51.605		\$ -	\$ -
Total Network Access Revenues		\$ 10,826,661			\$ 2,999,123					
<b>Long Distance Message Revenue</b>										
1.5100. Long Distance Message Revenue	\$ 11,763		88%	\$ 3,718		\$ 0.66	100%		\$ 0.66	\$ 0.11
1.5160. Other Long Distance Revenue	\$ 1,655		12%	\$ 523		\$ 0.09	100%		\$ 0.09	\$ 0.01
Total Long Distance Network Services		\$ 13,418			\$ 4,241					
<b>Billing and Collection Revenue</b>										
1.5270. Carrier Billing and Collection Revenue	\$ 332,557		100%	\$ 105,121		\$ 18.55	0% Not a retail service		\$ -	\$ -
Total Billing and Collection Revenue		\$ 332,557			\$ 105,121					
<b>Miscellaneous Revenue</b>										
1.5230. Directory Revenue	\$ 282,476		33%	\$ 59,663		\$ 10.53	0% Not a retail service		\$ -	\$ -
1.5240. Rent Revenue	\$ 50,673		6%	\$ 10,703		\$ 1.89	0% Not a retail service		\$ -	\$ -
								Per 47 CFR 32.5200: Includes "wholesale" services to other companies, contract services to others such as maintenance of plant, settlement payments, UNE, local interconnection. Also include revenues that might be partially "retail:" late payments, unclaimed refunds, and provision of special billing info to customers.		
1.5260. Miscellaneous Revenue	\$ 529,402		61%	\$ 111,817		\$ 19.73	50%			\$ 1.59
Total Miscellaneous Revenue		\$ 862,551			\$ 182,183				\$ 9.86	
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 16,977,056</b>	<b>\$ 16,977,056</b>		<b>\$ 5,040,579</b>	<b>\$ 5,040,579</b>	<b>\$ 889.24</b>			<b>\$ 319.32</b>	<b>\$ 51.57</b>

<sup>1</sup> NDTC provided its 2004 Part 32 revenue and expenses in response to discovery issued on December 6, 2005.

<sup>2</sup> NDTC provided operating revenue by account for Devil's Lake in its November 23, 2005 Response to Request for Disclosure of Information.



**NORTH DAKOTA TELEPHONE COMPANY  
FINANCIAL AND LINE COUNT DATA FOR DEVILS LAKE EXCHANGES**

	NDTC	DEVILS LAKE	SOURCE
<b>AVERAGE ACCESS LINES</b>			
Grand Total per Exhibit 3A Divided by 12 months	18,405	<u>5,668</u>	Exhibit 3A to NDTC EAS filing
% of Total NDTC		<u>30.8%</u>	
<b>2004 OPERATING REVENUE</b>			
Local Network Access	4,941,869	\$ 1,749,911	11/23/05 Discovery Response
Network Access Services		\$ 2,999,123	11/23/05 Discovery Response
Long Distance Network Services		\$ 4,241	11/23/05 Discovery Response
Billing and Collection Revenue		\$ 105,121	11/23/05 Discovery Response
Miscellaneous Revenue		\$ 182,183	11/23/05 Discovery Response
<b>TOTAL REVENUE</b>	<b>16,977,056</b>	<b>\$ 5,040,579</b>	
Features Revenue	\$ 409,845		Exhibit 8A to NDTC EAS filing
Features Revenue as % of Local Network Access	8.3%		



**Source: NDTC Response to Alternative Discovery dated 12/6/5**  
**North Dakota Telephone Company**  
**Statement of Operating Revenue and Operating Expenses**  
**For the Year December 31, 2004**

**OPERATING REVENUES**

Local Service			
1.5001.	Local Service	4,941,869	
	Total Local Service Revenues		4,941,869
Network Access			
1.5081.	End User Revenue	1,620,841	
1.5082.	Interstate Switched Access Revenue	3,603,707	
1.5083.	Special Access Revenue	2,057,108	
1.5086.	Intrastate Switched Access Revenue	3,545,005	
	Total Network Access Revenues		10,826,661
Long Distance Message Revenue			
1.5100.	Long Distance Message Revenue	11,763	
1.5160.	Other Long Distance Revenue	1,655	
	Total Long Distance Network Services		13,418
Billing and Collection Revenue			
1.5270.	Carrier Billing and Collection Revenue	332,557	
	Total Billing and Collection Revenue		332,557
Miscellaneous Revenue			
1.5230.	Directory Revenue	282,476	
1.5240.	Rent Revenue	50,673	
1.5260.	Miscellaneous Revenue	529,402	
	Total Miscellaneous Revenue		862,551
	TOTAL OPERATING REVENUES		16,977,056

**OPERATING EXPENSES**

Plant Specific Expense			
1.6120.	General Support Expense		
1.6121.	Land and Buildings	223,755	
1.6122.	Furniture and Artwork	2,605	
1.6123.	Office Equipment	122,275	
1.6124.	General Purpose Computers	285,243	
1.6210.	Central Office Switching Equipment		
1.6212.	Digital Electronics Expense	1,050,405	
1.6230.	Central Office Transmission Equip		
1.6231.	Radio Systems Expense	62,906	
1.6232.	Circuit Equipment Expense	268,018	
1.6410.	Cable and Wire Facilities Expense		
1.6411.	Poles Expense	(1,296)	
1.6421.	Aerial Cable Expense	35,396	
1.6422.	Underground Cable Expense	1,248	
1.6423.	Buried Cable Expense	907,393	
1.6424.	Submarine Cable Expense	124	
	Total Plant Specific Expenses		2,958,072

Plant NonSpecific





Source: NDTC Response to Alternative Discovery dated 12/6/5

North Dakota Telephone Company

Statement of Operating Revenue and Operating Expenses

For the Year December 31, 2004

1.6530.	Network Operations Expense		
1.6531.	Power Expense	117,657	
1.6532.	Network Administration Expense	34,406	
1.6533.	Testing Expense	54,264	
1.6534.	Plant Operations Expense	516,157	
1.6535.	Engineering Expense	363,575	
1.6540.	Access Expense	321,104	
	Total Plant NonSpecific Expenses		1,407,163
Depreciation Expense			
1.6561.	Depreciation Expense	4,595,524	
	Total Depreciation Expense		4,595,524
Customer Operations			
1.6610.	Marketing	166,748	
1.6620.	Services		
1.6622.	Number Services Expense	125,077	
1.6623.	Customer Service Expense	832,329	
1.6627.	Customer Service - Revenue Acctg	447,876	
	Total Customer Operations Expense		1,572,030
Corporate Operations			
1.6710.	Executive and Planning		
1.6711.	Executive	567,464	
1.6720.	General and Administrative		
1.6721.	Accounting and Finance	509,669	
1.6722.	External Relations	276,973	
1.6723.	Human Resources/Personnel	160,834	
1.6724.	Information Management	77,290	
1.6725.	Legal	40,507	
1.6728.	General and Administrative	294,035	
	Total Corporate Operations Expense		1,926,772
Operating Taxes, Other			
1.7200.	Operating Taxes Property	117,807	
1.7240.	Operating Taxes Other	5,140	
	Total Operating Taxes, Other		122,947
	TOTAL OPERATING EXPENSES		12,582,508
Operating Income Taxes			
1.7220.	Oper Taxes-Fed Inc	1,658,076	
	Total Operating Income Taxes		1,658,076
	TOTAL OPERATING NET INCOME		<u><u>2,736,472</u></u>

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

MIDCONTINENT COMMUNICATIONS,  
A SOUTH DAKOTA PARTNERSHIP,  
COMPLAINANT

VS.

NORTH DAKOTA TELEPHONE COMPANY,  
RESPONDENT

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) Case No. PU-05-451  
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**DIRECT TESTIMONY OF**

**WARREN R. FISCHER**

On Behalf Of

**MIDCONTINENT COMMUNICATIONS**

**EXHIBIT WRF-3**

December 21, 2005

**Table 4.**

**Devils Lake Gross Revenue Loss Under Different Penetration Scenarios and 16.15% Resale Discount**

Devils Lake Total Annual Operating Revenue (2004)	\$	5,040,579			
NDTC Total Annual Operating Revenue (2004)	\$	16,977,056			
<b>PENETRATION RATE SCENARIOS</b>		<b>2%</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>
Lines Lost to Resale		113	567	1,134	1,701
<b>Estimated Annual Gross Revenue Loss:</b>					
At a 10% Resale Discount	\$	3,620	\$ 18,101	\$ 36,201	\$ 54,302
At a 16.15 % Resale Discount	\$	5,846	\$ 29,232	\$ 58,465	\$ 87,697
<b>Gross Revenue Loss as % of NDTC Total Revenue:</b>					
At a 10% Resale Discount		0.021%	0.107%	0.213%	0.320%
At a 16.15 % Resale Discount		0.034%	0.172%	0.344%	0.517%

**NORTH DAKOTA TELEPHONE COMPANY**  
**DEVILS LAKE PER LINE IMPACT OF RESALE ENTRY**

Assumed Resale Discount				10.00%		
Assumed Avoided Cost Percent					10.00%	
Features Revenue as % of Local Network Access					8.3%	
Revenue	2004 Revenue Per Line	2004 Revenue Per Line Subject to Resale	Potential Revenue Loss via Resale	Potential Avoided Cost	Note	Net Loss via Resale
Local Network Access	\$ 308.71	\$ 308.71	\$ 30.87	\$ 28.31	Assuming no cost savings on features.	\$ 2.56
Network Access Services	\$ 529.09	\$ -	\$ -	\$ -		\$ -
Long Distance Network Services	\$ 0.75	\$ 0.75	\$ 0.07	\$ 0.07		\$ -
Billing and Collection Revenue	\$ 18.55	\$ -	\$ -	\$ -		\$ -
Miscellaneous Revenue	\$ 32.14	\$ 9.86	\$ 0.99	\$ 0.99		\$ -
<b>TOTAL PER LINE PER YEAR</b>	<b>\$ 889.24</b>	<b>\$ 319.32</b>	<b>\$ 31.93</b>	<b>\$ 29.37</b>		<b>\$ 2.56</b>

**DEVILS LAKE TOTAL IMPACT UNDER DIFFERENT PENETRATION SCENARIOS**

Devils Lake Total Lines	5,668
Devils Lake Total Annual Operating Revenue (2004)	\$ 5,040,579
NDTC Total Annual Operating Revenue (2004)	\$ 16,977,056
NDTC Net Operating Income (2004)	\$ 2,736,472

PENETRATION RATE SCENARIOS	2%	5%	10%	15%	20%	25%	30%
LINES LOST TO RESALE	113	283	567	850	1,134	1,417	1,701
ESTIMATED ANNUAL TOTAL GROSS REVENUE LOSS	\$ 3,620	\$ 9,050	\$ 18,101	\$ 27,151	\$ 36,201	\$ 45,252	\$ 54,302
ESTIMATED ANNUAL TOTAL NET PROFIT LOSS	\$ 290	\$ 726	\$ 1,451	\$ 2,177	\$ 2,903	\$ 3,628	\$ 4,354
ESTIMATED NET PROFIT LOSS AS A % OF DEVILS LAKE TOTAL REVENUE	0.0058%	0.0144%	0.0288%	0.0432%	0.0576%	0.0720%	0.0864%
ESTIMATED NET PROFIT LOSS AS A % OF NDTC TOTAL REVENUE	0.0017%	0.0043%	0.0085%	0.0128%	0.0171%	0.0214%	0.0256%
ESTIMATED NET PROFIT LOSS AS A % OF NDTC NET OPERATING REVENUE	0.0106%	0.0265%	0.0530%	0.0796%	0.1061%	0.1326%	0.1591%



ILEC Provided Lines (FCC data compiled from Form 477)

[http://www.fcc.gov/Bureaus/Common\\_Carrier/Reports/FCC-State\\_Link/IAD/RBOC\\_Local\\_Telephone\\_Dec\\_2004.xls](http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/RBOC_Local_Telephone_Dec_2004.xls)

As of December 2004

	Qwest ND	Nationwide
Total lines and channels provided to end users	134,368	122,094,383
Lines and channels that are provided to unaffiliated carriers under a Total Service Resale arrangement	2,856	1,112,918
Lines and channels that are provided to unaffiliated carriers under other resale arrangements, such as resold centrex	190	138,709
Lines and channels that are provided to unaffiliated carriers under a UNE loop arrangement, where switching is not provided	22,493	3,955,383
Lines and channels that are provided to unaffiliated carriers under a UNE loop arrangement, where switching is also provided	26,480	16,369,009
<b>Total Lines</b>	<b>186,387</b>	<b>143,670,402</b>
% Lines Provided Via Resale	<u>1.6%</u>	<u>0.9%</u>
% Lines Provided Via Resale, UNE-L and UNE-P	28%	15%

**NORTH DAKOTA TELEPHONE COMPANY  
DETERMINATION OF REVENUES SUBJECT TO RESALE IN DEVILS LAKE EXCHANGE**

ACCOUNT	NDTC TOTAL COMPANY			DEVILS LAKE							Assumed Resale Discount 10.00%
	By Account	By Account Group	% of Account Group	By Account	By Account Group	Per Line Annual	Assumed % Revenues Subject to Resale	Note	Per Line Revenue Subject to Resale	Potential Revenue Loss via Resale	
Source:	Discovery <sup>1</sup>	Discovery <sup>1</sup>	Calculated	Projected Based on NDTC totals	Discovery <sup>2</sup>						
<b>Local Service</b>											
1.5001. Local Service	\$ 4,941,869		100%	\$ 1,749,911		\$ 308.71	100%		\$ 308.71	\$ 30.87	
Total Local Service Revenues		\$ 4,941,869			\$ 1,749,911						
5060 Other basic area revenue								Per 47 CFR 32.5060 include features revenue. We are assuming NDTC reports features revenue under 5001			
<b>Network Access</b>											
1.5081. End User Revenue	\$ 1,620,841		15%	\$ 448,994		\$ 79.21	0% Per 47 CFR 51.605		\$ -	\$ -	
1.5082. Interstate Switched Access Revenue	\$ 3,603,707		33%	\$ 998,273		\$ 176.11	0% Per 47 CFR 51.605		\$ -	\$ -	
1.5083. Special Access Revenue	\$ 2,057,108		19%	\$ 569,845		\$ 100.53	0% Per 47 CFR 51.605		\$ -	\$ -	
1.5086. Intrastate Switched Access Revenue	\$ 3,545,005		33%	\$ 982,011		\$ 173.24	0% Per 47 CFR 51.605		\$ -	\$ -	
Total Network Access Revenues		\$ 10,826,661			\$ 2,999,123						
<b>Long Distance Message Revenue</b>											
1.5100. Long Distance Message Revenue	\$ 11,763		88%	\$ 3,718		\$ 0.66	100%		\$ 0.66	\$ 0.07	
1.5160. Other Long Distance Revenue	\$ 1,655		12%	\$ 523		\$ 0.09	100%		\$ 0.09	\$ 0.01	
Total Long Distance Network Services		\$ 13,418			\$ 4,241						
<b>Billing and Collection Revenue</b>											
1.5270. Carrier Billing and Collection Revenue	\$ 332,557		100%	\$ 105,121		\$ 18.55	0% Not a retail service		\$ -	\$ -	
Total Billing and Collection Revenue		\$ 332,557			\$ 105,121						
<b>Miscellaneous Revenue</b>											
1.5230. Directory Revenue	\$ 282,476		33%	\$ 59,663		\$ 10.53	0% Not a retail service		\$ -	\$ -	
1.5240. Rent Revenue	\$ 50,673		6%	\$ 10,703		\$ 1.89	0% Not a retail service		\$ -	\$ -	
1.5260. Miscellaneous Revenue	\$ 529,402		61%	\$ 111,817		\$ 19.73	50%	Per 47 CFR 32.5200: Includes "wholesale" services to other companies, contract services to others such as maintenance of plant, settlement payments, UNE, local interconnection. Also include revenues that might be partially "retail:" late payments, unclaimed refunds, and provision of special billing info to customers.	\$ 9.86	\$ 0.99	
Total Miscellaneous Revenue		\$ 862,551			\$ 182,183						
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 16,977,056</b>	<b>\$ 16,977,056</b>		<b>\$ 5,040,579</b>	<b>\$ 5,040,579</b>	<b>\$ 889.24</b>			<b>\$ 319.32</b>	<b>\$ 31.93</b>	

<sup>1</sup> NDTC provided its 2004 Part 32 revenue and expenses in response to discovery issued on December 6, 2005.

<sup>2</sup> NDTC provided operating revenue by account for Devil's Lake in its November 23, 2005 Response to Request for Disclosure of Information.

**NORTH DAKOTA TELEPHONE COMPANY  
FINANCIAL AND LINE COUNT DATA FOR DEVILS LAKE EXCHANGES**

	NDTC	DEVILS LAKE	SOURCE
<b>AVERAGE ACCESS LINES</b>			
Grand Total per Exhibit 3A Divided by 12 months	18,405	<u>5,668</u>	Exhibit 3A to NDTC EAS filing
% of Total NDTC		<u>30.8%</u>	
<b>2004 OPERATING REVENUE</b>			
Local Network Access	4,941,869	\$ 1,749,911	11/23/05 Discovery Response
Network Access Services		\$ 2,999,123	11/23/05 Discovery Response
Long Distance Network Services		\$ 4,241	11/23/05 Discovery Response
Billing and Collection Revenue		\$ 105,121	11/23/05 Discovery Response
Miscellaneous Revenue		\$ 182,183	11/23/05 Discovery Response
<b>TOTAL REVENUE</b>	<b>16,977,056</b>	<b>\$ 5,040,579</b>	
Features Revenue	\$ 409,845		Exhibit 8A to NDTC EAS filing
Features Revenue as % of Local Network Access	8.3%		



**Source: NDTC Response to Alternative Discovery dated 12/6/5**  
**North Dakota Telephone Company**  
**Statement of Operating Revenue and Operating Expenses**  
**For the Year December 31, 2004**

**OPERATING REVENUES**

Local Service			
1.5001.	Local Service	4,941,869	
	Total Local Service Revenues		4,941,869
Network Access			
1.5081.	End User Revenue	1,620,841	
1.5082.	Interstate Switched Access Revenue	3,603,707	
1.5083.	Special Access Revenue	2,057,108	
1.5086.	Intrastate Switched Access Revenue	3,545,005	
	Total Network Access Revenues		10,826,661
Long Distance Message Revenue			
1.5100.	Long Distance Message Revenue	11,763	
1.5160.	Other Long Distance Revenue	1,655	
	Total Long Distance Network Services		13,418
Billing and Collection Revenue			
1.5270.	Carrier Billing and Collection Revenue	332,557	
	Total Billing and Collection Revenue		332,557
Miscellaneous Revenue			
1.5230.	Directory Revenue	282,476	
1.5240.	Rent Revenue	50,673	
1.5260.	Miscellaneous Revenue	529,402	
	Total Miscellaneous Revenue		862,551
	TOTAL OPERATING REVENUES		16,977,056

**OPERATING EXPENSES**

Plant Specific Expense			
1.6120.	General Support Expense		
1.6121.	Land and Buildings	223,755	
1.6122.	Furniture and Artwork	2,605	
1.6123.	Office Equipment	122,275	
1.6124.	General Purpose Computers	285,243	
1.6210.	Central Office Switching Equipment		
1.6212.	Digital Electronics Expense	1,050,405	
1.6230.	Central Office Transmission Equip		
1.6231.	Radio Systems Expense	62,906	
1.6232.	Circuit Equipment Expense	268,018	
1.6410.	Cable and Wire Facilities Expense		
1.6411.	Poles Expense	(1,296)	
1.6421.	Aerial Cable Expense	35,396	
1.6422.	Underground Cable Expense	1,248	
1.6423.	Buried Cable Expense	907,393	
1.6424.	Submarine Cable Expense	124	
	Total Plant Specific Expenses		2,958,072

Plant NonSpecific





**Source: NDTC Response to Alternative Discovery dated 12/6/5**  
**North Dakota Telephone Company**  
**Statement of Operating Revenue and Operating Expenses**  
**For the Year December 31, 2004**

1.6530.	Network Operations Expense		
1.6531.	Power Expense	117,657	
1.6532.	Network Administration Expense	34,406	
1.6533.	Testing Expense	54,264	
1.6534.	Plant Operations Expense	516,157	
1.6535.	Engineering Expense	363,575	
1.6540.	Access Expense	321,104	
	Total Plant NonSpecific Expenses		1,407,163
Depreciation Expense			
1.6561.	Depreciation Expense	4,595,524	
	Total Depreciation Expense		4,595,524
Customer Operations			
1.6610.	Marketing	166,748	
1.6620.	Services		
1.6622.	Number Services Expense	125,077	
1.6623.	Customer Service Expense	832,329	
1.6627.	Customer Service - Revenue Acctg	447,876	
	Total Customer Operations Expense		1,572,030
Corporate Operations			
1.6710.	Executive and Planning		
1.6711.	Executive	567,464	
1.6720.	General and Administrative		
1.6721.	Accounting and Finance	509,669	
1.6722.	External Relations	276,973	
1.6723.	Human Resources/Personnel	160,834	
1.6724.	Information Management	77,290	
1.6725.	Legal	40,507	
1.6728.	General and Administrative	294,035	
	Total Corporate Operations Expense		1,926,772
Operating Taxes, Other			
1.7200.	Operating Taxes Property	117,807	
1.7240.	Operating Taxes Other	5,140	
	Total Operating Taxes, Other		122,947
	TOTAL OPERATING EXPENSES		12,582,508
Operating Income Taxes			
1.7220.	Oper Taxes-Fed Inc	1,658,076	
	Total Operating Income Taxes		1,658,076
	TOTAL OPERATING NET INCOME		<u><u>2,736,472</u></u>

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

MIDCONTINENT COMMUNICATIONS,  
A SOUTH DAKOTA PARTNERSHIP,  
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VS.

NORTH DAKOTA TELEPHONE COMPANY,  
RESPONDENT

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**DIRECT TESTIMONY OF**

**WARREN R. FISCHER**

On Behalf Of

**MIDCONTINENT COMMUNICATIONS**

**EXHIBIT WRF-4**

December 21, 2005

**Table 7.**

**NDTC's Annual Per Line Net Income Loss (Gain) On Resale-Based Customers:**

**Resale Discount (at 14%) is Lower than Avoided Costs (at 16.15%)**

Revenue	2004 Revenue Per Line	2004 Revenue Per Line Subject to Resale	Potential Revenue Loss via Resale	Potential Avoided Cost	Net Loss (Gain) via Resale
Local Network Access	\$ 308.71	\$ 308.71	\$ 43.22	\$ 45.72	\$ (2.50)
Network Access Services	\$ 529.09	\$ -	\$ -	\$ -	\$ -
Long Distance Network Services	\$ 0.75	\$ 0.75	\$ 0.10	\$ 0.12	\$ (0.02)
Billing and Collection Revenue	\$ 18.55	\$ -	\$ -	\$ -	\$ -
Miscellaneous Revenue	\$ 32.14	\$ 9.86	\$ 1.38	\$ 1.59	\$ (0.21)
<b>TOTAL DEVIL'S LAKE PER LINE PER YEAR</b>	<b>\$ 889.24</b>	<b>\$ 319.32</b>	<b>\$ 44.71</b>	<b>\$ 47.44</b>	<b>\$ (2.73)</b>

**NORTH DAKOTA TELEPHONE COMPANY**  
**DEVILS LAKE PER LINE IMPACT OF RESALE ENTRY**

Assumed Resale Discount				14.00%		
Assumed Avoided Cost Percent					16.15%	
Features Revenue as % of Local Network Access					8.3%	
Revenue	2004 Revenue Per Line	2004 Revenue Per Line Subject to Resale	Potential Revenue Loss via Resale	Potential Avoided Cost	Note	Net Loss Gain) via Resale
Local Network Access	\$ 308.71	\$ 308.71	\$ 43.22	\$ 45.72	Assuming no cost savings on features.	\$ (2.50)
Network Access Services	\$ 529.09	\$ -	\$ -	\$ -		\$ -
Long Distance Network Services	\$ 0.75	\$ 0.75	\$ 0.10	\$ 0.12		\$ (0.02)
Billing and Collection Revenue	\$ 18.55	\$ -	\$ -	\$ -		\$ -
Miscellaneous Revenue	\$ 32.14	\$ 9.86	\$ 1.38	\$ 1.59		\$ (0.21)
<b>TOTAL PER LINE PER YEAR</b>	<b>\$ 889.24</b>	<b>\$ 319.32</b>	<b>\$ 44.71</b>	<b>\$ 47.44</b>		<b>\$ (2.73)</b>

**DEVILS LAKE TOTAL IMPACT UNDER DIFFERENT PENETRATION SCENARIOS**

Devils Lake Total Lines	5,668
Devils Lake Total Annual Operating Revenue (2004)	\$ 5,040,579
NDTC Total Annual Operating Revenue (2004)	\$ 16,977,056
NDTC Net Operating Income (2004)	\$ 2,736,472

PENETRATION RATE SCENARIOS	2%	5%	10%	15%	20%	25%	30%
LINES LOST TO RESALE	113	283	567	850	1,134	1,417	1,701
ESTIMATED ANNUAL TOTAL GROSS REVENUE LOSS	\$ 5,068	\$ 12,670	\$ 25,341	\$ 38,011	\$ 50,682	\$ 63,352	\$ 76,023
ESTIMATED ANNUAL TOTAL NET PROFIT LOSS	\$ (310)	\$ (774)	\$ (1,548)	\$ (2,322)	\$ (3,096)	\$ (3,870)	\$ (4,644)
ESTIMATED NET PROFIT LOSS AS A % OF DEVILS LAKE TOTAL REVENUE	-0.0061%	-0.0154%	-0.0307%	-0.0461%	-0.0614%	-0.0768%	-0.0921%
ESTIMATED NET PROFIT LOSS AS A % OF NDTC TOTAL REVENUE	-0.0018%	-0.0046%	-0.0091%	-0.0137%	-0.0182%	-0.0228%	-0.0274%
ESTIMATED NET PROFIT LOSS AS A % OF NDTC NET OPERATING REVENUE	-0.0113%	-0.0283%	-0.0566%	-0.0848%	-0.1131%	-0.1414%	-0.1697%



ILEC Provided Lines (FCC data compiled from Form 477)

[http://www.fcc.gov/Bureaus/Common\\_Carrier/Reports/FCC-State\\_Link/IAD/RBOC\\_Local\\_Telephone\\_Dec\\_2004.xls](http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/RBOC_Local_Telephone_Dec_2004.xls)

As of December 2004

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Lines and channels that are provided to unaffiliated carriers under other resale arrangements, such as resold centrex	190	138,709
Lines and channels that are provided to unaffiliated carriers under a UNE loop arrangement, where switching is not provided	22,493	3,955,383
Lines and channels that are provided to unaffiliated carriers under a UNE loop arrangement, where switching is also provided	26,480	16,369,009
<b>Total Lines</b>	<b>186,387</b>	<b>143,670,402</b>
% Lines Provided Via Resale	<u>1.6%</u>	<u>0.9%</u>
% Lines Provided Via Resale, UNE-L and UNE-P	28%	15%

**NORTH DAKOTA TELEPHONE COMPANY  
DETERMINATION OF REVENUES SUBJECT TO RESALE IN DEVILS LAKE EXCHANGE**

ACCOUNT	NDTC TOTAL COMPANY			DEVILS LAKE							Assumed Resale Discount 14.00%
	By Account	By Account Group	% of Account Group	By Account	By Account Group	Per Line Annual	Assumed % Revenues Subject to Resale	Note	Per Line Revenue Subject to Resale	Potential Revenue Loss via Resale	
Source:	Discovery <sup>1</sup>	Discovery <sup>1</sup>	Calculated	Projected Based on NDTC totals	Discovery <sup>2</sup>						
<b>Local Service</b>											
1.5001. Local Service	\$ 4,941,869		100%	\$ 1,749,911		\$ 308.71	100%		\$ 308.71	\$ 43.22	
Total Local Service Revenues		\$ 4,941,869			\$ 1,749,911						
5060 Other basic area revenue								Per 47 CFR 32.5060 include features revenue. We are assuming NDTC reports features revenue under 5001			
<b>Network Access</b>											
1.5081. End User Revenue	\$ 1,620,841		15%	\$ 448,994		\$ 79.21	0% Per 47 CFR 51.605		\$ -	\$ -	
1.5082. Interstate Switched Access Revenue	\$ 3,603,707		33%	\$ 998,273		\$ 176.11	0% Per 47 CFR 51.605		\$ -	\$ -	
1.5083. Special Access Revenue	\$ 2,057,108		19%	\$ 569,845		\$ 100.53	0% Per 47 CFR 51.605		\$ -	\$ -	
1.5086. Intrastate Switched Access Revenue	\$ 3,545,005		33%	\$ 982,011		\$ 173.24	0% Per 47 CFR 51.605		\$ -	\$ -	
Total Network Access Revenues		\$ 10,826,661			\$ 2,999,123						
<b>Long Distance Message Revenue</b>											
1.5100. Long Distance Message Revenue	\$ 11,763		88%	\$ 3,718		\$ 0.66	100%		\$ 0.66	\$ 0.09	
1.5160. Other Long Distance Revenue	\$ 1,655		12%	\$ 523		\$ 0.09	100%		\$ 0.09	\$ 0.01	
Total Long Distance Network Services		\$ 13,418			\$ 4,241						
<b>Billing and Collection Revenue</b>											
1.5270. Carrier Billing and Collection Revenue	\$ 332,557		100%	\$ 105,121		\$ 18.55	0% Not a retail service		\$ -	\$ -	
Total Billing and Collection Revenue		\$ 332,557			\$ 105,121						
<b>Miscellaneous Revenue</b>											
1.5230. Directory Revenue	\$ 282,476		33%	\$ 59,663		\$ 10.53	0% Not a retail service		\$ -	\$ -	
1.5240. Rent Revenue	\$ 50,673		6%	\$ 10,703		\$ 1.89	0% Not a retail service		\$ -	\$ -	
1.5260. Miscellaneous Revenue	\$ 529,402		61%	\$ 111,817		\$ 19.73	50%	Per 47 CFR 32.5200: Includes "wholesale" services to other companies, contract services to others such as maintenance of plant, settlement payments, UNE, local interconnection. Also include revenues that might be partially "retail:" late payments, unclaimed refunds, and provision of special billing info to customers.	\$ 9.86	\$ 1.38	
Total Miscellaneous Revenue		\$ 862,551			\$ 182,183						
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 16,977,056</b>	<b>\$ 16,977,056</b>		<b>\$ 5,040,579</b>	<b>\$ 5,040,579</b>	<b>\$ 889.24</b>			<b>\$ 319.32</b>	<b>\$ 44.71</b>	

<sup>1</sup> NDTC provided its 2004 Part 32 revenue and expenses in response to discovery issued on December 6, 2005.

<sup>2</sup> NDTC provided operating revenue by account for Devil's Lake in its November 23, 2005 Response to Request for Disclosure of Information.

**NORTH DAKOTA TELEPHONE COMPANY  
FINANCIAL AND LINE COUNT DATA FOR DEVILS LAKE EXCHANGES**

	NDTC	DEVILS LAKE	SOURCE
<b>AVERAGE ACCESS LINES</b>			
Grand Total per Exhibit 3A Divided by 12 months	18,405	<u>5,668</u>	Exhibit 3A to NDTC EAS filing
% of Total NDTC		<u>30.8%</u>	
<b>2004 OPERATING REVENUE</b>			
Local Network Access	4,941,869	\$ 1,749,911	11/23/05 Discovery Response
Network Access Services		\$ 2,999,123	11/23/05 Discovery Response
Long Distance Network Services		\$ 4,241	11/23/05 Discovery Response
Billing and Collection Revenue		\$ 105,121	11/23/05 Discovery Response
Miscellaneous Revenue		\$ 182,183	11/23/05 Discovery Response
<b>TOTAL REVENUE</b>	<b>16,977,056</b>	<b>\$ 5,040,579</b>	
Features Revenue	\$ 409,845		Exhibit 8A to NDTC EAS filing
Features Revenue as % of Local Network Access	8.3%		



**Source: NDTC Response to Alternative Discovery dated 12/6/5**  
**North Dakota Telephone Company**  
**Statement of Operating Revenue and Operating Expenses**  
**For the Year December 31, 2004**

**OPERATING REVENUES**

Local Service			
1.5001.	Local Service	4,941,869	
	Total Local Service Revenues		4,941,869
Network Access			
1.5081.	End User Revenue	1,620,841	
1.5082.	Interstate Switched Access Revenue	3,603,707	
1.5083.	Special Access Revenue	2,057,108	
1.5086.	Intrastate Switched Access Revenue	3,545,005	
	Total Network Access Revenues		10,826,661
Long Distance Message Revenue			
1.5100.	Long Distance Message Revenue	11,763	
1.5160.	Other Long Distance Revenue	1,655	
	Total Long Distance Network Services		13,418
Billing and Collection Revenue			
1.5270.	Carrier Billing and Collection Revenue	332,557	
	Total Billing and Collection Revenue		332,557
Miscellaneous Revenue			
1.5230.	Directory Revenue	282,476	
1.5240.	Rent Revenue	50,673	
1.5260.	Miscellaneous Revenue	529,402	
	Total Miscellaneous Revenue		862,551
	TOTAL OPERATING REVENUES		16,977,056

**OPERATING EXPENSES**

Plant Specific Expense			
1.6120.	General Support Expense		
1.6121.	Land and Buildings	223,755	
1.6122.	Furniture and Artwork	2,605	
1.6123.	Office Equipment	122,275	
1.6124.	General Purpose Computers	285,243	
1.6210.	Central Office Switching Equipment		
1.6212.	Digital Electronics Expense	1,050,405	
1.6230.	Central Office Transmission Equip		
1.6231.	Radio Systems Expense	62,906	
1.6232.	Circuit Equipment Expense	268,018	
1.6410.	Cable and Wire Facilities Expense		
1.6411.	Poles Expense	(1,296)	
1.6421.	Aerial Cable Expense	35,396	
1.6422.	Underground Cable Expense	1,248	
1.6423.	Buried Cable Expense	907,393	
1.6424.	Submarine Cable Expense	124	
	Total Plant Specific Expenses		2,958,072

Plant NonSpecific





Source: NDTC Response to Alternative Discovery dated 12/6/5

North Dakota Telephone Company

Statement of Operating Revenue and Operating Expenses

For the Year December 31, 2004

1.6530.	Network Operations Expense		
1.6531.	Power Expense	117,657	
1.6532.	Network Administration Expense	34,406	
1.6533.	Testing Expense	54,264	
1.6534.	Plant Operations Expense	516,157	
1.6535.	Engineering Expense	363,575	
1.6540.	Access Expense	321,104	
	Total Plant NonSpecific Expenses		1,407,163
Depreciation Expense			
1.6561.	Depreciation Expense	4,595,524	
	Total Depreciation Expense		4,595,524
Customer Operations			
1.6610.	Marketing	166,748	
1.6620.	Services		
1.6622.	Number Services Expense	125,077	
1.6623.	Customer Service Expense	832,329	
1.6627.	Customer Service - Revenue Acctg	447,876	
	Total Customer Operations Expense		1,572,030
Corporate Operations			
1.6710.	Executive and Planning		
1.6711.	Executive	567,464	
1.6720.	General and Administrative		
1.6721.	Accounting and Finance	509,669	
1.6722.	External Relations	276,973	
1.6723.	Human Resources/Personnel	160,834	
1.6724.	Information Management	77,290	
1.6725.	Legal	40,507	
1.6728.	General and Administrative	294,035	
	Total Corporate Operations Expense		1,926,772
Operating Taxes, Other			
1.7200.	Operating Taxes Property	117,807	
1.7240.	Operating Taxes Other	5,140	
	Total Operating Taxes, Other		122,947
	TOTAL OPERATING EXPENSES		12,582,508
Operating Income Taxes			
1.7220.	Oper Taxes-Fed Inc	1,658,076	
	Total Operating Income Taxes		1,658,076
	TOTAL OPERATING NET INCOME		<u><u>2,736,472</u></u>