

**Midcontinent's Correction to Missouri Valley Communications' Impact Analysis**

**Midco Interconnect Impact -- As Adjusted Per Lundquist Direct Testimony (July 2, 2008)**

(NOTE, BLUE INDICATES REVISIONS FROM MVC'S ANALYSIS (PER HANSON EXHIBIT 1))

**Assumptions:**

MVC Local Service Rev Forecast	<u>Annual Growth</u>	-0.50%
MVC Network Acc Rev Forecast		4%
MVC Misc Revenue Forecast		0%
MVC Operating Expense Forecast	See Attachment	
MVC Access Lines Forecast		-1.58%

**Midco Subscriber**

	<u>Annual Rate</u>
MVC Residential Resale Line Growth	15.0%
MVC Business Resale Line Growth	76%
MVC Residential Resale Line Revenue	\$277.73
MVC Business Resale Line Revenue	452.40
MVC Long Distance Access Revenue	\$20.55
MVC Special Access Revenue	\$95.87
Midco Initial Special Access Take Rate	5.0%
Midco Special Access Growth	8.0%

	<u>ACTUAL</u> 2007	<u>BUDGETED</u> 2008	2009	2010	2011	2012
Residential Resale Lines (Under revised growth assumptions)	1443	1623	1803	1983	2163	2343
Business Resale Lines (Under revised growth assumptions)	45	81	117	153	189	225
Midco Ckt Equiv	0	0	988	1068	1154	1247
MVC Access Lines -- Incl. Resale	8758	8620	8484	8350	8218	8088
MVC Access Lines Net of Resale			6,564	6,214	5,866	5,520
	<u>ACTUAL</u> 2007	<u>BUDGETED</u> 2008	2009	2010	2011	2012
<b>MVC Revenues</b>						
Local- Including Resale	2,815,389	2,801,300	2,787,300	2,773,400	2,759,500	2,745,700
Network Access	3,346,154	3,736,600	3,886,100	4,041,500	4,203,200	4,371,300
Miscellaneous	129,231	122,600	122,600	122,600	122,600	122,600
<b>Total Revenues</b>	<u>6,290,774</u>	<u>6,660,500</u>	<u>6,796,000</u>	<u>6,937,500</u>	<u>7,085,300</u>	<u>7,239,600</u>
<b>Less: Operating Expenses</b>	<u>4,343,994</u>	<u>4,633,148</u>	<u>4,749,457</u>	<u>4,867,791</u>	<u>4,989,675</u>	<u>5,115,215</u>
<b>MVC Net Operating Margins</b>	<u>1,946,780</u>	<u>2,027,352</u>	<u>2,046,543</u>	<u>2,069,709</u>	<u>2,095,625</u>	<u>2,124,385</u>

**INTERCONNECT MODEL**

	2007	2008	2009	2010	2011	2012
<b>MVC Revenues</b>						
Local	2,815,389	2,801,300	2,787,300	2,773,400	2,759,500	2,745,700
Less: Residential Resale (With Migration Timing adjustment)			(344,500)	(525,700)	(575,700)	(625,700)
Less: Business Resale (With Migration Timing adjustment)			(34,400)	(61,100)	(77,400)	(93,600)
Network Access	3,346,154	3,736,600	3,886,100	4,041,500	4,203,200	4,371,300
Less: Intrastate Switch Access (With Migration Timing adjustment)			(14,800)	(38,900)	(42,600)	(46,300)
Less: Special Access (Deleted per Special Access adjustment)			-	-	-	-
Miscellaneous	129,231	122,600	122,600	122,600	122,600	122,600
Change in USF Subsidies (Per USF adjustment)			280,931	358,219	436,660	516,312
<b>Total Revenues</b>	<u>6,290,774</u>	<u>6,660,500</u>	<u>6,683,231</u>	<u>6,670,019</u>	<u>6,826,260</u>	<u>6,990,312</u>
<b>Less: Operating Expenses</b>			4,749,457	4,867,791	4,989,675	5,115,215
<b>MVC Net Operating Margins</b>			<u>1,933,774</u>	<u>1,802,228</u>	<u>1,836,586</u>	<u>1,875,098</u>

**MVC FINANCIAL IMPACT FROM INTERCONNECTION WITH MIDCO**

<b>TOTAL REVENUE IMPACT</b>	<u>(112,769)</u>	<u>(267,481)</u>	<u>(259,040)</u>	<u>(249,288)</u>
<b>NET REVENUE IMPACT</b>	<u>(112,769)</u>	<u>(267,481)</u>	<u>(259,040)</u>	<u>(249,288)</u>
<b>CUMULATIVE NET REVENUE IMPACT</b>				<u>(888,577)</u>
				<u>(3,583,000)</u>

Model assumes a six-month cutover of Midco resale customers to interconnect agreement starting January 1, 2009.

Excludes amortization expense, taxes, interest on funded debt, and nonoperating income and expenses