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October 29, 2014

VIA HAND DELIVERY

Hon. Jeff R. Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort KY 40601-8294

RECEIVED

OCT 29 2014

PUBLIC SERVICE
COMMISSION

***Re: Tariff Filing of West Kentucky Rural Telephone Cooperative Corporation, Inc.,
Case No. 2014-00329 before the Public Service Commission of the
Commonwealth of Kentucky***

Dear Mr. Derouen:

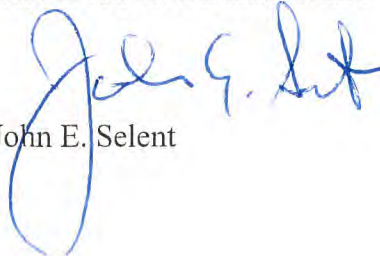
On behalf of West Kentucky Rural Telephone Cooperative Corporation, Inc., enclosed for filing with the Public Service of the Commonwealth of Kentucky are one (1) original and ten (10) copies of the following documents.

- 1) Application for a General Adjustment in Rates;
- 2) Motion for Waiver of Certain Rate Application Filing Requirements; and
- 3) Petition for Confidential Treatment

Thank you, and if you have any questions with regard to this matter, please call me.

Very truly yours,

DINSMORE & SHOHL LLP



John E. Selent

JES/bmt
Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 29 2014

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF WEST KENTUCKY RURAL
TELEPHONE COOP. CORP., INC.
FOR A GENERAL ADJUSTMENT IN RATES

) CASE NO. 2014-00329
)

APPLICATION

Applicant West Kentucky Rural Telephone Cooperative Corporation, Inc. (“WK&T”), by counsel, pursuant to KRS 278.180, 807 KAR 5:001, Sections 14 and 16, and 807 KAR 5:011, Section 6, and consistent with the Public Service Commission of the Commonwealth of Kentucky’s (the “Commission”) May 29, 2013 order in Case No. 2013-00196 (the “2013 Rate Floor Order”), files this application (the “Application”) for authority to adjust its rates and charges for basic local exchange service and gives notice of its intention to increase the same rates and charges effective November 30, 2014.

INTRODUCTION

This Application for a rate increase is filed in response to an order from the Federal Communications Commission (“FCC”) that fundamentally alters the cost structure of providing telecommunications services in high-cost rural areas, like those WK&T serves. *See In the Matter of Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov 18, 2011) (“ICC/USF Order”). For decades prior to the ICC/USF Order, high-cost carriers had received subsidies from the federal government’s “Universal Service Fund” (“USF”). Those USF subsidies were intended to fulfill the Federal Communications Act’s requirement that “[c]onsumers in all regions of the Nation, including . . . those in rural, insular, and high cost areas, should have access to telecommunications and

information services . . . that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.” 47 U.S.C. § 254(b)(3). The FCC found, however, that many rural consumers were paying rates that were less than those paid by consumers in urban areas. ICC/USF Order at ¶ 235. In consequence, the FCC's ICC/USF Order sets a rate floor equal to the national average of local rates plus state regulated fees. *Id.* at ¶ 238. The ICC/USF Order also “limit[s] high-cost support where local end-user rates plus state regulated fees” do not meet that national rate floor; those carriers’ federal subsidies will be reduced “on a dollar-for-dollar basis . . . , to the extent that [the] carrier’s local rates (plus state regulated fees) do not meet the urban rate floor.” *Id.* at ¶ 239.

On June 10, 2014, the FCC altered the schedule for the imposition of rate floor penalties, effectively requiring carriers to ensure that their 2014 rate floor obligations are met no later than December 1, 2014. *See In the Matter of Connect America Fund et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54, ¶¶ 79-80.

WK&T’s proposed rate adjustment is thus necessary to preserve these USF subsidies that are important to its ability to provide telephone and information services in its high-cost rural service territory. Without a minimum rate sufficient to meet the FCC’s new rate floor, high-cost carriers like WK&T will lose significant federal funding that has historically allowed these carriers to provide service to the most costly, rural customers. That loss of federal funding will threaten the financial existence of these rural carriers like WK&T, who have important obligations under federal and state law as carriers of last resort. Moreover, the loss of those subsidies would increase the pressure for WK&T to raise its rates even higher than the federal

rate floor sought here because any loss of federal funds would lead to a need for WK&T to make up that revenue directly from its customer-members.

* * * * *

In support of its Application, WK&T states as follows:

1. Pursuant to 807 KAR 5:001, Section 14(1): (i) the full name of the applicant is West Kentucky Rural Telephone Cooperative Corporation, Inc.; (ii) the mailing address of the applicant is 237 North 8th Street / P.O. Box 649, Mayfield, KY 42066; and (iii) the electronic mailing address of the applicant is terandall@tmsvcs.com.

2. Pursuant to 807 KAR 5:001, Section 14(2), WK&T states that it is currently in good standing in the Commonwealth of Kentucky, where it is incorporated. A certified copy of WK&T's Articles of Incorporation and all amendments thereto is on file with the Commission in Case No. 2013-00196.

3. Pursuant to 807 KAR 5:001, Section 16(1)(b)(1), WK&T provides the following statement of the reason the adjustment is requested. Further details are provided in Exhibit 1 of this Application.

a. WK&T is a rural incumbent local exchange carrier serving parts of Calloway, Carlisle, Graves, McCracken, Marshall, and Hickman counties in western Kentucky; and parts of Dyer, Henry, Gibson, Obion, and Weakley counties in northwest Tennessee. WK&T was established in 1953 as a not-for-profit, member-owned cooperative to provide local telephone service to businesses and individual members within the Kentucky exchanges of Cunningham, Fairdealing, Fancy Farm, Farmington, Folsomdale, Hardin, Hazel, Kirksey, Lowes, Lynn Grove, Lynnville, New Concord, Sedalia, West Plains, and Wingo in addition to the Tennessee exchanges of Cottage Grove, Cypress, Puryear, and South Hazel ("Service

Territory”). WK&T provides 5,748 residential lines and 1,028 business lines to its members in Kentucky with an additional 5,642 residential and 95 business lines in Tennessee. WK&T is an eligible telecommunications carrier (“ETC”), and it is also the carrier of last resort (“COLR”) in the Service Territory. In 2013, WK&T received \$2,683,926 from the High Cost Loop Support (“HCLS”) Fund to support its COLR responsibilities in the Service Territory.

b. This proceeding was motivated by an order of the FCC that implemented “a rule to limit high-cost support where end-user rates do not meet a specified local rate floor.” See ICC/USF Order at ¶ 235.

c. Under the rule, local exchange carriers such as WK&T must meet a specified rate floor in each year in order to be eligible to receive the maximum possible amount of HCLS funding from the FCC. Failure to meet the rate floor by the deadline will result in a reduction in HCLS funding that the carrier could have otherwise received for that year. ICC/USF Order at ¶¶ 133, 238-40. Therefore, WK&T requires an adjustment of its rates to comply with the FCC’s 2014 rate floor, thereby maintaining eligibility for the maximum amount of HCLS funding.

4. The requirements of 807 KAR 5:001, Section 16(1)(b)(2), are inapplicable because WK&T does not operate under an assumed name pursuant to KRS 365.015.

5. Pursuant to 807 KAR 5:001, Section 16(1)(b)(3), WK&T has attached its proposed tariff, in such form as is required by 807 KAR 5:011, as part of Exhibit 2. The proposed effective date of the proposed tariff is November 30, 2014, at least 30 days from the date the Application is filed.

6. Pursuant to 807 KAR 5:001, Section 16(1)(b)(4), WK&T has attached as part of Exhibit 2 its present tariff using italicizing, underscoring, and strikethroughs to show proposed revisions.

7. Pursuant to 807 KAR 5:001, Section 16(1)(b)(5), WK&T states that notice has been given in compliance with 807 KAR 5:001, Section 17, as described below:

a. Pursuant 807 KAR 5:001, Section 17(1), WK&T has posted at its place of business a copy of the Public Notice and will, within five days of the filing of the Application, post on its website a copy of the Public Notice and a hyperlink to the location on the Commission's website where the case documents are available. A copy of the Public Notice is attached hereto as part of Exhibit 3.

b. Pursuant to 807 KAR 5:001, Section 17(2), WK&T, which has more than twenty (20) customers and is not a sewage utility, has provided notice to its customers by including the notice with customer bills mailed no later than the date the Application is submitted to the Commission. A copy of the notice sent to customers is attached hereto as part of Exhibit 3.

c. Pursuant to 807 KAR 5:001, Section 17(3), an affidavit verifying WK&T's provision of the required notice to its customers is attached hereto as part of Exhibit 3.

d. Pursuant to 807 KAR 5:001, Section 17(4), WK&T states that the Public Notice attached to this Application as Exhibit 3 complies with all "Notice Content" requirements prescribed by regulation because it contains all of the following elements:

- i. The proposed effective date and the date the proposed rates are expected to be filed with the Commission;

- ii. The present rates and proposed rates for each customer classification to which the proposed rates will apply;
- iii. The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply;
- iv. The effect upon the average bill for each customer classification for the proposed rate change in basic local service;
- v. A statement that a person may examine this Application at WK&T's offices;
- vi. A statement that a person may examine this Application at the Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Commission's Web site at <http://psc.ky.gov>;
- vii. A statement that comments regarding the Application may be submitted to the Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602;
- viii. A statement that the rates contained in this notice are the rates proposed by WK&T but that the Commission may order rates to be charged that differ from the proposed rates contained in the notice;
- ix. A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box

615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and

- x. A statement that if the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the Commission may take final action on the Application.

8. The requirements of 807 KAR 5:001, Section 16(1)(b)(6), are inapplicable because WK&T is not a water district.

9. Pursuant to 807 KAR 5:001, Section 16(2), WK&T states that it notified the Commission in writing of its intent to file the Application on September 12, 2014, at least thirty (30) days but not more than sixty (60) days prior to filing the Application. A copy of the notice of intent is included as part of Exhibit 4 of this Application. Pursuant to 807 KAR 5:001, Section 16(2)(a), the notice of intent stated whether the Application will be supported by a historical test period or a fully forecasted test period. Pursuant to 807 KAR 5:001, Section 16(2)(c), WK&T sent by electronic mail a .pdf copy of the notice of intent to the Attorney General's Office of Rate Intervention (rateintervention@ag.ky.gov) upon filing it with the Commission. A copy of this email, including the attached notice of intent, is included as part of Exhibit 4 of this Application.

10. The provisions of 807 KAR 5:001, Section 16(3), are inapplicable because WK&T is not an electric utility.

11. Pursuant to 807 KAR 5:001, Section 16(4)(a), a narrative summary of the particular circumstances that justify and support WK&T's Application, including a statement of the reason the adjustment is required, is attached hereto as Exhibit 1 and is incorporated herein

by reference. Exhibit 1 is filed subject to a Petition for Confidential Treatment pursuant to 807 KAR 5:001, Section 13, filed contemporaneously with this Application.

12. As more fully explained in WK&T's Motion for Waiver of Certain Rate Application Requirements ("Motion for Waiver") filed contemporaneously with this Application, WK&T seeks waiver of 807 KAR 5:001, Section 16(4)(b), requiring the applicant's witnesses' prepared testimony.

13. The requirements of 807 KAR 5:001, Section 16(4)(c) are inapplicable because WK&T has gross annual revenues in excess of \$5,000,000.00.

14. Pursuant to 807 KAR 5:001, Section 16(4)(d), WK&T estimates that the Kentucky portion of the revenue increase resulting from the proposed rate adjustment will be \$99,325.44.

15. The requirements of 807 KAR 5:001, Section 16(4)(e), are inapplicable because WK&T is not an electric, gas, sewage, or water utility.

16. Pursuant to 807 KAR 5:001, Section 16(4)(f), WK&T states that the proposed rate adjustment will increase the average affected customer bill by \$1.44. Additional details regarding the anticipated impact on affected customers are set forth in Exhibit 1.

17. Pursuant to 807 KAR 5:001, Section 16(4)(g), WK&T states that because the FCC's rate floor requirements apply only to residential rates, only WK&T's Residential customer class will be affected by the proposed rate adjustment. WK&T's analysis of customers' bills and the corresponding revenue impact are provided in WK&T's responses to the requirements of Section 16(4)(d) and 16(4)(f) in paragraphs 14 and 16 above.

18. Pursuant to 807 KAR 5:001, Section 16(4)(h), WK&T states that parts A and B of its 2013 RUS operating report containing its TIER calculation, which assesses WK&T's actual

revenue position compared to its required operating revenues, are attached as Exhibit 5. To the extent the Commission believes this section imposes additional requirements relevant to this Application, WK&T respectfully seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

19. As more fully explained in WK&T's Motion for Waiver, WK&T seeks waiver of 807 KAR 5:001, Section 16(4)(i), requiring a reconciliation of the rate base and capital used to determine revenue requirements.

20. Pursuant to 807 KAR 5:001, Section 16(4)(j), WK&T has attached a current chart of accounts as Exhibit 6.

21. Pursuant to 807 KAR 5:001, Section 16(4)(k), WK&T has attached its independent auditor's annual opinion report hereto as Exhibit 7. The other requirements of this section are inapplicable because WK&T's independent auditor has not indicated "the existence of a material weakness in [WK&T]'s internal controls."

22. The requirements in 807 KAR 5:001, Section 16(4)(l), are inapplicable because WK&T has not been audited by the FCC.

23. Pursuant to 807 KAR 5:001, Section 16(4)(m), WK&T states that its most recent PSC Form T is on file with the Commission.

24. Pursuant to 807 KAR 5:001, Section 16(4)(n), WK&T has adopted the Commission's average depreciation rates and it has provided as Exhibit 8 hereto a schedule identifying current depreciation rates used by major plant accounts. WK&T's test period depreciation rates are identical to the current depreciation rates attached. To the extent the Commission believes this section requires more information than WK&T has provided, WK&T

seeks waiver of 807 KAR 5:001, Section 16(4)(n) for the reasons set for in its Motion for Waiver.

25. Pursuant to 807 KAR 5:001, Section 16(4)(o), requiring a schedule of detailed information regarding all software, programs, and models used to prepare the Application, WK&T states that it utilized no specialized software, program, or models, and relied on Microsoft Word and Microsoft Excel to prepare the Application and supporting exhibits.

26. The requirements of 807 KAR 5:001, Section 16(4)(p), are inapplicable because WK&T has never made a stock or bond offering.

27. Pursuant to the requirements of 807 KAR 5:001, Section 16(4)(q), WK&T's 2014 report to its members is attached hereto as Exhibit 9. To the extent the Commission believes this section requires the provision of additional materials, WK&T seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver

28. As more fully explained in WK&T's Motion for Waiver, WK&T seeks waiver of 807 KAR 5:001, Section 16(4)(r), requiring monthly managerial reports.

29. The requirements of 807 KAR 5:001, Section 16(4)(s), are inapplicable because WK&T is not required to file the U.S. Securities and Exchange Commission's Form 10-K, Form 8-K, or Form 10-Q.

30. As more fully explained in WK&T's Motion for Waiver, WK&T seeks waiver of 807 KAR 5:001, Section 16(4)(t), requiring information related to amounts charged or allocated to it by an affiliate or general or home office or monies paid to an affiliate or a general or home office during the test period during the previous three (3) calendar years.

31. The requirements of 807 KAR 5:001, Section 16(4)(u), are inapplicable because WK&T is not an electric, gas, sewage, or water utility.

32. The requirements of 807 KAR 5:001, Section 16(4)(v), are inapplicable because WK&T has fewer than 50,000 access lines.

33. The requirements of 807 KAR 5:001, Section 16(5), are inapplicable because WK&T's Application does not include any pro forma adjustments. To the extent the Commission believes the requirements of this section apply to this Application, WK&T respectfully seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

34. The requirements of 807 KAR 5:001, Section 16(6), are inapplicable because WK&T is not requesting a general adjustment in rates supported by a fully forecasted test period.

35. The requirements of 807 KAR 5:001, Section 16(7), are inapplicable because WK&T is not requesting a general adjustment in rates supported by a fully forecasted test period.

36. The requirements of 807 KAR 5:001, Section 16(8), are inapplicable because WK&T is not requesting a general adjustment in rates supported by a fully forecasted test period.

37. Pursuant to ¶ 3.a of the 2013 Rate Floor Order, WK&T has provided an estimate of the annual revenue to be received in 2014 from HCLS in Exhibit 1, Attachment A.

38. Pursuant to ¶ 3.b of the 2013 Rate Floor Order, WK&T has provided an estimate of the annual revenue to be lost due to adjustment of terminating access rates in the "Financial Support for Filing" section of Exhibit 1.

39. Pursuant to ¶ 3.c of the 2013 Rate Floor Order, WK&T has provided an estimate of the annual revenue to be generated by the tariff changes in Exhibit 1 and in response to the requirements of 807 KAR 5:001, Section 16(4)(d), in paragraph 14 above.

40. Pursuant to ¶ 3.d of the 2013 Rate Floor Order, WK&T has provided an estimate of historical line counts in Exhibit 1, Attachment B. As more fully explained in WK&T's

Motion for Waiver, WK&T seeks partial waiver of ¶ 3.d of the 2013 Rate Floor Order, insofar as it requests projected line losses.

41. Pursuant to ¶ 3.e of the 2013 Rate Floor Order, WK&T has provided historical and projected universal service support information in the narrative response of Exhibit 1 and in Exhibit 1, Attachment A. As is certified annually to the Commission, these funds are used by WK&T to provide voice and advanced data services to its customers, thereby providing its communities with access to critical communications and broadband services.

42. Pursuant to ¶ 3.f of the 2013 Rate Floor Order, WK&T states that narrative support for the proposed rate adjustment is contained in this Application and in Exhibit 1.

WHEREFORE, West Kentucky Rural Telephone Cooperative Corporation, Inc. respectfully requests that the Public Service Commission of the Commonwealth of Kentucky enter a final order approving WK&T's proposed revisions to the applicable tariffs and grant all other relief to which it is entitled.

Respectfully submitted,



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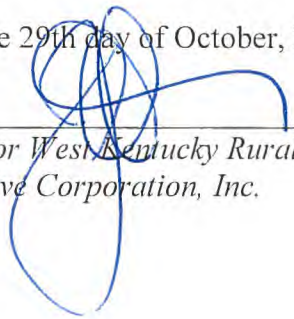
*Counsel to West Kentucky Rural Telephone
Cooperative Corporation, Inc.*

CERTIFICATE OF SERVICE

I certify that, on the date this Application was filed with the Kentucky Public Service Commission, a true and accurate copy of the foregoing was served by Federal Express or by hand delivery upon the persons listed below.

Kentucky Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

On this the 29th day of October, 2014.



*Counsel for West Kentucky Rural Telephone
Cooperative Corporation, Inc.*

Description and Reason for Filing

With this filing, West Kentucky Rural Telephone Cooperative Corporation, Inc. (“WK&T”) proposes to increase its basic residential local service rates by \$1.44, to \$16.00 per month. This filing is in response to the November 18, 2011 order by the Federal Communications Commission that mandates minimum local residential service rate levels as a condition of continued receipt of certain federal universal service supports. In that Order¹ (the so-called “Transformation Order”) the FCC required that local exchange rates be set at or above a rate floor of \$10 as of June 1, 2012; \$14 as of June 1, 2013, and an “urban rate” – at that time undefined – on or before June 1, 2014 (“2014 rate floor”). The Transformation Order mandated that companies with rate levels below the applicable rate floor be penalized with a dollar for dollar reduction in federal high cost loop support (“HCLS”).

On March 20, 2014 the FCC released the results of its controversial urban rate floor survey² that established the 2014 rate floor of \$20.46; if implemented, this floor would become the basis on which HCLS recipients below the floor would be subject to the loss of funding as required by the FCC’s Transformation Order. On June 20, 2014 the FCC issued an Order on Reconsideration³ that modified the proposed 2014 urban rate floor to allow for a phase-in of the residential rate floor. Under its revised implementation schedule, companies were given the option to implement the rates over a 4-year period:

Therefore, we waive the application of section 54.318(b) for lines reported July 1, 2014, with a rate of \$14 or above. Commencing January 2, 2015 (reflecting rates as of December 1, 2014), and thereafter, through June 30, 2016, we waive section 54.318(b) to the extent reported lines are greater than or equal to \$16. For the

¹ *In the Matter of Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov 18, 2011)

² *Wireline Competition Bureau Announces Results of Urban Rate Survey for Voice Services; Seeks Comment on Petition for Extension of Time to Comply with New Rate Floor*, Public Notice, DA 14-384, Released March 20, 2014

³ Report and Order, Declaratory Ruling, Order, Memorandum Opinion And Order, Seventh Order On Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54 (June 10, 2014)

period between July 1, 2016, and June 30, 2017, we waive section 54.318(b) to the extent reported rates are greater than or equal to \$18, or the 2016 rate floor, whichever is lower. For the period between July 1, 2017, and June 30, 2018, we waive section 54.318(b) to the extent reported rates are greater than or equal to \$20, or the 2017 rate floor, whichever is lower.⁴

Proposed Revisions and Customer Impact

With this filing, WK&T's basic residential rates are proposed to rise to \$16.00. No change is proposed to the WK&T's basic business services which are not subject to the Transformation Order and which are, in any event, above the \$16.00 residential rate floor. In its 2013 filing, WK&T was able to meet the 2013 rate floor by eliminating the discount for rotary service, allowing it to limit its rate increase to only those few residential subscribers who had, but did not pay for, Touchtone service.⁵ As shown in its June 2013 filing, the elimination of the rotary / non-Touchtone discount resulted in a \$0.94 per month increase for 315 residential customers, totaling approximately \$5,300 in additional revenues for the 18-month period beginning with the June 1, 2013 effective date.

To meet the \$16 residential rate floor, WK&T proposes to increase all of its residential service rates by \$1.44. This increase is approximately 10% of regulated local service rates, but the total percentage increase will be substantially lower when additional fees, services, and features that are typically included in subscriber bills are taken into account.

Company Information

The full name and address of the company is West Kentucky Rural Telephone Cooperative Corporation, Inc., 237 North 8th Street / P.O. Box 649, Mayfield, KY 42066. WK&T was established in 1953 as a not-for-profit, member-owned cooperative to provide local

⁴ *Ibid.*, para. 80

⁵ See generally *In the Matter of: Tariff Filing of West Kentucky Rural Telephone Cooperative Corporation, Inc.* Ky. P.S.C. Case No. 2013-00196

telephone service to businesses and residential members within the Kentucky exchanges of Cunningham, Fairdealing, Fancy Farm, Farmington, Folsomdale, Hardin, Hazel, Kirksey, Lowes, Lynn Grove, Lynnville, New Concord, Sedalia, West Plains, and Wingo in addition to the Tennessee exchanges of Cottage Grove, Cypress, Puryear, and South Hazel (“Service Territory”). WK&T is a rural incumbent local exchange carrier serving parts of Calloway, Carlisle, Graves, McCracken, Marshall, and Hickman counties in western Kentucky; and parts of Dyer, Henry, Gibson, Obion, and Weakley counties in northwest Tennessee. Per its 2013 PSC Report, WK&T provided 5,748 residential lines and 1,028 business lines to its members in Kentucky with an additional 5,642 residential and 95 business lines in Tennessee.

WK&T is an eligible telecommunications carrier (“ETC”) in the communities it serves and is also the carrier of last resort (“COLR”) in its Service Territory. In 2013, WK&T received \$2,683,926 from the HCLS Fund to support its COLR responsibilities in its Kentucky Service Territory, and anticipates receiving approximately \$2.3M in calendar year 2014. As a high cost company, all HCLS revenues are crucial for WK&T to continue to meet its COLR responsibilities and to bring advanced services to the communities it serves.

A schedule of WK&T’s Kentucky quarterly high cost support is provided in Attachment A of this exhibit. Historic access line counts, as reported to the National Exchange Carrier Association, are provided in Attachment B.⁶

Financial Support for Filing

The increase in rates proposed here is driven by two factors: first, the offset of HCLS support pursuant to the FCC’s Transformation Order; and, second, FCC-mandated reductions in access charges that have capped and reduced access compensation available to the company.

⁶ WK&T’s Tennessee and Kentucky operations are combined for purposes of NECA reporting.

Companies that fail to meet the 2014 rate floor will experience a dollar for dollar reduction in HCLS beginning in January, 2015. WK&T is seeking to increase its local exchange rates by \$1.44, or \$99K per year based on year-end 2013 residential lines. By doing so, the company will avoid a comparable reduction in HCLS equal to approximately 4% of its total support.

Kentucky-Only Operations:⁷

	Subscribers	Current Rate	FCC Floor	At Risk
Residential Based on year end 2013	5,748	\$ 14.56	\$ 16.00	\$ 99,325
Annual HCLS (See Attachment A of this Exhibit)				\$ 2,310,987
Support at risk absent a rate increase				4%

Included in the FCC's Transformation Order is a requirement that carriers cap and reduce not only their reciprocal, state, and interstate inter-carrier compensation rates but also the revenues the companies are allowed to collect. Under the formula specified in the Transformation Order, the FCC capped allowed terminating access revenues from intercarrier compensation at fiscal year 2011⁸ collected levels and established a phase down of those allowed amounts over the subsequent 5 years. With this change, WK&T cannot collect more than its current capped revenue amount net 5% *each year*.

WK&T reports its Tennessee and Kentucky study areas on a combined basis. As shown in the step down of eligible state access recovery, the cumulative FCC-mandated reduction in its state access revenue recovery from both states of operation is [REDACTED] through the fiscal period ending June, 2015.

⁷ The Tennessee Regulatory Association does not regulate end user rates charged by cooperatives to its members. Rate modifications made in Kentucky will be implemented in Tennessee.

⁸ October 1, 2010 through September 30, 2011.

		Tennessee and Kentucky Eligible State Access Recovery	
		Access Cap	Reduction
FY2011			
2012-2013 Fiscal Period			
2013-2014 Fiscal Period			
2014-2015 Fiscal Period			
Cumulative Reduction			

Because it has not had a material rate revision since the implementation of the FCC's Transformation Order, WK&T has yet to offset these access reductions with local rate increases. Based on its year-end 2013 residential line counts, this rate increase would potentially generate \$197K in additional local service revenues; however, the revenues actually collected will likely be somewhat lower due to line losses:

Residential Access Lines			
	<u>12/31/2013</u>	<u>Rate Increase</u>	<u>Annual Revenue Increase</u>
Kentucky	5,748	\$1.44	\$ 99,325.44
Tennessee	5,642	\$1.44	<u>\$ 97,493.76</u>
			\$ 196,819.20

Accordingly, WK&T estimates that the revenue gain of its proposed local service rate increase is significantly less than the cumulative reduction imposed by the FCC's cap of eligible state access recovery.

Summary

The FCC's Transformation Order continues to dramatically change the revenue sources historically available to rural telephone companies like WK&T to use in meeting their COLR obligation and to expand the availability of advanced broadband services to their customers. Unfortunately, for many of these affected companies, doing so requires upward pressure on local

service rates. As shown in this documentation, WK&T has no other realistic options available to it and requests that its tariff revisions be approved.

Attachments to this Exhibit:

Attachment A: WK&T's quarterly high cost support 2014

Attachment B: National Exchange Carrier Association Report of Access Lines

Report Cycle	State	SAC	Study Area Name	Connect America Fund ICC Monthly Support	HCL Monthly Support	ICLS Monthly Support	Total High Cost Monthly	Total High Cost Quarterly
1Q14	KY	260421	WEST KENTUCKY RURAL	\$ 88,859	\$ 188,568	\$ 283,598	\$ 561,025	\$ 1,683,075
2Q14	KY	260421	WEST KENTUCKY RURAL	\$ 88,859	\$ 197,067	\$ 283,598	\$ 569,524	\$ 1,708,572
3Q14	KY	260421	WEST KENTUCKY RURAL	\$ 88,859	\$ 192,347	\$ 352,375	\$ 633,581	\$ 1,900,743
4Q14	KY	260421	WEST KENTUCKY RURAL	\$ 88,053	\$ 192,347	\$ 352,375	\$ 632,775	\$ 1,898,325

2014 Calendar Year

\$2,310,987

The Exhibit 1(B) attachment has been omitted from the public filing. It has been provided under a petition for confidential treatment

West Kentucky Rural Telephone Coop. Corp., Inc.
Case 2014-00329

Exhibit 2

- **Proposed Tariff Pages (Proposed)**
- **Proposed Tariff Pages (Proposed with Black Line)**

West Kentucky Rural Telephone Coop. Corp., Inc.
Case 2014-00329

Exhibit 2

Proposed Tariff Pages (Clean)

B. MILEAGE, CLASS OF SERVICE, RATES (CON'T)

(D)
|
(D)

The below rates apply to all classes of service.

2.	Class of service	<u>Monthly Rate</u>	(T)
a.	Residence Line Access Charge	\$ 16.00	(I) (D)
b.	Business Line Access Charge	\$ 21.06	(D)
c.	COCOT Line Access Charge	\$ 21.06	

3. Penalty Charge
A \$10.00 Penalty will be added if bills are not paid on or before next billing date.

(D)
|
(D)

Issue Date: October 29, 2014
Effective Date: November 30, 2014

Issued By: /s/ Trevor R. Bonnstetter
Trevor R. Bonnstetter, Chief Executive Officer

West Kentucky Rural Telephone Coop. Corp., Inc.
Case 2014-00329

Exhibit 2

Proposed Tariff Pages (Proposed with Black Line)

B. MILEAGE, CLASS OF SERVICE, RATES (CON'T)

~~(The previous tariff section that grandfathered rotary telephone service and established push button telephone services is deleted in its entirety, and is replaced with the following.)~~

(D)

(D)

The below rates apply to all classes of service.

2.	Class of service	<u>Monthly Rate</u>	<u>(T)</u>
a.	Residence Line Access Charge	\$ 14.56 16.00	<u>(I) * (D)</u>
b.	Business Line Access Charge	\$ 21.06	<u>* (D)</u>
c.	COCOT Line Access Charge	\$ 21.06	

3. Penalty Charge
A \$10.00 Penalty will be added if bills are not paid on or before next billing date.

~~* Increase only applies to those customers who were grandfathered under rotary telephone service. Approved by KY PSC Order March 26, 2014, Case# 2013-00196.~~

(D)

(D)

Issue Date: October 29, 2014
Effective Date: November 30, 2014

Issued By: /s/ Trevor R. Bonnstetter
Trevor R. Bonnstetter, Chief Executive Officer

CUSTOMER NOTICE AFFIDAVIT

AFFIDAVIT

I, **Todd Crandall**, am a representative of **West Kentucky Rural Telephone Cooperative Corporation, Inc.** and am authorized to make this statement on its behalf.

I attest that the customer notice accompanying this affidavit was sent to all customers as a bill insert on the following dates: 09/30/14, 10/05/14, 10/11/14, and 10/20/14 in accordance with Section 17(2) of 807 KAR 5:001. I declare under penalty of perjury that the foregoing is true and correct.

Signature: Todd Crandall CFD 10/22/14

Subscribed and sworn to me before this 22 day of October, 2014.

Stacy A. Wray
Notary Republic

My commission expires:
3/22/18

On or around October 30th, West Kentucky Rural Telephone Coop. Corp., Inc. has or will file with the KY Public Service Commission (PSC) an increase in the residential basic local service rate due to the Federal Communication Commission (FCC) mandate. With this change, residential rates are proposed to increase from \$14.56 to \$16.00. Business rates will not change. If approved by the PSC, the effective date of this rate change will be December 1, 2014. We anticipate the average increase being 10%.

This increase is mandated by the recent changes enacted by the FCC which set minimal local service rate levels as a condition of continued receipt of federal high cost support. This allows us to support advanced voice and broadband services and the economic health of our community. We had no choice but to request this rate increase.

You may examine this application at the offices of West Kentucky Rural Telephone Coop Corp., Inc. located at 1002 Cuba Road, Mayfield, KY 42066 during regular business hours or at the offices of the KY PSC located at 211 Sower Blvd., Frankfort, KY Monday through Friday, 8:00 am. to 4:30 p.m., or through the commission's Web site at <http://psc.ky.gov>.

Comments regarding the application may be submitted to the PSC through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, KY 40602. Rates contained in this notice are the rates proposed by West Kentucky Rural Telephone Coop. Corp. but that the PSC may order rates to be charged that differ from the proposed rates contained in this notice.

You may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, KY 40602, establishing the grounds for the request including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of this notice, the Commission may take final action on the application.



Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED

SEP 12 2014

PUBLIC SERVICE
COMMISSION

September 10, 2014

Dear Mr. Derouen:

Case No. 2014-00329

West Kentucky Rural Telephone Coop. Corp., Inc. ("WK&T") gives this notice pursuant to 807 KAR 5:001 Section 16(2) of its intent to file no sooner than thirty (30) days from today, but not more than sixty (60) days from today, an application for a general adjustment in its rates. The general adjustment in rates will be supported by a twelve (12) month historical test period that may include adjustments for known and measurable changes.

The anticipated rate application is intended to meet the rate floor mandated in 47 CFR § 54.318, compliance with which is required to ensure that WK&T continues to receive high cost support that is essential to its operations. (See In the matter of Connect America Fund, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov. 18, 2011).)

The FCC's June 10, 2014 Order (See Report and Order, Declaratory Ruling, Order, Memorandum Opinion And Order, Seventh Order On Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54) requires WK&T to have reported line rates greater than or equal to \$16.00, commencing January 2, 2015 (reflecting rates as of December 1, 2014)¹.

A copy of this notice is being emailed to the Attorney General's Office of Rate Intervention by electronic mail at rateintervention@ag.ky.gov.

Please refer any questions to me at (270) 856-9983 or email to tcrandall@tmsvcs.com.

Sincerely,

Todd Crandall, CFO

Cc via email: Jim Stevens, KY PSC
Eileen Bodamer, Bodamer Consulting

From: Todd Crandall [<mailto:tcrandall@tmsvcs.com>]

Sent: Wednesday, September 10, 2014 1:55 PM

To: rateintervention@ag.ky.gov

Cc: Eileen Bodamer; 'Stevens, Jim (PSC)'

Subject: WK&T - Notice of Intent

Hello,

Attached is West Kentucky Rural Telephone Cooperative Corporation's notice pursuant to 807 KAR:001 Section 16(2) of its intent to apply for a general adjustment in its rates.

Regards,

Todd Crandall
Chief Financial Officer
Telecom Management Services, Inc.
(270) 856-9983 Office
(270) 970-8064 Mobile



West Kentucky and Tennessee
Telecommunications Cooperative
September 10, 2014
Working for the Community

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, KY 40602-0615

September 10, 2014

Dear Mr. Derouen:

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Please refer any questions to me at (270) 856-9983 or email to tcrandall@wtmvs.com.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Todd Crandall'.

Todd Crandall, CFO

Cc via email: Jim Stevens, KY PSC
Eileen Bodamer, Bodamer Consulting

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0031. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

<p>USDA-RUS</p> <p>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	<p><i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.</i></p> <p>BORROWER NAME</p> <p>West Kentucky Rural Telephone Cooperative Corporation, Inc</p> <p>(Prepared with Audited Data)</p>	
<p>INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.</p>	<p>PERIOD ENDING December, 2013</p>	<p>BORROWER DESIGNATION KY0525</p>
<p>CERTIFICATION</p> <p><i>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</i></p> <p>ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</p> <p>DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII (Check one of the following)</p>		
<p><input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects.</p>		
<p><input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report</p>		
<p><u>Trevor Bonnstetter</u></p>	<p><u>3/26/2014</u></p> <p>DATE</p>	

PART A. BALANCE SHEET					
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	9,984,910	7,830,374	25. Accounts Payable	2,241,020	1,658,330
2. Cash-RUS Construction Fund	1,859,445	102	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments	173,587	161,709
a. Telecom, Accounts Receivable			28. Customer Deposits	157,678	159,903
b. Other Accounts Receivable			29. Current Mat. L/T Debt	4,391,404	4,927,249
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	816,089	1,019,830	32. Income Taxes Accrued		
b. Other Accounts Receivable	810,482	2,918,505	33. Other Taxes Accrued	111,442	271,885
c. Notes Receivable			34. Other Current Liabilities	1,703,716	2,056,160
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)	8,778,847	9,235,236
6. Material-Regulated	1,007,771	1,226,084	LONG-TERM DEBT		
7. Material-Nonregulated			36. Funded Debt-RUS Notes	22,717,490	57,422,957
8. Prepayments	2,051,999	1,692,407	37. Funded Debt-RTB Notes	3,184,482	2,698,831
9. Other Current Assets			38. Funded Debt-FFB Notes		
10. Total Current Assets (1 Thru 9)	16,530,696	14,687,302	39. Funded Debt-Other	22,598,791	
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Reacquired Debt		
b. Nonrural Development	12,615,098	14,668,336	43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		8,858,586
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development	32,138,544	40,972,624	46. Total Long-Term Debt (36 thru 45)	48,500,763	68,980,374
13. Nonregulated Investments	87,585	312,618	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets			47. Other Long-Term Liabilities	6,353,083	1,933,192
15. Deferred Charges	424,722	281,365	48. Other Deferred Credits		
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	45,265,949	56,234,943	50. Total Other Liabilities and Deferred Credits (47 thru 49)	6,353,083	1,933,192
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-In-Service	103,744,510	107,570,815	51. Cap. Stock Outstand. & Subscribed		
19. Property Held for Future Use			52. Additional Paid-In-Capital		
20. Plant Under Construction	35,069,422	46,871,616	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates	54,689	54,689
22. Less Accumulated Depreciation	75,433,613	81,089,287	55. Other Capital	331,411	2,207,595
23. Net Plant (18 thru 21 less 22)	63,380,319	73,353,144	56. Patronage Capital Credits	54,421,942	55,396,461
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	6,736,229	6,467,842
	125,176,964	144,275,389	58. Total Equity (51 thru 57)	61,544,271	64,126,587
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	125,176,964	144,275,389

Total Equity = 44.45% % of Total Assets

USDA-RUS		BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		KY0525	
		PERIOD ENDING	
INSTRUCTIONS- See RUS Bulletin 1744-2		December, 2013	
PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS			
ITEM	PRIOR YEAR	THIS YEAR	
1. Local Network Services Revenues	3,707,353	3,436,911	
2. Network Access Services Revenues	13,703,157	12,347,989	
3. Long Distance Network Services Revenues	9,305	25,283	
4. Carrier Billing and Collection Revenues	174,990	165,436	
5. Miscellaneous Revenues	1,023,370	1,155,436	
6. Uncollectible Revenues	234,907	127,905	
7. Net Operating Revenues (1 thru 5 less 6)	18,383,268	17,003,150	
8. Plant Specific Operations Expense	4,772,350	4,393,789	
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	1,197,034	1,616,888	
10. Depreciation Expense	6,083,783	6,183,777	
11. Amortization Expense			
12. Customer Operations Expense	2,111,622	2,193,502	
13. Corporate Operations Expense	2,381,591	2,170,557	
14. Total Operating Expenses (8 thru 13)	16,546,380	16,558,513	
15. Operating Income or Margins (7 less 14)	1,836,888	444,637	
16. Other Operating Income and Expenses			
17. State and Local Taxes			
18. Federal Income Taxes	65,920	283,482	
19. Other Taxes	869,733	1,019,196	
20. Total Operating Taxes (17+18+19)	935,653	1,302,678	
21. Net Operating Income or Margins (15+16-20)	901,235	(858,041)	
22. Interest on Funded Debt	1,916,267	2,218,164	
23. Interest Expense - Capital Leases			
24. Other Interest Expense			
25. Allowance for Funds Used During Construction	756,599	1,043,136	
26. Total Fixed Charges (22+23+24-25)	1,159,668	1,175,028	
27. Nonoperating Net Income	1,414,876	1,669,434	
28. Extraordinary Items			
29. Jurisdictional Differences			
30. Nonregulated Net Income	(151,032)	1,100,660	
31. Total Net Income or Margins (21+27+28+29+30-26)	1,005,411	737,025	
32. Total Taxes Based on Income			
33. Retained Earnings or Margins Beginning-of-Year	7,070,651	6,736,229	
34. Miscellaneous Credits Year-to-Date			
35. Dividends Declared (Common)			
36. Dividends Declared (Preferred)			
37. Other Debits Year-to-Date			
38. Transfers to Patronage Capital	1,339,833	1,005,412	
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	6,736,229	6,467,842	
40. Patronage Capital Beginning-of-Year	53,139,151	54,421,942	
41. Transfers to Patronage Capital	1,339,833	1,005,412	
42. Patronage Capital Credits Retired	57,042	30,893	
43. Patronage Capital End-of-Year (40+41-42)	54,421,942	55,396,461	
44. Annual Debt Service Payments	5,564,824	6,791,762	
45. Cash Ratio [(14+20-10-11) / 7]	0.6200	0.6868	
46. Operating Accrual Ratio [(14+20+26) / 7]	1.0141	1.1196	
47. TIER [(31+26) / 26]	1.8670	1.6272	
48. DSCR [(31+26+10+11) / 44]	1.4823	1.1920	

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General Ledger
Chart Of Accounts

Page: 1

Div	Account	Description	Type	Category	Group	Status
10	1120.0	Petty Cash	Asset			Active
10	1120.1	Cash - 1st KY Gen & Oper	Asset			Active
10	1120.11	Cash - 1st KY Payroll	Asset			Active
10	1120.12	Cash - 1st KY Money Mkt	Asset			Active
10	1120.13	Cash - Heritage (Murray)	Asset			Active
10	1120.14	Cash - FNB Capital Credit	Asset			Active
10	1120.15	Cash - FNB Trust	Asset			Active
10	1120.16	Cash - FNB Money Market	Asset			Active
10	1120.17	Cash - FNB Insurance Fund	Asset			Active
10	1120.18	Cash - FNB Gen & Oper	Asset			Active
10	1120.19	Cash - Scholarship Fund	Asset			Active
10	1120.2	Cash - Regions	Asset			Active
10	1120.21	Cash - FNB Pledged	Asset			Active
10	1121.0	Petty Cash - Accounting	Asset			Active
10	1121.1	Petty Cash - Managers	Asset			Active
10	1121.2	Cash - Cashier Drawer	Asset			Active
10	1170.0	A/R - Yorkville CABS	Asset			Active
10	1170.1	A/R - Customers	Asset			Active
10	1170.11	A/R - Private Line	Asset			Active
10	1170.12	A/R - CABS	Asset			Active
10	1170.13	A/R - Bell South	Asset			Active
10	1170.149	A/R - Int & Dividends	Asset			Active
10	1170.159	A/R - Synergy	Asset			Active
10	1170.16	A/R - Ardmore	Asset			Active
10	1170.2	A/R - Other	Asset			Active
10	1170.21	A/R - TMS	Asset			Active
10	1170.23	A/R - Ben Lomand	Asset			Active
10	1170.4	A/R - Contractors	Asset			Active
10	1170.6	A/R - Yorkville Other	Asset			Active
10	1170.969	A/R - Installment Loans	Asset			Active
10	1170.97	A/R - POS	Asset			Active
10	1170.9798	A/R - Misc Cash Drawer	Asset			Active
10	1170.9799	A/R - Holding Account	Asset			Active
10	1171.1	A/R - Cust Allowance	Asset			Active
10	1171.2	A/R Allowance - CABS	Asset			Active
10	1190.0099	A/R - Stimulus Grant	Asset			Active

10/07/2014 1:58:16 pm

General Ledger Chart Of Accounts

Page: 2

<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
10	1190.99	A/R - Intercompany	Asset			Active
10	1220.0	Inventory	Asset			Active
10	1220.1	Inventory - CO	Asset			Active
10	1220.2	Inventory - Exempt	Asset			Active
10	1220.209	Inventory - Exempt	Asset			Active
10	1220.3	Inventory - Fuel	Asset			Active
10	1280.0	Prepaid - Video	Asset			Active
10	1280.1	Prepaid - Insurance	Asset			Active
10	1280.2	Prepaid - Postage	Asset			Active
10	1280.3	Prepaid - Other	Asset			Active
10	1280.31	Prepaid - Supp Contracts	Asset			Active
10	1280.6	Prepaid - NISC	Asset			Active
10	1280.7	Prepaid - Income Taxes	Asset			Active
10	1350.0	Other Current Assets	Asset			Active
10	1360.0	Deferred Tax Asset	Asset			Active
10	1406.1	Nonreg Inv - Leased Equip	Asset			Active
10	1406.2	Nonreg Inv - Key Systems	Asset			Active
10	1406.3	Nonreg Inv - FTTH	Asset			Active
10	1410.0	WKTV License	Asset			Active
10	1410.11	Investment - IRIS	Asset			Active
10	1410.12	Investment - Synergy	Asset			Active
10	1410.13	Investment - STP	Asset			Active
10	1410.14	Investment - Wildblue	Asset			Active
10	1410.15	Investment - WKNet	Asset			Active
10	1410.16	Investment - TMS	Asset			Active
10	1410.17	Investment - Bolt Data	Asset			Active
10	1410.18	Investment - Telcom Ins	Asset			Active
10	1410.19	Investment in ANPI	Asset			Active
10	1410.3	Investment - Wells Fargo	Asset			Active
10	1410.31	Investment - UBS	Asset			Active
10	2003.0	Plant Under Construction	Asset			Active
10	2003.009	Plant Under Construction	Asset			Active
10	2003.0499	TPUC - Stimulus	Asset			Active
10	2003.05	TPUC Node Expansion	Asset			Active
10	2005.0	Telephone Plant Adjust	Asset			Active
10	2005.3	Plant Acquisition Ardmore	Asset			Active

10/07/2014 1:58:16 pm

General Ledger Chart Of Accounts

Page: 3

<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
10	2111.0	Land	Asset			Active
10	2112.0	Vehicles	Asset			Active
10	2114.0	Tools & Work Equip	Asset			Active
10	2121.0	Buildings	Asset			Active
10	2121.1	Buildings - CO	Asset			Active
10	2121.2	Buildings - Warehouse	Asset			Active
10	2122.0	Furniture	Asset			Active
10	2123.0	Office Equip - Support	Asset			Active
10	2123.1	Office Equip - CO	Asset			Active
10	2124.0	Computers	Asset			Active
10	2124.1	Software	Asset			Active
10	2212.0	Switching Equip	Asset			Active
10	2231.0	Radio Systems Equip	Asset			Active
10	2232.0	Circuit Equip	Asset			Active
10	2232.1	Circuit-Trunk Carrier	Asset			Active
10	2232.2	DACCS Equip	Asset			Active
10	2232.3	Circuit Equipment - Stimulus	Asset			Active
10	2232.5	Circuit Equipment - Nonregulated	Asset			Active
10	2321.0	Customer Premises Wiring	Asset			Active
10	2362.0	WKTV Set-top Boxes	Asset			Active
10	2411.0	Poles, Towers	Asset			Active
10	2421.0	Aerial Cable	Asset			Active
10	2421.1	Aerial Fiber Optic	Asset			Active
10	2422.0	Underground Cable	Asset			Active
10	2422.1	Underground Cable	Asset			Active
10	2423.0	Buried Cable	Asset			Active
10	2423.1	Buried Fiber & Cable	Asset			Active
10	2423.2	Fiber Drops - Stimulus	Asset			Active
10	2423.3	Buried Fiber - Stimulus	Asset			Active
10	2431.0	Aerial Wire	Asset			Active
10	2441.0	Conduit Systems	Asset			Active
10	2682.0	Leasehold Improvements	Asset			Active
10	2690.0	Intangibles	Asset			Active
10	3005.0	A/D - Tele Plant Adjust.	Asset			Active
10	3100.0	A/D - Video Work Equip	Asset			Active
10	3100.009	Retirements in Progress	Asset			Active

10/07/2014 1:58:16 pm

General Ledger Chart Of Accounts

Page: 4

<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
10	3100.1406	A/D - Leased Equip	Asset			Active
10	3100.2114	A/D - WKTU Work Equip	Asset			Active
10	3100.2122	A/D - WKTU Furniture	Asset			Active
10	3100.2212	A/D - WKTU Headend	Asset			Active
10	3100.2232	A/D VIDEO SWITCHES	Asset			Active
10	3100.2411	A/D - WKTU Antenna	Asset			Active
10	3101.2212	A/D - WKTU York Headend	Asset			Active
10	3112.0	A/D - Vehicles	Asset			Active
10	3114.0	A/D - Tools & Work Equip	Asset			Active
10	3121.0	A/D - Buildings	Asset			Active
10	3121.1	A/D - C.O. Buildings	Asset			Active
10	3121.2	A/D - Warehouse Buildings	Asset			Active
10	3122.0	A/D - Office Furniture	Asset			Active
10	3123.0	A/D - Office Equip	Asset			Active
10	3123.1	A/D - C.O. Equipment	Asset			Active
10	3124.0	A/D - Gen. Purp. Computer	Asset			Active
10	3124.1	A/D - Gen. Software	Asset			Active
10	3140.62	A/D - Non-reg. leased Eq	Asset			Active
10	3212.0	A/D - Switching Equip	Asset			Active
10	3231.0	A/D - Radio Equip	Asset			Active
10	3232.0	A/D - Circuit Equipment	Asset			Active
10	3232.1	A/D - Trunk Carrier Equip	Asset			Active
10	3232.2	A/D - DACCS Equip	Asset			Active
10	3232.3	Accum Deprec - Circuit - Stimulus	Asset			Active
10	3232.5	A/D - Circuit Equip Non Regulated	Asset			Active
10	3321.0	A/D - Cust. Prem. Wiring	Asset			Active
10	3362.0	A/D - Set-top Boxes	Asset			Active
10	3411.0	A/D - Poles	Asset			Active
10	3421.0	A/D - Aerial Cable	Asset			Active
10	3421.1	A/D - Aerial Fiber	Asset			Active
10	3422.0	A/D - Underground Cable	Asset			Active
10	3422.1	A/D - Underground Fiber	Asset			Active
10	3423.0	A/D - Buried Cable	Asset			Active
10	3423.1	A/D - Buried Fiber	Asset			Active
10	3423.2	Accum Deprec.- Fiber Drops - Stimulus	Asset			Active
10	3423.3	Accum Deprec.- Buried Fiber - Stimulus	Asset			Active

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<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
10	3431.0	A/D - Aerial Wire	Asset			Active
10	3441.0	A/D - Conduit Systems	Asset			Active
10	3682.0	A/D - Leasehold	Asset			Active
10	4000.1	A/P - General	Liability			Active
10	4000.11	A/P - Bell South Balance	Liability			Active
10	4000.129	A/P - Special	Liability			Active
10	4000.13	A/P - Fed Excise Tax	Liability			Active
10	4000.14	A/P - State Sales Tax	Liability			Active
10	4000.15	A/P Utility Gross Rec	Liability			Active
10	4000.16	A/P - TECO Withholding	Liability			Active
10	4000.17	A/P - Flex Withholding	Liability			Active
10	4000.18	A/P - Fcc Regulatory Fee	Liability			Active
10	4000.19	A/P - TN Franchise Tax	Liability			Active
10	4000.4	A/P - E-911	Liability			Active
10	4000.41	A/P - KY TRS	Liability			Active
10	4000.42	A/P - KY USF/Lifeline	Liability			Active
10	4000.43	A/P - KY Excise Tax	Liability			Active
10	4000.9	Uninvoiced Material	Liability			Active
10	4010.2	Accrued Payroll	Liability			Active
10	4010.21	A/P Fed. Payroll Tax	Liability			Active
10	4010.22	A/P - State Withholding	Liability			Active
10	4010.23	A/P - City Withholding	Liability			Active
10	4010.24	A/P - AFLAC prem Withheld	Liability			Active
10	4010.25	A/P - Marsh. Co. P/R Tax	Liability			Active
10	4010.26	A/P Misc Employee W/H	Liability			Active
10	4010.27	A/P - Union dues	Liability			Active
10	4010.28	A/P - Child support	Liability			Active
10	4010.29	A/P - 401K Withholding	Liability			Active
10	4010.31	A/P - Graves Co. P/R Tax	Liability			Active
10	4013.0	A/P - Intercompany	Liability			Active
10	4020.0	Current Portion of LTD	Liability			Active
10	4030.4	Advanced Billing Balance	Liability			Active
10	4040.0	Customer Deposits Balance	Liability			Active
10	4040.1	Subdivision Deposits	Liability			Active
10	4040.2	Accrued Int - Deposits	Liability			Active
10	4080.0	Accrued Property Taxes	Liability			Active

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<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
10	4080.1	Accrued Unemployment	Liability			Active
10	4080.5	Accrued Fed. Income Tax	Liability			Active
10	4110.0	Current Deferred Taxes	Liability			Active
10	4110.2	Current Deferred Tax Sch	Liability			Active
10	4110.3	Current Deferred Tax UBS	Liability			Active
10	4120.6	Other Accr. Liab.	Liability			Active
10	4120.62	Accr. Post Retire Benefit	Liability			Active
10	4120.64	Other Employee W/H	Liability			Active
10	4120.65	Accr. Deferred Comp.	Liability			Active
10	4130.1	Accr Int - RUS	Liability			Active
10	4130.2	Accr Int - RTB	Liability			Active
10	4130.3	Accrued Rent Balance	Liability			Active
10	4130.5	Accr Comp Absences	Liability			Active
10	4140.3	Accrued Rent Balance	Liability			Active
10	4140.4	Other Accr Liab.	Liability			Active
10	4150.6	Accr. Post Retire Benefit	Liability			Active
10	4200.1	RUS Notes Payable Balance	Liability			Active
10	4200.2	RTB Notes Payable Balance	Liability			Active
10	4200.22	RUS Stimulus - Unadvanced	Liability			Active
10	4200.3	Reclass Cur Portion LTD	Liability			Active
10	4200.4	RUS Stimulus Note Payable	Liability			Active
10	4210.2	RUS Notes - Unadvanced	Liability			Active
10	4210.21	RTB Notes - Unadvanced	Liability			Active
10	4210.31	RUS NOTE SO31	Liability			Active
10	4540.12	Memberships Subscribed	Liability			Active
10	4540.21	Memberships Issued	Liability			Active
10	4541.41	Oth. Capt - Wells Fargo	Liability			Active
10	4541.42	Oth. Capt. - Scholarship	Liability			Active
10	4541.43	Oth Capt. - USB	Liability			Active
10	4541.44	Oth Comprehensive Income	Liability			Active
10	4541.45	Oth Comprehensive - Taxes	Liability			Active
10	4550.2	NON OPERATING MARGINS	Liability			Active
10	4551.4	Patronage Captl Assigned	Liability			Active
10	4552.5	Patrons Captl Credits	Liability			Active
10	5001.001	Basic Service - Res	Income			Active
10	5001.002	Basic Service - Bus	Income			Active

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Div	Account	Description	Type	Category	Group	Status
10	5002.001	EAS - Residential	Income			Active
10	5060.001	Features - Res	Income			Active
10	5060.002	Features - Bus	Income			Active
10	5080.0	ARC - Res & SL Bus	Income			Active
10	5080.1	ARC - Multi-line Bus	Income			Active
10	5081.0	End User - Common Line	Income			Active
10	5081.1	End User - Multi-line	Income			Active
10	5081.2	End User - FUSC	Income			Active
10	5082.0	Interstate Access - TS	Income			Active
10	5082.1	Interstate Access - NECA	Income			Active
10	5083.0	Interstate SA - Circuits	Income			Active
10	5083.1	Interstate SA - DSL	Income	Operating		Active
10	5084.0	State Access - TS	Income			Active
10	5086.0	State SA - Circuits	Income			Active
10	5087.0	Connect America Fund Revenue	Income			Active
10	5100.009	LD - Revenue	Income			Active
10	5100.0091	LD - Revenue	Income			Active
10	5100.0092	LD - Revenue	Income			Active
10	5230.0	Directory Revenue	Income			Active
10	5240.0	Rent Revenue	Income			Active
10	5250.0	Intercompany Managment Fee	Income			Active
10	5260.0	Miscellaneous Revenue	Income			Active
10	5270.0	Billing & Collection	Income			Active
10	5280.0	Iris Lease	Income	Operating		Active
10	5280.1	Fiber Lease	Income	Operating		Active
10	5300.0	Uncollectible - Customers	Income			Active
10	5300.1	Uncollectible - Carriers	Income			Active
10	5350.0	Discounts - Promo/Bundle	Income			Active
10	5400.0	Video - Basic	Income			Active
10	5400.009	Video - Basic Service	Income			Active
10	5410.0	Video - Premium	Income			Active
10	5420.0	Video - PPV & VOD	Income			Active
10	5440.0	Video - Advertising	Income			Active
10	5520.0	Internet Backhaul Revenue	Income	Operating		Active
10	5540.0	Wildblue - Basic Serv	Income			Active
10	5600.0	PBX - Equipment Leasing	Income			Active

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<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
10	5600.009	PBX - Equip Leasing	Income			Active
10	5610.0	PBX - Equipment Sales	Income			Active
10	5615.0	PBX - Install & Rep	Income			Active
10	5680.001	Security - Monitoring Res	Income			Active
10	5680.002	Security - Monitoring Bus	Income			Active
10	5680.009	Security - Monitoring Res	Income			Active
10	5680.0094	Security - Monitoring Res	Income			Active
10	5680.0095	Security - Monitoring Res	Income			Active
10	5681.001	Security - Equipment Res	Income			Active
10	5681.002	Security - Equipment Bus	Income			Active
10	5682.0	Security - Install & Rep	Income			Active
10	6000.018	Video - Labor	Expense			Active
10	6000.028	Video - Benefits	Expense			Active
10	6000.3635	Video - Rep & Mat	Expense			Active
10	6000.3652	Video - Rep & Mat	Expense			Active
10	6000.3691	Video - Rep & Mat	Expense			Active
10	6000.3735	Video - Prof Serv	Expense			Active
10	6000.3822	Video - Contractors	Expense			Active
10	6000.4135	Video - Supp Cont	Expense			Active
10	6000.4335	Video - License Fees	Expense			Active
10	6001.0075	Video - Basic Programming	Expense			Active
10	6002.0075	Video - Prem Programming	Expense			Active
10	6003.0075	Video - PPV & VOD	Expense			Active
10	6004.0035	Video - Transport	Expense			Active
10	6005.0075	Video - DSL SA Circuits	Expense			Active
10	6006.007	Video - KY Taxes	Expense			Active
10	6007.0075	Video - Copyright Fees	Expense	Operating		Active
10	6008.0075	VIDEO - FCC FEES	Expense	Operating		Active
10	6020.3691	OTHER TERMINAL Equip	Expense			Active
10	6026.0075	Wildblue - COGS	Expense			Active
10	6026.0091	Wildblue - COGS	Expense			Active
10	6026.018	Wildblue - Labor	Expense			Active
10	6026.028	Wildblue - Benefits	Expense			Active
10	6026.3635	Wildblue - Rep & Mat	Expense			Active
10	6026.369	Wildblue - Rep & Mat	Expense			Active
10	6030.018	Security - Labor	Expense			Active

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<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
10	6030.028	Security - Benefits	Expense			Active
10	6030.1822	Security - Subs & Dues	Expense			Active
10	6031.0075	Security - COGS	Expense			Active
10	6031.009	Security - COGS	Expense			Active
10	6032.0075	Security - Monitoring	Expense			Active
10	6032.9999	SECURITY OVERHEAD CLEARING	Expense	Operating		Active
10	6040.1522	PBX - Travel	Expense			Active
10	6040.1622	PBX - Meals	Expense			Active
10	6040.1722	PBX - Training	Expense			Active
10	6040.287	PBX - Phone & Inet	Expense			Active
10	6040.3622	PBX - Rep & Mat	Expense			Active
10	6040.3822	PBX - Contractors	Expense			Active
10	6040.4122	PBX - Supp Contract	Expense			Active
10	6040.4322	PBX - License Fees	Expense			Active
10	6100.018	Payroll Clearing Account	Expense			Active
10	6100.028	Phone Benefit Clearing	Expense	Operating		Active
10	6112.0099	Vehicle Clearing	Expense			Active
10	6112.3631	Vehicles - Rep & Mat	Expense			Active
10	6112.369	Vehicles - Rep & Mat	Expense			Active
10	6112.3691	Vehicles - Rep & Mat	Expense			Active
10	6112.617	Vehicles - Insurance	Expense			Active
10	6114.0099	Tools & Work Equip. Clearing	Expense			Active
10	6114.3632	Work Equip - Rep & Mat	Expense			Active
10	6114.3633	Tools - Rep & Mat	Expense			Active
10	6114.3691	Tools - Rep & Mat	Expense			Active
10	6121.018	Buildings - Labor	Expense			Active
10	6121.028	Buildings - Benefits	Expense			Active
10	6121.253	Buildings - Rent	Expense			Active
10	6121.263	Buildings - Rep & Mat	Expense			Active
10	6121.273	Buildings - Utilities	Expense			Active
10	6121.617	Buildings - Insurance	Expense			Active
10	6122.363	Furniture - Rep & Mat	Expense			Active
10	6123.3635	Office Equip - Rep & Mat	Expense			Active
10	6123.4135	Office Equip - Supp Cont	Expense			Active
10	6123.4335	Office Equip - License	Expense			Active
10	6124.018	Computers - Labor	Expense			Active

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<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
10	6124.028	Computers - Benefits	Expense			Active
10	6124.287	Computers - Phone & Inet	Expense			Active
10	6124.8535	Computers - Equipment	Expense			Active
10	6124.8635	Computers - ERP Software	Expense			Active
10	6124.8735	Computers - PC Software	Expense			Active
10	6124.876	Computers - PC Software	Expense			Active
10	6124.8835	Computers - LAN Software	Expense			Active
10	6212.009	Switching	Expense			Active
10	6212.018	Switching - Labor	Expense			Active
10	6212.028	Switching - Benefits	Expense			Active
10	6212.1521	Switching - Travel	Expense			Active
10	6212.1621	Switching - Meals	Expense			Active
10	6212.1721	Switching - Training	Expense			Active
10	6212.207	Switching - Uniforms	Expense			Active
10	6212.287	Switching - Phone & Inet	Expense			Active
10	6212.3621	Switching - Rep & Mat	Expense			Active
10	6212.4021	Switching - Connectivity	Expense			Active
10	6212.4121	Switching - Supp Cont	Expense			Active
10	6212.4221	Switching - Network Fees	Expense			Active
10	6231.3622	Radio - Rep & Mat	Expense			Active
10	6231.4122	Radio - Supp Cont	Expense			Active
10	6232.009	Circuit Expense	Expense			Active
10	6232.018	Circuit - Labor	Expense			Active
10	6232.028	Circuit - Benefits	Expense			Active
10	6232.1521	Circuit - Travel	Expense	Operating		Active
10	6232.207	Circuit - Uniforms	Expense			Active
10	6232.287	Circuit - Phone & Inet	Expense			Active
10	6232.3621	Circuit - Rep & Mat	Expense			Active
10	6232.369	Circuit - Rep & Mat	Expense			Active
10	6232.3821	Circuit - Contractors	Expense			Active
10	6232.3921	Circuit - Leased Facilities	Expense	Operating		Active
10	6232.4121	Circuit Equipment - Support	Expense			Active
10	6410.1522	OSP - Travel	Expense			Active
10	6410.1622	OSP - Meals	Expense			Active
10	6410.1722	OSP - Training	Expense			Active
10	6410.207	OSP - Uniforms	Expense			Active

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<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
10	6410.287	OSP - Phone & Inet	Expense			Active
10	6410.3822	OSP - Contractors	Expense			Active
10	6410.3922	OSP - Lease Facility	Expense			Active
10	6411.018	Poles - Labor	Expense			Active
10	6411.028	Poles - Benefits	Expense			Active
10	6411.3622	Poles - Rep & Mat	Expense			Active
10	6411.369	Poles - Rep & Mat	Expense			Active
10	6411.4422	Poles - Attachments	Expense			Active
10	6411.449	Poles - Other	Expense			Active
10	6421.009	Aerial Cable Expense	Expense			Active
10	6421.018	Aerial Cable - Labor	Expense			Active
10	6421.028	Aerial Cable - Benefits	Expense			Active
10	6421.3622	Aerial Cable - Rep & Mat	Expense			Active
10	6422.018	Underground Cable - Labor	Expense			Active
10	6422.028	Underground - Benefits	Expense			Active
10	6422.3622	Underground - Rep & Mat	Expense			Active
10	6422.3822	Underground - Contractors	Expense			Active
10	6423.018	Buried Fiber - Labor	Expense			Active
10	6423.028	Buried Fiber - Benefits	Expense			Active
10	6423.3622	Buried Cable - Rep & Mat	Expense			Active
10	6423.3691	Buried Fiber - Rep & Mat	Expense			Active
10	6423.3822	Fiber - Contractors	Expense			Active
10	6423.4422	Buried Fiber - Easements	Expense			Active
10	6423.4622	Buried Cable - Locates	Expense			Active
10	6441.018	Conduit - Labor	Expense			Active
10	6441.028	Conduit - Benefits	Expense			Active
10	6441.3622	Conduit - Rep & Mat	Expense			Active
10	6441.3822	Conduit - Contractors	Expense			Active
10	6512.0	PROVISIONING	Expense			Active
10	6512.0099	Provisioning - Clearing	Expense			Active
10	6512.018	Provisioning - Labor	Expense			Active
10	6512.028	Provisioning - Benefits	Expense			Active
10	6512.1822	Provisioning - Subs & Due	Expense			Active
10	6512.2922	Provisioning - Postage	Expense			Active
10	6530.018	Network Admin - Labor	Expense			Active
10	6530.028	Network Admin - Benefits	Expense			Active

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<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
10	6531.2721	Power - Network	Expense			Active
10	6531.3621	Power - Rep & Mat	Expense			Active
10	6531.3821	Power - Contractors	Expense			Active
10	6533.018	Testing - Labor	Expense			Active
10	6533.028	Testing - Benefits	Expense			Active
10	6533.287	Testing - Phone & Inet	Expense			Active
10	6533.4022	Testing - Connectivity	Expense			Active
10	6534.0	Plant Operations Admin.	Expense			Active
10	6534.0099	Plant Operations- Clearing	Expense			Active
10	6534.018	Plant Ops - Labor	Expense			Active
10	6534.028	Plant Ops - Benefits	Expense			Active
10	6534.152	Plant Ops - Travel	Expense			Active
10	6534.159	Plant Ops - Other	Expense			Active
10	6534.162	Plant Ops - Meals	Expense			Active
10	6534.172	Plant Ops - Training	Expense			Active
10	6534.182	Plant Ops - Subs & Dues	Expense			Active
10	6534.372	Plant Ops - Prof Serv	Expense			Active
10	6534.587	Plant Ops - TMS Fees	Expense			Active
10	6535.0099	Engineering - Clearing	Expense			Active
10	6535.018	Engineer - Labor	Expense			Active
10	6535.028	Engineer - Benefits	Expense			Active
10	6535.1523	Engineer - Travel	Expense			Active
10	6535.159	Engineering - other	Expense			Active
10	6535.1623	Engineer - Meals	Expense			Active
10	6535.169	ENGINEERING EXPENSE	Expense			Active
10	6535.1723	Engineer - Training	Expense			Active
10	6535.1823	Engineer - Subs & Dues	Expense			Active
10	6535.287	Engineer - Phone & Inet	Expense			Active
10	6535.3023	Engineer - Supplies	Expense			Active
10	6535.309	Engineering - other	Expense			Active
10	6535.3723	Engineer - Prof Serv	Expense			Active
10	6535.8635	Engineer - ERP Software	Expense			Active
10	6540.0075	Access - USAC	Expense			Active
10	6541.0075	Access Charges	Expense			Active
10	6561.007	Depreciation	Expense			Active
10	6563.007	Amortization	Expense			Active

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<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
10	6563.109	Deprec. Leasehold	Expense			Active
10	6610.018	Marketing - Labor	Expense			Active
10	6610.028	Marketing - Benefits	Expense			Active
10	6610.155	Marketing - Travel	Expense			Active
10	6610.165	Marketing - Meals & Entertainmen	Expense			Active
10	6610.175	Marketing - Training	Expense			Active
10	6610.565	MARKETING - PROFESSIONAL FEES	Expense	Operating		Active
10	6610.587	Marketing - TMS Fees	Expense			Active
10	6610.705	Marketing - Advertising	Expense			Active
10	6610.715	Marketing - Collateral	Expense			Active
10	6610.725	Marketing - Promo Items	Expense			Active
10	6610.735	Marketing - Bill Insert	Expense			Active
10	6610.745	Marketing - Cust Surveys	Expense			Active
10	6610.755	Marketing - Market Research	Expense	Operating		Active
10	6610.765	Marketing - Websites	Expense			Active
10	6610.775	Marketing - Cust Apprec	Expense			Active
10	6610.7852	Marketing - Local Content	Expense			Active
10	6611.018	Sales - Labor	Expense			Active
10	6611.028	Sales - Benefits	Expense			Active
10	6611.1551	Sales - Travel	Expense			Active
10	6611.1651	Sales - Meals	Expense			Active
10	6611.1751	Sales - Training	Expense			Active
10	6611.1851	Sales - Subs & Dues	Expense			Active
10	6611.217	Sales - Emp Appreciation	Expense			Active
10	6611.287	Sales - Phone & Inet	Expense			Active
10	6611.7951	Sales - Demo Equip	Expense			Active
10	6621.0045	Call Completion Services	Expense			Active
10	6622.018	Numb Serv - Labor	Expense			Active
10	6622.028	Numb Serv - Benefits	Expense			Active
10	6622.2945	Numb Serv - Postage	Expense			Active
10	6622.4245	Numb Serv - Network Fees	Expense			Active
10	6622.6245	Numb Serv - Directory	Expense			Active
10	6623.018	Cust Serv - Labor	Expense			Active
10	6623.028	Cust Serv - Benefits	Expense			Active
10	6623.0545	Cust Serv - Temp	Expense			Active
10	6623.1545	Cust Serv - Travel	Expense			Active

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Div	Account	Description	Type	Category	Group	Status
10	6623.1645	Cust Serv - Meals	Expense			Active
10	6623.1745	Cust Serv - Training	Expense			Active
10	6623.207	Cust Serv - Clothing	Expense			Active
10	6623.287	Cust Serv - Phone & Inet	Expense			Active
10	6623.587	Cust Serv - TMS Fees	Expense			Active
10	6623.6345	Cust Serv - Credit	Expense			Active
10	6623.6475	Cust Serv - Tech Support	Expense			Active
10	6623.8635	Cust Serv - ERP Software	Expense			Active
10	6627.294	B&C - Postage	Expense			Active
10	6627.2975	Billing & Collection - Postage	Expense	Operating		Active
10	6627.6575	B&C - Customers Billing	Expense			Active
10	6627.6675	B&C - Card Processing	Expense			Active
10	6627.8635	B&C - ERP Software	Expense			Active
10	6628.007	B&C - CABS	Expense			Active
10	6628.018	B&C - CABS Labor	Expense			Active
10	6628.028	B&C - CABS Benefits	Expense			Active
10	6711.001	Annual Meeting - Other	Expense			Active
10	6711.018	Annual Meeting - Labor	Expense			Active
10	6711.028	Annual Meeting - Benefits	Expense			Active
10	6720.2165	Employee Appreciation	Expense			Active
10	6720.287	G&A - Phone & Inet	Expense			Active
10	6720.297	G&A - Postage	Expense			Active
10	6720.307	G&A - Office Supplies	Expense			Active
10	6720.309	G&A - Office Supplies	Expense			Active
10	6720.317	G&A - Kitchen Supplies	Expense			Active
10	6720.577	G&A - Legal Fees	Expense			Active
10	6720.607	G&A - State & Federal Fee	Expense	Operating		Active
10	6721.018	Accounting - Labor	Expense			Active
10	6721.028	Accounting - Benefits	Expense			Active
10	6721.156	Accounting - Travel	Expense			Active
10	6721.166	Accounting - Meals	Expense			Active
10	6721.176	Accounting - Training	Expense			Active
10	6721.186	Accounting - Subs & Dues	Expense			Active
10	6721.556	Accounting - Audit & Tax	Expense			Active
10	6721.566	Accounting - Prof Fees	Expense			Active
10	6721.587	Accounting - TMS Fees	Expense			Active

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General Ledger Chart Of Accounts

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Div	Account	Description	Type	Category	Group	Status
10	6721.607	State/Fed Registration & Filing Fees	Expense	Operating		Active
10	6722.018	Ext Relations - Labor	Expense			Active
10	6722.028	Ext Relations - Benefits	Expense			Active
10	6722.775	Ext Relations - Sponsor	Expense			Active
10	6723.018	HR - Labor	Expense			Active
10	6723.028	HR - Benefits	Expense			Active
10	6723.1565	HR - Travel	Expense			Active
10	6723.1665	HR - Meals	Expense			Active
10	6723.1765	HR - Training & Tuition Reimbursement	Expense			Active
10	6723.1965	HR - Emp Recruiting	Expense			Active
10	6723.5665	HR - Prof Fees	Expense			Active
10	6723.587	HR - TMS Fees	Expense			Active
10	6724.018	IT - Labor	Expense			Active
10	6724.028	IT - Benefits	Expense			Active
10	6724.1735	IT - Training	Expense			Active
10	6724.589	IT - TMS Mgmt Fees	Expense			Active
10	6724.8635	IT - ERP Software	Expense	Operating		Active
10	6724.869	Gen. Computers	Expense			Active
10	6725.006	Regulatory	Expense			Active
10	6725.018	Regulatory - Labor	Expense			Active
10	6725.028	Regulatory - Benefits	Expense			Active
10	6725.1567	Reg. Affairs - Travel	Expense			Active
10	6725.5667	Regulatory - Prof Fees	Expense			Active
10	6727.018	Executive - Labor	Expense			Active
10	6727.028	Executive - Benefits	Expense			Active
10	6727.061	Executive - Direct Comp	Expense			Active
10	6727.071	Executive - Direct Reimb	Expense			Active
10	6727.081	Executive - Direct Meals	Expense			Active
10	6727.151	Executive - Travel	Expense			Active
10	6727.161	Executive - Meals	Expense			Active
10	6727.171	Executive - Training	Expense			Active
10	6727.181	Executive - Subs & Dues	Expense			Active
10	6727.561	Executive - Prof Fees	Expense			Active
10	6727.587	Executive - TMS Fees	Expense			Active
10	6727.591	Executive - Assoc Dues	Expense			Active
10	6727.617	Executive - D&O Insurance	Expense			Active

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General Ledger
Chart Of Accounts

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<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
10	7200.0075	KY Telecom Taxes	Expense			Active
10	7220.007	Federal Income Tax Expense	Expense	Operating		Active
10	7240.007	Property Taxes	Expense			Active
10	7310.0	Dividend Income	Income			Active
10	7320.0	Interest Income	Income			Active
10	7330.007	Investment Expense	Expense			Active
10	7340.0	Investment Income	Income			Active
10	7340.007	AFUDC	Income			Active
10	7360.0	Other Non-Operating Income	Income	Operating		Active
10	7370.001	Executive - Lobbying	Expense			Active
10	7370.0015	Donations - Charitable	Expense			Active
10	7370.0091	Donations - Charitable	Expense			Active
10	7370.309	Special Charges - Other	Expense			Active
10	7400.007	Nonoperating FIT	Expense			Active
10	7500.007	Interest - Funded Debt	Expense			Active
10	7504.007	Interest - Cust. Deposits	Expense			Active
10	7990.0	Inside Wire Revenue	Income			Active
10	7991.018	Inside Wire - Labor	Expense			Active
10	7991.028	Inside Wire - Benefits	Expense			Active
10	7991.3622	Inside Wire - Rep & Mat	Expense			Active
10	7991.3691	Inside Wire - Rep & Mat	Income			Active
10	7991.3692	Inside Wire - Rep & Mat	Expense			Active
10	9998.0	Suspense Debit	Clearing			Active
10	9999.0	Suspense Credit	Clearing			Active



INDEPENDENT AUDITORS' REPORT

Board of Directors
West Kentucky Rural Telephone
Cooperative Corporation, Inc.
Mayfield, Kentucky

We have audited the accompanying consolidated financial statements of West Kentucky Rural Telephone Cooperative Corporation, Inc. and Subsidiary which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of income, comprehensive income, changes in members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

[blank]

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Kentucky Rural Telephone Cooperative Corporation, Inc. and Subsidiary as of December 31, 2013 and 2012, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2014 on our consideration of West Kentucky Rural Telephone Cooperative Corporation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Jotherow, Paite, & Welch, PLLC

Certified Public Accountants
McMinnville, Tennessee
March 10, 2014

<u>Account</u>	<u>Description</u>	<u>Depreciation rate</u>
2112	Motor Vehicles	12.1%
2116	Other Work Equipment	7.5%
2121	Buildings	2.7%
2122	Furniture	8.7%
2123	Office Equipment	7.5%
2124	General Purpose Computers	15.8%
2212	Digital-Electronic Switching	7.5%
2220	Operator Systems	9.8%
2232	Circuit Equipment	11.9%
2411.1	Poles - pre 1988	8.9%
2411.2	Poles - post 1988	5.6%
2421.0	Aerial Cable (metallic)	6.6%
2421.2	Aerial Cable (fiber)	5.1%
2421.1	Aerial Cable (drop)	6.6%
2422.0	Underground Cable (metallic)	5.0%
2422.1	Underground Cable (fiber)	5.0%
2423	Buried Cable (Metallic)	5.5%
2423.05	Buried Cable (fiber)	5.1%
2424	Submarine Cable	3.7%
2431	Aerial Wire	9.4%
2441	Conduit	2.2%

2014

WK&T ANNUAL MEETING



FINANCIAL REPORT

WK&T, INC. AND SUBSIDIARY CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2013

ASSETS

Current Assets

Cash.....	\$7,858,852
Accounts Receivable.....	3,990,463
Prepayments.....	1,392,407
Income Taxes and Other Current Assets	<u>1,812,788</u>
Total Current Assets	15,054,510

Non-Current Assets **47,646,572**

Plant, Property, and Equipment

Telecommunications Plant-in-Service	108,441,751
Plant Under Construction.....	<u>46,871,616</u>
Total Plant, Property, and Equipment.....	155,313,367
Less: Accumulated Depreciation.....	<u>81,765,775</u>
Net Plant	73,547,592

Total Assets **\$136,248,674**

LIABILITIES

Current Liabilities

Accounts Payable	\$1,686,923
Advance Billings and Payments.....	350,374
Current Maturities on Long-Term Debt.....	4,927,249
Accrued Taxes and Other Current Liabilities.....	<u>3,096,555</u>
Total Current Liabilities.....	10,061,101

Long-Term Debt..... **60,121,788**

Deferred Taxes and Other Liabilities..... **1,939,198**

Total Liabilities **\$72,122,087**

EQUITY

Members' Equity..... **\$64,126,587**

Total Liabilities and Equity..... **\$136,248,674**

WK&T, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2013

OPERATING REVENUES

Local Network Services.....	\$3,436,911
Network Access Services.....	12,033,286
Long Distance Network Services	979,841
Miscellaneous	1,322,732
Less: Uncollectible	<u>(134,317)</u>
TOTAL OPERATING REVENUES.....	17,638,453

OPERATING EXPENSES

Plant Operations and Depreciation	12,267,138
Customer and Corporate Operations.....	4,577,268
Operating Taxes.....	<u>1,031,899</u>
TOTAL OPERATING EXPENSES.....	17,876,305
 OPERATING INCOME.....	 (237,852)

OTHER INCOME

Interest and Investment Income.....	1,878,291
Nonregulated Income.....	<u>1,685,580</u>
TOTAL OTHER INCOME.....	3,563,871

FIXED CHARGES

Interest Expense	1,175,028
INCOME BEFORE TAXES.....	2,150,991
Income Taxes	<u>1,413,967</u>
NET INCOME.....	<u><u>\$737,024</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2013

Net Income	\$737,024
Other Comprehensive Income Net of Tax	<u>1,876,184</u>
Comprehensive Income.....	<u><u>\$2,613,208</u></u>

NOTES TO FINANCIAL STATEMENTS

Your Cooperative's books and other financial records are audited by Certified Public Accountants which are approved by RUS as being qualified and capable of performing such audits. They make their report directly to the Rural Utilities Service. Your Cooperative is required to maintain its records in accordance with the Uniform System of Accounts as prescribed by the Federal Communications Commission.

YOUR BOARD OF DIRECTORS



JOE THOMPSON
President
District 6
Hazel & New Concord



JERRY HOLLOWAY
Vice President
District 5
Sedalia & Wingo



BEVERLY TAYLOR
Secretary/Treasurer
District 4
Farmington & Lynnville



BOB BARNETT
District 1
Fairdealing & Hardin



JEFF DAVIS
District 2
Cunningham



ALGENE GOATLEY
District 3
Fancy Farm & Lowes



TONY GOODMAN
District 7
Folsomdale & West Plains



DELBERT NEWSOME
District 8
Kirksey & Lynn Grove



JERRY STEPHENSON
District 9
Cottage Grove, Cypress,
Puryear & South Hazel



RICKY LITTLETON
District 10
Yorkville, Trimble, Mason
Hall & Eaton/Brazil

Thank you for attending the 2014 Annual Meeting. Your Board of Directors remains committed to the principles that formed this cooperative more than 60 years ago. While holding to our traditional values of community and service, we are intently focused on delivering you the telecommunications technology that will drive this region's future.



West Kentucky and Tennessee
Telecommunications Cooperative

237 N. 8th Street • Mayfield, KY 42066

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