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DEC 21 2007
PUBLIC SERVICE
COMMISSION

December 20, 2007

VIA FEDERAL EXPRESS

Hon. Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: *In the Matter of: Application of North Central Telephone Cooperative Corporation, Inc. to Adjust Rates and Charges for Basic Local Exchange Service, Case No. 2007-00162*

Dear Ms. O'Donnell:

Enclosed for filing in the above-referenced case is the original and eleven (11) copies of the prefiled supplemental testimony of Thomas M. Strait on behalf of North Central Telephone Cooperative Corporation.

Please return a file-stamped copy of the enclosed document to me in the in the self-addressed, postage prepaid envelope furnished herewith.

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

Very truly yours,

DINSMORE & SHOHL LLP



Holly C. Wallace

HCW/rk

Enclosures

cc: All Parties of Record
John E. Selent, Esq.

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

DEC 21 2007

PUBLIC SERVICE
COMMISSION

In the Matter of:

NOTICE OF INTENT OF NORTH CENTRAL)
TELEPHONE COOPERATIVE CORPORATION)
TO FILE RATE APPLICATION)

CASE NO. 2007-00162

ORIGINAL

PREFILED SUPPLEMENTAL TESTI

OF

THOMAS M. STRAIT

ON BEHALF OF

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION

December 20, 2007

Counsel to Applicant:

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Edward T. Depp

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PREFILED SUPPLEMENTAL TESTIMONY OF THOMAS M. STRAIT

Q.1. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A1. My name is Thomas M. Strait. My business address is 2154 Wisconsin Avenue, N.W., Washington, D.C. 20007.

Q.2. WHY ARE YOU FILING THIS SUPPLEMENTAL TESTIMONY?

A.2. Following the conversion of North Central Telephone Cooperative Corporation's ("North Central") rate application from one supported by a fully-forecasted test period to one supported by a historical test period (calendar year 2006), it simply made sense for me to supplement my testimony and base my TIER calculations on calendar year 2006. Moreover, given Gentry Underhill used the company's 2006 audited financial statement as the basis for his revenue requirement testimony, for consistency's sake, it made sense for me to base my TIER testimony on the company's 2006 audited financial statement.

Q.3 WHICH STATEMENTS IN YOUR ORIGINAL TESTIMONY ARE YOU MODIFYING?

A.3. In my original testimony, I discussed the TIER calculations in questions 33 through 37 and 39. This supplemental testimony replaces those questions and answers.

Q.4. EXPLAIN HOW YOU CALCULATED THE TIER USING DATA FROM CALENDAR YEAR 2006.

A.4 I calculated the TIER for North Central using year-end final audited data prepared by the company's independent auditor. Specifically, I used the company's 2006 audited financial statement.

Q.5. WHAT DID THE RESULTS SHOW?

A.5. My analysis shows that North Central's TIER is much worse than I originally calculated. In fact, as shown in Exhibit 1 to this supplemental testimony, North Central actually had a negative TIER in the 2006 historical test period. Specifically, North Central's TIER in 2006 was negative 0.35.

Q.6. HAVE YOU CHANGED YOUR CONCLUSIONS FROM THE TESTIMONY YOU ORIGINALLY FILED?

A.6. No, quite the contrary. In my original testimony I concluded that North Central was strongly in need of a rate increase to preserve its financial performance. This conclusion has not changed and I feel even more strongly that a rate increase is warranted.

Q. 7. DOES THIS CONCLUDE YOUR TESTIMONY?

A.7. Yes it does.

Respectfully submitted,



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**COUNSEL TO NORTH CENTRAL
TELEPHONE COOPERATIVE
CORPORATION**

North Central Telephone Cooperative Corporation

Revised Dec 3, 2007

Base Period 2006

Income Statement

Operating Revenues

Local network services revenue	\$	4,346,782
Network access service revenue		6,165,199
Long distance network services revenue		3,550,205
Miscellaneous revenue		2,299,130
Uncollectible revenue		(110,567)
Total Operating Revenues	\$	16,250,749

Operating Expenses

Plant specific operations expense	\$	3,592,504
Plant non-specific operations expense		2,236,698
Provision for depreciation		5,339,421
Customer operations expense		2,263,832
Corporate operations expense		2,718,772
Operating taxes		402,808
Total Operating Expenses	\$	16,554,035

Operating Income \$ **(303,286)**

Fixed Charges

Interest expense	\$	996,478
Interest charged to construction - credit (12)		(120,300)
Total Fixed Charges	\$	876,178

Income Before Taxes on Income \$ **(1,179,464)**

Taxes on Income 5,336

Net Income \$ (1,184,800)

TIER Calculation (0.35)

Net Income (after taxes)	\$	(1,184,800)
Interest expense	\$	876,178
Net Income (after taxes) + Interest Expense	\$	(308,622)