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West Liberty, Ky. 41472-0399

December 23, 2009

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

RECEIVED

DEC 23 2009

PUBLIC SERVICE
COMMISSION

2009-00538

Dear Sir:

Pursuant to KRS 278-020 and 807 KAR Sections 8 and 9 Mountain Rural Telephone Cooperative Corporation, Inc. (MRTCC) requests authorization to construct and upgrade telecommunication facilities in its certified territory. Enclosed are an original and ten copies of MRTCC's verified Application and required Exhibits for filing with the Commission.

MRTCC has a unique situation in that it has been approved through the first stage of a American Recovery and Reinvestment Act (ARRA) grant application. The ARRA grant will potentially provide stimulus funding of \$38,281,044 which will cover half of the cost of MRTCC's construction project. However, MRTCC finds itself bound to a very tight schedule by RUS for applying for and receiving a Certificate of Convenience and Necessity for this project because CCN has to be approved prior to the issuance of this Grant. RUS has emphasized that potential recipients will have to meet its schedule. Therefore, MRTCC requests that the Commission, to the extent possible, expedite its own processes to assist MRTCC in its efforts to earn this Grant. MRTCC will commit to do everything within its power to meet the Commission and its staff's information requirements.

Please feel free to contact me and my staff at (606) 743-3121.

I would like to express both my appreciation and MRTCC's consumers for your efforts in this proceeding.

Yours Truly,

W. A. Gillum
General Manager
Mountain Rural Telephone Coop. Corp., Inc.

Enclosure



**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**THE APPLICATION OF MOUNTAIN RURAL)
TELEPHONE COOPERATIVE CORPORATION INC.)
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY FOR THE CONSTRUCTION OF A)
INTERNET PROTOCOL AND ETHERNET NETWORK)**

Case No. 2009-02538

APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY FOR CONSTRUCTION OF INTERNET PROTOCOL
AND ETHERNET NETWORK

Mountain Rural Telephone Cooperative Corporation, Inc., d/b/a Mountain Telephone (MRTCC) pursuant to KRS 278.020 and 807 KAR 5:001: Sections 8 and 9(1)(2) and (3) hereby submits this application for a certificate of convenience and necessity for the purpose of upgrading MRTCC's network to utilize Internet Protocol technology. It consists of deploying an Internet Protocol (IP) and Ethernet fiber to the home (FTTH) network in exchanges in Morgan, Elliott, Menifee and Wolfe Counties along with small areas of Bath and Lee County, Kentucky. In addition, the funds will be used to upgrade access electronics and outside plant facilities.

1. The full name and address of MRTCC is Mountain Rural Telephone Cooperative Corporation, Inc.; P.O. Box 399; 405 South Main Street; West Liberty; Kentucky 41472.
2. Pursuant to 807 KAR 5:001 Sections 8(3) and 9(1)(a) a copy of MRTCC's Articles of Incorporation and all amendments thereto, are attached as Exhibit A.
3. MRTCC, a Rural Utilities Services (RUS) borrower, operates as a rural incumbent local exchange carrier providing telecommunications services to areas within Morgan, Elliott, Menifee, and Wolfe County, Kentucky. MRTCC also provides service to small areas of Bath and Lee Counties. MRTCC, as of December 31, 2008, has approximately 12,709 residential and 2,985 business lines.

4. In the area served by MRTCC each of the four counties are considered distressed by the Appalachian Regional Commission. All of the counties are challenged by mountainous terrain, limited highway and rail infrastructure and high levels of unemployment. The lack of transportation facilities is an important explanation for their lack of industry, economic development and employment opportunities. The need for a 21st century communications network is evident and will provide a means for addressing some of the economic problems plaguing the area.

Connect Kentucky has conducted a technology assessment in each of the primary counties served by MRTCC. The assessment showed a number of recurring themes. Broadband use in these counties is twenty percent (20%) below Kentucky's average broadband use. Consistent with this finding, Connect Kentucky also found that business use of broadband in these four counties was twenty one percent (21%) below the average business broadband use for Kentucky in general.

MRTCC has held extensive discussions with each of the county judge executives concerning broadband subscription in the affected counties. The county judges identified cost as the major factor for the low broadband adoption rates for their respective counties. Even with the low adoption rates a majority of the broadband subscribers in MRTCC's serving area subscribe to the lowest speed broadband service. The low speed service is not suitable for on line education classes or on-line catalogs for businesses.

Construction of the fiber to the home is required by public convenience and necessity. The purpose of the new construction is to deploy Fiber-to-the-home (FTTH) throughout MRTCC service area and upgrade the access electronics and outside plant facilities. This will permit MRTCC to provide triple-play service to its subscribers and adhere to the requirements of the State Telecommunication Modernization Plan.

The copper infrastructure currently providing voice service for MRTCC's subscribers was originally place in the 1955-1965 timeframe. This cable and ancillary equipment has been reinforced over the years but it is now to the point where replacement is required to keep up with technological developments in the communications industry. The low speed service offered on the copper is not suitable for on-line educational classes and on-line catalogs for businesses. MRTCC's plan is to build a new broadband centric network. This network will allow MRTCC to offer traditional voice service, 20 megabit broadband service, and entertainment video. Revenues from these services will allow MRTCC to

maintain their current internet pricing while allowing broadband service at speeds that economically permit on-line learning and business services.

The information and analysis provided above by MRTCC clearly demonstrates, that pursuant to KAR Section 9 (2) (a), the new construction is required for public convenience.

5. Pursuant to 807 KAR Section 9 (c) MRTCC will place outside plant throughout its service area. Exhibit B provides the engineering and system design. MRTCC's current core network consists of four main central offices (CO's) located in West Liberty, Campton, Sandy Hook, and Frenchburg with three smaller offices located on the edges of these counties. Media gateways and emergency standalone systems are installed in each of the CO's. The fiber ring transport network is in a diverse route ring configuration so cable cuts or equipment failure will not impact service. Current POTS subscribers will continue to use the existing copper where economically feasible and only customers that request broadband will be placed on the fiber network.

MRTCC's current plan is to construct and operate a fiber-to-the-home active Ethernet system. The core network, operations and billing systems are in place today. MRTCC plans to deploy a new video head end by December, 2009. An electronic interface will through combined ADSL and POTS cards. Distance limitations imposed by ADSL required MRTCC to install 113 remotes to maximize the internet speeds. All of these sites will be upgraded to support the Active Ethernet System. The diverse routing of the transport network as well as the redundant common control of all the network elements ensures the reliability of this network. In addition, MRTCC has standby power at all existing electronic sites. The reliability of this network has proven itself in the recent ice storm in Kentucky. While most of Kentucky lost all communication and power services MRTCC lost less than 12 % of their lines and those were restored very quickly.

MRTCC's plan is to construct all aerial plant on existing pole lines. MRTCC has excellent relationships with the local power companies who own the majority of these pole lines. MRTCC currently has facilities on these pole lines; this construction will add to those existing cable lines.

The designs for these areas are based on current and projected subscriber information. While the planned cable routes will have sufficient fiber for current and future premises the drop lines into the premise will only be built if the customer has or requests broadband service. This plan reduces costs and still

provides ubiquitous service. Future construction will place fiber drops into premises as consumers request service.

MRTCC's plans are to build out each of the four county seats in year 1. Once these areas are constructed MRTCC will begin the process of building out various areas of their existing service territory. MRTCC plans to build out all areas of these four counties. MRTCC does not have plans to build beyond their existing ILEC territory.

6. Pursuant to 807 KAR Section 9(2) (f) MRTCC has prepared an estimate of the project costs at completion. Unit prices for outside plant (OSP) construction are based on 2008/2009 bids for similar FTTH construction in the eastern Kentucky area. The labor and material prices are an average of the three low bids for these 2008/2009 projects.

Unit prices for electronics equipment and customer premise equipment (CPE) are based on quotes from manufacturers. Unit prices for home network wiring are based on an average of telephone company costs for this work.

Engineering costs are based on past RUS Engineering Services contracts with Mountain RTCC. These costs are averaged on a per mile basis from recent engineering work in nearby areas and on Mountain's historic engineering requirements.

Finley Engineering Company (FEC) at the direction of Mountain RTCC began design work on this ARRA application in early March 2009. This design work included the Campton exchange in Wolfe County as well as the county seats in each of the four counties. Based on these designs, FEC was able to project the quantity of OSP units required to complete the Broadband build out in the remaining areas. This pilot design method has been used very successfully by FEC to project costs for numerous RUS loan applications. We have a high level of confidence in these quantities and the methods used to derive the cost estimates.

The electronics quantities match the projected Broadband take rate of 44 % of the homes passed. This estimate will support the projected take rates while keeping costs in line with revenues.

The customer premise equipment (CPE) and inside wiring quantities are based on the projected video subscribers. Our estimates of quantities of set top boxes (STB) required for this IPTV deployment are based on two standard definition STBs per video subscriber plus one high definition / personal video recorder

(HD/PVR) STB for 25 % of the video subscribers. These take rates and package subscriptions match the video revenue projections.

Engineering units are based on the projected route miles of plant as calculated from the design of Wolfe County and the four county seats. While the design costs are miles of cable the engineering miles are subsets of cable miles in that some areas require more than one cable in sections of the plant. The route miles will be less than the sheath (cable) miles. Engineering costs are essentially the same regardless of the number of cables placed for that section of line or route.

General Overall Project Costs

Type of Expense	RUS Loan	ARRA Grant
Network Equipment		\$7,572,668.00
Outside Plant	\$36,020,210.07	\$21,067,965.50
Customer Premise	\$3,823,325.00	
Professional Services		\$9,640,410.00
Total	\$39,843,535.07	\$38,281,043.50

7. The construction of the new facilities throughout MRTCC total serving area will be at an estimated cost of \$78,124,579.00. Financing for this project will be secured through a loan from Rural Utilities Services (RUS) in the amount of \$39,843,535 with the remaining expenditures being financed through an ARRA grant in the amount of \$38,281,044. Pursuant to 807 KAR Section 9 (e) Exhibit C contains the total cost with detail for this project. MRTCC's construction of the broadband facilities is dependent on RUS approval of the ARRA grant without which MRTCC would not proceed with the proposed project.

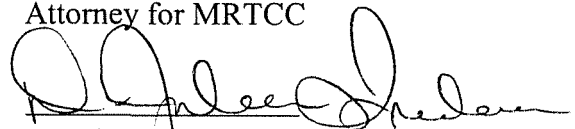
8. Advance telecommunications services, including broadband, are critical to the economic and social development of the communities in Morgan, Menifee, Elliott, and Wolfe County, Kentucky. The State Telecommunications Modernization Plan recognizes that deployment of advanced technologies such as fiber optics and related technologies are essential to rural economic development. It is this type of technology that will bring medical services, educational services, and numerous other economic opportunities to the customers of MRTCC.

9. The network will be developed over a three year timeframe. Exhibit D provides the construction timeline. MRTCC's plans are to build out each of the four county seats in year 1. Once these areas are constructed MRTCC will begin the process of building out all of the remaining areas of their existing service territory. MRTCC plans to complete construction and the project by the end of year three. MRTCC does not have plans to build beyond their existing ILEC area.
10. Pursuant to 807 KAR Section 9 (2) (c) MRTCC states that it does not have any competitors in these four counties.
11. In compliance with 807 KAR 5:001, section 9(2) (b), MRTCC states that it does not require a franchise approval from any public authority to deploy the broadband in the affected exchanges.
12. Pursuant to 807 KAR 5:001, section 9(2) (d), three copies of the required map showing a proposed route for the fiber deployment in the affected exchanges are attached as Exhibit E.
13. MRTCC has attached as Exhibit F: the historical and projected income statement, balance sheet, and cash flow statement for the historical period 2008 and 2009 and for the projected periods running from 2010 through 2014. Pursuant to 807 KAR Section 3, Exhibit F demonstrates MRTCC ability to meet its financial obligations with the loan and ARRA grant. MRTCC's financial condition will be such that it can service the RUS debt without requiring any rate adjustments.

Based on the foregoing, and in accordance with KRS 278.020 and 807 KAR 5:001, sections 8 and 9, MRTCC respectively requests that the Commission issue a Certificate of Public Convenience and Necessity to deploy a FTTH network in the exchanges in Morgan, Menifee, Elliot, Wolfe Counties, along with areas served in Lee and Bath County, Kentucky.

Respectfully submitted

D. Joleen Frederick
Attorney for MRTCC



D. Joleen Frederick
511 Main Street

P.O. Box 508
West Liberty, KY 41472

Commonwealth of Kentucky

Department of State



Office of Secretary of State

HENRY H. CARTER
SECRETARY
FRANKFORT, KENTUCKY

CERTIFICATE

I, HENRY H. CARTER, Secretary of State for the Commonwealth of Kentucky, do certify that the foregoing writing has been carefully compared by me with the original record thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of articles of incorporation of MOUNTAIN RURAL TELEPHONE COOPERATIVE CORPORATION, INC., filed December 13, 1950. Recorded in articles of incorporation Book No. 214, Page No. 426-428.

IN WITNESS WHEREOF, I have hereunto
set my hand and affixed my official seal.

Done at Frankfort this 15TH day of

NOVEMBER, 19 63

Henry H. Carter
Secretary of State, Commonwealth of Kentucky

By _____
Assistant Secretary of State

ARTICLES OF INCORPORATION

OF

MOUNTAIN RURAL TELEPHONE COOPERATIVE CORPORATION, INC.

We, the undersigned, being natural persons and citizens of the Commonwealth of Kentucky, do hereby execute these articles of incorporation for the purpose of organizing a nonprofit cooperative corporation (herein called the "Cooperative") under the laws of the Commonwealth of Kentucky, pursuant to an Act entitled "AN ACT relating to telephone cooperative, nonprofit corporations, rural telephone and telephones services", approved March 25, 1950.

FIRST, the name of the Cooperative is Mountain Rural Telephone Cooperative Corporation, Inc.

SECOND, the address of the principal office of the Cooperative is West Liberty, Morgan County, Kentucky. J. Blaine Mickell, West Liberty, Kentucky is designated process agent.

THIRD, the names and addresses of the incorporators of the Cooperative are:

<u>Names</u>	<u>Addresses</u>
Henry A. Stovall	Hazel Green, Kentucky
Dorsey C. Rose	Hazel Green, Kentucky
Sam D. Cecil	Hazel Green, Kentucky
W. R. Rowland	Ezel, Kentucky
Wm. A. Heagan	Ezel, Kentucky

FOURTH, the names and addresses of the persons who shall constitute the first Board of Trustees of the Cooperative are:

<u>Names</u>	<u>Addresses</u>
Henry A. Stovall	Hazel Green, Kentucky
Dorsey C. Rose	Hazel Green, Kentucky
Sam D. Cecil	Hazel Green, Kentucky
W. R. Rowland	Ezel, Kentucky
Wm. A. Heagan	Ezel, Kentucky

FIFTH, The operations of the Cooperative are to be conducted in the Counties of Wolfe, Morgan, Menifee, Elliott, Breathitt, Lee and Magoffin, and in such other counties as such operations may from time to time become necessary or desirable in the interest of this Cooperative or of its members.

IN TESTIMONY WHEREOF, we have hereunto subscribed our names this 30 day of November, 1950.

Henry A. Stovall
Wm. A. Heagan
Sam D. Cecil
W. R. Rowland
W. A. Heagan

STATE OF KENTUCKY)
 : Sct.
COUNTY OF MORGAN)

I, Gertrude Nickell, a Notary Public in and for the county and state aforesaid, do hereby certify that the foregoing Articles of Incorporation of Mountain Rural Telephone Cooperative Corporation, Inc. were on this day produced to me in said county and state and acknowledged before me by Henry A. Stovall, Dorsey C. Rose, Sam D. Cecil, W. R. Rowland and Wm. A. Heagan, to be their voluntary act and deed.

My commission expires Dec. 13 1951.

Given under my hand this the 30 day of November, 1950.

Gertrude Nickell
Notary Public, Morgan Co., Ky.

(Notarial Seal)

Commonwealth of Kentucky

Department of State



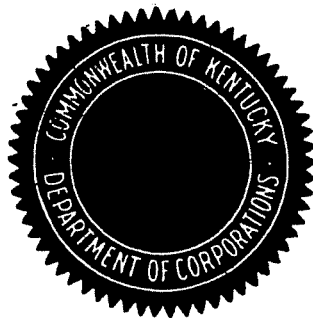
Office of Secretary of State

GEORGE GLENN HATCHER, SECRETARY

CERTIFICATE FOR NON-STOCK CORPORATION

I, George Glenn Hatcher, Secretary of State, do hereby certify that the Articles of Incorporation in triplicate originals of MOUNTAIN RURAL TELEPHONE COOPERATIVE CORPORATION, INC. (West Liberty, Kentucky)

are found to be duly signed and acknowledged; that there appears to be no capital stock; no private pecuniary profit is to be derived therefrom; no organization tax is required by law; all fees and charges have been paid; that one original copy is filed and recorded in this office. It further appears that all requirements of law have been complied with and this certificate, with two original articles of incorporation indorsed with the fact and time of recording in this office, has been returned to the incorporators or their representative. Corporate existence shall begin upon the issuance of this certificate. Said certificate shall be conclusive evidence of the fact that the above named corporation has been incorporated and is now authorized and empowered to do business in Kentucky, subject to the restrictions imposed by Chapter 273, Kentucky Revised Statutes, and other laws.



SECRETARY OF STATE

Given under my official signature and seal

this the 13th day of December 19 50

George Glenn Hatcher
Secretary of State

By _____

12/13/50 Original Process Agent: J. Blaine Nickell, West Liberty, Ky.
Deputy, Corporation Department.

Broadband USA

**Broadband Infrastructure Application
Submission to RUS (BIP) and NTIA (BTOP)**

Submitted Date: 8/16/2009 6:39:49 PM		Easygrants ID: 2018	
Funding Opportunity: Broadband Initiatives Program and Broadband Technology Opportunities Program		Applicant Organization: Mountain RTCC	
Task: Submit Application - Infrastructure Programs		Applicant Name: Mrs. Ann Marie Keller	

allow us to maintain this price of \$39.95/month for speeds of 1.5 mbps down/ 0.5 mbps up. Other tiers would follow suit as shown below:

Residential	Current Speeds	Current Price	New Speeds	Maintained Price
Tier 1	320kbps/128kbps	\$39.95	1.5 mbps/0.5 mbps	\$39.95
Tier 2	640 kbps / 320 kbps	\$49.95	10 mbps/1.0 mbps	\$49.95
Tier 3	3 mbps/768 kbps	\$59.95	20 mbps / 1.5 mbps	\$59.95

Business	Current Speeds	Current Price	New Speeds	Maintained Price
Tier 1	320kbps/128kbps	\$59.95	1.5 mbps/0.5 mbps	\$59.95
Tier 2	640 kbps / 320 kbps	\$79.95	10 mbps/1.0 mbps	\$79.95
Tier 3	3 mbps/768 kbps	\$99.95	20 mbps / 1.5 mbps	\$99.95

Maintaining the pricing schedule while increasing speeds will allow our subscribers to have meaningful broadband service for the same rates they are paying today. Mountain RTCC commits to a 25% discount for all strategic community institutions.

F. Technology Strategy

28. Technology Type:

Wireline - Fiber-optic Cable

Other:

29. System Design

Mountain Rural Telephone Cooperative Corporation (MRTCC) currently serves all of Elliott, Menifee, Morgan and Wolfe counties as well as small portions of Bath and Lee counties of Kentucky. They currently have approximately 15,600 POTS lines and 4,938 DSL lines operating at speeds between 320kbps/128kbps to 3mbps/768kbps. All of these services are offered on MRTCC's installed copper wireline plant.

MRTCC's core network consists of four main central offices (C.O.s) located in each of the county seats along with three smaller central offices located on the edges of these counties.

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There are Cisco routers, Media Gateways and Emergency Standalone systems installed in each of the four main C.O.'s. Additionally, West Liberty has the Call Agent with a hot standby in Frenchburg, another of the C.O.s. All C.O.s are interconnected by a Fujitsu DWDM ring with two lambdas lit. One lambda is for the Cisco Routers operating Internet Protocol based services (internet) and the other lambda is a SONET OC-192 for TDM based services (voice trunks). The fiber ring transport network is in a diverse route ring configuration so cable cuts or equipment failure will not impact service.

MRTCC is currently deploying an IP headend in West Liberty and will connect to the Cisco Router in the West Liberty C.O. with a 1 Gbps link. This is scheduled to be complete by December 2009. East Kentucky Network has a fiber node in the West Liberty C.O. and MRTCC connects to this ring for access to both the PSTN and ISP. MRTCC upgraded the four DS3s going to their ISP to a 1 Gbps link with 100 Mbps allocated. Future bandwidth upgrades will only consist of increasing the allotment until the full 1 Gbps limit is provisioned. All of MRTCC's equipment is standards based and interconnects using standards based interfaces. Access to subscribers is provided through Occam Networks shelves; whether in the C.O.s or in remote cabinets (remotes) in the field. These electronics interface the customer through a combined ADSL and POTS cards. Because of the distance limitations imposed by the ADSL, MRTCC has installed 113 remotes in order to maximize the internet speeds over the copper plant to their customers. All remotes are on a 10 Gbps fiber ring using the Occam Networks 10 Gbps transport cards. There are a total of ten rings operating at 10 Gbps each. All systems in the electronics, both in C.O.s and remotes, are redundant with hot standbys.

All of MRTCC's 120 wire centers (C.O.s and remotes) have 8 hours of battery and a standby generator. MRTCC has fuel supply contracts in place with local fuel companies with contractually guaranteed Priority 1 delivery during regional power outages.

MRTCC's application proposes to build Fiber-to-the-Premise past every premise in MRTCC's existing service area. Only customers that request broadband or video services will be placed on the fiber network. POTS only customers will remain on the existing copper plant. The fiber plant will allow MRTCC to increase their broadband speeds by at least 4.5 times and, in extreme cases, by 62 times the current speed capable by the copper plant. In addition to the High Speed Internet, the proposed system will enable MRTCC to offer Video services to all customers.

The goal for MRTCC is to have a technology neutral outside plant with a minimum 30 year life span because of the challenges of installation and maintenance in MRTCC's mountainous area. As a consequence MRTCC current outside plant is 60% buried and 40% aerial, with no

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feasible or economic alternatives to the aerial plant.

To this end, the project plan is to build out each existing wire center as it is defined today, with fiber-optic cable in a point to point configuration with the customer. The cable that supports the point to point layout is designed with a 1.5 to 2.0 fibers per premise which will support any existing and future electronic technologies. The small size of each serving area allows this point to point configuration to limit the size of the fiber cable to 288 strands or less, adding significantly to the cost effectiveness of this design. The relatively small size of each serving area also promotes efficient aggregation of the 10 Gbps rings without impacting capacity at the end user level. This also allows each wire center to be constructed independently of each other.

This is a key component of our ability to construct this total area in a three year time span. These small work areas will allow a flow through approach to construction where each wire center is designed, staked, built and cutover without the need for the entire county to be built as a single project. Future technologies can be easily deployed over the designed fiber, without consideration of distance limitations, as each wire center is well within the current Ethernet technology loss budgets.

The current electronics chosen for this deployment is the Occam BLC Active Ethernet platform as it will only require additional cards plugged into the existing network. This will allow MRTCC to deliver 100 Mbps service over a 1 Gbps link to each premise requesting service in the serving area. MRTCC will initially provision up to 20 Mbps for broadband with the remaining 80 Mbps capacity for delivery of video and additional services.

The fiber cable will terminate at the customer premise in an Optical Network Unit (ONU). The ONU provides the optical to electrical transition in the form of four (4) Ethernet ports and two (2) POTS for the customer's use. One Ethernet port will be dedicated for High Speed Internet and one Ethernet port for video.

MRTCC plans to assist their customers in deployment of their digital home or business. This assistance will have several levels including premise wiring, customer equipment and technical assistance. This support is, in our opinion, critical for the transformation to a broadband enabled community. It is not enough to put the access at the home, the customer needs assistance in getting the signal to the end user device and ensuring that that end device works as designed.

The cost effectiveness of this network will be in its long term operational savings. The new cable and electronics are projected to reduce maintenance costs by 50-75%. The personnel transitioned from maintenance of the aging copper plant will be reallocated to installing new

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service requests and digital home wiring. Funding under this NOFA is limited to the OSP, OSP engineering, access electronics, digital home wiring, and customer premise equipment (CPE) as all the backbone equipment is already installed.

30. Network Diagram:

Please refer to upload section at the end of document.

31. Certification by Professional Engineer:

Please refer to upload section at the end of document.

32. Buy American Waiver Request:

Is the applicant seeking an individual waiver of the Buy American provision? No

Buy American Waiver Request – Legal Justification**33. Choice of Service Provider:**

Does the project's Infrastructure and the Company's business plan allow more than one provider to serve end users in the proposed funded service area?

Yes

G. Project Milestones and Completion Factors**Timeline & Milestones****34. Infrastructure Build-out Timeline:**

Please refer to upload section at the end of the document.

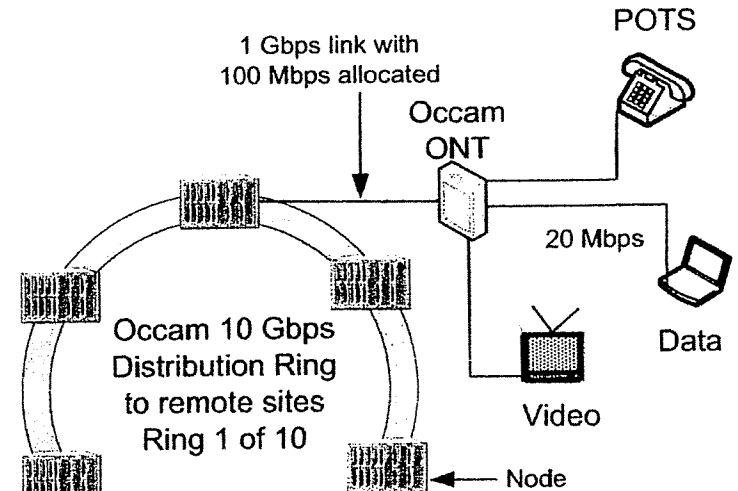
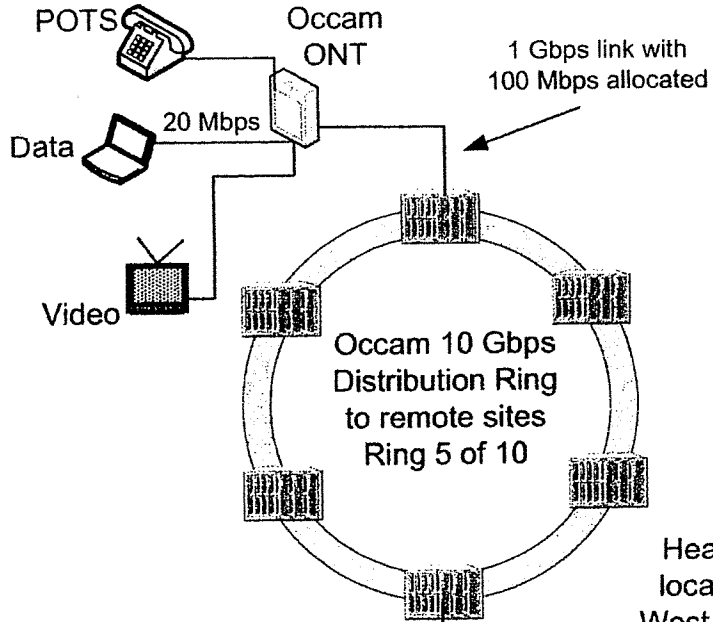
35. Licenses, Regulatory Approvals and Agreements:

Item 35, pg 15 Regulatory Approvals
Kentucky Public Service Commission (PSC) approval is required for MRTCC to enter into an

Mountain RTCC ILEC Network Diagram

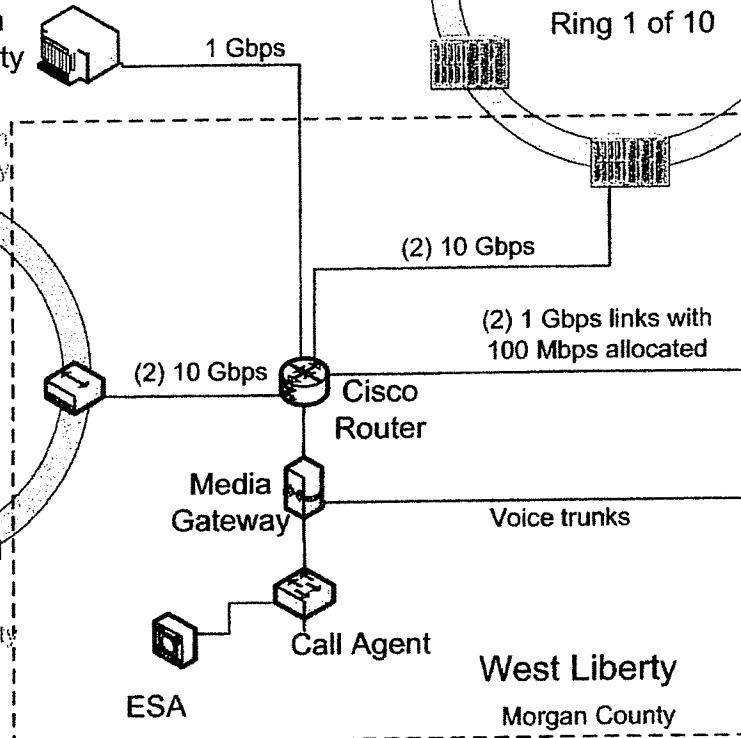
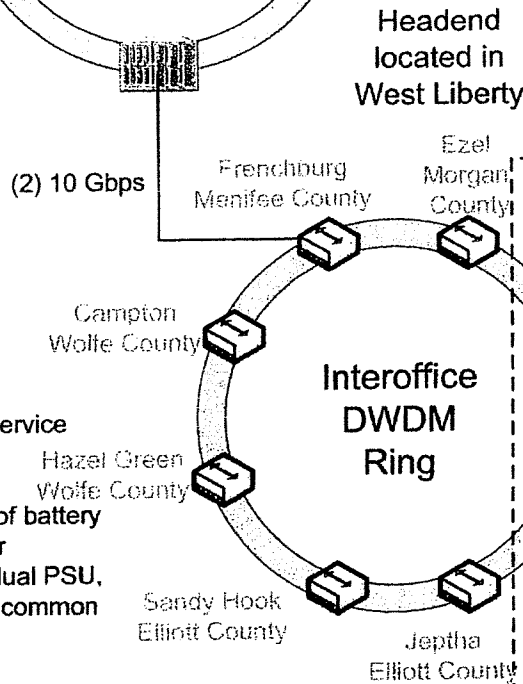
Occam Distribution rings

- Total of 123 nodes and 10 rings
- 6 to 14 nodes per Distribution Ring
- Total of over 620 route miles
- 10 Gbps links
- All sites have 8 hours of battery backup and a standby generator
- All sites are fully redundant, with dual PSU, dual power feeds, dual common control cards and dual interconnections.

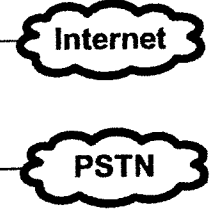


Fiber Ring to Six other Central Offices

- 162 route miles
- Only two lambda's in service
- Maximum 32 lambda's
- 100% Route Diversity
- All sites have 8 hours of battery and a standby generator
- Fully redundant, with dual PSU, dual power feeds, dual common control cards and dual interconnections.
- Media Gateways, ESA and Cisco Routers are installed at Campton, Sandy Hook and Frenchburg
- Backup Call Agent in Frenchburg



Both Internet and PSTN access via East Kentucky Network. Mountain has redundant connections to East Kentucky Network Fiber Ring in West Liberty



- Call Agent, Media Gateway, Cisco router and Occam are fully redundant, with dual PSU, dual power feeds, dual common control cards and dual interconnections.



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Budget	Loan Request	Grant Request	Equity	Debt	Bond	Other
Network & Access Equipment (switching, routing, transport, access)		7,572,668				
Outside Plant (cables, conduits, ducts, poles, towers, repeaters, etc.)	36,020,210	21,067,966				
Buildings and Land – (new construction, improvements, renovations, lease)						
Customer Premise Equipment (modems, set-top boxes, inside wiring, etc.)	3,823,325					
Billing and Operational Support Systems (IT systems, software, etc.)						
Operating Equipment						



**Broadband Infrastructure Application
Submission to RUS (BIP) and NTIA (BTOP)**

Submitted Date: 8/16/2009 6:39:49 PM		Easygrants ID: 2018	
Funding Opportunity: Broadband Initiatives Program and Broadband Technology Opportunities Program		Applicant Organization: Mountain RTCC	
Task: Submit Application - Infrastructure Programs		Applicant Name: Mrs. Ann Marie Keller	

(vehicles, office equipment, other)						
Engineering/ Professional Services (engineering design, project management, consulting, etc.)		9,640,410				
Testing (network elements, IT system elements, user devices, test generators, lab furnishings, servers/computers, etc.)						
Site Preparation						
Other						
TOTAL BROADBAND SYSTEM	39,843,535	38,281,044				

ATTACHMENT G - DETAIL OF PROJECT COSTS

PLEASE COMPLETE THE TABLE BELOW FOR THE DIFFERENT CATEGORIES OF EQUIPMENT THAT WILL BE REQUIRED FOR COMPLETING THE PROJECT. EACH CATEGORY SHOULD BE BROKEN DOWN TO THE APPROPRIATE LEVEL FOR IDENTIFYING UNIT COST

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
NETWORK & ACCESS EQUIPMENT						
Switching	None					In place
Routing	None					In place
Transport	None					In place
Access	FTTP Electronics	Yes	\$1,094	6,922	\$7,572,688	Quote from Manufacturer
Other						
OUTSIDE PLANT						
Cables	CO12(E)	Yes	\$1.72	1,762,261	\$3,027,564	Recent bid prices in region
	CO48(E)	Yes	\$1.98	999,571	\$1,979,151	Recent bid prices in region
	CO72(10M)	Yes	\$2.45	749,382	\$1,835,986	Recent bid prices in region
	CO144(10M)	Yes	\$3.01	320,572	\$964,922	Recent bid prices in region
	CO288(10M)	Yes	\$4.95	147,866	\$732,232	Recent bid prices in region
	BFO12	Yes	\$2.26	2,643,392	\$5,968,779	Recent bid prices in region
	BFO48	Yes	\$2.50	1,499,356	\$3,740,893	Recent bid prices in region
	BFO72	Yes	\$2.60	1,124,074	\$2,922,592	Recent bid prices in region
	BFO144	Yes	\$3.23	480,859	\$1,553,175	Recent bid prices in region
	BFO288	Yes	\$5.50	221,798	\$1,220,333	Recent bid prices in region
	SEAFO(6)	Yes	\$0.79	1,233,198	\$974,226	Recent bid prices in region
	SEBFO(6)	Yes	\$2.27	1849798	\$4,199,041	Recent bid prices in region
	Buried Line misc units	Yes	\$2.22	5,190,851	\$11,523,689	Recent bid prices in region
	Cases	Yes	\$650.00	4,272	\$2,776,800	Recent bid prices in region
	Splices	Yes	\$31.00	130,147	\$4,034,557	Recent bid prices in region
	C.O. Fiber Distribution Panels	Yes	\$2,500.00	96	\$240,000	Recent bid prices in region
	Remote Fiber Distribution Panels	Yes	\$9,000.00	71	\$639,000	Recent bid prices in region
Conduits						
Ducts						
Poles	Pole Line misc units	Yes	\$3	3,460,567	\$8,755,235	Recent bid prices in region
Towers						
Repeaters						

ATTACHMENT G - DETAIL OF PROJECT COSTS

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
NETWORK & ACCESS EQUIPMENT						
Other						
BUILDINGS						
New Construction	None					In place
Pre-Fab Huts						
Improvements & Renovation						
Other						
CUSTOMER PREMISE EQUIPMENT						
Modems						
Set Top Boxes	Basic STB	Yes	\$125	9198	\$1,149,750	Quote from Manufacturer
	PVR STB	Yes	\$325	1151	\$374,075	Quote from Manufacturer
Inside Wiring	New Video Service	Yes	\$500	4599	\$2,299,500	2 homes/day/crew
Other						
BILLING SUPPORT AND OPERATIONS SUPPORT SYSTEMS						
Billing Support Systems						
Customer Care Systems						
Other Support						

ATTACHMENT G - DETAIL OF PROJECT COSTS

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
OPERATING EQUIPMENT						
Vehicles						
Office Equipment/ Furniture						
Other						
PROFESSIONAL SERVICES						
Engineering Design	FTTP Design (miles)	yes	\$320	1,818	\$581,760	Based on RUS 217 Contract P64E
	Field Staking, ROW & Permits.	yes	\$890	1,850	\$1,646,500	Based on RUS 217 Contract P64E
Project Management	Contracts & Schematics (miles)	yes	\$720	1,850	\$1,332,000	Based on RUS 217 Contract P64E
	Inspection (Miles)	yes	\$2,935	1,850	\$5,429,750	Based on RUS 217 Contract P64E
	Closeout and As Builts (miles)	yes	\$330	1,850	\$610,500	Based on RUS 217 Contract P64E
Consulting	Coordination (hours)	yes	\$95	420	\$39,900	Based on RUS 217 Contract P64E
Other						
TESTING						
Network Elements						
IT System Elements						
User Devices						
Test Generators						
Lab Furnishings						
Servers/ Computers						

ATTACHMENT G - DETAIL OF PROJECT COSTS

SERVICE AREA or COMMON NETWORK FACILITIES:	Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
OTHER UPFRONT COSTS					
Site Preparation					
Other					

ATTACHMENT E - PROJECT PLAN (KEY PHASES AND MILESTONES TO DEMONSTRATE DEGREE OF COMPLETION)

- Use the following table to list the major network build-out phases and milestones that can demonstrate that your entire project will be substantial complete by the end of Year 2 and fully complete by the end of Year 3. This is to be done at the aggregate level (combining all proposed funds service areas.)
- Indicate how the milestones listed below will demonstrate these completion objectives. The applicant should consider such project areas as: network design; b) securing all relevant licenses and agreements; c) site preparation; d) equipment procurement; e) inside plant deployment; outside plant deployment; g) equipment deployment; h) network testing; i) network complete and operational. The applicant may provide at other milestones that it believes showcase progress
- Project inception (Year 0) starts at the date when the applicant receives notice that the project has been approved for funding
- In the table, provide any information (e.g., facts, analysis) to: a) demonstrate the reasonableness of these milestones; b) substantiate the ability reach the milestones by the quarters indicated.
- On a separate sheet, describe the key challenges, if any, to a timely completion of the project, including any applicable mitigation plans.

Time Period	Quarter	List All Relevant Milestones	Support for Reasonableness/Data Points
Year 0	-	WEEK 0 - Design of Central office areas. Design of Campton Exchange, Wolfe County	Pre Application work already completed
Year 1	Qtr. 1	WEEK 7 - Field work for the first central office contract is complete (CO1).WEEK 9 - ROW and permit work is complete for CO1. WEEK 12 - OSP Designs complete for remaining three counties, Morgan, Menifee, and Elliott.	OSP designs require three weeks each per the timelines required for the pre application work. Field work for CO1 is estimated to four workers completing one mile each per day. The ROW and permit work include meeting with the customer at their home to detail the ONU location and fiber drop location. The proposed timeline requires 5 men each completing five premises per day.
	Qtr. 2	WEEK 15 - Place order for Access electronics for CO1 and CO2 and West Liberty, WEEK 15 - Field Staking complete for CO2. WEEK 17 - Contract Execution is complete for CO1. WEEK 18 - ROW and permits complete for CO2. WEEK 25 - Contract execution is complete for CO2.	Access electronics require 6 weeks for delivery after PO is issued. Equipment is required by week 30. Field Staking and ROW is continued from the first quarter. Contract execution is the time required for Material order, pole line makerready, bid evaluation and obtaining the performance bond.
	Qtr. 3	WEEK 30 - CO1 Construction is complete. WEEK 35 - West Liberty exchange field staking is complete. WEEK 37 - ROW and permits are complete for West Liberty.	Construction timeline is based on 3 cable placing crews working in different wirecenters within the 4 county area. Also 4 drop crews are placing drops at 3 drops per crew per day. Field staking is completing 4 miles per day. ROW requires 5 men completing 18 drop ROW per day.
	Qtr. 4	WEEK 46 - CO2 construction is complete. WEEK 45 - West Liberty contract execution is complete. WEEK 46 - Field staking is complete in Ezel and Jephtha exchanges. WEEK 48 - Ezel and Jephtha ROW and permits are complete. WEEK 48 - Electronics are ordered for Ezel and Jephtha	Construction, ROW and Field staking continue as described above
Year 2	Qtr. 1	WEEK 55 - CO2 Testing and cutover is complete. WEEK 56 - Contract execution is complete for Ezel and Jephtha exchanges. WEEK 65 - Sandy Hook field staking is complete.	Splicing, Testing and cutover flow after one another as construction is completed. Time has been allocated in the schedule to complete cutover after construction. The cutover will be performed by 2 person crews completing 3 cutovers per day.

Exhibit D

ATTACHMENT E

Time Period	Quarter	List All Relevant Milestones	Support for Reasonableness/Data Points
Year 2	Qtr. 2	WEEK 70 - ROW and permits complete in Sandy Hook exchange. WEEK 75 - Contract execution is complete for Sandy Hook. WEEK 75 Access electronics are ordered for Sandy Hook and Campton.	Construction, ROW, Field staking, and cutover continue as described above
	Qtr. 3	WEEK 84 - West Liberty construction complete. WEEK 85 - Ezel and Jephtha construction is complete. WEEK 79 - Campton field work is complete. WEEK 81 - ROW and permits are complete in Campton. WEEK 88 - Campton contract execution is complete.	Construction, ROW, Field staking, and cutover continue as described above
	Qtr. 4	WEEK 93 - Sandy Hook construction is complete. WEEK 97 - West Liberty testing and cutover are complete. WEEK 95 - Ezel and Jephtha testing and cutover are complete. WEEK 93 - Hazel Green and Frenchburg exchange's field work is complete. WEEK 93 - Place order for Hazel Green and Frenchburg electronics. WEEK 97 - ROW and permits are complete for Hazel Green and Frenchburg. WEEK 103 - Hazel Green and Frenchburg contract execution is complete. WEEK 104 - Sandy Hook testing and cutover are complete.	Construction, ROW, Field staking, and cutover continue as described above. All field work is now complete. All electronics are on order or on site
			Construction, ROW, Field staking, and cutover continue as described above
Year 3	Qtr. 1		
	Qtr. 2	WEEK 126 - Campton construction is complete.	
	Qtr. 3	WEEK 133 - Campton testing and cutover are complete. WEEK 138 - Hazel Green and Frenchburg construction is complete.	All Construction is completed this quarter
	Qtr. 4	WEEK 153 - Hazel Green testing and cutover is complete.	

ATTACHMENT E (CONTINUED) - BUILD-OUT TIMELINE

Complete the following schedule for each proposed funded service area (or, if a middle mile project, for each last mile service area) to indicate the planned build-out in terms of: 1) the requested infrastructure funds; and 2) the entities passed. Entities passed include households, businesses, and "strategic institutions" comprised of critical community facilities, community anchor institutions, and public safety entities. In addition, please complete a separate schedule that aggregates all projected broadband subscribers within the proposed funded service area (or if a middle mile project, for each last mile service area). For BIP only, please include this information for the non-funded service areas as well.

Name:	YEAR 1				YEAR 2				YEAR 3				YEAR 4				YEAR 5					
	YEAR 0	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	
Infrastructure Funds																						
Infrastructure Funds Advanced (estimate)		\$1,803,368	\$4,306,535	\$7,923,131	\$5,104,891	\$8,503,357	\$8,568,796	\$8,590,609	\$8,612,422	\$5,741,831	\$4,415,600	\$6,956,333	\$7,597,632									
Percentage of Total Funds		2.31%	5.51%	10.14%	6.53%	10.88%	10.97%	11.00%	11.02%	7.35%	5.65%	8.90%	9.73%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Entities Passed & %																						
Households	0	676	1373	832	1501	1519	1509	1509	1129	705	1126	1418	0	0	0	0	0	0	0	0	0	0
Percentage of Total Households	0.00%	5.08%	10.33%	6.26%	11.29%	11.42%	11.35%	11.35%	8.49%	5.30%	8.47%	10.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Businesses	0	119	243	147	259	255	271	275	0	123	395	249	0	0	0	0	0	0	0	0	0	0
Percentage of Total Businesses	0.00%	5.09%	10.40%	6.29%	11.08%	10.92%	11.60%	11.77%	0.00%	5.27%	16.91%	10.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Strategic Institutions (Comm. Anchor, Public Safety, etc.)	0	8	16	7	5	6	5	6	3	0	4	5	0	0	0	0	0	0	0	0	0	0
Percentage of Total Institutions	0.00%	5.12%	10.40%	6.28%	11.24%	11.34%	11.37%	11.40%	7.21%	5.27%	9.71%	10.65%	0	0	0	0	0	0	0	0	0	0

Income Statement

	Historical		Forecast Period				
	Year 1	Year 2	2010	2011	2012	2013	2014
Revenues							
Local Network Services Revenues:							
Local Voice	\$ 3,891,501	\$ 3,089,718	\$ 2,287,935	\$ 2,445,199	\$ 2,438,842	\$ 2,421,679	\$ 2,422,321
Data	1,858,332	1,908,332	6,879,137	9,815,076	11,335,533	12,584,834	13,776,506
Video							
Network Access Service Revenues	10,898,918	8,100,100	5,301,282	5,364,897	5,429,276	5,494,427	5,560,360
Billing and Collection	265,122	267,773	270,424	273,129	275,833	278,591	281,350
Toll Service/Long Distance Voice							
Universal Service Fund							
Other Operating Revenues	-	1,603,316	3,206,633	3,467,548	3,291,094	3,095,848	2,879,132
Other Revenues	315,131	182,450	49,769	50,956	52,205	53,493	54,814
Uncollectible Revenues	(194)	-	-	-	-	-	-
Other Operating Income (Minority interest)	-	-	-	-	-	-	-
Total Revenues	17,228,810	15,151,689	17,995,179	21,416,803	22,822,782	23,928,872	24,974,483
Expenses							
Backhaul	-	-	-	-	-	-	-
Network Maintenance/Monitoring	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Leasing	-	-	-	-	-	-	-
Sales/Marketing	-	-	-	-	-	-	-
Plant Specific	3,124,236	3,187,346	3,250,455	3,315,464	3,381,774	3,449,409	3,518,397
Plant Non-Specific	907,607	925,941	944,274	963,160	982,423	1,002,071	1,022,113
Customer Operations	1,533,893	1,691,129	1,848,365	1,848,328	1,860,944	1,859,801	1,860,395
Corporate G&A	1,554,087	1,554,087	1,554,087	1,554,087	1,554,087	1,554,087	1,554,087
Taxes other than income	478,252	-	-	-	-	-	-
Other Operating Expense	190,930	102,965	15,000	-	-	-	-
Non-Regulated	-	-	3,080,243	6,808,555	8,173,357	8,689,453	9,038,895
Total Expense	7,789,005	7,461,467	10,692,424	14,489,594	15,952,585	16,554,822	16,993,887
EBITDA	9,439,805	7,690,222	7,302,755	6,927,209	6,870,197	7,374,051	7,980,596
Depreciation + Amortization	4,834,883	3,836,393	2,837,902	3,403,134	3,968,367	3,968,367	3,968,367
Nonoperating Income (Expense), net	733,668	733,668	733,668	733,668	733,668	733,668	733,668
Nonregulated Income (Expense), net	1,582,086	1,582,086	1,582,086	1,582,086	1,582,086	1,582,086	1,582,086
Earnings Before Interest and Taxes	6,920,676	6,169,583	6,780,607	5,839,829	5,217,584	5,721,438	6,327,983
Interest Expense - New RUS Debt	-	-	-	498,044	1,162,103	1,819,276	1,943,161
Interest Expense - Existing RUS Debt	364,742	331,785	284,438	234,366	181,569	126,047	67,801
Interest Expense - Other	-	-	-	-	-	-	-
Total Interest Expense	364,742	331,785	284,438	732,410	1,343,672	1,945,323	2,010,962
Income Before Taxes	6,555,934	5,837,798	6,496,169	5,107,419	3,873,912	3,776,115	4,317,022
Income Taxes	-	-	-	-	-	-	-
Net Income	6,555,934	5,837,798	6,496,169	5,107,419	3,873,912	3,776,115	4,317,022

Exhibit F

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Balance Sheet

Assets	Historical		Projected	Forecast Period				
	2007	2008	2009	Year 1	Year 2	Year 3	Year 4	Year 5
Current Assets								
Cash	\$ 7,462,543	\$ 5,139,718	\$ 4,953,987	\$ 10,854,797	\$ 16,583,130	\$ 20,227,383	\$ 22,703,455	\$ 24,803,285
Marketable Securities	11,597,422	14,054,059	14,054,059	14,054,059	14,054,059	14,054,059	14,054,059	14,054,059
Accounts Receivable	1,085,782	846,896	865,732	884,567	1,052,760	1,121,872	1,176,243	1,227,641
Inventory	200,797	198,880	212,505	226,131	262,521	308,009	308,009	308,009
Prepayments	180,623	73,177	86,816	100,454	136,128	149,873	155,531	159,656
Other Current Assets	-	-	-	-	-	-	-	-
Total Current Assets	20,527,167	20,312,730	20,173,098	26,130,009	32,088,599	35,861,197	38,397,297	40,552,650
Non-Current Assets								
Long-Term Investments	10,605,385	12,287,471	12,287,471	12,287,471	12,287,471	12,287,471	12,287,471	12,287,471
Other Non-Current Assets	26,153	45,596	45,596	45,596	45,596	45,596	45,596	45,596
Amortizable Assets (Net of Amortization)	-	-	-	-	-	-	-	-
Total Noncurrent Assets	10,631,538	12,333,067	12,333,067	12,333,067	12,333,067	12,333,067	12,333,067	12,333,067
Plant in Service	74,134,705	72,568,553	73,174,153	82,529,437	95,810,615	112,412,088	112,412,088	112,412,088
Construction in Progress	1,891,382	1,608,302	2,464,298	3,320,295	3,320,295	-	-	-
Less: Accumulated Depreciation	37,600,284	34,090,048	35,508,999	36,927,950	40,331,084	44,299,451	48,267,818	52,236,184
Net Plant	38,425,803	40,086,807	40,129,452	48,921,781	58,799,825	68,112,637	64,144,270	60,175,904
Total Assets	\$ 69,584,508	\$ 72,732,604	\$ 72,635,618	\$ 87,384,857	\$ 103,221,491	\$ 116,306,901	\$ 114,874,634	\$ 113,061,621
Liabilities and Owners' Equity								
Liabilities								
Current Liabilities								
Accounts Payable	\$ 545,927	\$ 213,965	\$ 253,844	\$ 293,722	\$ 492,945	\$ 542,717	\$ 563,205	\$ 578,142
Current Portion - Total RUS Debt	\$815,000	\$850,000	\$900,000	\$950,000	\$1,555,490	\$2,379,092	\$3,242,105	\$2,997,593
Customer Deposits	122,357	77,120	77,120	77,120	77,150	80,258	79,970	80,129
Advanced Billing and Payments	-	-	-	-	-	-	-	-
Other Current Liabilities	2,693,283	2,448,146	2,978,193	3,508,240	4,754,111	5,234,126	5,431,723	5,575,782
Total Current Liabilities	4,176,567	3,589,231	4,209,156	4,829,082	6,879,696	8,236,193	9,317,003	9,231,647
Long-Term Debt								
Long-term Debt	6,445,499	5,556,546	4,656,546	16,987,724	29,268,903	40,944,591	38,515,499	35,816,847
Total Long-Term Liabilities	6,445,499	5,556,546	4,656,546	16,987,724	29,268,903	40,944,591	38,515,499	35,816,847
Other Long-term Liabilities								
Other Deferred Liabilities and Credits	549,857	2,632,604	2,632,604	2,632,604	2,632,604	2,632,604	2,632,604	2,632,604
Total Other Long-term liabilities	549,857	2,632,604	2,632,604	2,632,604	2,632,604	2,632,604	2,632,604	2,632,604
Total Liabilities	11,171,923	11,778,381	11,498,306	24,449,410	38,781,202	51,813,388	50,465,106	47,681,099
Owner's Equity								
Memberships	141,510	140,056	140,056	140,056	140,056	140,056	140,056	140,056
Capital Stock	-	-	-	-	-	-	-	-
Preferred Stock	-	-	-	-	-	-	-	-
Additional Paid-in Capital	1,325,050	1,323,329	1,323,329	1,323,329	1,323,329	1,323,329	1,323,329	1,323,329
Other Comprehensive Income	(3,753,744)	(6,299,729)	(6,299,729)	(6,299,729)	(6,299,729)	(6,299,729)	(6,299,729)	(6,299,729)
Patronage Capital	60,899,769	65,790,567	65,973,555	67,771,791	69,276,633	69,329,857	69,245,873	70,216,866
Total Equity	58,412,585	60,954,223	61,137,311	62,935,447	64,440,289	64,493,513	64,409,529	65,380,522
Total Liabilities and Owner's Equity	\$ 69,584,508	\$ 72,732,604	\$ 72,635,618	\$ 87,384,857	\$ 103,221,491	\$ 116,306,901	\$ 114,874,634	\$ 113,061,621
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Statement of Cash Flows

	Historical		Projected				
	2008	2009	2010	2011	2012	2013	2014
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net Income	6,555,934	5,837,798	6,496,169	5,107,419	3,873,912	3,776,115	4,317,022
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>							
Add: Depreciation & Amortization	4,834,883	3,836,393	2,837,902	3,403,134	3,968,367	3,968,367	3,968,367
Add: Net Income from Subsidiary	(1,582,086)	(1,582,086)	(1,582,086)	(1,582,086)	(1,582,086)	(1,582,086)	(1,582,086)
Add: Accumulated PRB	(463,238)						
<i>Changes in Current Assets and Liabilities:</i>							
Accounts Receivable	238,886	(18,836)	(18,836)	(168,193)	(69,112)	(54,371)	(51,398)
Inventory	1,917	(13,625)	(13,625)	(36,390)	(45,488)	-	-
Prepayments	107,446	(13,639)	(13,639)	(35,674)	(13,745)	(5,658)	(4,125)
Accounts Payable	(331,962)	39,879	39,879	199,223	49,772	20,488	14,937
Customer Deposits	(45,237)	-	-	30	3,109	(288)	159
Other Current Liabilities	(245,137)	530,047	530,047	1,245,871	480,015	197,597	144,060
Net Cash Provided (Used) by Operations	9,071,406	8,615,931	8,275,811	8,133,333	6,664,743	6,320,164	6,806,936
CASH FLOWS FROM INVESTING ACTIVITIES:							
Capital Expenditures	(6,486,662)	(6,486,662)	(26,041,526)	(26,041,526)	(26,041,526)	-	-
Recovered Salvage Value	(28,668)	-	-	-	-	-	-
Investment in Subsidiary	(100,000)	-	-	-	-	-	-
Net Cash Used by Investing Activities	(6,615,330)	(6,486,662)	(26,041,526)	(26,041,526)	(26,041,526)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:							
Retirement of patronage capital credits	(1,465,136)	(1,465,000)	(1,465,000)	(1,465,000)	(1,465,000)	(1,465,000)	(1,465,000)
Retired capital credit gains	(1,721)	-	-	-	-	-	-
Net increase in memberships	(1,454)	-	-	-	-	-	-
Change in marketable securities	(2,456,637)	-	-	-	-	-	-
Proceeds from Debt	-	-	13,281,178	13,281,178	13,281,178	-	-
Proceeds from Grant	-	-	12,760,348	12,760,348	12,760,348	-	-
Payments on long-term debt	(813,435)	(850,000)	(900,000)	(950,000)	(1,555,490)	(2,379,092)	(3,242,105)
Cushion of credit	(40,518)	-	-	-	-	-	-
Net Cash Provided by Financing Activities	(4,778,901)	(2,315,000)	23,676,526	23,626,526	23,021,036	(3,844,092)	(4,707,105)
Net Increase (Decrease) in Cash	(2,322,825)	(185,731)	5,910,811	5,718,333	3,644,253	2,476,072	2,099,830
Beginning Cash	7,462,543	5,139,718	4,953,987	10,864,797	16,583,130	20,227,383	22,703,455
Ending Cash	\$ 5,139,718	\$ 4,953,987	\$ 10,864,797	\$ 16,583,130	\$ 20,227,383	\$ 22,703,455	\$ 24,803,285
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Other Income/(Expenses)**Assumptions**

<i>Interest Income</i>	Interest Income was set at the 2008 level and held constant.
<i>Long-Term Debt</i>	It was assumed that of the \$78,124,578.56 in new capital expenditures, \$ 39,843,535.07 would be financed with debt. The term would match the life of the asset, or 20 years, and be at a 4% rate. This would be added to the debt that currently exists for Mountain Rural Tel. Coop.
<i>Provision for Income Taxes</i>	Provisions for income tax are based on taxes payable or refundable for the current year along with deferred amounts. Mountain is a cooperative and is exempt from income taxes.

<i>End User Revenue</i>	End User revenue was forecasted using an ARPAL. The ARPAL was multiplied by the average number of access lines in service for the year in question. End User revenue is the subscriber line charge (SLC) and is based on the number of access lines in service.
<i>Interstate Access Revenue</i>	Interstate allocation factors were pulled from the 2008 cost study that is submitted to NECA annually for federal rate of return recovery. An approximate revenue requirement is based on forecasted expenses and investments. All three interstate access pools are collapsed back into one catch-all account, "Interstate Access." USF revenue is calculated using standard USF algorithms. It is also estimated using forecasted expenses and investment. An increase of \$20 each year was estimated for the NACPL. DSL Access revenue was calculated by applying the 2008 ARPU to the average number of projected DSL customers for the following years.
<i>Intrastate Switched Access Revenue</i>	Intrastate Switched Access Revenue is based on Intrastate Minutes of Use (MOU). It was assumed that Intrastate MOU would decline proportionately to the decline in access lines. Intrastate & Interstate & USF are combined for the Income statement and Cash Flow projections.
<i>Miscellaneous Revenue</i>	Miscellaneous Revenue was grown on an ARPAL. Subaccounts that comprise account 5200 were assumed to change proportionally to the average number of access lines in service during the year.
<i>Uncollectible Revenue</i>	Uncollectible Revenue in future years was calculated by taking the 2008 uncollectible amount divided by the company's total operating revenue multiplied by the current years total Operating revenue (before uncollectibles).

Expenses

Assumptions

<i>Plant Specific Expenses</i>	Plant Specific Expenses were estimated to grow by 4.3% per year. This included a growth of 3.5% in the amount for salaries and the benefit loadings increasing each year.
<i>Plant Non-Specific Expenses</i>	Plant Specific Expenses were estimated to grow by 4.2% per year. This included a growth of 3.5% in the amount for salaries and the benefit loadings increasing each year.
<i>Depreciation Expense</i>	Depreciation expense is calculated by taking the average plant balance and multiplying it by it's depreciation rate. Our model does not allow for over-depreciation of asset accounts. The depreciation calculation took into account the new capex purchased with debt and equity.
<i>Customer Operations Expense</i>	Plant Specific Expenses were estimated to grow by 4.2% per year. This included a growth of 3.5% in the amount for salaries and the benefit loadings increasing each year.
<i>Corporate Operations Expense</i>	Plant Specific Expenses were estimated to grow by 4.2% per year. This included a growth of 3.5% in the amount for salaries and the benefit loadings increasing each year.

Assumptions for Mountain Rural BIP Financials

Investment and Reserve	Assumptions
<i>Plant in Service</i>	Plant in Service (PIS) was taken per book.
<i>Depreciation Reserve</i>	Depreciation reserves are calculated on a mass asset basis. However, I was able to subaccount them based on the asset schedule provided. Depreciation reserve accounts were not allowed to over-depreciate.
<i>Plant under Construction</i>	Plant Under Construction (PUC) was assumed to stay at \$0. Therefore, all CAPEX is immediately booked to Plant in Service, bypassing Plant under Construction.
<i>Materials and Supplies</i>	The materials and supplies account is based on cash operating expenses. 2007 and 2008 cash operating expenses were divided by the materials and supplies accounts, respectively. The quotients were averaged and applied to cash operating expenses in future years.
<i>CAPEX</i>	Capital Expenditures were added to deploy a Fiber-to-the-Home (FTTH) network. A total of \$78,124,578.56 was added in the years of 2010, 2011, & 2012 Regular maintenance capital was added in every other year.

Revenue Accounts	Assumptions
<i>Access Lines</i>	Access Lines were assumed to decline by 3% in 2009 and approximately 2% in each following year. Prior year access line figures were taken from actual reported figures.
<i>DSL and Video Subscribers</i>	DSL subscribers grew from a base of 4,960 in 2009 to 8,674 in 2014 and video subscribers grew from zero to 6,132. The growth was due to the deployment of the FTTH network to unserved and underserved areas. Final penetration rates are consistent with national penetration rates reported by PEW. Mountain expects to increase current penetration to national averages.
<i>Local Service Revenue</i>	Local Service voice revenue was grown on an Average Revenue per Access Line (ARPAL) basis. The Local Service revenue accounts were added up and then divided by the average number of access lines at the end of the prior and current years. Revenue for years 2009 - 2018 was calculated by multiplying the ARPAL by the estimated average number of access lines during the year. There was not increase in ARPAL.
<i>DSL and Video Revenue</i>	DSL and Video revenue was grown on an Average Revenue per Access Line (ARPAL) basis. The DSL and Video revenue accounts were divided by the average number of subscribers at the end of the prior and current years. Revenue for years 2009 - 2018 was calculated by multiplying the ARPAL by the estimated average number of subscribers during the year. The DSL ARPAL remained constant even though the actual speeds customers purchase is increasing. It is assumed the BIP financing of this project will allow MOUNTAIN to keep these prices low.