

Attachment 2

## Supporting Calculations

**Benchmark**

The current rates for residential local service are \$17.23 in the Champlain and Rouses Point exchanges and \$18.32 in the Mooers exchange. Therefore, a \$2.00 rate increase would not cause the Company to exceed the \$23 benchmark.

The current residential trunk rate is \$21.31 in the Champlain and Rouses Point exchanges and \$22.73 in the Mooers exchange. The rate increase is limited to the \$23.00 benchmark for these services. Currently, there are no subscribers receiving residential trunk services.

Increasing the residential rates by \$1.88 per line per month in the Champlain and Rouses Point exchanges and \$1.73 in the Mooers exchange will result in the residential rates exceeding the business rates in each of the Company's exchanges. The Company elects to increase the business rates to equal the residential rates. In the Champlain and Rouses Point exchanges, the business rate will increase from \$18.09 to \$19.11 per line, an increase of \$1.02 per month. In the Mooers exchange, the business rate will increase from \$19.03 to \$20.05 per month, an increase of \$1.02 per month

**Return On Equity**

Per the September 27, 2012 letter from Mr. Chad G. Hume, the Company's adjusted rate of return was 2.05% . The company is permitted to raise it adjusted rate of return by 4.97% to 7.02. The proposed rate adjustments listed in the chart below would increase intrastate revenues by \$69,519.12. Per schedule 10, line 5 of the Company's 2011 Annual Report to the Public Service Commission, a revenue increase of \$69,519.12 would increase the adjusted rate of return by 4.95% to 7.00% ( $69,519.12/14,046 = 4.95\%$ )

	<u>Access Lines</u>	<u>Existing Rates</u>	<u>Rate Increase</u>	<u>New Rates</u>	<u>Annual Revenue Increase</u>
Mooers Business Lines	188	19.03	1.02	20.05	2,301.12
Mooers Business Trunk Lines	32	25.42	-	25.42	-
Mooers Residential Lines	1,160	18.32	1.73	20.05	24,081.60
Mooers Residential Trunk Lines	-	22.73	0.27	23.00	-

Champlain and RP Business Lines	789	18.09	1.02	19.11	9,657.36
Champlain and RP Trunk Lines	447	24.01	-	24.01	-
Champlain and RP Residential Lines	1,484	17.23	1.88	19.11	33,479.04
Champlain Residential Trunk Lines	<u>-</u>	21.31	1.69	23.00	<u>-</u>
Total Access Lines	<u>4,100</u>				<u>69,519.12</u>