

## 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.

Increasing the residential rates by \$2.00 per line per month 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 \$19.23 per line, an increase of \$1.14 per month. In the Mooers exchange, the business rate will increase from \$19.03 to \$20.32 per month, an increase of \$1.29 per month

#### **Return On Equity**

As of December 31, 2011, The Company's intrastate ROE was negative 40.52%. The proposed rate adjustments, \$2.00 residential for residential customers, \$1.14 for Champlain and Rouses Point business customers and \$1.29 for Mooers business customers would increase the Company's intrastate ROE by 5.96% to negative 34.56% as follows:

- Residential revenue increase of \$63,456 (2,644 residential access lines X \$2.00 month for 12 months).
- Champlain and Rouses Point business revenue increase of \$16,908 (1,236 business lines X \$1.14 per month for 12 months).
- Mooers business revenue increase of \$3,406 (220 business lines X \$1.29 per month for 12 months)
- Total revenue increase of \$83,770 (\$63,456 + \$16,908 + \$3,406)
- As per schedule 10, line 5 of the Company's 2011 PSC report, an increase of \$14,046 in intrastate revenues results in a 1.0% increase in intrastate ROE. Therefore, a local service revenue increase of \$83,770 results in a 5.96% increase in intrastate ROE ( $\$83,770 / \$14,046$ )