

Applicant: Consolidated Telephone Company (“Consolidated”)

Project Area: Halsey

Attachment G: Business Plan

The project proposal is to construct Fiber to the Premise (FTTP) facilities to all the homes and businesses in the project area. All fiber cable will be placed under ground to provide the highest quality, most reliable and resilient network possible. The expected useful life of the fiber facilities is 25 years and the expected life of the electronic used with the fiber is 11 years. Consolidated has engaged Midwest Contractors, Inc. to construct the fiber facilities that will be connected to our fiber transport ring carrying internet traffic routing to both Denver and Chicago.

The project will require permits from the State, the County, and the railroad for undercrossing along with occupancy of rights of way. Such permits are routine and Consolidated does not expect any legal challenges in obtaining the necessary permissions.

Consolidated has been providing telecommunications service in rural Nebraska since 1947. The company has grown considerably during those 74 years and has worked to keep services competitive and meet the needs of our customers. Consolidated’s Form M regulatory filings show that the company has a strong balance sheet and does not present a credit risk to its stakeholders, including owners, lenders, regulators, vendors, and customers. The company has been operated conservatively and is in strong financial position to continue operation for years to come. A projection of revenue and expense for the project along with a 25 year net cash flow is attached. Even with Consolidated requesting the minimum amount of Grant funding (i.e. 20%), the projections for this project produce a negative cash flow of \$28K – an amount that is de minimis given Consolidated’s overall revenues in the Form M regulatory filings.

Project: Halsey Town FTTH

Project Cash Flow

Line	Source	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
A 1	Total Project Investment	Attachment H	\$ 368,937						
2	Fiber	Attachment H	\$ 359,610						
3	COE	Attachment H	\$ 9,327						
									Useful Life ----->
B 1	Company Provided % Total	Attachment L	80%						
2	Company Provided Fiber	A2*B1	\$ 287,688						
3	Company Provided COE	A3*B1	\$ 7,462						
4	Company Capital Investment	B2+B3	\$ 295,150						
C 1	Depr Expense Fiber, 25 yr. life	B2/25	\$ 11,508	\$ 11,508	\$ 11,508	\$ 11,508	\$ 11,508	\$ 11,508	\$ 11,508
2	Depr Expense COE, 11 yr. life	B3/11	\$ 678	\$ 678	\$ 678	\$ 678	\$ 678	\$ 678	\$ 678
3	Total Depreciation Expense	C1+C2	\$ 12,186	12,186	12,186	12,186	12,186	12,186	12,186
4	SIT Rate	Input	7.81%	7.81%	7.81%	7.81%	7.81%	7.81%	7.81%
5	FIT Rate	Input	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%
6	Effective Tax Rate	(C4+C5)/(1+C4)	26.72%	26.72%	26.72%	26.72%	26.72%	26.72%	26.72%
D 1	Estimated # of Locations Served	Input or E1	31	35	38	38	38	39	39
2	Estimated # of Passings	Input	67	67	67	67	67	67	67
3	Initial Penetration	D1/D2	46%	52%	56%	57%	57%	58%	58%
4	Win back % Unserved Passings	Input	10%	1%	1%	1%	1%	1%	1%
5	Projected Penetration	(1-D3)*D4+D3	52%	56%	57%	57%	58%	58%	59%
E 1	Projected Subscribers	D2*D5	35	38	38	38	39	39	40
2	Avg Rev per Sub	Input	\$ 79.95	\$ 79.95	\$ 79.95	\$ 79.95	\$ 79.95	\$ 79.95	\$ 79.95
3	Revenue	E1*E2*12	\$ 33,195	\$ 36,304	\$ 36,583	\$ 36,860	\$ 37,135	\$ 37,406	\$ 37,675
4	Avg Exp per Sub	Input	\$ 57.16	\$ 57.16	\$ 57.16	\$ 57.16	\$ 57.16	\$ 57.16	\$ 57.16
5	Depreciation Expense	C3	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186
6	Expense	(E1*E4*12)+E5	\$ (35,917)	\$ (38,140)	\$ (38,340)	\$ (38,538)	\$ (38,734)	\$ (38,928)	\$ (39,120)
7	Net Income	E3+E6	\$ (2,722)	\$ (1,836)	\$ (1,756)	\$ (1,677)	\$ (1,599)	\$ (1,522)	\$ (1,445)
8	Taxes	C6*E7	\$ 727	\$ 491	\$ 469	\$ 448	\$ 427	\$ 407	\$ 386
9	After Tax Net Income	E7+E8	\$ (1,995)	\$ (1,345)	\$ (1,287)	\$ (1,229)	\$ (1,172)	\$ (1,115)	\$ (1,059)
10	Depreciation Expense	E5	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186
11	Company Capital Investment	B4	\$ (295,150)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Net Cash Flow	E9+E10+E11	\$ (284,959)	\$ 10,840	\$ 10,899	\$ 10,957	\$ 11,014	\$ 11,071	\$ 11,127
			\$ (28,435)						
F 1	Rate of Return	IRR	-0.8%						

Project: Halsey Town FTTH

Project Cash Flow

Line	Source	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	
A 1	Total Project Investment	Attachment H				\$ 9,327					
2	Fiber	Attachment H									
3	COE	Attachment H				\$ 9,327	Useful L				
B 1	Company Provided % Total	Attachment L									
2	Company Provided Fiber	A2*B1									
3	Company Provided COE	A3*B1				\$ 9,327					
4	Company Capital Investment	B2+B3				\$ 9,327					
C 1	Depr Expense Fiber, 25 yr. life	\$ 11,508	\$ 11,508	\$ 11,508	\$ 11,508	\$ 11,508	\$ 11,508	\$ 11,508	\$ 11,508	\$ 11,508	\$ 11,508
2	Depr Expense COE, 11 yr. life	\$ 678	\$ 678	\$ 678	\$ 678	\$ 678	\$ 678	\$ 678	\$ 678	\$ 678	\$ 678
3	Total Depreciation Expense	12,186	12,186	12,186	12,186	12,186	12,186	12,186	12,186	12,186	12,186
4	SIT Rate	7.81%	7.81%	7.81%	7.81%	7.81%	7.81%	7.81%	7.81%	7.81%	7.81%
5	FIT Rate	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%
6	Effective Tax Rate	(C4+C5)/(1+C4)	26.72%	26.72%	26.72%	26.72%	26.72%	26.72%	26.72%	26.72%	26.72%
D 1	Estimated # of Locations Served	Input or E1	40	40	40	40	41	41	41	41	42
2	Estimated # of Passings	Input	67	67	67	67	67	67	67	67	67
3	Initial Penetration	D1/D2	59%	59%	60%	60%	61%	61%	61%	62%	62%
4	Win back % Unserved Passings	Input	1%	1%	1%	1%	1%	1%	1%	1%	1%
5	Projected Penetration	(1-D3)*D4+D3	59%	60%	60%	61%	61%	61%	62%	62%	63%
E 1	Projected Subscribers	D2*D5	40	40	40	41	41	41	41	42	42
2	Avg Rev per Sub	Input	\$ 79.95	\$ 79.95	\$ 79.95	\$ 79.95	\$ 79.95	\$ 79.95	\$ 79.95	\$ 79.95	\$ 79.95
3	Revenue	E1*E2*12	\$ 38,204	\$ 38,465	\$ 38,723	\$ 38,979	\$ 39,232	\$ 39,482	\$ 39,730	\$ 39,976	\$ 40,219
4	Avg Exp per Sub	Input	\$ 57.16	\$ 57.16	\$ 57.16	\$ 57.16	\$ 57.16	\$ 57.16	\$ 57.16	\$ 57.16	\$ 57.16
5	Depreciation Expense	C3	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186
6	Expense	(E1*E4*12)+E5	\$ (39,498)	\$ (39,685)	\$ (39,869)	\$ (40,052)	\$ (40,233)	\$ (40,412)	\$ (40,589)	\$ (40,765)	\$ (40,939)
7	Net Income	E3+E6	\$ (1,294)	\$ (1,220)	\$ (1,146)	\$ (1,073)	\$ (1,001)	\$ (930)	\$ (859)	\$ (789)	\$ (720)
8	Taxes	C6*E7	\$ 346	\$ 326	\$ 306	\$ 287	\$ 268	\$ 248	\$ 230	\$ 211	\$ 192
9	After Tax Net Income	E7+E8	\$ (948)	\$ (894)	\$ (840)	\$ (787)	\$ (734)	\$ (681)	\$ (630)	\$ (578)	\$ (528)
10	Depreciation Expense	E5	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186	\$ 12,186
11	Company Capital Investment	B4	\$ -	\$ -	\$ -	\$ (9,327)	\$ -	\$ -	\$ -	\$ -	\$ -
12	Net Cash Flow	E9+E10+E11	\$ 11,237	\$ 11,292	\$ 11,346	\$ 2,072	\$ 11,452	\$ 11,504	\$ 11,556	\$ 11,608	\$ 11,658
F 1	Rate of Return	IRR									

