

3. Coopersburg Telephone Company ("CTC") is a corporation under provisions of the Business Corporation Law, Act of May 5, 1933, P.L. 364, and existing under the laws of the Commonwealth of Pennsylvania. On December 28, 1984, CTC became a wholly-owned subsidiary of Commonwealth in a transaction more fully described in paragraph 6 hereof.

CTC is vested with lawful authority to render telephone service of all kinds, including both local exchange and long distance services in portions of Lehigh and Bucks Counties, Pennsylvania.

The number of access lines of CTC on December 31, 1986 was 2,815.

4. Lewisberry Telephone Company ("LTC") is a corporation organized under the provisions of the Business Corporation Law, Act of May 5, 1933, P.L. 364, and existing under the laws of the Commonwealth of Pennsylvania. On February 14, 1977, LTC became a wholly-owned subsidiary of Commonwealth in a transaction more fully described in paragraph 7 hereof.

LTC is vested with lawful authority to render telephone service of all kinds, including both local exchange and long distance services in portions of York County, Pennsylvania.

The number of access lines of LTC on December 31, 1986 was 6,300.

5. Commonwealth Telephone Company ("Commonwealth") is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania. Letters of Patent were issued to it under the date of September 27, 1950.

Commonwealth Telephone Company is vested with lawful authority to render telephone service of all kinds, including both local exchange and long distance service, in portions of the counties of Luzerne, Lackawanna, Wyoming, Bradford, Susquehanna, Sullivan, Columbia, Schuylkill, Tioga, Lycoming, Monroe, Northampton, Dauphin, Lancaster, Chester, Bucks and Carbon in the Commonwealth of Pennsylvania. The total number of access lines of Commonwealth on December 31, 1986 was 153,945.

6. C-TEC acquired CTC, effective December 28, 1984, by purchasing all of the issued and outstanding stock of CTC. CTC is presently a wholly-owned subsidiary of C-TEC. For information on C-TEC's acquisition of CTC, see Application Docket No. A-00025233.

7. Commonwealth acquired LTC, effective as of February 14, 1977, by purchasing all of the issued and outstanding stock of LTC. LTC is presently a wholly-owned subsidiary of Commonwealth. For information on Commonwealth acquisition of LTC, see Application Docket No. A-99980.

8. CTC furnished public service, as of December 31, 1986, to the number of access lines in the classes shown below:

Residential	2,260
Business	555
Total	2,815

The residential customers were served by 2,143 single party and 117 two or four party lines. In addition to the main station telephones designated above, there was 78 pay station telephones, 444 business telephones and 33 PBX telephones.

9. LTC furnished public service, as of December 31, 1986, to the number of access lines in the classes shown below:

Residential	5,525
Business	775
Total	6,300

The residential customers were served by 5,329 single party and 196 two or four party lines. In addition to the main station telephones designated above, there were 58 pay station telephones, 630 business telephones and 87 PBX telephones.

10. Commonwealth furnished public service, as of December 31, 1987, to the number of access lines in the classes shown below:

Residential	130,983
Business	22,962
Total	153,945

The residential main stations were divided as follows: 122,378 single and 8,605 two and four party lines. In addition to the main station telephones designated above, there were 1,722 pay station telephones, 19,938 business telephones and 1,302 PBX telephones.

11. There are attached hereto as Exhibits A, B and C a balance sheet of CTC as of December 31, 1986, a balance sheet of LTC as of December 31, 1986 and a balance sheet of Commonwealth as of December 31, 1986.

12. There are attached hereto as Exhibits D, E and F a statement of income of CTC for the twelve months ending December 31, 1986, a statement of income of LTC for the twelve months ending December 31, 1986 and a statement of income of Commonwealth for the twelve months ending December 31, 1986.

13. All annual reports, tariffs, certificates of notification, applications for certificates of valuation, applications for approval of the issuance of valuation, applications for approval of the issuance of securities, and securities certificates, filed with your Honorable Commission by CTC, LTC and Commonwealth and by their predecessors, constituents and affiliated companies are made part hereof by reference.

14. Pursuant to a Plan of Merger, the form of which is attached hereto as Exhibit G. CTC and LTC will merge into Commonwealth (the "Merger") and the separate existence of CTC and LTC will cease. The Merger will be accomplished through the transfer of all issued and outstanding shares of stock of CTC and LTC to Commonwealth as described in Section 3 of the Plan of Merger. Commonwealth will be the surviving corporation in the Merger and will continue its existence under Pennsylvania law. Commonwealth will succeed, without other transfer, to all the rights and property of CTC and LTC and will be subject to all of the debts and liabilities of CTC and LTC in the same manner as if Commonwealth has incurred them. The Merger is authorized by the Act of May 5, 1933, P.L. 364, as amended, 15 P.S. §1901-1908, and pursuant to §1905 of said Act, Articles of Merger will be forwarded for approval and filing to the Pennsylvania Department of State. Commonwealth will advise the Commission when the Articles of Merger are filed.

15. C-TEC is the sole shareholder of CTC. The Merger described above will result in the transfer of all of the assets of CTC to Commonwealth in exchange for the cancellation of all the outstanding stock of CTC held by C-TEC immediately prior to Merger. No stock, notes or other consideration will be issued in connection with the Merger.

16. Commonwealth is the sole shareholder of LTC. The Merger described above will result in the transfer of all of the assets of LTC to Commonwealth in exchange for the cancellation of all the outstanding stock of LTC held by Commonwealth immediately prior to Merger. No stock, notes or other consideration will be issued in connection with the Merger.

17. There are attached hereto as Exhibit H statements of all the fixed capital, or plant, to be transferred by CTC and LTC to Commonwealth pursuant to the Merger, which show (a) the book value thereof; (b) the original cost thereof when first devoted to public use (which is identical to the actual cash or cash equivalent cost thereof to CTC and LTC); and (c) the amount of depreciation reserve, or reserve for renewals and replacements applicable to said cost.

18. There are no investment securities to be transferred by CTC or LTC to Commonwealth.

19. There is attached hereto as Exhibit I a pro forma balance sheet of Commonwealth as of December 31, 1986 giving effect to the transfer of property used or useful in the public service by CTC and LTC to Commonwealth pursuant to the Merger.

20. There is attached hereto as Exhibit J a pro forma income statement of Commonwealth Telephone Company for the twelve months ending December 31, 1986, after giving effect to the Merger of CTC and LTC into Commonwealth and with inter-company elements eliminated.

21. There is attached hereto as Exhibit K a schedule of tentative journal entries that Commonwealth will make to record the transfer in its accounts.

22. There are attached hereto as Exhibit L certified copies of the consents and resolutions adopted by the Board of Directors and sole shareholder of CTC, LTC and the Board of Directors of C-TEC and Commonwealth authorizing the transfer herein proposed [Exhibit L will be filed by letter amendment]. No action is required by the shareholders of Commonwealth to authorize the proposed transfer.

23. Following the proposed transfer, Commonwealth will provide service to the customers formerly served by CTC and LTC. The transfer will have no adverse effect on the service to the customers of CTC and LTC.

24. Although we are philosophically opposed to freezing any rates at their current level, we will warrant a three (3) year "stay-out" period for CTC and LTC provided a change in Rate Base Rate of Return Regulation does not take place during that period.

24.1 Commonwealth plans to combine the CTC and LTC tariffs into Commonwealth tariffs, listing the present rates for CTC and LTC where appropriate. Commonwealth does not plan to keep separate books and records with respect to the assets and operations by CTC and LTC pursuant to the

merger and, consequently, does plan that accounting and rate-making procedures would be combined. Thus, the customers of CTC and LTC will not be affected by any rate or service changes as a result of the merger, and would enjoy the benefit of rate stabilization for the three (3) year "stay-out" period.

24.2 To further illustrate the customer benefit of the proposed three (3) year stabilization period, Exhibit M reflects the pro-forma income statements for both CTC and LTC. Based on the rate of return shown in Exhibit M, Lewisberry's intrastate rate of return warrants rate consideration in any one of the three (3) years.

25. The primary purpose for the proposed merger is to simplify the Commonwealth corporate structure, resulting in the reduction of direct expenses and improved efficiency in excess of \$140,000. With merger approval, these funds would be redistributed, insuring a more efficiently operated surviving corporation. Specifically, a reduction of manpower requirements to maintain separate tariffs and formal record keeping will significantly reduce the need to add additional personnel in these areas. We will then be better positioned to merge other small local exchange companies into Commonwealth in the future.

25.1 In addition, by treating CTC and LTC as individual exchanges, rather than separate companies, we will be able to operate the accounting and tariff administration departments in the same efficient manner as field operations manage their responsibilities for the two companies today. If we are required to continue the maintenance of separate books, we would lose the proposed savings in our accounting department. The present accounting expenses to operate three separate companies are \$60,000.

25.2 To further detail the justification and benefits of the merger, a discussion of same is attached, hereto, as Exhibit N.

26. CTC and LTC have paid all special and general assessments made against it by your Honorable Commission pursuant to Section 510 of the Pennsylvania Public Utility Code.

27. Provision for the payment of amounts of any and all lawful, special and general assessments which your Honorable Commission may make, pursuant to said Section 510 of said law, against CTC and LTC from the dates of the next preceding special and general assessments to the date of the transfer herein proposed, will be made by Commonwealth.

WHEREFORE, Applicants pray your Honorable Commission to issue a Certificate of Public Convenience pursuant to Public Utility Code, 66 Pa. C.S.A. §1102(a)(3) approving

(i) the Merger of Coopersburg Telephone Company and Lewisberry Telephone Company with and into Commonwealth Telephone Company; and

(ii) the transfer pursuant to the aforementioned Merger to Commonwealth Telephone Company of all the property and rights of Coopersburg Telephone Company and Lewisberry Telephone Company.

COMMONWEALTH TELEPHONE COMPANY

By Jack H Thomas

COOPERSBURG TELEPHONE COMPANY

By Jack H Thomas

LEWISBERRY TELEPHONE COMPANY

By Jack H Thomas

COMMONWEALTH OF PENNSYLVANIA :

: ss.

COUNTY OF LUZERNE :

Jack H. Thomas, being duly sworn according to law, deposes and says that he is Executive Vice President of Commonwealth Telephone Company and that he is authorized to, and does, make this affidavit on its behalf; that he has read the foregoing application of Commonwealth Telephone Company, and that the facts therein set are true and correct to the best of his knowledge, information and belief.

Jack H Thomas

SWORN TO and subscribed before me this 18 day of MARCH, 1987.

My Commission Expires:

KATHERINE MUNDY, Notary Public
Shickelunny-Lake, Luzerne Co., Pa.
My Commission Expires March 23, 1987

Katherine Mundy

Notary Public

COMMONWEALTH OF PENNSYLVANIA

:

: SS.

COUNTY OF LUZERNE

:

Jack H. Thomas, being duly sworn according to law, desposes and says that he is Executive Vice President of Coopersburg Telephone Company and that is is authorized to, and does, make this affidavit on its behalf; that he has read the foregoing application of Coopersburg Telephone Company, and that the facts therein set forth are true and correct to the best of his knowledge, information and belief.

Jack H Thomas

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Katherine Mundy
Notary Public

COMMONWEALTH OF PENNSYLVANIA

:

: SS.

COUNTY OF LUZERNE

:

Jack H. Thomas, being duly sworn according to law, deposes and says that he is Executive Vice-President of Lewisberry Telephone Company and that he is authorized to, and does, make this affidavit on its behalf; that he has read the foregoing application of Lewisberry Telephone Company, and that the facts therein set forth are true and correct to the best of his knowledge, information and belief.

Jack H Thomas

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Katherine Mundy
Notary Public

COOPERSBURG TELEPHONE COMPANY
 BALANCE SHEET
 ASSETS

ACCT.	DESCRIPTION	12/31/86	12/31/85
TELEPHONE PLANT LESS RESERVE:			
100.1	Telephone Plant in Service	2381860	2271763
100.2	Telephone Plant under Construction	108348	2718
100.3	Property Held for Future Telephone Use	0	0
100.4	Telephone Plant Acquisition Adjustment	1407107	1485280
	Total Telephone Plant	3897315	3759761
171	Depreciation Reserve	1042767	884886
	Total Telephone Plant less Reserve	2854548	2874875
INVESTMENTS AND FUNDS:			
101.1	Investments in Affiliated Companies	0	0
101.2	Advances to Affiliated Companies	0	0
102	Other Investments	7060	7060
103	Miscellaneous Physical Property	41125	6704
104	Sinking Funds	0	0
	Total Investments and Funds	48185	13764
CURRENT ASSETS:			
113	Cash	577298	464859
114	Special Cash Deposits	1574155	1530000
115	Working Funds	150	431
116	Temporary Cash Investments	0	0
117.1	Notes Receivable from Affiliated Cos.	0	0
117.2	Other Notes Receivable	0	0
118.a	Due from Customers and Agents	160912	156592
118.o	Reserve for Uncollectible Accounts	0	0
120.1	Accts. Receivable from Affiliated Cos.	28392	13835
120.2	Other Accounts Receivable	141904	237547
121.2	Interest and Dividends Receivable	1950	315
122	Material and Supplies	52531	27011
124	Terminal Equipment Inventory	7706	5450
	Total Current Assets	2544998	2435240
PREPAID ACCOUNTS AND DEFERRED CHARGES:			
130	Prepaid Taxes	0	0
131	Prepaid Insurance	2802	1046
132	Prepaid Directory Expense	4891	3969
133	Other Prepayments	1095	877
135.1	Discount on Outstanding Long-Term Debt	0	0
138	Extraordinary Maintenance & Retirements	188190	222407
139	Other Deferred Charges	0	411
	Total Prepaid Accts. & Deferred Chgs.	196978	228710
	TOTAL ASSETS	5644709	5552589

COOPERSBURG TELEPHONE COMPANY
BALANCE SHEET
CAPITALIZATION AND LIABILITIES

ACCT.	DESCRIPTION	12/31/86	12/31/85
STOCKHOLDERS' EQUITY:			
150.1	Common Stock	17900	17900
150.2	Preferred Stock	0	0
152	Premium on Capital Stock	1563452	1563452
179	Capital Surplus	0	0
134.22	Capital Stock Expense	0	0
181	Unappropriated Retained Earnings	3151087	2637309
	Total Stockholders' Equity	4732439	4218661
LONG-TERM DEBT:			
154	Funded Debt	0	0
157	Other Long-Term Debt	0	0
	Total Long-Term Debt	0	0
CURRENT AND ACCRUED LIABILITIES:			
158.2	Other Notes Payable	6680	6680
159.2	Accts. Payable to Affiliated Companies	97216	312285
159.2	Other Accounts Payable	206007	473821
160	Customers' Deposits	8850	5800
164	Advance Billing and Payments	29565	28561
165	Other Current Liabilities	0	0
166	Taxes Accrued	72256	44648
167.2	Accrued Interest - Funded Debt	0	0
167.3	Accrued Interest - All Other	0	0
167.5	Other Accrued Liabilities	0	3383
	Total Current and Accrued Liabilities	420574	875178
DEFERRED CREDITS:			
168	Premium on Long-Term Debt	0	0
174	Other Deferred Credits	138635	148949
176	Accumulated Deferred Income Taxes	353061	309801
	Total Deferred Credits	491696	458750
TOTAL CAPITALIZATION AND LIABILITIES		5644739	5552589

LEWISBERRY TELEPHONE COMPANY
BALANCE SHEET
ASSETS

PAGE 1	ACCT. DESCRIPTION	12/31/86	12/31/85
	TELEPHONE PLANT LESS RESERVE:		
100.1	Telephone Plant in Service	7910447	6697536
100.2	Telephone Plant under Construction	96358	1101930
100.3	Property Held for Future Telephone Use	0	0
100.4	Telephone Plant Acquisition Adjustment	673518	707054
	Total Telephone Plant	8680323	8506520
171	Depreciation Reserve	3173633	2907625
	Total Telephone Plant less Reserve	5506690	5598895
	INVESTMENTS AND FUNDS:		
101.1	Investments in Affiliated Companies	0	0
101.2	Advances to Affiliated Companies	0	0
102	Other Investments	101500	101500
103	Miscellaneous Physical Property	54982	51729
104	Sinking Funds	0	0
	Total Investments and Funds	156482	153229
	CURRENT ASSETS:		
113	Cash	346559	61711
114	Special Cash Deposits	2399734	1598600
115	Working Funds	1450	1450
116	Temporary Cash Investments	0	0
117.1	Notes Receivable from Affiliated Cos.	0	0
117.2	Other Notes Receivable	0	0
118.a	Due from Customers and Agents	338237	306363
118.b	Reserve for Uncollectible Accounts	0	0
120.1	Accts. Receivable from Affiliated Cos.	48733	520781
120.2	Other Accounts Receivable	294468	517682
121.2	Interest and Dividends Receivable	8495	4904
122	Material and Supplies	92212	107937
124	Terminal Equipment Inventory	27198	42559
	Total Current Assets	3557086	3161987
	PREPAID ACCOUNTS AND DEFERRED CHARGES:		
130	Prepaid Taxes	0	0
131	Prepaid Insurance	7871	2817
132	Prepaid Directory Expense	30879	24266
133	Other Prepayments	1859	1485
135.1	Discount on Outstanding Long-Term Debt	15743	16409
138	Extraordinary Maintenance & Retirements	258044	313885
139	Other Deferred Charges	15937	18379
	Total Prepaid Accts. & Deferred Chgs.	322333	377241
	TOTAL ASSETS	9542591	9291352

LEWISBERRY TELEPHONE COMPANY
BALANCE SHEET
CAPITALIZATION AND LIABILITIES

ACCT.	DESCRIPTION	12/31/86	12/31/85
STOCKHOLDERS' EQUITY:			
150.1	Common Stock	100	100
150.2	Preferred Stock	0	0
152	Premium on Capital Stock	0	0
179	Capital Surplus	2103427	2103427
134.22	Capital Stock Expense	0	0
181	Unappropriated Retained Earnings	2552879	2082309
	Total Stockholders' Equity	4656406	4185836
LONG-TERM DEBT:			
154	Funded Debt	2654575	2736455
157	Other Long-Term Debt	0	0
	Total Long-Term Debt	2654575	2736455
CURRENT AND ACCRUED LIABILITIES:			
158.2	Other Notes Payable	0	0
159.2	Accts. Payable to Affiliated Companies	91680	181989
159.2	Other Accounts Payable	477185	652384
160	Customers' Deposits	6008	12197
164	Advance Billing and Payments	76260	68541
165	Other Current Liabilities	0	0
166	Taxes Accrued	93414	42826
167.2	Accrued Interest - Funded Debt	13866	14447
167.3	Accrued Interest - All Other	0	0
167.5	Other Accrued Liabilities	35612	40999
	Total Current and Accrued Liabilities	794825	1013383
DEFERRED CREDITS:			
168	Premium on Long-Term Debt	0	0
174	Other Deferred Credits	290965	228246
176	Accumulated Deferred Income Taxes	1146620	1127432
	Total Deferred Credits	1437585	1355678
	TOTAL CAPITALIZATION AND LIABILITIES	5542591	9291352

COMMONWEALTH TELEPHONE COMPANY
BALANCE SHEET
ASSETS

PAGE 1	ACCT. DESCRIPTION	12/31/86	12/31/85
	TELEPHONE PLANT LESS RESERVE:		
100.1	Telephone Plant in Service	241365467	228167456
100.2	Telephone Plant under Construction	2472721	4552566
100.3	Property Held for Future Telephone Use	41475	41475
100.4	Telephone Plant Acquisition Adjustment	0	0
	Total Telephone Plant	243879663	232761497
171	Depreciation Reserve	101580114	95716777
	Total Telephone Plant less Reserve	142299549	137044720
	INVESTMENTS AND FUNDS:		
101.1	Investments in Affiliated Companies	4656405	4185836
101.2	Advances to Affiliated Companies	0	0
102	Other Investments	3355917	3356625
103	Miscellaneous Physical Property	1130774	844158
104	Sinking Funds	0	0
	Total Investments and Funds	9143096	8386619
	CURRENT ASSETS:		
113	Cash	1234523	2761878
114	Special Cash Deposits	38784211	31035760
115	Working Funds	24527	35110
116	Temporary Cash Investments	0	0
117.1	Notes Receivable from Affiliated Cos.	0	0
117.2	Other Notes Receivable	209000	0
118.a	Due from Customers and Agents	6928382	6279855
118.b	Reserve for Uncollectible Accounts	0	0
120.1	Accts. Receivable from Affiliated Cos.	967774	2305766
120.2	Other Accounts Receivable	7378615	10725162
121.2	Interest and Dividends Receivable	350441	276679
122	Material and Supplies	2770773	3031247
124	Terminal Equipment Inventory	639962	1017158
	Total Current Assets	59280208	57468615
	PREPAID ACCOUNTS AND DEFERRED CHARGES:		
130	Prepaid Taxes	0	0
131	Prepaid Insurance	485582	223930
132	Prepaid Directory Expense	940829	830164
133	Other Prepayments	71061	81571
135.1	Discount on Outstanding Long-Term Debt	212292	220658
138	Extraordinary Maintenance & Retirements	356607	429137
139	Other Deferred Charges	303563	132453
	Total Prepaid Accts. & Deferred Chgs.	2289934	1917913
	TOTAL ASSETS	213012787	204817867

COMMONWEALTH TELEPHONE COMPANY
BALANCE SHEET
CAPITALIZATION AND LIABILITIES

PAGE 2

ACCT.	DESCRIPTION	12/31/86	12/31/85
STOCKHOLDERS' EQUITY:			
150.1	Common Stock	8450862	8450862
150.2	Preferred Stock	426000	2490900
152	Premium on Capital Stock	9270845	9270845
179	Capital Surplus	2042779	1912642
134.22	Capital Stock Expense	-241719	-241719
181	Unappropriated Retained Earnings	61874621	50373827
	Total Stockholders' Equity	81823388	72257357
LONG-TERM DEBT:			
154	Funded Debt	0	0
157	Other Long-Term Debt	79683653	80654302
	Total Long-Term Debt	79683653	80654302
CURRENT AND ACCRUED LIABILITIES:			
158.2	Other Notes Payable	0	0
159.2	Accts. Payable to Affiliated Companies	1307498	2883593
159.2	Other Accounts Payable	13222597	15450848
160	Customers' Deposits	166514	249577
164	Advance Billing and Payments	1813652	1654167
165	Other Current Liabilities	0	0
166	Taxes Accrued	1898618	1522672
167.2	Accrued Interest - Funded Debt	368624	364484
167.3	Accrued Interest - All Other	0	0
167.5	Other Accrued Liabilities	233338	313224
	Total Current and Accrued Liabilities	19010831	22438565
DEFERRED CREDITS:			
168	Premium on Long-Term Debt	0	0
174	Other Deferred Credits	9132570	9579385
176	Accumulated Deferred Income Taxes	23362345	19888258
	Total Deferred Credits	32494915	29467643
	TOTAL CAPITALIZATION AND LIABILITIES	213012787	204817367

COOPERSBURG TELEPHONE COMPANY
INCOME STATEMENT

ACCT. DESCRIPTION	12 Months Ended 12/31/86	12 Months Ended 12/31/85
OPERATING REVENUES:		
500 Local Service Revenues	366693	369364
510 Toll Service Revenues	1673024	1349378
520 Miscellaneous Revenues	130223	111066
530 Uncollectible Operating Revenues	-2067	123
Total Operating Revenues	2167873	1829931
OPERATING EXPENSES AND TAXES:		
600 Maintenance Expenses	185657	189998
620 Traffic Expenses	317805	56388
640 Commercial Expenses	132078	149952
660 General Office Salaries and Expenses	303833	184961
667 Other Operating Expenses	-247216	71189
Total Above Expenses	692157	652488
608.1 Depreciation Expense	217524	135570
609 Extraordinary Retirement	34216	34216
Total Operating Expenses	943897	822274
304 Investment Tax Credit, Net	-10764	-3566
307.10 State Income Tax	87370	77296
307.11 Gross Receipts Tax	129357	49804
307.12 Capital Stock Tax	36945	15996
Other State Taxes	6426	7310
306 Federal Income Tax	382279	317648
Other Federal Taxes	24135	16275
308 Deferred Federal Income Tax	48914	50529
Deferred State Income Tax	12856	13295
309 Income Credit from Deferred Income Taxes	-18510	-17410
Total Operating Expenses and Taxes	1642905	1349451
Net Operating Income	524968	480480
OTHER INCOME:		
313.1 Interest during Construction	0	0
Other Income, Net	-5257	-19979
Total Other Income	-5257	-19979
Income Available for Fixed Charges	519711	460501
FIXED CHARGES:		
335 Interest on Funded Debt	0	0
335 Other Interest Deductions	5933	841
338 Amortization of Discount on Funded Debt	0	0
340 Other Fixed Charges	0	0
Total Fixed Charges	5933	841
NET INCOME	513778	459660

LEWISBERRY TELEPHONE COMPANY
INCOME STATEMENT

PAGE 5

ACCT.	DESCRIPTION	12 Months Ended 12/31/86	12 Months Ended 12/31/85
OPERATING REVENUES:			
500	Local Service Revenues	966399	991656
510	Toll Service Revenues	2387743	1848596
520	Miscellaneous Revenues	154995	155122
530	Uncollectible Operating Revenues	-9829	-1420
	Total Operating Revenues	3499308	2993954
OPERATING EXPENSES AND TAXES:			
620	Maintenance Expenses	477510	469154
620	Traffic Expenses	489327	50598
640	Commercial Expenses	219702	195861
660	General Office Salaries and Expenses	581103	374275
667	Other Operating Expenses	98371	80151
	Total Above Expenses	1866013	1170039
609.1	Depreciation Expense	400794	496151
609	Extraordinary Retirement	63841	63842
	Total Operating Expenses	2330648	1730032
304	Investment Tax Credit, Net	59767	-17730
307.10	State Income Tax	57373	68589
307.11	Gross Receipts Tax	200333	89307
307.12	Capital Stock Tax	33000	30396
	Other State Taxes	12140	9775
306	Federal Income Tax	188373	319857
	Other Federal Taxes	53144	17745
308	Deferred Federal Income Tax	33338	73454
	Deferred State Income Tax	15220	25476
309	Income Credit from Deferred Income Taxes	-43729	-45421
	Total Operating Expenses and Taxes	2939607	2301480
	Net Operating Income	559701	692474
OTHER INCOME:			
313.1	Interest during Construction	0	0
	Other Income, Net	74336	52464
	Total Other Income	74336	52464
	Income Available for Fixed Charges	634037	744938
FIXED CHARGES:			
335	Interest on Funded Debt	153531	156784
336	Other Interest Deductions	9271	37392
338	Amortization of Discount on Funded Debt	665	665
340	Other Fixed Charges	0	0
	Total Fixed Charges	163467	194841
	NET INCOME	470570	550097

COMMUNICATIONS TELEPHONE COMPANY
INCOME STATEMENT

PAGE 5	ACCT. DESCRIPTION	12 Months Ended 12/31/86	12 Months Ended 12/31/85
	OPERATING REVENUES:		
500	Local Service Revenues	19449310	19430449
510	Toll Service Revenues	61348358	52982570
520	Miscellaneous Revenues	4328760	3858251
530	Uncollectible Operating Revenues	-216773	11996
	Total Operating Revenues	84909655	76283266
	OPERATING EXPENSES AND TAXES:		
600	Maintenance Expenses	11903421	12660132
620	Traffic Expenses	6759091	1833111
640	Commercial Expenses	4309741	4320462
660	General Office Salaries and Expenses	12592596	11098987
667	Other Operating Expenses	699784	2032040
	Total Above Expenses	36264633	31952732
608.1	Depreciation Expense	16015188	15612768
609	Extraordinary Retirement	72530	51519
	Total Operating Expenses	52352351	47617019
304	Investment Tax Credit, Net	-694581	356521
307.10	State Income Tax	1246322	1672755
307.11	Gross Receipts Tax	5313317	2189451
307.12	Capital Stock Tax	749088	781826
	Other State Taxes	510047	586167
306	Federal Income Tax	5252794	5456578
	Other Federal Taxes	1076739	1090568
308	Deferred Federal Income Tax	2973035	360444
	Deferred State Income Tax	742578	72061
309	Income Credit from Deferred Income Taxes	-164283	-187744
	Total Operating Expenses and Taxes	69357407	59995646
	Net Operating Income	15552248	16287620
	OTHER INCOME:		
313.1	Interest during Construction	0	0
	Other Income, Net	2040935	1782188
	Total Other Income	2040935	1782188
	Income Available for Fixed Charges	17593183	18069808
	FIXED CHARGES:		
335	Interest on Funded Debt	5689204	5738225
336	Other Interest Deductions	292774	569017
338	Amortization of Discount on Funded Debt	8366	8366
340	Other Fixed Charges	0	0
	Total Fixed Charges	5990344	6315608
	NET INCOME	11602839	11754200

PLAN OF MERGER

This is a Plan of Merger ("Plan") between Coopersburg Telephone Company ("CTC"), a Pennsylvania Corporation, Lewisberry Telephone Company ("LTC"), a Pennsylvania Corporation, C-TEC Corporation ("C-TEC"), a Pennsylvania Corporation and the sole shareholder of CTC and Commonwealth Telephone Company ("Commonwealth"), a Pennsylvania Corporation and sole shareholder of LTC.

1. MERGER OF CTC AND LTC INTO COMMONWEALTH. On the Effective Date (defined in paragraph 4), CTC and LTC will merge into Commonwealth and the separate existence of CTC and LTC will cease. Commonwealth will be the Surviving Corporation and will continue its existence under Pennsylvania Law. The Surviving Corporation will succeed, without other transfer, to all the rights and property of CTC and LTC and will be subject to all of the debts and liabilities of CTC and LTC in the same manner as if Commonwealth had incurred them. All rights of creditors and all liens upon property of CTC and LTC shall be limited to the property affected thereby immediately prior to the time the merger is effective. ®

2. ARTICLES OF INCORPORATION OF SURVIVING CORPORATION. On the Effective Date the Articles of Incorporation of Commonwealth, as then in effect, will become the Articles of Incorporation of the Surviving Corporation and thereafter continue to be its Articles of Incorporation until changed by law.

3. SHARES. On the Effective Date:

3.1 Each then issued and outstanding share, and each share then held in the treasury, of the stock of Commonwealth will be and continue to be an issued and outstanding share, or a treasury share, as the case may be, of the stock of the Surviving Corporation.

3.2 Each then issued and outstanding share, and each share then held in the treasury, of the stock of CTC will, by virtue of the merger and with the appropriate consents of the Board of Directors of C-TEC, be cancelled without conversion or issuance of any shares of stock of the Surviving Corporation with respect thereto.

3.3 Each then issued and outstanding share, and each share then in the treasury, of the stock of LTC will, by virtue of the merger and without any action on the part of the holder thereof, be cancelled without conversion or issuance of any shares of stock of the Surviving Corporation with respect thereto.

4. APPROVAL, FILING AND EFFECTIVE DATE. After this Plan has been duly approved in the manner required by law and if it has not been terminated under paragraph 5, it will become effective upon the filing of the appropriate Articles of Merger, to which this Plan will be attached, with the Department of State of the Commonwealth of Pennsylvania (the "Effective Date").

5. TERMINATION. This Plan may be terminated or amended and the merger abandoned by action of the Board of Directors of either Commonwealth, CTC or LTC at any time before the Effective Date notwithstanding approval in the manner set forth in paragraph 4.

COOPERSBURG TELEPHONE COMPANY
Fixed Capital Accounts
12-31-86

<u>TITLE</u>	<u>COST</u>	<u>ALLOWANCE FOR DEPRECIATION</u>	<u>BOOK VALUE</u>
Organization	729		729
Land	9,519		9,519
Buildings	135,089	49,240	85,849
Central Office Equip.	861,581	298,731	562,850
Station Apparatus	217,940	185,015	32,925
Station Connections	252,692	114,884	137,808
Private Branch Exchanges	49,748	36,512	13,236
Pole Lines	102,126	48,314	53,812
Aerial Cable	617,745	248,132	369,613
Underground Cable	9,735	3,923	5,812
Buried Cable	55,456	14,680	40,776
Aerial Wire	21,185	5,607	15,578
Underground Conduit	4,415	1,681	2,734
Furniture & Office Equip.	22,642	15,999	6,643
Vehicles	20,386	19,941	445
Tools & Test Equipment	872	108	764
Total Tele. Plant in Service	2,381,860	<u>1,042,767</u>	1,339,093
Telephone Plant Under Construction	108,347		108,347
Telephone Plant Acquisition Adjustment	<u>1,407,107</u>		<u>1,407,107</u>
Total Telephone Plant	<u>3,897,314</u>		<u>2,854,547</u>

2/25/87

LEWISBERRY TELEPHONE COMPANY
Fixed Capital Accounts
12-31-86

<u>TITLE</u>	<u>COST</u>	<u>ALLOWANCE FOR DEPRECIATION</u>	<u>BOOK VALUE</u>
Land	5,220		5,220
Buildings	359,719	87,497	272,222
Central Office Equipment	2,774,123	846,522	1,927,601
Station Apparatus	291,652	276,829	14,823
Station Connection	904,878	430,022	474,856
Private Branch Exchange	272,911	272,911	-
Public Telephone Equip.	614	149	465
Pole Lines	277,875	66,241	211,634
Aerial Cable	2,080,232	911,499	1,168,733
Underground Cable	21,359	6,708	14,651
Buried Cable	724,920	170,638	554,282
Aerial Wire	92,432	58,923	33,509
Underground Conduit	58,724	13,308	45,416
Furniture & Office Equip.	8,472	3,103	5,369
Vehicles	23,450	22,026	1,424
Tools & Test Equipment	13,864	7,257	6,607
Total Telephone Plant In Service	<u><u>7,910,445</u></u>	<u><u>3,173,633</u></u>	<u><u>4,736,812</u></u>
Telephone Plant Under Construction	96,358		96,358
Telephone Plant Acquisition Adjustment	<u>673,518</u>		<u>673,518</u>
Total Telephone Plant	<u><u>8,680,321</u></u>		<u><u>5,506,688</u></u>

2/25/87

COMMONWEALTH TELEPHONE COMPANY

Pro Forma Balance Sheet as of December 31, 1986 giving effect to the Merger
of the Lewisberry and Coopersburg Telephone Companies into
Commonwealth Telephone Company

ASSETS

<u>Acct.</u>	<u>Description</u>	
TELEPHONE PLANT LESS RESERVES:		
100.1	Telephone Plant in Service	\$ 251,657,772
100.2	Telephone Plant under Construction	2,677,428
100.3	Property Held for Future Tele. Use	41,475
100.4	Telephone Plant Acquisition Adjust.	2,080,625
	Total Telephone Plant	<u>256,457,300</u>
171	Depreciation Reserve - Cr.	<u>105,796,514</u>
	Total Tele. Plant Less Reserves	<u>150,660,786</u>
INVESTMENTS AND FUNDS:		
101.1	Investments in Affiliated Companies	-0-
101.2	Advances to Affiliated Companies	-0-
102	Other Investments	3,464,477
103	Misc. Physical Property	1,226,880
104	Sinking Funds	-0-
	Total Investments and Funds	<u>4,691,357</u>
CURRENT ASSETS:		
113	Cash	2,158,380
114	Special Cash Deposits	42,758,101
115	Working Funds	26,127
116	Temporary Cash Investments	-0-
117.1	Notes Receivable from Affiliated Cos.	-0-
117.2	Other Notes Receivable	209,000
118.a	Due from Customers and Agents	7,427,531
118.b	Reserve for Uncollectible Accounts	-0-
120.1	Accounts Receivable from Affiliated Co's.	848,329
120.2	Other Accounts Receivable	7,806,987
121.2	Other Interest & Dividends Receivable	360,886
122	Material and Supplies	<u>3,590,382</u>
	Total Current assets	<u>65,185,723</u>
PREPAID ACCOUNTS & DEFERRED CHARGES:		
130	Prepaid Taxes	-0-
131	Prepaid Insurance	416,255
132	Prepaid Directory Expenses	976,598
133	Other Prepayments	74,015
134.2	Capital Stock Expense	-0-
135.1	Discount on Outstanding Long-Term Debt	228,035
138	Extraordinary Maintenance & Retirements	794,841
139	Other Deferred Charges	319,499
	Total Prepaid Accounts & Def. Charges	<u>2,809,243</u>
TOTAL ASSETS		<u>\$ 223,347,109</u>

COMMONWEALTH TELEPHONE COMPANY

Pro Forma Balance Sheet as of December 31, 1986 giving effect to the Merger
of the Lewisberry and Coopersburg Telephone Companies into
Commonwealth Telephone Company

LIABILITIES

CAPITAL STOCK & SURPLUS:

150.1	Common Stock	\$ 8,450,862
150.2	Preferred Stock	426,000
152	Premium on Capital Stock	10,852,198
179	Capital Surplus	2,042,779
134.22	Capital Stock Expense	<u>- 241,719</u>
	Total Capital Stock	21,530,120
181	Unappropriated Earned Surplus	<u>65,025,708</u>
	Total Capital Stock & Surplus	<u>86,555,828</u>

LONG-TERM DEBT:

154	Funded Debt	82,338,228
157	Other Long-Term Debt	<u>-0-</u>
	Total Long-Term Debt	<u>82,338,228</u>

CURRENT & ACCRUED LIABILITIES:

158.2	Other Notes Payable	6,680
159.1	Accts Payable to Affiliated Companies	1,299,610
159.2	Other Accounts Payable	13,905,993
160	Customers' Deposits	181,372
164	Advance Billing & Payments	1,919,477
165	Other Current Liabilities	<u>-0-</u>
166	Taxes Accrued	2,064,288
167.2	Accrued Interest - Funded Debt	382,490
167.3	Accrued Interest - All Other	<u>-0-</u>
167.5	Other Accrued Liabilities	268,951
	Total Current & Accrued Liabilities	<u>20,028,861</u>

DEFERRED CREDITS

168	Premium on Long-Term Debt	<u>-0-</u>
174	Other Deferred Credits	9,562,166
176	Accum. Def. Inc. Taxes	24,862,026
	Total Def. Credits	<u>34,424,192</u>

TOTAL CAPITALIZATION and LIABILITIES	<u>\$ 223,347,109</u>
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COMMONWEALTH TELEPHONE COMPANY

Income Statement

Pro Forma Income Statement for the 12 months ended December 31, 1986 giving effect to the merger of Lewisberry and Coopersburg Telephone Companies into Commonwealth Telephone Company.

<u>Acct.</u>	<u>Description</u>	
OPERATING REVENUES:		
500	Local Service	\$20,782,401
510	Toll Service	65,409,125
521	Miscellaneous	4,613,978
530	Uncollectible Oper. Revenues	- 228,669
	Total Operating Revenues	<u>90,576,835</u>
OPERATING EXPENSES & TAXES:		
600	Maintenance	12,566,588
620	Traffic	7,566,223
640	Commercial	4,661,521
660	General Office Salaries & Expenses	13,477,532
667	Other Operating Expenses	550,939
	Total Above Expenses	<u>38,822,803</u>
608.1	Depreciation	16,633,506
609	Extraordinary Retirement	170,587
	Total Operating Expenses	<u>55,626,896</u>
304	Investment Tax Credit	- 645,578
307.11	Pa. Gross Receipts Tax	5,643,007
307.12	Pa. Capital Stock Tax	819,033
	All Other State Taxes	528,613
307.10	State Income Tax	1,391,065
306	Federal Income Tax	5,823,446
308	Deferred Federal Income Tax	3,055,287
	Deferred State Income Tax	770,654
	Other Federal Taxes	1,154,018
309	Inc. Cr. from Deferred Income Taxes	- 226,522
	Total Operating Exp. & Taxes	<u>73,939,919</u>
	Net Operating Income	<u>16,636,916</u>
OTHER INCOME:		
313.1	Interest During Construction - Cr	-0-
	Other - Net	1,639,444
	Total Other Income	<u>1,639,444</u>
	Income Avail. for Fixed Charges	<u>18,276,360</u>
FIXED CHARGES:		
335	Interest on Funded Debt	5,842,735
336	Other Interest Deductions	307,978
338	Amort. of Discount on Funded Debt	9,031
340	Other Fixed Charges	-0-
	Total Fixed Charges	<u>6,159,744</u>
	NET INCOME	<u>\$12,116,616</u>

Proposed journal entry to reflect the merger of Lewisberry and Coopersburg Telephone Companies into Commonwealth Telephone Company.

	<u>DEBIT</u>	<u>CREDIT</u>
Telephone Plant & Equipment	\$10,292,307	
Telephone Plant Under Constr.	204,706	
Telephone Plant Acquisition Adj	2,080,625	
Other Investments	108,560	
Misc. Physical Property	119,095	
Cash	923,857	
Special Cash Deposits	3,973,890	
Working Funds	1,600	
Due from Customers & Agents	499,149	
Other Accounts Receivable	436,371	
Accounts Receivable from Affiliated Co.		119,446
Interest & Dividends Rec.	10,445	
Materials & Supplies	179,647	
Prepaid Insurance	10,673	
Prepaid Directory Expense	35,770	
Other Prepayments	2,954	
Disc. on Long-Term Debt	15,743	
Extraordinary Retirements	438,234	
Other Deferred Charges	15,937	
Funded Debt		2,654,575
Notes Payable		6,680
Accounts Payable to Aff. Co.	7,674	
Other Accounts Payable		683,192
Customer Deposits		14,858
Advance Billing & Payments		105,825
Accrued Taxes		165,670
Interest & Rents Accrued		49,478
Depreciation Reserve		4,216,400
Other Deferred Credits		452,537
Accum. Def. Income Tax		1,499,681
Invest. in Affil. Co.		4,656,406
Premium on Capital Stock		1,581,352
Retained Earnings		3,151,087

2/25/87

Exhibit K

CORPORATE RESOLUTIONS TO BE FURNISHED
AT A LATER DATE

Exhibit L

PRO FORMA
COOPERSBURG TELEPHONE COMPANY
INTRASTATE INCOME STATEMENT

ACCT.	DESCRIPTION	12 Months Ended 12/31/87	12 Months Ended 12/31/86
OPERATING REVENUES:			
500	Local Service Revenues	359100	366693
510	Toll Service Revenues	1024900	1145750
520	Miscellaneous Revenues	72105	129775
530	Uncollectible Operating Revenues	-1533	-1585
	Total Operating Revenues	1454572	1640633
OPERATING EXPENSES AND TAXES:			
600	Maintenance Expenses	220072	150335
620	Traffic Expenses	342570	314185
640	Commercial Expenses	121429	111290
660	General Office Salaries and Expenses	300829	249251
667	Other Operating Expenses	74178	-200014
	Total Above Expenses	1059078	625047
600.1	Depreciation Expense	167148	176129
609	Extraordinary Retirement	28413	28416
	Total Operating Expenses	1254639	829592
304	Investment Tax Credit, Net	-8112	-8735
307.10	State Income Tax	-1878	57824
307.11	Gross Receipts Tax	59359	64909
307.12	Capital Stock Tax	14609	29985
	Other State Taxes	6125	5210
306	Federal Income Tax	-2245	256466
	Other Federal Taxes	24144	19539
308	Deferred Federal Income Tax	47960	39785
	Deferred State Income Tax	11385	10454
309	Income Credit from Deferred Income Taxes	-14608	-15022
	Total Operating Expenses and Taxes	1391378	1290007
	Net Operating Income	63194	350626
OTHER INCOME:			
313.1	Interest during Construction	0	0
	Other Income, Net	32028	-5257
	Total Other Income	32028	-5257
	Income Available for Fixed Charges	95222	345369
FIXED CHARGES:			
335	Interest on Funded Debt	0	0
336	Other Interest Deductions	808	115
338	Amortization of Discount on Funded Debt	0	0
340	Other Fixed Charges	0	0
	Total Fixed Charges	808	115
	INTRASTATE INCOME STATEMENT	94414	345254

PRO FORMA

COOPERSBURG TELEPHONE COMPANY
INTRASTATE RATE OF RETURN STUDY

Requested in Public Utility Commission's Letter of September 13, 1978

SCHEDULE A
INTRASTATE

	12 Months Ended 12/31/87	12 Months Ended 12/31/86	Average
Original cost of telephone plant in service, including construction work in progress in service	1851152	1932879	1892016
Deductions:			
Depreciation Reserve	735152	846518	0
Contributions in Aid of Construction	0	0	790835
Customers' Advances for Construction	0	0	0
Accumulated Deferred Income Taxes	331138	286509	308824
Total Deductions	1066291	1133027	1099659
Net Investment	784862	799852	792357
Material and Supplies	42282	42282	42282
Cash Working Capital	0	0	0
Rural Telephone Bank Class B Stock	0	0	0
Less: Unamortized ITC (pre-1971)	827144	842134	834639
	0	0	0
Intrastate Rate Base - Normalized	827144	842134	834639
Operating Revenues	1454572		1454572
Operating Revenue Deductions:			
Operating Expense	1059078		1059078
Depreciation Expense	167148		167148
Extraordinary Retirement	28413		28413
Taxes:			0
Investment Tax Credit, Net	-8112		-8112
State Income Tax	7072		7072
Federal Income Tax	33542		33542
Other Operating Taxes	104237		104237
Total Operating Revenue Deductions	1391378		1391378
Income Available for Intrastate Return - Normalized	63194		63194
Intrastate Rate of Return	7.64%		7.57%
Income Available for Intrastate Return - Adjusted for Known Changes	63194		63194
Intrastate Rate of Return	7.64%		7.57%

PRO FORMA

COOPERSBURG TELEPHONE COMPANY

Calculation of Intrastate Return on Average Common Equity
for the Twelve Months Ended 12/31/87

SCHEDULE C
INTRASTATE

	(1) Average Capital Ratios	(2) Average Intrastate Rate Base	(3) Totals	(4) Average Cost Rate	(5) Rate Base Related Cost of Debt & Pfd
1. Avg. Debt	45.00%	834639	375588	7.61%	28582
2. Avg. Preferred	0.00	834639	0	6.24	0
3. Avg. Common Equity	55.00	834639	459051	-	-
4. Total	<u>100.00%</u>		<u>834639</u>		<u>28582</u>

Twelve Months Ended
12/31/87

	Actual	Adjusted
5. Income Available for Intrastate Return (Schedule B)	63194	63194
6. Less: Rate Base Related Cost of Debt and Preferred (Line 4, Column 5)	28582	28582
7. Income Available for Average Common Equity (Line 5 less Line 6)	34612	34612
8. Average Debt Cost (Line 1, Column 5)	28582	28582
9. Less: Interest Expense Used to Compute State and Federal Income Taxes	808	808
10. Difference between Line 8 and Line 9	27774	27774
11. Effective State and Federal Income Tax Rate	.451	.451
12. Net Addition (Deduction) (Line 10 x Line 11)	12526	12526
13. Income Available for Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 7 + Line 12)	47138	47138
14. Intrastate Return on Average Common Equity (Line 7 / Line 3, Column 3)	7.54%	7.54%
15. Intrastate Return on Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 13 / Line 3, Column 3)	10.27%	10.27%

PRO FORMA
LEWISBERRY TELEPHONE COMPANY
INTRASTATE INCOME STATEMENT

ACCT.	DESCRIPTION	12 Months Ended 12/31/87	12 Months Ended 12/31/86
OPERATING REVENUES:			
500	Local Service Revenues	979850	966399
510	Toll Service Revenues	1416701	1435270
520	Miscellaneous Revenues	129627	154853
530	Uncollectible Operating Revenues	-9731	-7533
	Total Operating Revenues	2516447	2548989
OPERATING EXPENSES AND TAXES:			
600	Maintenance Expenses	481558	387211
620	Traffic Expenses	521446	488004
640	Commercial Expenses	133006	181005
660	General Office Salaries and Expenses	638433	476645
667	Other Operating Expenses	153935	79502
	Total Above Expenses	1928378	1612447
608.1	Depreciation Expense	375701	324523
609	Extraordinary Retirement	53019	53020
	Total Operating Expenses	2357098	1989990
304	Investment Tax Credit, Net	-35203	48501
307.10	State Income Tax	-24029	13717
307.11	Gross Receipts Tax	101149	101113
307.12	Capital Stock Tax	34899	26783
	Other State Taxes	10477	9839
306	Federal Income Tax	-78673	9377
	Other Federal Taxes	41645	43025
308	Deferred Federal Income Tax	46202	15825
	Deferred State Income Tax	16721	9907
309	Income Credit from Deferred Income Taxes	-43419	-35486
	Total Operating Expenses and Taxes	2426067	2232591
	Net Operating Income	90380	316398
OTHER INCOME:			
313.1	Interest during Construction	0	0
	Other Income, Net	116073	74336
	Total Other Income	116073	74336
	Income Available for Fixed Charges	206453	390734
FIXED CHARGES:			
335	Interest on Funded Debt	122615	124544
336	Other Interest Deductions	2307	1047
338	Amortization of Discount on Funded Debt	808	539
340	Other Fixed Charges	0	0
	Total Fixed Charges	125730	126130
	INTRASTATE INCOME STATEMENT	80723	264604

PRO FORMA
LEWISBERRY TELEPHONE COMPANY
INTRASTATE RATE OF RETURN STUDY
Requested in Public Utility Commission's Letter of September 13, 1978

SCHEDULE A
INTRASTATE

	12 Months Ended 12/31/87	12 Months Ended 12/31/86	Average
Original cost of telephone plant in service, including construction work in progress in service	6852669	5569946	6211307
Deductions:			0
Depreciation Reserve	2898042	2368410	2625226
Contributions in Aid of Construction	2938	563	1751
Customers' Advances for Construction	0	0	0
Accumulated Deferred Income Taxes	958049	914911	932480
Total Deductions	3843829	3589776	3676483
Net Investment	3009639	2989552	2959596
Material and Supplies	74221	86878	88558
Cash Working Capital	0	0	0
Rural Telephone Bank Class B Stock	0	0	0
	3883861	2983774	3833817
Less: Unamortized ITC (pre-1971)	0	84	42
Intrastate Rate Base - Normalized	3883861	2983774	3833817
Operating Revenues	2516447		2516447
Operating Revenue Deductions:			
Operating Expense	1928378		1928378
Depreciation Expense	375701		375701
Extraordinary Retirement	53819		53819
Taxes:			0
Investment Tax Credit, Net	-35283		-35283
State Income Tax	-15919		-15919
Federal Income Tax	-68879		-68879
Other Operating Taxes	188170		188170
Total Operating Revenue Deductions	2426867		2426867
Income Available for Intrastate Return - Normalized	98380		98380
Intrastate Rate of Return	2.93%		2.98%
Income Available for Intrastate Return - Adjusted for Known Changes	98380		98380
Intrastate Rate of Return	2.93%		2.98%

PRO FORMA
LEWISBERRY TELEPHONE COMPANY
Calculation of Intrastate Return on Average Common Equity
for the Twelve Months Ended 12/31/87

SCHEDULE C
INTRASTATE

	(1) Average Capital Ratios	(2) Average Intrastate Rate Base	(3) Totals	(4) Average Cost Rate	(5) Rate Base Related Cost of Debt & Pfd
1. Avg. Debt	61.78%	3033817	1874292	7.61%	142634
2. Avg. Preferred	0.20	3033817	6068	6.24	379
3. Avg. Common Equity	38.02	3033817	1153457	-	-
4. Total	<u>100.00%</u>		<u>3033817</u>		<u>143012</u>

	Twelve Months Ended 12/31/87	
	Actual	Adjusted
5. Income Available for Intrastate Return	90380	90380
6. Less: Rate Base Related Cost of Debt and Preferred (Line 4, Column 5)	143012	143012
7. Income Available for Average Common Equity (Line 5 less Line 6)	-52632	-52632
8. Average Debt Cost (Line 1, Column 5)	142634	142634
9. Less: Interest Expense Used to Compute State and Federal Income Taxes	125730	125730
10. Difference between Line 8 and Line 9	16904	16904
11. Effective State and Federal Income Tax Rate	.451	.451
12. Net Addition (Deduction) (Line 10 x Line 11)	7624	7624
13. Income Available for Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 7 + Line 12)	<u>-45009</u>	<u>-45009</u>
14. Intrastate Return on Average Common Equity (Line 7 / Line 3, Column 3)	<u>-4.56%</u>	<u>-4.56%</u>
15. Intrastate Return on Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 13 / Line 3, Column 3)	<u>-3.98%</u>	<u>-3.98%</u>

PRO FORMA
COOPERSBURG TELEPHONE COMPANY
INTRASTATE INCOME STATEMENT

ACCT. DESCRIPTION	12 Months Ended 12/31/88	12 Months Ended 12/31/87
OPERATING REVENUES:		
500 Local Service Revenues	339200	359100
510 Toll Service Revenues	1097100	1024900
520 Miscellaneous Revenues	71700	72105
530 Uncollectible Operating Revenues	-2000	-1533
Total Operating Revenues	1506000	1454572
OPERATING EXPENSES AND TAXES:		
600 Maintenance Expenses	229690	220072
620 Traffic Expenses	371268	342570
640 Commercial Expenses	75373	121429
660 General Office Salaries and Expenses	322448	300829
667 Other Operating Expenses	78722	74178
Total Above Expenses	1077501	1059078
608.1 Depreciation Expense	169658	167148
609 Extraordinary Retirement	28413	28413
Total Operating Expenses	1275572	1254639
304 Investment Tax Credit, Net	-8054	-8112
307.10 State Income Tax	12210	-1078
307.11 Gross Receipts Tax	61504	59359
307.12 Capital Stock Tax	16232	14609
Other State Taxes	3246	6125
306 Federal Income Tax	44690	-2245
Other Federal Taxes	28385	24144
308 Deferred Federal Income Tax	1559	47960
Deferred State Income Tax	426	11385
309 Income Credit from Deferred Income Taxes	-16880	-14608
Total Operating Expenses and Taxes	1418890	1391378
Net Operating Income	87110	63194
OTHER INCOME:		
313.1 Interest during Construction	0	0
Other Income, Net	60204	32028
Total Other Income	60204	32028
Income Available for Fixed Charges	147314	95222
FIXED CHARGES:		
335 Interest on Funded Debt	0	0
336 Other Interest Deductions	808	808
338 Amortization of Discount on Funded Debt	0	0
340 Other Fixed Charges	0	0
Total Fixed Charges	808	808
INTRASTATE INCOME STATEMENT	146506	94414

PRO FORMA

COOPERSBURG TELEPHONE COMPANY
INTRASTATE RATE OF RETURN STUDY

Requested in Public Utility Commission's Letter of September 13, 1978

SCHEDULE A
INTRASTATE

	12 Months Ended 12/31/88	12 Months Ended 12/31/87	Average
Original cost of telephone plant in service, including construction work in progress in service	1992962	1851152	1922857
Deductions:			0
Depreciation Reserve	860806	735152	797979
Contributions in Aid of Construction	0	0	0
Customers' Advances for Construction	0	0	0
Accumulated Deferred Income Taxes	316149	331138	323644
Total Deductions	1176955	1066291	1121623
Net Investment	816007	784862	800434
Material and Supplies	42282	42282	42282
Cash Working Capital	0	0	0
Rural Telephone Bank Class B Stock	0	0	0
	858289	827144	842717
Less: Unamortized ITC (pre-1971)	0	0	0
Intrastate Rate Base - Normalized	858289	827144	842717
Operating Revenues	1506000		1506000
Operating Revenue Deductions:			
Operating Expense	1077501		1077501
Depreciation Expense	169658		169658
Extraordinary Retirement	28413		28413
Taxes:			0
Investment Tax Credit, Net	-8054		-8054
State Income Tax	10201		10201
Federal Income Tax	31804		31804
Other Operating Taxes	109367		109367
Total Operating Revenue Deductions	1418890		1418890
Income Available for Intrastate Return - Normalized	87110		87110
Intrastate Rate of Return	10.15%		10.34%
Income Available for Intrastate Return - Adjusted for Known Changes	87110		87110
Intrastate Rate of Return	10.15%		10.34%

PRO FORMA

COOPERSBURG TELEPHONE COMPANY

Calculation of Intrastate Return on Average Common Equity
for the Twelve Months Ended 12/31/88

SCHEDULE C
INTRASTATE

	(1) Average Capital Ratios	(2) Average Intrastate Rate Base	(3) Totals	(4) Average Cost Rate	(5) Rate Base Related Cost of Debt & Pfd
1. Avg. Debt	45.00%	842717	379223	7.61%	28859
2. Avg. Preferred	0.00	842717	0	6.24	0
3. Avg. Common Equity	55.00	842717	463494	-	-
4. Total	<u>100.00%</u>		<u>842717</u>		<u>28859</u>

Twelve Months Ended
12/31/88

	Actual	Adjusted
5. Income Available for Intrastate Return	87110	87110
6. Less: Rate Base Related Cost of Debt and Preferred (Line 4, Column 5)	28859	28859
7. Income Available for Average Common Equity (Line 5 less Line 6)	58251	58251
8. Average Debt Cost (Line 1, Column 5)	28859	28859
9. Less: Interest Expense Used to Compute State and Federal Income Taxes	808	808
10. Difference between Line 8 and Line 9	28051	28051
11. Effective State and Federal Income Tax Rate	.3961	.3961
12. Net Addition (Deduction) (Line 10 x Line 11)	11111	11111
13. Income Available for Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 7 + Line 12)	<u>69362</u>	<u>69362</u>
14. Intrastate Return on Average Common Equity (Line 7 / Line 3, Column 3)	<u>12.57%</u>	<u>12.57%</u>
15. Intrastate Return on Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 13 / Line 3, Column 3)	<u>14.97%</u>	<u>14.97%</u>

PRO FORMA
LEWISBERRY TELEPHONE COMPANY
INTRASTATE INCOME STATEMENT

ACCT.	DESCRIPTION	12 Months Ended 12/31/88	12 Months Ended 12/31/87
OPERATING REVENUES:			
500	Local Service Revenues	940000	979850
510	Toll Service Revenues	1470100	1416701
520	Miscellaneous Revenues	101400	129627
530	Uncollectible Operating Revenues	-9100	-9731
	Total Operating Revenues	2502400	2516447
OPERATING EXPENSES AND TAXES:			
600	Maintenance Expenses	500439	481558
620	Traffic Expenses	556957	521446
640	Commercial Expenses	154452	133006
660	General Office Salaries and Expenses	679948	638433
667	Other Operating Expenses	155930	153935
	Total Above Expenses	2047726	1928378
600.1	Depreciation Expense	399182	375701
609	Extraordinary Retirement	53019	53019
	Total Operating Expenses	2499927	2357898
304	Investment Tax Credit, Net	-34872	-35203
307.10	State Income Tax	-34162	-24829
307.11	Gross Receipts Tax	101971	101149
307.12	Capital Stock Tax	38957	34899
	Other State Taxes	12640	10477
306	Federal Income Tax	-123102	-78673
	Other Federal Taxes	43520	41645
308	Deferred Federal Income Tax	44945	46202
	Deferred State Income Tax	12129	16721
309	Income Credit from Deferred Income Taxes	-50722	-43419
	Total Operating Expenses and Taxes	2511231	2426067
	Net Operating Income	-8831	90300
OTHER INCOME:			
313.1	Interest during Construction	0	0
	Other Income, Net	194559	116073
	Total Other Income	194559	116073
	Income Available for Fixed Charges	185728	206453
FIXED CHARGES:			
335	Interest on Funded Debt	120992	122615
336	Other Interest Deductions	2307	2307
338	Amortization of Discount on Funded Debt	808	808
340	Other Fixed Charges	0	0
	Total Fixed Charges	124107	125730
	INTRASTATE INCOME STATEMENT	61621	80723

PRO FORMA

LEWISBERRY TELEPHONE COMPANY
INTRASTATE RATE OF RETURN STUDY

Requested in Public Utility Commission's Letter of September 13, 1978

SCHEDULE A
INTRASTATE

	12 Months Ended 12/31/88	12 Months Ended 12/31/87	Average
Original cost of telephone plant in service, including construction work in progress in service	7274446	6852669	7063557
Deductions:			0
Depreciation Reserve	3231127	2890042	3060585
Contributions in Aid of Construction	2938	2938	2938
Customers' Advances for Construction	0	0	0
Accumulated Deferred Income Taxes	956457	950049	953253
Total Deductions	4198522	3843029	4016776
Net Investment	3083924	3009639	3046782
Material and Supplies	74221	74221	74221
Cash Working Capital	0	0	0
Rural Telephone Bank Class B Stock	0	0	0
	3158145	3083861	3121003
Less: Unamortized ITC (pre-1971)	0	0	0
Intrastate Rate Base - Normalized	3158145	3083861	3121003
Operating Revenues	2502400		2502400
Operating Revenue Deductions:			
Operating Expense	2047726		2047726
Depreciation Expense	399182		399182
Extraordinary Retirement	53019		53019
Taxes:			0
Investment Tax Credit, Net	-34872		-34872
State Income Tax	-29844		-29844
Federal Income Tax	-121068		-121068
Other Operating Taxes	197088		197088
Total Operating Revenue Deductions	2511231		2511231
Income Available for Intrastate Return - Normalized	-8831		-8831
Intrastate Rate of Return	-0.28%		-0.28%
Income Available for Intrastate Return - Adjusted for Known Changes	-8831		-8831
Intrastate Rate of Return	-0.28%		-0.28%

PRO FORMA

LEWISBERRY TELEPHONE COMPANY

Calculation of Intrastate Return on Average Common Equity
for the Twelve Months Ended 12/31/88

SCHEDULE C
INTRASTATE

	(1) Average Capital Ratios	(2) Average Intrastate Rate Base	(3) Totals	(4) Average Cost Rate	(5) Rate Base Related Cost of Debt & Pfd
1. Avg. Debt	57.90%	3121003	1807061	7.61%	137517
2. Avg. Preferred	0.10	3121003	3121	6.24	195
3. Avg. Common Equity	42.00	3121003	1310821	-	-
4. Total	<u>100.00%</u>		<u>3121003</u>		<u>137712</u>

Twelve Months Ended
12/31/88

	Actual	Adjusted
5. Income Available for Intrastate Return	-8831	-8831
6. Less: Rate Base Related Cost of Debt and Preferred (Line 4, Column 5)	137712	137712
7. Income Available for Average Common Equity (Line 5 less Line 6)	-146543	-146543
8. Average Debt Cost (Line 1, Column 5)	137517	137517
9. Less: Interest Expense Used to Compute State and Federal Income Taxes	124107	124107
10. Difference between Line 8 and Line 9	13410	13410
11. Effective State and Federal Income Tax Rate	.3961	.3961
12. Net Addition (Deduction) (Line 10 x Line 11)	5312	5312
13. Income Available for Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 7 + Line 12)	-141231	-141231
14. Intrastate Return on Average Common Equity (Line 7 / Line 3, Column 3)	-11.18%	-11.18%
15. Intrastate Return on Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 13 / Line 3, Column 3)	-10.77%	-10.77%

PRO FORMA
COOPERSBURG TELEPHONE COMPANY
INTRASTATE INCOME STATEMENT

ACCT.	DESCRIPTION	12 Months Ended 12/31/89	12 Months Ended 12/31/88
OPERATING REVENUES:			
500	Local Service Revenues	349700	339200
510	Toll Service Revenues	1211100	1097100
520	Miscellaneous Revenues	77400	71700
530	Uncollectible Operating Revenues	-2000	-2000
	Total Operating Revenues	1636200	1506000
OPERATING EXPENSES AND TAXES:			
600	Maintenance Expenses	239382	229690
620	Traffic Expenses	402380	371268
640	Commercial Expenses	78744	75373
660	General Office Salaries and Expenses	339023	322448
667	Other Operating Expenses	82316	78722
	Total Above Expenses	1141845	1077501
608.1	Depreciation Expense	178889	169658
609	Extraordinary Retirement	28413	28413
	Total Operating Expenses	1349147	1275572
304	Investment Tax Credit, Net	-7957	-8054
307.10	State Income Tax	15944	12210
307.11	Gross Receipts Tax	67107	61504
307.12	Capital Stock Tax	17855	16232
	Other State Taxes	3651	3246
306	Federal Income Tax	58353	44690
	Other Federal Taxes	29403	28385
308	Deferred Federal Income Tax	2821	1559
	Deferred State Income Tax	771	426
309	Income Credit from Deferred Income Taxes	-16880	-16880
	Total Operating Expenses and Taxes	1520215	1418890
	Net Operating Income	115985	87110
OTHER INCOME:			
313.1	Interest during Construction	0	0
	Other Income, Net	64322	60204
	Total Other Income	64322	60204
	Income Available for Fixed Charges	180307	147314
FIXED CHARGES:			
335	Interest on Funded Debt	0	0
336	Other Interest Deductions	808	808
338	Amortization of Discount on Funded Debt	0	0
340	Other Fixed Charges	0	0
	Total Fixed Charges	808	808
	INTRASTATE INCOME STATEMENT	179499	146506

PRO FORMA
 COOPERSBURG TELEPHONE COMPANY
 INTRASTATE RATE OF RETURN STUDY
 Requested in Public Utility Commission's Letter of September 13, 1978

SCHEDULE A
 INTRASTATE

	12 Months Ended 12/31/89	12 Months Ended 12/31/88	Average
	<u> </u>	<u> </u>	<u> </u>
Original cost of telephone plant in service, including construction work in progress in service	2082430	1992962	2037696
Deductions:			0
Depreciation Reserve	1013168	860806	936987
Contributions in Aid of Construction	0	0	0
Customers' Advances for Construction	0	0	0
Accumulated Deferred Income Taxes	302767	316149	309458
Total Deductions	<u>1315935</u>	<u>1176955</u>	<u>1246445</u>
Net Investment	766495	816007	791251
Material and Supplies	42282	42282	42282
Cash Working Capital	0	0	0
Rural Telephone Bank Class B Stock	0	0	0
	<u>808777</u>	<u>858289</u>	<u>833533</u>
Less: Unamortized ITC (pre-1971)	0	0	0
Intrastate Rate Base - Normalized	<u><u>808777</u></u>	<u><u>858289</u></u>	<u><u>833533</u></u>
Operating Revenues	<u>1636200</u>		<u>1636200</u>
Operating Revenue Deductions:			
Operating Expense	1141845		1141845
Depreciation Expense	178889		178889
Extraordinary Retirement	28413		28413
Taxes:			0
Investment Tax Credit, Net	-7957		-7957
State Income Tax	14280		14280
Federal Income Tax	46729		46729
Other Operating Taxes	118016		118016
Total Operating Revenue Deductions	<u>1520215</u>		<u>1520215</u>
Income Available for Intrastate Return - Normalized	<u>115985</u>		<u>115985</u>
Intrastate Rate of Return	<u>14.34%</u>		<u>13.91%</u>
Income Available for Intrastate Return - Adjusted for Known Changes	<u>115985</u>		<u>115985</u>
Intrastate Rate of Return	<u>14.34%</u>		<u>13.91%</u>

PRO FORMA
COOPERSBURG TELEPHONE COMPANY
Calculation of Intrastate Return on Average Common Equity
for the Twelve Months Ended 12/31/89

SCHEDULE C
INTRASTATE

	(1) Average Capital Ratios	(2) Average Intrastate Rate Base	(3) Totals	(4) Average Cost Rate	(5) Rate Base Related Cost of Debt & Pfd
1. Avg. Debt	45.00%	833533	375090	7.61%	28544
2. Avg. Preferred	0.00	833533	0	6.24	0
3. Avg. Common Equity	55.00	833533	458443	-	-
4. Total	<u>100.00%</u>		<u>833533</u>		<u>28544</u>

Twelve Months Ended
12/31/89

	Actual	Adjusted
5. Income Available for Intrastate Return	115985	115985
6. Less: Rate Base Related Cost of Debt and Preferred (Line 4, Column 5)	28544	28544
7. Income Available for Average Common Equity (Line 5 less Line 6)	87441	87441
8. Average Debt Cost (Line 1, Column 5)	28544	28544
9. Less: Interest Expense Used to Compute State and Federal Income Taxes	808	808
10. Difference between Line 8 and Line 9	27736	27736
11. Effective State and Federal Income Tax Rate	.3961	.3961
12. Net Addition (Deduction) (Line 10 x Line 11)	10986	10986
13. Income Available for Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 7 + Line 12)	<u>98427</u>	<u>98427</u>
14. Intrastate Return on Average Common Equity (Line 7 / Line 3, Column 3)	<u>19.87%</u>	<u>19.87%</u>
15. Intrastate Return on Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 13 / Line 3, Column 3)	<u>21.47%</u>	<u>21.47%</u>

PRO FORMA
LEWISBERRY TELEPHONE COMPANY
INTRASTATE INCOME STATEMENT

ACCT. DESCRIPTION	12 Months Ended 12/31/89	12 Months Ended 12/31/88
OPERATING REVENUES:		
500 Local Service Revenues	973000	940000
510 Toll Service Revenues	1590400	1470100
520 Miscellaneous Revenues	108500	101400
530 Uncollectible Operating Revenues	-9200	-9100
Total Operating Revenues	2662700	2502400
OPERATING EXPENSES AND TAXES:		
600 Maintenance Expenses	522987	500439
620 Traffic Expenses	620527	556957
640 Commercial Expenses	161372	154452
660 General Office Salaries and Expenses	711103	679948
667 Other Operating Expenses	162616	155930
Total Above Expenses	2178605	2047726
608.1 Depreciation Expense	429627	399182
609 Extraordinary Retirement	53019	53019
Total Operating Expenses	2661251	2499927
304 Investment Tax Credit, Net	-34297	-34872
307.10 State Income Tax	-36005	-34162
307.11 Gross Receipts Tax	108865	101971
307.12 Capital Stock Tax	40500	38957
Other State Taxes	13200	12640
306 Federal Income Tax	-132622	-123102
Other Federal Taxes	45479	43520
308 Deferred Federal Income Tax	48732	44945
Deferred State Income Tax	13164	12129
309 Income Credit from Deferred Income Taxes	-50722	-50722
Total Operating Expenses and Taxes	2677553	2511231
Net Operating Income	-14853	-8831
OTHER INCOME:		
313.1 Interest during Construction	0	0
Other Income, Net	206963	194559
Total Other Income	206963	194559
Income Available for Fixed Charges	192110	185728
FIXED CHARGES:		
335 Interest on Funded Debt	119370	120992
336 Other Interest Deductions	2307	2307
338 Amortization of Discount on Funded Debt	800	800
340 Other Fixed Charges	0	0
Total Fixed Charges	122485	124107
INTRASTATE INCOME STATEMENT	69625	61621

PRO FORMA

LEWISBERRY TELEPHONE COMPANY
INTRASTATE RATE OF RETURN STUDY

Requested in Public Utility Commission's Letter of September 13, 1978

SCHEDULE A
INTRASTATE

	12 Months Ended 12/31/89	12 Months Ended 12/31/88	Average
Original cost of telephone plant in service, including construction work in progress in service	7917154	7274446	7595800
Deductions:			
Depreciation Reserve	3529065	3231127	3380096
Contributions in Aid of Construction	2938	2938	2938
Customers' Advances for Construction	0	0	0
Accumulated Deferred Income Taxes	967685	956457	962071
Total Deductions	4499689	4190522	4345105
Net Investment	3417465	3083924	3250695
Material and Supplies	74221	74221	74221
Cash Working Capital	0	0	0
Rural Telephone Bank Class B Stock	0	0	0
	3491687	3158145	3324916
Less: Unamortized ITC (pre-1971)	0	0	0
Intrastate Rate Base - Normalized	3491687	3158145	3324916
Operating Revenues	2662700		2662700
Operating Revenue Deductions:			
Operating Expense	2178605		2178605
Depreciation Expense	429627		429627
Extraordinary Retirement	53019		53019
Taxes:			0
Investment Tax Credit, Net	-34297		-34297
State Income Tax	-30732		-30732
Federal Income Tax	-126801		-126801
Other Operating Taxes	208132		208132
Total Operating Revenue Deductions	2677553		2677553
Income Available for Intrastate Return - Normalized	-14853		-14853
Intrastate Rate of Return	-0.43%		-0.45%
Income Available for Intrastate Return - Adjusted for Known Changes	-14853		-14853
Intrastate Rate of Return	-0.43%		-0.45%

PRO FORMA
LEWISBERRY TELEPHONE COMPANY
Calculation of Intrastate Return on Average Common Equity
for the Twelve Months Ended 12/31/89

SCHEDULE C
INTRASTATE

	(1) Average Capital Ratios	(2) Average Intrastate Rate Base	(3) Totals	(4) Average Cost Rate	(5) Rate Base Related Cost of Debt & Pfd
1. Avg. Debt	53.00%	3324916	1762205	7.61%	134104
2. Avg. Preferred	0.20	3324916	6650	6.24	415
3. Avg. Common Equity	46.80	3324916	1556061	-	-
4. Total	<u>100.00%</u>		<u>3324916</u>		<u>134519</u>

Twelve Months Ended
12/31/89

	Actual	Adjusted
5. Income Available for Intrastate Return	-14853	-14853
6. Less: Rate Base Related Cost of Debt and Preferred (Line 4, Column 5)	134519	134519
7. Income Available for Average Common Equity (Line 5 less Line 6)	-149372	-149372
8. Average Debt Cost (Line 1, Column 5)	134104	134104
9. Less: Interest Expense Used to Compute State and Federal Income Taxes	122485	122485
10. Difference between Line 8 and Line 9	11619	11619
11. Effective State and Federal Income Tax Rate	.3961	.3961
12. Net Addition (Deduction) (Line 10 x Line 11)	4682	4682
13. Income Available for Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 7 + Line 12)	<u>-144770</u>	<u>-144770</u>
14. Intrastate Return on Average Common Equity (Line 7 / Line 3, Column 3)	<u>-9.60%</u>	<u>-9.60%</u>
15. Intrastate Return on Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 13 / Line 3, Column 3)	<u>-9.30%</u>	<u>-9.30%</u>

COOPERSBURG/LEWISBERRY CONSOLIDATION

II HISTORY

Lewisberry Telephone Company is a one-exchange Company serving 6,011 subscribers in York County, Pennsylvania. The Lewisberry exchange is served by a Nippon digital central office. A single line residence customer in Lewisberry pays \$6.30 per month for basic local service. This includes unlimited local calling to over 167,800 access lines, including extended area service to Harrisburg, PA. Lewisberry concurs in the P.I.T.A. access charge and toll tariffs as well as the N.E.C.A. access tariff for the interstate jurisdiction. Interstate settlements are based on nationwide average schedules. Lewisberry is a subsidiary of the Commonwealth Telephone Company. The Company is managed by Commonwealth and a management fee is assessed to the Lewisberry operation.

Coopersburg Telephone Company is a one-exchange Company serving 2,658 subscribers in Lehigh and Bucks Counties, Pennsylvania. The Coopersburg exchange is served by a Northern Telecom digital central office. A single line residence customer in Coopersburg pays \$4.45 per month for basic local service. This includes unlimited local calling to over 154,250 access lines, including extended area service to Allentown and Bethlehem, Pennsylvania. Coopersburg, like Lewisberry, concurs in the P.I.T.A. access and toll tariffs and the N.E.C.A. tariff for interstate access. Coopersburg utilized an average schedule basis of settlement in the interstate jurisdiction. Coopersburg is a subsidiary company of the C-TEC Corporation. Commonwealth Telephone Company is also a subsidiary of C-TEC and manages the operations of the Coopersburg Telephone Company. A management fee is assessed Coopersburg by Commonwealth.

II CURRENT SITUATION

There has been no recent (pre-1976) rate case activity for either company: We are unable to determine at this time Lewisberry Telephone Company's authorized rate of return on equity. Coopersburg authorized return is 15.0%. During the preceding months, numerous discussions have taken place regarding an overearnings situation as well as corrective measures. As a result of these discussions, the quarterly Commission reports were filed on a jurisdictional, as well as a total, company basis beginning with the fourth quarter 1985 report. In addition, in fourth quarter 1986, the development of the management fee allocation was revised to reflect a more appropriate allocation of Commonwealth's management expenses to the Lewisberry and Coopersburg operations. Prior to October 1986, the only charges booked to Coopersburg Telephone Company and Lewisberry Telephone Company had been their share of actual total costs spread by the proportions of access lines in service for the three companies.

The revised management fee process applies a forty percent increase to the expenses derived from the access line allocation.

Our decision to apply a management fee mark-up over cost to Coopersburg and Lewisberry is based on the fact that both of these companies are stand-alone entities and have been unrealistically benefiting from the economy of scale of Commonwealth Telephone Company. Consequently, Coopersburg and Lewisberry's rate of return calculations falsely showed an overearnings problem which, in reality, is not the case. The expenses applied to both of these companies were unrealistically low, while the revenues produced, particularly from the toll area, were high for single exchange companies.

The access line approach to cost distribution for both Coopersburg Telephone Company and Lewisberry Telephone Company is unfair and inadequately low when compared to the total revenues produced by each company. Since all revenue produced by these companies is used solely for the calculations of earnings, it is obvious that expenses be charged more closely to the actual worth of the services provided than to the shared expenses of the larger Commonwealth Telephone Company operation. To accomplish a more equitable allocation of expenses, the Management Fee was decided to be applied.

Based on the most recent quarterly Commission report (4th quarter 1986) Lewisberry's total company rate of return on common equity is 10.17%. This reflects the favorable impact of the interstate average schedule settlement process. (These schedules are based on nationwide average costs.) The intrastate only rate of return for fourth quarter 1986 was - 7.12% on common equity. These rates of return reflect the application of the C-TEC capital structure and the revised management fee applied for the last quarter of 1986.

Coopersburg's fourth quarter 1986 total company rate of return on equity was 33.90% based on an imputed 45%/55% debt/equity ratio. The intrastate only rate of return for fourth quarter was 19.28%. Proforma 1987 rates of return are 23.62% and 10.27% on a total company and intrastate only basis respectively. Based on the fact that the fourth quarter 1986 intrastate only rate of return is in excess of Coopersburg's authorized return (15%), discussions with the Commission are continuing. These discussions are concerning the appropriateness of the management fee as well as potential rate reductions designed to bring the intrastate rate of return to within authorized levels. Currently, these discussions are pertaining to Coopersburg only, as Lewisberry's fourth quarter 1986 intrastate rate of return is within authorized levels.

We have maintained throughout this proceeding that the excessive rates of return for these companies utilize an average schedule basis settlement in the interstate jurisdiction and, therefore, benefit through the receipt of settlements based on nationwide average costs. Secondly, utilizing C-TEC's or an imputed capital structure produces a higher return on equity than if each company's individual capital structure was employed. These issues are totally transparent to the customer. There has been no general rate case activity for either company since their acquisition. Prior to acquisition, Coopersburg's last general rate case was in 1962. Lewisberry's last general rate case was in 1960. As evidenced by the pertinent information presented earlier in this document, the existing local service rates in Lewisberry and Coopersburg are low in comparison to many other Pennsylvania companies. In addition, the subscribers in these companies enjoy extensive local calling areas, as well as the benefits of the latest switching technology.

As mentioned earlier, we have suggested a restructured management fee as a means to reduce the rate of return. (Coopersburg's fourth quarter rate of return on equity is above authorized). This change in management fee is reflected in the fourth quarter 1986 rates of return filed for both Lewisberry and Coopersburg as well as the pro-forma 1987 rates of return for Coopersburg. We feel as long as these companies are maintained as stand-alone entities that the proposed management fee is appropriate. The implementation of the new management fee causes significant reductions in the 1987 pro-forma rates of return on equity for both companies to the extent that general rate case activity would be appropriate. We feel the best interests of the Lewisberry and Coopersburg subscribers would be better served by a merger of these companies into Commonwealth Telephone Company.

We feel significant benefits would accrue to the customers of the Lewisberry, Coopersburg, and Commonwealth Telephone Companies through a merger. Foremost of these, the elimination of the proposed management fee would remove the immediate possibility of rate case activity for Lewisberry and Coopersburg. If a merger were approved, Lewisberry's and Coopersburg's existing local service rates would be grandfathered for a three year period. The impact to Commonwealth's customers, due to the retention of the expenses currently allocated to Lewisberry and Coopersburg, would be minimal and would be spread over a larger customer base after consolidation. Additionally, we have identified several areas within Commonwealth whereas a result of a merger, reductions in future personnel requirements will be realized. In certain other areas, as a result of a merger, better utilization of management time and effort will produce expected benefits to the subscriber.

The following is a departmental analysis of the employee time expended as a result of Coopersburg's and Lewisberry's separate company status. As mentioned above, the expenses described in the following departmental analysis reflects the value of the existing time dedicated to Coopersburg and Lewisberry.

Annually the Accounting Services group's expenses amount to \$59,750. This is composed primarily of the need to maintain books for both Coopersburg and Lewisberry Telephone Companies. Staff Accounting currently expends \$6,450 pertaining to system maintenance, report preparation and bank reconciliations. The Budget group's pertinent expenses are \$3,600 for budget preparation and analysis. Plant Accounting expends \$4,000 on clerical time, and General Accounting currently incurs \$45,700 in intercompany billings, bookkeeping and regulatory reporting.

An analysis of work performed in the Revenue Requirements area indicates that significant resources are dedicated to Coopersburg and Lewisberry due to their stand-alone status. As a result of a merger individual toll cost separation studies and cost of service studies could be eliminated. In addition, the development of individual company operating revenue budgets and individual company budget variance analysis would be eliminated.

Currently, the ITORP and N.E.C.A. settlement process must be administered separately for each company. This process could be consolidated.

On an annual basis, the amount of time dedicated to Lewisberry and Coopersburg as stand-alone companies is 324 man days. Based on existing salaried personnel with the appropriate loadings, this equates to \$46,650 of expense. The elimination of the separate company status could result in delaying the need to hire an additional person within the next year.

Expenses realized in the Regulatory group amount to 84 man hours per year, representing \$13,986. The merger would eliminate the need for separate tariffs and resulting individual filings. Time savings would be realized in the data requests, reports and compliance orders requested by individual company. Additional savings of approximately \$1,000 would be realized in copying and mailing costs.

The Service Center and Support Staff identified an annual expense of \$25,880. These expenses are composed of the additional need for training = \$6,538; clerical time expended due to the special circumstances of the three different companies = \$17,217; and stationery, credit bureau and special report handling of the three companies = \$2,125.

Other Departments will not realize significant savings due to the fact that they are presently handling both Coopersburg and Lewisberry as exchange and not as single exchange companies. These would include our Network Design and Development, Network Services, Data Processing, Purchasing and Motor Vehicles groups. Coopersburg and Lewisberry customers are presently and would continue to enjoy these efficiencies after merger.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P. O. BOX 3265, HARRISBURG, Pa. 17120

March 20, 1987

IN REPLY PLEASE
REFER TO OUR FILE

A-310800

DOCKETED

MAR 20 1987

bc

Raymond B. Ostroski, Esquire
c/o C-TEC Corporation
46 Public Square
Wilkes-Barre, PA 18703

Application of Coopersburg Telephone Company, Lewisberry Telephone Company and the Commonwealth Telephone Company for approval of the transfer by merger of all the property and rights of the former two companies to Commonwealth Telephone Company.

Dear Mr. Ostroski:

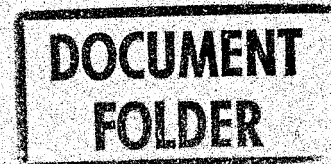
Receipt is acknowledged of the application of Coopersburg Telephone Company, Lewisberry Telephone Company and the Commonwealth Telephone Company, which has been captioned and docketed to the above number.

You are directed upon receipt of this letter to publish the enclosed notice once during each of the weeks of March 30 and April 6, 1987, in a newspaper having a general circulation in the area involved and file proof of publication with the Commission on or before April 17, 1987.

The matter will receive the attention of the Commission, and you will be advised of any further necessary procedure.

Very truly yours,

for Jerry Rich
Secretary



Enclosure

JEP:bjc

DOCKETED

PENNSYLVANIA PUBLIC UTILITY COMMISSION

MAR 20 1987

NOTICE TO BE PUBLISHED

bc

Notice is hereby given that application has been made to the Pennsylvania Public Utility Commission, under the provisions of the Public Utility Code, by Coopersburg Telephone Company, Lewisberry Telephone Company and the Commonwealth Telephone Company for approval of the transfer by merger of all the property and rights of the former two companies to Commonwealth Telephone Co. (A-310800)

Notice is hereby also given that this application may be considered by the Commission without a hearing. Protests or petitions to intervene may, however, be filed with the Public Utility Commission, Harrisburg, on or before April 17, 1987, pursuant to Title 52 of the Pennsylvania Code.

COOPERSBURG TELEPHONE CO.
LEWISBERRY TELEPHONE CO.
COMMONWEALTH TELEPHONE CO.

Counsel for the applicant:

Raymond B. Ostroski, Esquire
c/o C-TEC Corporation
46 Public Square
Wilkes-Barre, PA 18703

DOCUMENT
FOLDER

RECEIPT

The addressee named hereunder has paid Pennsylvania Public Utility Commission for the following bill, subject to final collection of check or money order tendered for such payment.

Commonwealth Telephone Company
100 Lake St.
Dallas, PA 18612

Date March 24, 1987

DOCKETED
MAR 30 1987

CR 124044 A

**DOCUMENT
FOLDER**

In re application of Coopersburg Tele. Co., Lewisberry
Tele. Co. and Commonwealth Tele. Co.
A-310800.....\$125.00

Revenue account 001780-017601-102 (ck)
ck 055051 checks \$125.00 Currency _____
Utility account _____ 50:24

G. Joseph Meisinger
For Department of Revenue

ORIGINAL
Proof of Publication of Notice in The Patriot and The Evening News
and The Sunday Patriot-News

RECEIVED

Under Act No. 587, Approved May 16, 1929.

Commonwealth of Pennsylvania, }
 County of Dauphin } ss:

A-310800

APR 18 1987

James A. Shoop
 Adv. Sales Mgr.

SECRETARIES OFFICE
 Public Utility Commission

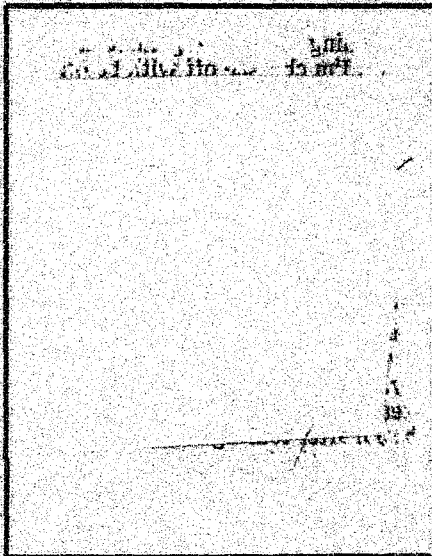
.....being duly sworn according to law and deposes and says
 That he is theof THE PATRIOT-NEWS CO., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal office and place of business at 812 to 818 Market Street, in the City of Harrisburg, County of Dauphin, State of Pennsylvania, owner and publisher of THE PATRIOT and THE EVENING NEWS and the SUNDAY PATRIOT-NEWS newspapers of general circulation, printed and published at 812 to 818 Market Street, in the City, County and State aforesaid; that THE PATRIOT and THE EVENING NEWS and the SUNDAY PATRIOT-NEWS were established March 4th, 1854, and February 15th, 1917 and September 18th, 1949, respectively, and all have been continuously published ever since;

That the printed notice or publication which is securely attached hereto is exactly as printed and published in their regular editions and issues which appeared on the 3rd and 10th days of April 1987.

That neither he nor said Company is interested in the subject matter of said printed notice or advertising, and that all of the allegations of this statement as to the time, place and character of publication are true; and

That he has personal knowledge of the facts aforesaid and is duly authorized and empowered to verify this statement on behalf of The Patriot-News Co. aforesaid by virtue and pursuant to a resolution unanimously passed and adopted severally by the stockholders and board of directors of the said Company and subsequently duly recorded in the office for the Recording of Deeds in and for said County of Dauphin in Miscellaneous Book "M", Volume 14, Page 317.

Copy of Notice or Publication



James A. Shoop
 Sworn to and subscribed before me this 16th day of April, A. D. 1987.

.....
 DAVID C. BRITZ, Notary Public
 HARRISBURG, DAUPHIN COUNTY, PENNSYLVANIA
 My commission expires MY COMMISSION EXPIRES AUG. 5, 1988
 Member, Pennsylvania Association of Notaries

Statement of Advertising Costs

Commonwealth Telephone Co., Inc.
 Wilkes Barre, PA. 18703-3000
 To THE PATRIOT-NEWS CO., Dr.

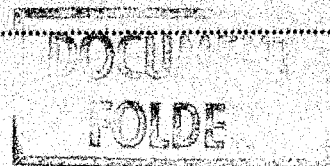
For publishing the notice or publication attached hereto on the above stated dates -	\$ 420.00
Probating same -	\$ 1.00
Total -	\$ 421.00

Publisher's Receipt for Advertising Costs

THE PATRIOT-NEWS CO., publisher of THE PATRIOT and THE EVENING NEWS and the SUNDAY PATRIOT-NEWS, newspapers of general circulation, hereby acknowledge receipt of the aforesaid notice and publication costs and certifies that the same have been duly paid.

THE PATRIOT-NEWS CO.

By



DOCKETED

APR 17 1987

COMMONWEALTH TELEPHONE COMPANY
100 LAKE STREET
DALLAS, PA. 18612

717/675-6201

SCOTT BURNSIDE
VICE PRESIDENT,
REVENUE & SALES

April 16, 1987

RECEIVED

Mr. Jerry Rich, Secretary
Commonwealth of Pennsylvania
PA Public Utility Commission
North Office Bldg, P.O. Box 3265
Harrisburg, PA 17120

APR 16 1987

SECRETARY'S OFFICE
Public Utility Commission

Application of Coopersburg Telephone Company, Lewisberry Telephone Company and the Commonwealth Telephone Company for approval of the transfer by merger of all the property and rights of the former two companies to Commonwealth Telephone Company.

A - 310800

Dear Mr. Rich:

Enclosed is the proof of publication for the CALL-CHRONICLE Newspaper in Allentown, PA, serving the Coopersburg Telephone Company.

Proof of publication for the PATRIOT Newspaper in Harrisburg, PA, serving the Lewisberry Telephone Company, will be filed under separate cover on or before April 17, 1987.

The CALL-CHRONICLE ran the notice on April 1st and 8th. The PATRIOT ran the notice on April 3rd and 10th.

If you have any questions, please do not hesitate to contact us.

Sincerely,



SB:WBJ
Enclosures

DOCUMENT
FOLDE



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P. O. BOX 3265, HARRISBURG, Pa. 17120

ORIGINAL

April 17, 1987

IN REPLY PLEASE
REFER TO OUR FILE

Jerry Rich, Secretary
Pa. Public Utility Commission
Post Office Box 3265
Harrisburg, PA 17120

RECEIVED

APR 17 1987

SECRETARY'S OFFICE
Public Utility Commission

Re: Application of Coopersburg Telephone Company,
Lewisberry Telephone Company and Commonwealth
Telephone Company for approval of the transfer
by merger of all the property and rights of
the former two companies to Commonwealth
Telephone Company, Docket No. A-310800

Dear Secretary Rich:

Enclosed for filing please find an original and two (2)
copies of the **Office of Trial Staff's Response to Application** in
the above-captioned matter. Copies have been served as indicated
on the attached Certificate of Service.

Sincerely,

Marlane R. Chestnut
Prosecutor
Office of Trial Staff

Enclosures

MRC:gdp

cc: All Parties of Record

DOCUMENT
FILE

ORIGINAL

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

IN RE: Application of :
COOPERSBURG TELEPHONE COMPANY, :
LEWISBERRY TELEPHONE COMPANY :
and COMMONWEALTH TELEPHONE :
COMPANY for approval of the :
transfer by merger of all the :
property and rights of the :
former two companies to Common- :
wealth Telephone Company :

Docket No.
A-310800

RECEIVED

APR 17 1987

SECRETARY'S OFFICE
Public Utility Commission

OFFICE OF TRIAL STAFF'S
RESPONSE TO APPLICATION

DOCKETED

APR 20 1987

AND NOW, this 17th day of April, 1987, comes the Office of Trial Staff ("Trial Staff" or "OTS"), by its counsel, and files this Response to the instant Application. Trial Staff respectfully represents as follows:

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1. The subject of the instant application is the merger of Coopersburg Telephone Company ("Coopersburg") and Lewisberry Telephone Company ("Lewisberry") into Commonwealth Telephone Company ("Commonwealth") by transfer of all property and rights.

2. Trial Staff respectfully submits that the instant application should be granted only if certain modifications, discussed below, are imposed. Otherwise, the application should be denied as being contrary to the accommodation, service, convenience and safety of the public.

3. OTS respectfully submits that Coopersburg's ratepayers will be adversely impacted by the proposed merger unless it includes an immediate rate reduction for the following reasons:

a) On April 14, 1987 OTS filed with the Commission a Petition to Establish Temporary Rates for Coopersburg (Docket No. P-870218). In support of that Petition OTS presented a thorough and detailed analysis which established beyond any doubt that Coopersburg for several years has been earning returns far in excess of both its allowable rate of return and a return which is reasonable in light of current economic conditions. OTS also demonstrated that this pattern of overearnings was virtually certain to continue into the future. Trial Staff therefore requested that the Commission reduce Coopersburg's rates by \$131,649 on an annual basis. A copy of that Petition is attached hereto as Appendix "A".

b) This excess earnings problem is recognized by the companies themselves in the instant application:

Coopersburg's fourth quarter 1986 total company rate of return on equity was 33.90% based on an imputed 45%/55% debt/equity ratio. The intrastate only rate of return for fourth quarter was 19.28%. Pro forma 1987 rates of return are 23.62% and 10.27% on a total company and intrastate only basis respectively. Based on the fact that the fourth quarter 1986 intrastate only rate of return is in excess of Coopersburg's authorized return (15%), discussions with the Commission are continuing. These discussions are concerning the appropriateness of the management fee as well as potential rate reductions designed to bring the intrastate rate of return to within authorized levels. Currently, these discussions are pertaining to Coopersburg only,

as Lewisberry's fourth quarter 1986 intra-state rate of return is within authorized levels.
(Exhibit N, page 3).

c) The merger plan reflects a 40% management fee markup to eliminate economies of scale. In Exhibit N the companies acknowledge that the purpose of this markup is to hide Coopersburg's excess returns:

As mentioned earlier,, we have suggested a restructured management fee as a means to reduce the rate of return. (Coopersburg's fourth quarter return on equity is above authorized).
Exhibit N, page 4.

In the affidavit of Jack T. Polk, attached to the Petition filed by OTS at Docket No. P- , the impropriety of this markup is discussed. OTS respectfully submits that the procedure formerly employed by the companies be continued. Under this approach, as recognized in Exhibit N at page 2, "...the only charges booked to Coopersburg Telephone Company and Lewisberry Telephone Company had been their share of actual total costs spread by the proportion of access lines in service for the three companies."

(d) The proposal to freeze current rates for a three-year period simply will perpetuate the excess earnings problem if Coopersburg rates are not immediately reduced.

4. In addition, the merger as proposed will produce a windfall for Commonwealth's stockholders:

(a) The \$140,000 savings that is estimated to result from the merger (¶25 of the Application) will increase the return earned by Commonwealth and therefore benefit only the

company's stockholders. No benefit will flow to the ratepayers as a result of the merger because there is no proposal to recognize this expense reduction in the form of lower rates.


(b) As stated above, the proposal to freeze rates at their current levels for a three-year period has little merit since Coopersburg's earnings are excessive and will continue to be so without adjustment. In addition, OTS respectfully submits that this "rate stabilization plan" will not benefit the Lewisberry or Commonwealth ratepayers because it is arguable whether these companies would be able to support even their current rate levels in rate proceedings. Rate decreases are far more likely.

(c) OTS has reason to believe, and therefore avers, that the revenues projected by the companies in support of the application are significantly understated. OTS notes that there is substantial residential and commercial construction currently underway. It is likely that revenues will increase significantly faster than projected by this filing.

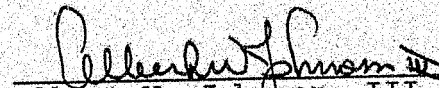
5. For the reasons stated above, OTS respectfully requests that the Commission deny the application filed by Coopersburg, Lewisberry and Commonwealth Telephone Companies unless Coopersburg's revenues are reduced to a level which eliminates its excessive earnings. In addition, in order for the Commission to monitor the excess earnings problems, separate books and records should be maintained.

WHEREFORE, Office of Trial Staff, respectfully requests
that the merger application filed by Coopersburg, Lewisberry
and Commonwealth Telephone Companies be denied unless the above
conditions are adopted.

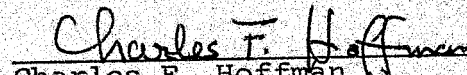
Respectfully submitted,



Marlane R. Chestnut, Esq.
Prosecutor



Albert W. Johnson, III, Esq.
Deputy Chief Prosecutor



Charles F. Hoffman
Chief Prosecutor

For the Office of Trial Staff
of the Pennsylvania Public
Utility Commission

P. O. Box 3265
Harrisburg, PA 17120

(717) 787-1976

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document(s) was served either personally or by first class, postage-prepaid mail, upon the persons addressed below:

Raymond B. Ostroski, Esquire
c/o C-Tech Corporation
46 Public Square
Wilkes-Barre, PA 18703

Daniel P. Delaney
Chief Counsel, Law Bureau
Pa. Public Utility Commission
Post Office Box 3265
Harrisburg, PA 17120

David M. Barasch, Consumer Advocate
Office of Attorney General
1425 Strawberry Square
Harrisburg, PA 17120

Jack H. Thomas, Executive
Vice-President
Coopersburg Telephone Company
100 Lake Street
Dallas, PA 18612



Marlane R. Chestnut
Prosecutor, Office of Trial Staff
Pa. Public Utility Commission

Dated: April 17, 1987



ORIGINAL

RECEIVED

APR 17 1987

OFFICE OF CONSUMER ADVOCATE
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

SECRETARY'S OFFICE
Public Utility Commission

DAVID M. BARASCH
Consumer Advocate

April 17, 1987

(717) 783-5048

Mr. Jerry Rich, Secretary
PA Public Utility Commission
Room G-18, North Office Bldg.
Harrisburg, PA 17120

Re: Application Of Coopersburg
Telephone Company,
Lewisberry Telephone
Company and the
Commonwealth Telephone
Company For Approval Of The
Transfer By Merger Of All
The Property And Rights Of
The Former Two Companies To
Commonwealth Telephone Co.

A-310800
P-870218

Dear Secretary Rich:

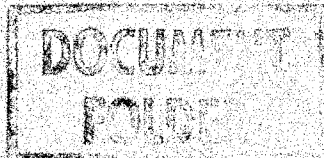
Enclosed please find for filing an original and two
(2) copies of the Office of Consumer Advocate's Protest to the
above-captioned Application and Motion to Consolidate.

Copies are being served on the Company and the Trial
Staff as evidenced by the Certificate of Service.

Sincerely,

Larry Washington
Assistant Consumer Advocate

4106C
Enclosures
cc: All parties of record



CERTIFICATE OF SERVICE

Application Of Coopersburg Telephone Company,
Lewisberry Telephone Company and The Commonwealth
Telephone Company For Approval Of The Transfer By
Merger Of All The Property And Rights Of The Former
Two Companies To Commonwealth Telephone Company

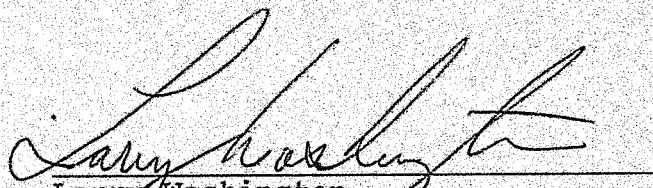
I hereby certify that I am this 17th day of April,
1987 serving either in person or by first class mail the
foregoing document, the Office of Consumer Advocate's Protest
to the above-captioned Application and Motion to Consolidate,
upon the persons listed below:

Marlane R. Chestnut, Prosecutor
Office of Trial Staff
P.O. Box 3265
Harrisburg, PA 17120

Raymond B. Ostroski, Esq.
C-TEC Corporation
46 Public Square
Wilkes-Barre, PA 18703

Coopersburg Telephone Company
100 Lake Street
Dallas, PA 18612

Malcom Burnside
Commonwealth Telephone Co.
100 Lake Street
Dallas, PA 18612


Larry Washington
Daniel Clearfield
Assistant Consumer Advocates

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL

RECEIVED

APPLICATION OF COOPERSBURG :
TELEPHONE COMPANY, LEWISBERRY :
TELEPHONE COMPANY AND :
COMMONWEALTH TELEPHONE :
COMPANY FOR APPROVAL OF THE :
TRANSFER BY MERGER OF ALL :
PROPERTY AND RIGHTS TO THE :
COMMONWEALTH TELEPHONE :
COMPANY :

APR 17 1987

SECRETARY'S OFFICE
Public Utility Commission

Docket No. A-310800
P-870218

PROTEST OF THE OFFICE OF CONSUMER ADVOCATE
TO THE APPLICATION FOR TRANSFER AND MERGER
AND MOTION TO CONSOLIDATE WITH
OTS PETITION FOR TEMPORARY RATES

DOCKETED
APR 20 1987

Pursuant to 52 Pa. Code §5.51, David M. Barasch the Consumer Advocate of the Commonwealth of Pennsylvania ("OCA") files this Protest to the Application of the Coopersburg (CTC), Lewisberry (LTC) and Commonwealth Telephone Company (Commonwealth) for the approval of the transfer and merger of all properties and rights of CTC and LTC to the Commonwealth Telephone Company. OCA submits that the proposed transfer and merger may not be in the best interest of the ratepayers of the CTC and LTC. Any decision on the proposed merger should be made either in conjunction with, or subsequent to a decision on the recent Petition of the PUC Office of Trial Staff (OTS) to reduce CTC revenues by \$132,000. In support of the above the OCA notes the following:

DOCUMENT
FOLDER

1. The Consumer Advocate is authorized by the General Assembly of Pennsylvania to represent the interest of utility customers in the Commonwealth. See 71 Pa. Stat. Ann. 309-4 (Purdon Supp. 1986).

2. On March 19, 1987, CTC, LTC and Commonwealth filed an Application with this Honorable Commission seeking the merger of CTC and LTC with the Commonwealth Telephone the Corporate parent. The Companies' Application asserts that LTC's and CTC's respective ratepayers will not be adversely affected by the proposed merger.

3. In support of its contention that the proposed merger will have a non-adverse impact on ratepayers, Commonwealth notes that it, conditionally, proposes to "freeze" the current rates of LTC and CTC at their present respective levels during a three (3) year "stay-out" period.

4. On April 14, 1987, the OTS filed a Petition with this Honorable Commission seeking to establish temporary rates for CTC and to conduct an investigation into what OTS alleges are CTC's excessive earnings. OTS's Petition specifically indicates that CTC is earning in excess of its allowed rate of return and any reasonable return based on current market conditions.

5. OTS' Petition further asserts, based on CTC's quarterly financial reports which it is required to file with the Commission, that CTC lowest achieved return on rate base since December 31, 1985, was 29.9 percent. The corresponding

achieved return on equity was 73.6 percent. It is also indicated that the Company has achieved a return on rate base as high as 44.0 percent and a high of 86 percent has been achieved on the return on equity.

6. OTS asserts that these facts demonstrate a trend of excessive earnings by CTC and that this trend of excessive earnings will continue to exist in the future. Based on its analysis, OTS concludes that CTC's current effective rates are unjust and unreasonable and in violation of the Pennsylvania Public Utility Code, 66 Pa. C.S. §1301 et seq. OTS's Petition urges that Coopersburg be directed to submit a plan to reduce its revenues by \$132,000.

Protest Of Application

7. While OCA takes no position as to the specific facts averred in the OTS Petition or on the ultimate propriety of OTS's requested remedy, OCA does believe that sufficient grounds exists to warrant a further investigation by this Commission of the rates of CTC prior to, or simultaneous with, a consideration of the Application for Merge. Assuming the correctness of the facts presented by OTS, it would be unreasonable and unjust for the Commission to permit a consolidation of CTC with Commonwealth until the allegations concerning the excessiveness of CTC's earnings is resolved. Permitting a merger without addressing this issue could result in the elimination of the "problem" without actually addressing the problems raised by the OTS Petition.

Motion To Consolidate

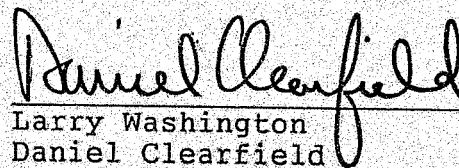
8. As indicated above, the issues raised by the LTC, CTC and Commonwealth Application for Merger and the OTS Petition involve common questions of law and facts.

9. Moreover, the approval of the Application in its present form would effectively moot the OTS Petition without addressing the serious issues raised therein. This could result in continued harm to the ratepayers of LTC and CTC.

WHEREFORE, the Office of Consumer Advocate requests the following:

- 1) decline to approve Commonwealth's Application for Merger until the issues raised in the OTS Petition for Temporary Rates are resolved;
- 2) consolidate the consideration of the OTS Petition with the Commonwealth Application.

Respectfully submitted,



Larry Washington
Daniel Clearfield
Assistant Consumer Advocates

David M. Barasch
Consumer Advocate

DATED: April 17, 1987
4104C

PUBLIC STATEMENT OF THE CONSUMER ADVOCATE ISSUED IN
ACCORDANCE WITH SECTION 904-(e) OF ACT OF APRIL 9, 1929
(P.L. 177, No. 175), KNOWN AS "THE ADMINISTRATIVE CODE OF
1929", AS AMENDED BY ACT 161 OF 1976 (APPROVED JULY 9, 1976)

Act 161 of the Pennsylvania General Assembly (as amended, 71 Pa. Stat. Ann. §309-2) authorizes the Consumer Advocate to represent the interest of consumers before the Pennsylvania Public Utility Commission. In accordance with Act 161 and for the following reasons, the Consumer Advocate has decided to participate in these proceedings before the Commission involving the Application of Coopersburg Telephone Company, Lewisberry Telephone Company and Commonwealth Telephone Company for approval of the transfer of all property and rights to Commonwealth Telephone by Lewisberry and Coopersburg Telephone Companies.

In their Joint Application for the merger, the Companies assert that the Lewisberry's and Coopersburg's ratepayers will not be adversely affected by the proposed merger. In support of this view, Commonwealth Telephone proposes a three year "freeze" of Lewisberry and Coopersburg rates at their current levels. However, the PUC Office of Trial Staff has filed a Petition with the Commission alleging among other things that the current effective rate of return of Coopersburg Telephone is unjust and unreasonable and seeks a \$132,000 reduction in Coopersburg's current rates.

The Consumer Advocate believes that the Telephone Companies' Application for merger should be considered in light of the OTS Petition to reduce the rates of the Coopersburg Telephone Company. The concerns raised by the OTS petition should be decided by the Commission before the petition to merge is decided. Otherwise, the question of the overearnings

could be eliminated without addressing the underlying merits of the OTS's Petition.

Because the issues contained in the Telephone Companies' Application to merge Lewisberry and Coopersburg into Commonwealth and the OTS Petition for rate relief raise common questions of law and facts, OCA has requested that the proceeding be consolidated for purposes of hearing and adjudication.

Finally, the Consumer Advocate has filed this Protest and will, in the course of the proceedings, request that the Public Utility Commission deny the Application for merger if it is determined not to be in the interests of Coopersburg and Lewisberry ratepayers.

April 20, 1987

A-310800

Application of Coopersburg Telephone Company, Lewisberry Telephone Company and Commonwealth Telephone Company for approval of the transfer, by merger, of all the property and rights of the first two-named companies into the last-named company.

Scott Burnside, Vice President -
Revenues and Sales
Commonwealth Telephone Company
100 Lake Street
Dallas, Pennsylvania 18612



Dear Sir:

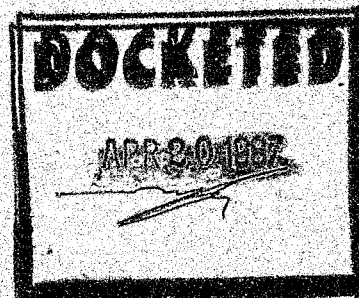
We are returning herewith (1) the original and one copy of the notice of the filing of the above application with the PUC, which appeared in the April 1, 1987 issue of The Morning Call newspaper, AND (2) a copy of Call-Chronicle Newspapers' bill in the amount of \$456.96, with advice that this filing is deficient and we are hereby requesting that you file PROPER proof of publication of this application with us as set forth in the attached sample enclosed.

Upon receipt of the CORRECT publication filing, the matter will receive further consideration.

Very truly yours,

for JERRY RICH
Secretary

Enclosures
cc: Bureau of Safety and Compliance
Janet Patrick
RWW:mpk



CITIZENS VOICE

75 NORTH WASHINGTON STREET
WILKES-BARRE, PA 18711

PROOF OF PUBLICATION (Under Act No. 160, Approved July 9, 1976, P.L.877)

STATE OF PENNSYLVANIA, }
COUNTY OF LUZERNE, }

as:

Jeanie Ardo

being duly sworn according to law,

deposes and says that he is Bookkeeper of the **CITIZENS' VOICE** of Wilkes-Barre, Pa., a daily newspaper published in the city of Wilkes-Barre, county and state aforesaid; that the said **CITIZENS' VOICE** was established in 1978, and that the printed notice of publication hereto attached is as exactly as printed in the regular editions of the **CITIZENS' VOICE** on the following dates, viz:

February 12, 1987

Affiant further deposes and says that the **CITIZENS' VOICE** is a newspaper of general circulation, and that neither the affiant nor the **CITIZENS' VOICE** is interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statement as to time, place and character of publication are true.

Notice is hereby given that application has been made to the Pennsylvania Public Utility Commission, under the provisions of the Public Utility Code, by Wilbar Realty, Inc. for approval to begin to offer, render, furnish, or supply sewage service to the public in the additional territory of Laurel Lakes Village, Rice Township, Luzerne County, A-23653A.
Notice is hereby also given that this application may be considered by the Commission without a hearing. Protests or petitions to intervene, may however, be filed with the Public Utility Commission, Harrisburg, on or before February 6, 1987, pursuant to Title 52 of the Pennsylvania Code.
WILBAR REALTY, INC.
Counsel for Applicant
ROBERT A. GONOS, Esquire
1013 J.S.E. Building
Wilkes-Barre, Penna. 18701

NOTARY PUBLIC
Wilkes-Barre, Luzerne County, Pa.
Expires December 17, 1990

Sworn to before me this 12th day
of February, 1987
MAR 0 1987

TO CITIZENS' VOICE, Dr.

For publishing attached notice on above stated dates \$

PUBLISHERS RECEIPT for ADVERTISING COSTS:

The **CITIZENS' VOICE**, a newspaper of general circulation, hereby acknowledges receipt of the costs as above and certifies that the same have been duly paid.

CITIZENS' VOICE

Per

COMMONWEALTH TELEPHONE COMPANY
100 LAKE STREET
DALLAS, PA. 18612

717/675-6201

SCOTT BURNSIDE
VICE PRESIDENT,
REVENUES & SALES

April 16, 1987

RECEIVED

APR 17 1987

SECRETARY'S OFFICE
Public Utility Commission

Mr. Jerry Rich, Secretary
Commonwealth of Pennsylvania
PA Public Utility Commission
North Office Bldg, P.O. Box 3265
Harrisburg, PA 17120

Application of Coopersburg Telephone Company, Lewisberry Telephone Company and the Commonwealth Telephone Company for approval of the transfer by merger of all the property and rights of the former two companies to Commonwealth Telephone Company.

A-310800

Dear Mr. Rich:

Enclosed is the proof of publication for the CALL-CHRONICLE Newspaper in Allentown, PA, serving the Coopersburg Telephone Company.

Proof of publication for the PATRIOT Newspaper in Harrisburg, PA, serving the Lewisberry Telephone Company, will be filed under separate cover on or before April 17, 1987.

The CALL-CHRONICLE ran the notice on April 1st and 8th. The PATRIOT ran the notice on April 3rd and 10th.

If you have any questions, please do not hesitate to contact us.

Sincerely,



SB"WSj
Enclosures

ORIGINAL



COMMONWEALTH TELEPHONE COMPANY

100 LAKE STREET • DALLAS, PENNSYLVANIA 18612 • AREA CODE 717 675-1121

April 22, 1987

Mr. Jerry Rich, Secretary
Commonwealth of Pennsylvania
PA Public Utility Commission
North Office Bldge., P.O. Box 3265
Harrisburg, PA 17120

RECEIVED

APR 23 1987

SECRETARYS OFFICE
Public Utility Commission

Application of Coopersburg Telephone Company, Lewisberry Telephone Company and the Commonwealth Telephone Company for approval of the transfer by merger of all the property and rights of the former two companies to Commonwealth Telephone Company.

A310800

Dear Mr. Rich:

As set forth in your letter of April 20, 1987, enclosed is the proper proof of publication for THE MORNING CALL Newspaper in Allentown, Pennsylvania, serving the Coopersburg Telephone Company.

THE MORNING CALL Newspaper ran the public notice on April 1st and 8th.

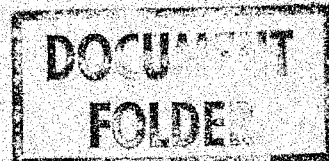
If you have any questions, please do not hesitate to call me at (717) 675-6201.

Sincerely,

Malcolm M. Burnside

Malcolm M. Burnside
Vice President
Sales & Revenues

MMB:MSj
Enclosure



Proof of Publication Notice in The Morning Call

Under Act No. 587, Approved May 16, 1929, and its amendments

STATE OF PENNSYLVANIA
COUNTY OF LEHIGH

} SS:

COPY OF NOTICE OR ADVERTISEMENT



PUBLIC NOTICE

Notice is hereby given that application has been made to the Pennsylvania Public Utility Commission under the provisions of the Public Utility Code, by Coopersburg Telephone Company, Lewisberry Telephone Company and the Commonwealth Telephone Company for approval of the transfer by merger of all the property and rights of the former two companies to Commonwealth Telephone Co. (A-810800)

Notice is hereby also given that his application may be considered by the Commission without a hearing. Protests or petitions to intervene may, however, be filed with the Public Utility Commission, Harrisburg, on or before April 17, 1987, pursuant to Title 52 of the Pennsylvania Code.

COOPERSBURG TELEPHONE CO.
LEWISBERRY TELEPHONE CO.
COMMONWEALTH TELEPHONE CO.



Jonathan E. Best, Controller

of THE MORNING CALL, INC., of the County and State aforesaid, being duly sworn, deposes and says that THE MORNING CALL is a newspaper of general circulation as defined by the aforesaid Act, whose place of business is 101 North Sixth Street, City of Allentown, County and State aforesaid, and that the said newspaper was established in 1888 since which date THE MORNING CALL has been regularly issued in said County, and that the printed notice or advertisement attached hereto is exactly the same as was printed and published in regular editions and issues of the said THE MORNING CALL on the following dates, viz.:

April 1st --
and the 8th day of April A.D. 1987

Affiant further deposes that he is the designated agent duly authorized by THE MORNING CALL, INC., a corporation, publisher of said THE MORNING CALL, a newspaper of general circulation, to verify the foregoing statement under oath, and that affiant is not interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statements as to time, place and character of publication are true.

Controller
Designated Agent, THE MORNING CALL, INC.

SWORN to and subscribed before me this 21st day of

April 1987

Notary Public

My Commission Expires:

MARIE BUSSOLTS, NOTARY PUBLIC
ALLENTOWN, LEHIGH COUNTY
MY COMMISSION EXPIRES MAY 13, 1989
Member, Pennsylvania Association of Notaries

PUBLISHER'S RECEIPT FOR ADVERTISING COSTS

THE MORNING CALL, INC., publisher of THE MORNING CALL, a newspaper of general circulation, hereby acknowledges receipt of the aforesaid notice and publication costs and certifies that the same have been duly paid.

THE MORNING CALL, INC. a Corporation,
Publishers of THE MORNING CALL
A Newspaper of General Circulation

By

DOCKETED
APR 23 1987

DOCUMENT
FOLIO

C-TEC CORPORATION
46 PUBLIC SQUARE
P.O. Box 3000
WILKES-BARRE, PA. 18703-3000

717/825-1186

RAYMOND B. OSTROSKI
ASSOCIATE COUNSEL

May 7, 1987

RECEIVED

MAY 11 1987

SECRETARY'S OFFICE
Public Utility Commission

Daniel Clearfield, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

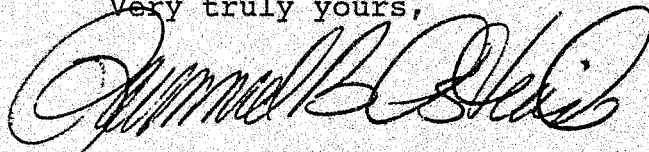
Re: Protest Relative Merger Application of
Coopersburg Telephone Company -- A-310800

Dear Dan:

This letter is to confirm your grant of an extension for Coopersburg Telco to file a Response to your Protest until May 21, 1987.

Thank you for your consideration in this matter. I look forward to discussing this matter with you further in the near future.

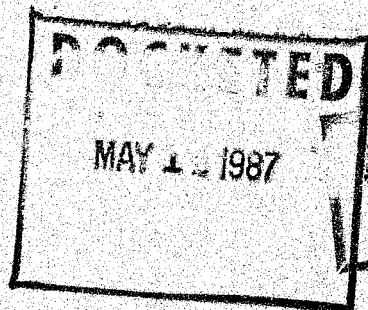
Very truly yours,



Raymond B. Ostroski
Associate Counsel

RBO:ed

cc: Jerry Rich, Secretary
Marlane R. Chestnut
Daniel P. Delaney
Scott Burnside



C-TEG CORPORATION
46 PUBLIC SQUARE
P.O. Box 3000
WILKES-BARRE, PA. 18703-3000

717/825-1186

RECEIVED

MAY 21 1987

SECRETARYS OFFICE
Public Utility Commission

RAYMOND B. OSTROSKI
ASSOCIATE COUNSEL

May 20, 1987

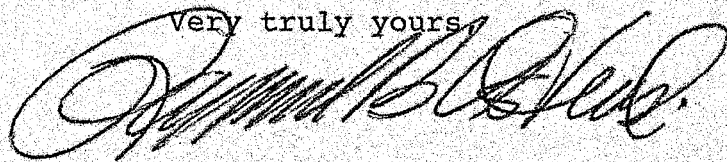
Jerry Rich, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17120

Re: Application of Coopersburg Telephone Company,
Lewisberry Telephone Company and Commonwealth
Telephone Company for Approval of the Transfer
and Merger of all the Property and Rights of
the Former Two Companies to Commonwealth
Telephone Company - Docket No. A-310800

Dear Secretary Rich:

Enclosed for filing please find an original and two (2) copies of Petitioner's Reply to Response of Office of Trial Staff to Application in the above captioned matter. Copies have been served as indicated on the attached Certificate of Service.

Very truly yours,



Raymond B. Ostroski
Associate Counsel

RBO:ed

Encls.

cc: All Parties of Record
Scott Burnside, w/encl.
Bill Shaner, w/encl.
Bernie Ryan, w/encl.



RECEIVED

MAY 21 1987

SECRETARYS OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

APPLICATION OF COOPERSBURG :
 TELEPHONE COMPANY, LEWISBERRY :
 TELEPHONE COMPANY AND :
 COMMONWEALTH TELEPHONE :
 COMPANY FOR APPROVAL OF THE : Docket No. A-310800
 TRANSFER BY MERGER OF ALL :
 PROPERTY AND RIGHTS TO THE :
 COMMONWEALTH TELEPHONE :
 COMPANY :

**DOCUMENT
FOLDER**

**DOCKETED
MAY 22 1987**

PETITIONERS' REPLY TO OFFICE OF TRIAL
STAFF'S RESPONSE TO APPLICATION

AND NOW, this 21st day of May, 1987, Coopersburg Telephone Company, Lewisberry Telephone Company and Commonwealth Telephone Company ("Petitioners") file this Reply to that certain Response ("Response") filed by the Office of Trial Staff ("OTS") on April 14, 1987.

1. Admitted.
2. Denied. Petitioners submit that the instant Application should be approved as submitted to this Honorable Commission (See Docket No. A-310800).
3. Denied. Petitioners reply to each specific allegation of OTS as follows:
 - a) OTS fails to consider that the capital structure currently applied to Coopersburg Telephone Company ("Coopersburg") is based on a 45/55 debt-equity ratio as mandated by the Commission Staff. Utilizing Coopersburg's true capital

structure of 00/100 debt-equity ratio, the rate of return figures for Coopersburg would be significantly less than the figures set forth by OTS in its Response.

OTS also fails to consider the fact that Coopersburg is being operated as a local exchange rather than a stand alone telephone company. Reduction in management personnel at Coopersburg since its acquisition by C-TEC Corporation ("C-TEC") include the positions of President, General Manager, Commercial Manager and one Accountant. These staff reductions amounted to a reduction in salary expense to Coopersburg of \$184,000.00 in salaries alone. The duties of these management positions are now being performed by management personnel of Commonwealth Telephone Company ("Commonwealth"). Further, Commonwealth has never charged a Management Fee to Coopersburg for performance of the above management functions as well as other management services although it should have done so since the date Coopersburg was acquired.

b) Petitioners deny the allegation that the Management Fee has been proposed for Coopersburg only. Any Management Fee imposed by Commonwealth would be applied to Coopersburg and Lewisberry.

c) Petitioners deny that the intent of the proposed Management Fee is to "hide Coopersburg's excess returns." Petitioners' employees have been working with the

Commission Staff for the last 18 months to resolve the perceived rate of return problem concerning Coopersburg. petitioners proposed the Management Fee soon after they discovered that the expense charges applied to Coopersburg and Lewisberry were deficient.

d) Petitioners do not agree with nor do they understand how the freezing of current rates for a three (3) year period would perpetuate the perceived rate of return problem should their Application be approved.

4. Denied. Petitioners respond to each specific allegation of OTS as follows:

a) The savings of \$140,000.00 which will result from approval of Petitioners' Application cannot measurably affect the rate of return for Commonwealth, which generates over \$85 million dollars of annual revenue. Further, since Commonwealth's rate of return is slightly below its authorized level, the \$140,000.00 savings does benefit the rate payers by reducing Commonwealth's present revenue deficiency.

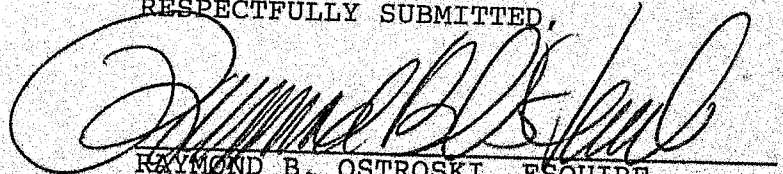
b) Lewisberry currently is experiencing a negative rate of return and if forced to continue as a stand alone company, it will undoubtedly be forced to seek rate relief.

c) Petitioners growth rates have been accurately set forth in their referenced projections as can be verified by a review of Petitioners past Form M and Quarterly Reports.

5. Denied. Petitioners submit that the rate of return problems perceived by OTS are not what they appear to be for the reasons set forth above. Further, the requirement of separate books and records for Coopersburg and Lewisberry would result in an unneeded cost of \$60,000 which would be detrimental to the best interests of Petitioners' rate payers.

WHEREFORE, Petitioners respectfully request this Honorable Commission to approve their Application for Merger as submitted.

RESPECTFULLY SUBMITTED,



RAYMOND B. OSTROSKI, ESQUIRE
Attorney for Petitioners

CERTIFICATE OF SERVICE


I hereby certify that a true and correct copy of the foregoing Reply to Office of Trial Staff's Response to Application was served personally or by first class postage-prepaid mail, upon the persons named below:

Marlane R. Chestnut
Prosecutor, Office of Trial Staff
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17120

Daniel P. Delaney
Chief Counsel, Law Bureau
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17120

David M. Barasch
Consumer Advocate
Office of Attorney General
1425 Strawberry Square
Harrisburg, PA 17120

Daniel Clearfield, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120


RAYMOND B. OSTROSKI, ESQUIRE
Attorney for Respondents

Dated: May 21, 1987

C-TEC CORPORATION
46 PUBLIC SQUARE
P.O. Box 3000
WILKES-BARRE, PA. 18703-3000

717/825-1186

RECEIVED

MAY 21 1987

RAYMOND B. OSTROSKI
ASSOCIATE COUNSEL

SECRETARYS OFFICE
Public Utility Commission

May 20, 1987

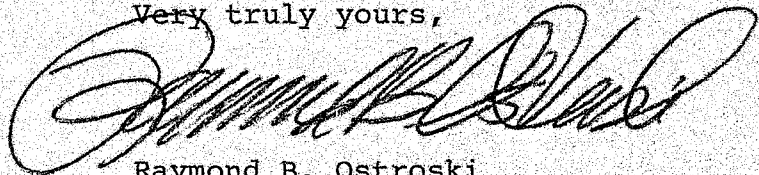
Jerry Rich, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17120

Re: Application of Coopersburg Telephone Company,
Lewisberry Telephone Company and Commonwealth
Telephone Company for Approval of the Transfer
and Merger of all the Property and Rights of
the Former Two Companies to Commonwealth
Telephone Company - Docket No. A-310800

Dear Secretary Rich:

Enclosed for filing please find an original and two (2) copies of Petitioner's Reply to Protest by the Office of Consumer Advocate in the above captioned matter. Copies have been served as indicated on the attached Certificate of Service.

Very truly yours,



Raymond B. Ostroski
Associate Counsel

RBO:ed

cc: All Parties of Record
Scott Burnside, w/encl.
Bill Shaner, w/encl.
Bernie Ryan, w/encl.

DOCUMENT
FOLDER

RECEIVED

MAY 21 1987

SECRETARYS OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

APPLICATION OF COOPERSBURG	:	
TELEPHONE COMPANY, LEWISBERRY	:	
TELEPHONE COMPANY AND	:	
COMMONWEALTH TELEPHONE	:	
COMPANY FOR APPROVAL OF THE	:	Docket No. A-310800
TRANSFER BY MERGER OF ALL	:	P-870218
PROPERTY AND RIGHTS TO THE	:	
COMMONWEALTH TELEPHONE	:	
COMPANY	:	

REPLY OF COMMONWEALTH TELEPHONE COOPERSBURG
TELEPHONE COMPANY AND LEWISBERRY TELEPHONE
COMPANY TO PROTEST OF THE OFFICE OF
CONSUMER ADVOCATE

AND NOW, this 21st day of May, 1987, Commonwealth Telephone Company, Coopersburg Telephone Company and Lewisberry Telephone Company ("Petitioners") file this Reply to that certain Protest ("Protest") filed by the Office of Consumer Advocate ("OCA") filed April 17, 1987 with this Honorable Commission wherein OCA requested this Honorable Commission to decline approval of Petitioners' Application for Merger (See Docket No. A-310800) until the rate-of-return issue relative to Coopersburg Telephone Company ("Coopersburg") is resolved and to consolidate the Petition of the Office of Trial Staff (See Docket No. P-870218) with Petitioners' Application for Merger.

1. Admitted.
2. Admitted.
3. Admitted.

DOCKETED
MAY 22 1987

**DOCUMENT
FOLDER**

4, 5 & 6. Admitted as to the fact that OTS did file said Petition to Establish Temporary Rates for Coopersburg Telephone Company ("Petition to Establish Temporary Rates") with this Honorable Commission on April 14, 1987. Denied as to the accuracy of the allegations set forth by OTS in said Petition to Establish Temporary Rates.

7. Denied. Petitioners submit that the facts set forth by OTS in said Petition to Establish Temporary Rates are incomplete and inaccurate. Petitioners further submit that upon consideration by this Honorable Commission of the facts and information set forth by petitioners in their Response to the OTS Petition to Establish Temporary Rates filed May 21, 1987, this Honorable Commission should find that the most reasonable and just resolution in this matter would be to approve Petitioners' Application for Merger as submitted (See Docket No. A-310800).

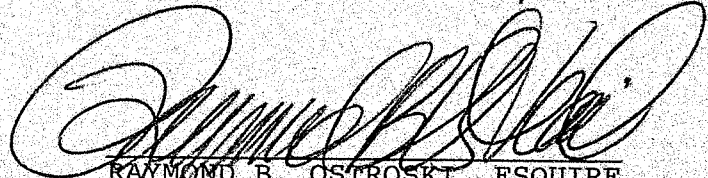
8. Admitted.

9. Denied. Petitioners submit that the perceived rate of return issue raised in the OTS Petition to Establish Temporary Rates has been addressed by Petitioners in their Response thereto and the approval of Petitioners' Application for Merger as submitted would benefit the rate payers of Lewisberry Telephone Company and Coopersburg Telephone Company rather than harm them.

WHEREFORE, the Petitioners hereby respectfully request this Honorable Commission to take the following action:

- 1) Dismiss the Protest of the OCA for the reasons set forth above; and
- 2) Approve Petitioners' Application for Merger (Docket No. A-310800).

RESPECTFULLY SUBMITTED,



RAYMOND B. OSTROSKI, ESQUIRE
Attorney for Petitioners

CERTIFICATE OF SERVICE


I hereby certify that a true and correct copy of
Petitioners' Reply to Protest of Office of Consumer Advocate
was served personally or by first class postage-prepaid mail
upon the persons addressed below:

Marlane R. Chestnut
Prosecutor, Office of Trial Staff
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17120

Daniel P. Delaney
Chief Counsel, Law Bureau
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17120

David M. Barasch
Consumer Advocate
Office of Attorney General
1425 Strawberry Square
Harrisburg, PA 17120

Daniel Clearfield, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120


RAYMOND B. OSTROSKI, ESQUIRE
Attorney for Respondents

Dated: May 21, 1987

LAW OFFICES OF

DECHERT PRICE & RHOADS

800 NORTH THIRD STREET

HARRISBURG, PENNSYLVANIA 17102

TELEX 84 5324 • BARDEP

(717) 233-7847

477 MADISON AVENUE
NEW YORK, NY 10022
(212) 308-4400

1730 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, DC 20006
(202) 783-0200

3400 CENTRE SQUARE WEST
1500 MARKET STREET
PHILADELPHIA, PA 19102
(215) 972-3400

250 AVENUE LOUISE
1050 BRUSSELS, BELGIUM
(02) 647 85 85

52 BEDFORD SQUARE
LONDON WC1B 3EX, ENGLAND
01. 631. 3383

July 20, 1987

BERNARD A. RYAN, JR.

RECEIVED

JUL 20 1987

Office of A. L. J.
Public Utility Commission

HAND DELIVER

Chief Administrative Law
Judge Allison K. Turner
Pennsylvania Public Utility
Commission
Room G-05
North Office Building
Harrisburg, PA 17120

RE: Application of Coopersburg Telephone Company,
Lewisberry Telephone Company and Commonwealth
Telephone Company for Approval of the Transfer
and Merger of all the Property and Rights of
the Former Two Companies to Commonwealth
Telephone Company - Docket No. A-310800

Dear Chief Judge Turner:

As I told your secretary when I spoke to her the other day on the telephone, I will be working with Raymond B. Ostroski, Esquire, as counsel for the applicants in the above case. I have already advised Marlene R. Chestnut, Esquire, the prosecutor from the Office of Trial Staff who is involved in this case, and Pamela Sarvey, Esquire, the Assistant Consumer Advocate who is also involved with this matter of my appearance as an additional counsel with Mr. Ostroski in this proceeding.

I am writing today to confirm the agreement of my clients to waive the requirement that a hearing be held within 90

DOCUMENT
FOLDER

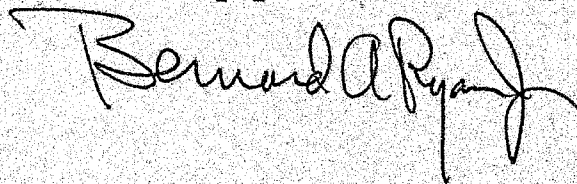
DOCKETED
JUL 24 1987

NJK

July 20, 1987
Page two

days following the time that a matter becomes contested before
the Commission.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Bernard A. Ryan". The signature is written in dark ink and is positioned to the right of the typed name "Bernard A. Ryan".

BARJr/nf
enclosure

cc: Marlene R. Chestnut, Esquire
Pamela Sarvey, Esquire
Raymond B. Ostroski, Esquire

ORIGINAL

Coopersburg Telephone Company

100 Lake Street, Dallas, PA 18612

Telephone (717) 675-6111

September 29, 1987

RECEIVED

SEP 29 1987

SECRETARYS OFFICE
Public Utility Commission

Mr. Jerry Rich, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17120

RE: Revised Coopersburg Telephone Company
State Tax Adjustment Surcharge for Intrastate
Charges for Services after October 1, 1987

**DOCUMENT
FOLDER**

Dear Mr. Rich:

Pursuant to the Pennsylvania Public Utility Commission's State Tax Adjustment Procedure Order dated March 10, 1970, Coopersburg Telephone Company respectfully submits for filing Supplement No. 62 to Tariff Telephone - PA P.U.C. No. 8. This supplement is issued by Coopersburg Telephone Company under the date of September 29, 1987, to become effective October 1, 1987. This supplement is submitted in compliance with Docket No. A-310800, Commonwealth, Coopersburg and Lewisberry telephone companies' merger application.

It is respectfully requested that the Pennsylvania Public Utility Commission approve these Tariff revisions.

Sincerely,



Malcolm M. Burnside
Vice President
Revenues & Sales

MMB/fm
Enclosures

SUPPLEMENT NO. 62
TO
TARIFF TELEPHONE - PA. P.U.C. NO. 8

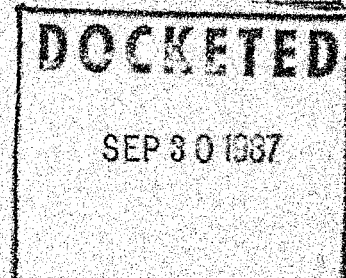
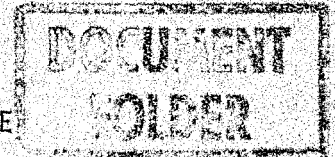
RECEIVED

SEP 29 1987

COOPERSBURG TELEPHONE COMPANY

SECRETARYS OFFICE
Public Utility Commission

RATES AND RULES
GOVERNING THE FURNISHING OF TELEPHONE SERVICE
IN
LEHIGH AND BUCKS COUNTIES, PENNSYLVANIA
AS SHOWN ON SHEET 5



ISSUED: September 29, 1987

EFFECTIVE: October 1, 1987

BY

M. M. BURNSIDE, VICE PRESIDENT
REVENUES AND SALES
DALLAS, PENNSYLVANIA

FILED IN COMPLIANCE WITH
DOCKET NO. A-310800
COMMONWEALTH, COOPERSBURG AND
LEWISBERRY TELEPHONE COMPANIES'
MERGER APPLICATION

NOTICE

(DECREASES)
THIS TARIFF MAKES (CHANGES) IN EXISTING RATES AND RULES

SEE SHEET 2

COOPERSBURG TELEPHONE COMPANY

SUPPLEMENT NO. 62 - PA. PUC NO. 8

SHEET 2

LIST OF MODIFICATIONS

CHANGES

Revise text to reflect the effective date of
the revised State Tax Adjustment Surcharge Rate

Section 1 - Tenth Revised Sheet 16

DECREASES

Decrease the State Tax Adjustment Surcharge Rate

Section 1 - Tenth Revised Sheet 16

Coopersburg Telephone Company

Fifty-First Revised Sheet 4
 Canceling Fiftieth Revised Sheet 4

CHECK SHEET

Sheet 1 Original Sheet 4 51th Revised
 Sheet 2 Original Sheet 4A 4th Revised
 Sheet 3 9th Revised Sheet 5 Original

Section 1 - Sheet 1	5th Revised	Section 4 - Sheet 4	Original
Section 1 - Sheet 1A	1st Revised	Section 4 - Sheet 5	Original
Section 1 - Sheet 2	1st Revised	Section 4 - Sheet 6	Original
Section 1 - Sheet 3	1st Revised	Section 4 - Sheet 7	Original
Section 1 - Sheet 4	2nd Revised	Section 4 - Sheet 8	Original
Section 1 - Sheet 5	1st Revised	Section 4 - Sheet 9	Original
Section 1 - Sheet 6	3rd Revised	Section 4 - Sheet 10	Original
Section 1 - Sheet 7	7th Revised	Section 4 - Sheet 11	Original
Section 1 - Sheet 8	2nd Revised	Section 4 - Sheet 12	Original
Section 1 - Sheet 9	Original	Section 4 - Sheet 13	Original
Section 1 - Sheet 10	Original	Section 4 - Sheet 14	Original
Section 1 - Sheet 11	Original	Section 4 - Sheet 15	Original
Section 1 - Sheet 12	Original	Section 4 - Sheet 16	Original
Section 1 - Sheet 13	Original	Section 4 - Sheet 17	Original
Section 1 - Sheet 14	Original	Section 4 - Sheet 18	Original
Section 1 - Sheet 15	2nd Revised	Section 4 - Sheet 19	Original
Section 1 - Sheet 15A	1st Revised	Section 4 - Sheet 20	Original
Section 1 - Sheet 16	10th Revised	Section 4 - Sheet 21	Original
Section 1 - Sheet 16A	Original	Section 4A - Sheet 1	Original
Section 1 - Sheet 17	Original	Section 4A - Sheet 2	Original
Section 1 - Sheet 18	Original	Section 4A - Sheet 3	Original
Section 2 - Sheet 1	8th Revised	Section 4A - Sheet 4	Original
Section 2 - Sheet 2	5th Revised	Section 4A - Sheet 5	Original
Section 3 - Sheet 1	4th Revised	Section 4A - Sheet 6	Original
Section 3 - Sheet 2	1st Revised	Section 5 - Sheet 1	2nd Revised
Section 3 - Sheet 3	1st Revised	Section 5 - Sheet 2	1st Revised
Section 3 - Sheet 4	1st Revised	Section 5 - Sheet 3	1st Revised
Section 3 - Sheet 5	1st Revised	Section 5 - Sheet 4	1st Revised
Section 3 - Sheet 6	1st Revised	Section 5 - Sheet 5	Original
Section 3 - Sheet 7	1st Revised	Section 5 - Sheet 6	Original
Section 3 - Sheet 8	4th Revised	Section 6 - Sheet 1	3rd Revised
Section 4 - Sheet 1	1st Revised	Section 6 - Sheet 2	3rd Revised
Section 4 - Sheet 2	7th Revised	Section 6 - Sheet 3	7th Revised
Section 4 - Sheet 3	Original		

Coopersburg Telephone
CompanySection 1
Tenth Revised Sheet 16
Canceling Ninth Revised Sheet 16GENERAL REGULATIONS
(Continued)E. STATE TAX ADJUSTMENT SURCHARGE

In addition to the charges provided in this tariff and other intrastate toll tariffs in which this company concurs, a surcharge of 0.00% will apply to all intrastate charges for service on or after October 1, 1987.

(D)
(C)

The above charges will be recomputed, using the same elements prescribed by the Commission.

- a. Whenever any of the tax rates used in calculation of the surcharge are changed.
- b. Whenever the Utility makes effective any increased or decreased rates.
- c. And on March 31, 1971, and each year thereafter.

The above recalculations will be submitted to the Commission within 10 days after the occurrence of the event or date which occasions such recomputations; and that if the recomputed surcharge is less than the one in effect the Utility will, and if the recomputed surcharge is more than the one then in effect the Utility may submit with such recomputation a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be 10 days after filing.

(C) Indicates Change
Issued: September 29, 1987(D) Indicates Decrease
Effective: October 1, 1987

DECHERT PRICE & RHOADS

800 NORTH THIRD STREET
HARRISBURG, PENNSYLVANIA 171023400 CENTRE SQUARE WEST
1500 MARKET STREET
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NEW YORK, NY 10022
(212) 305-44001730 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, DC 20006
(202) 783-0200

October 1, 1987

RECEIVED

OCT 1 1987

SECRETARYS OFFICE
Public Utility Commission

BERNARD A. RYAN, JR.

HAND DELIVERJerry Rich, Secretary
Pennsylvania Public Utility Commission
North Office Building
Harrisburg, PA 17120Attn: New Filing Section
Room B-18Re: Application of Coopersburg Telephone Company,
Lewisberry Telephone Company and Commonwealth
Telephone Company for Approval of the Transfer
by Merger, etc. (A-310800)

Dear Secretary Rich:

I am delivering the original plus 2 photo-copies of the Amendment of Application that is to be filed today in this proceeding. As a result of the filing of this amendment the Office of Trial Staff has agreed to withdraw both its Response to Application filed on or about April 17, 1987 in this proceeding and its Petition to Establish Temporary Rates docketed at P-870218. The Office of Consumer Advocate has also agreed to withdraw its Protest to this merger application.

Would you please acknowledge your receipt of this letter and its enclosures by stamping the extra copy of this letter.

Sincerely yours,

BAR, Jr/et

cc: Albert W. Johnson, Esquire (OTS)
Pamela Sarvey, Esquire (OCA)
Mr. Scott Burnside (Comm. Tel. Co.)
Mr. William A. Shaner (Comm. Tel. Co.)
Raymond Ostroski, Esquire (Comm. Tel. Co.)
(all w/ encl.)

RECEIVED

OCT 1 1987

SECRETARYS OFFICE
Public Utility Commission

DOCKETED
OCT 02 1987

DOCUMENT
POWER

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

APPLICATION OF COOPERSBURG	:	
TELEPHONE COMPANY, LEWISBERRY	:	
TELEPHONE COMPANY AND	:	
COMMONWEALTH TELEPHONE	:	
COMPANY FOR APPROVAL OF THE	:	Docket No. A-310800
TRANSFER BY MERGER OF ALL	:	
PROPERTY AND RIGHTS OF THE	:	
FORMER TWO COMPANIES TO THE	:	
COMMONWEALTH TELEPHONE	:	
COMPANY	:	

AMENDMENT OF APPLICATION

Coopersburg Telephone Company ("CTC"), Lewisberry Telephone Company ("LTC") and Commonwealth Telephone Company ("Commonwealth"), the Applicants in this matter, amend their Application as follows:

1. Paragraphs 24, 24.1 and 24.2 of the Application are deleted and replaced by the following revised paragraphs 24 and 24.1:

- "24. The following actions will be taken by CTC:
 - A. On or before September 30, 1987, CTC will file for Commission approval an "alternate plan" of the kind contemplated by the Commission's proposed

regulations on Extended Area Service (as adopted June 18, 1987 at Docket No. I-80090338) for service between the Coopersburg exchange and the Emmaus area exchange served by Continental Telephone Company of Pennsylvania. That plan will be implemented promptly upon receipt of Commission approval of its terms.

B. One-way Extended Area Service will be put into effect from the Coopersburg exchange to the Quakertown area exchange served by Bell Telephone Company of Pennsylvania ("Bell"). This service will be implemented by January 1, 1988 or as soon thereafter as the necessary arrangements with Bell can be completed.

C. On or before October 1, 1987, the State Tax Adjustment Surcharge ("STAS") for customers in the Coopersburg exchange will be reduced to zero and will remain at zero through December 31, 1989.

D. The local exchange service rates of all customers in the Coopersburg exchange will be held at their existing levels for one full year after the completion of the merger of the Applicants. During the succeeding four years the local exchange service rates of those customers will be raised in equal annual increments to bring them into line with Commonwealth's

then-effective rate bands at the end of five years following the effective date of the merger of the Applicants.

24.1 Subject to the provisions of paragraph 24 above concerning the rates for CTC customers for the five years following the merger of the Applicants, Commonwealth will combine the CTC and LTC tariffs into Commonwealth tariffs, separately listing the rates for CTC where appropriate. Commonwealth does not plan to keep separate books and records with respect to the assets and operations of CTC and LTC following the merger and, consequently, accounting and rate-making procedures for CTC and LTC will thereafter be combined with those of Commonwealth."

2. Pages 1-3, 7-9 and 13-15 of Exhibit M containing certain pro forma income projections for CTC that were prepared when this Application was filed early in 1987 are withdrawn. Updated pro forma income projections for CTC are attached to this Amendment of Application as Exhibit M (CTC).

3. Except as modified in paragraphs 1 and 2 above, Applicants ratify their Application as filed with the Commission on or about March 18, 1987 and renew their request that the Commission issue a Certificate of Public Convenience

approving the merger of the Applicants as described in the amended Application.

Dated: September 24, 1987.

COOPERSBURG TELEPHONE COMPANY

By Jack H. Thomas
Jack H. Thomas
Executive Vice President

LEWISBERRY TELEPHONE COMPANY

By Jack H. Thomas
Jack H. Thomas
Executive Vice President

COMMONWEALTH TELEPHONE COMPANY

By Jack H. Thomas
Jack H. Thomas
Executive Vice President

Sworn to and subscribed before me this 24th day of September, 1987.

Marilyn S. [Signature]
Notary Public

My Commission Expires: 10/19/87

PRO FORMA

COOPERSBURG TELEPHONE COMPANY
INTRASTATE INCOME STATEMENT

ACCT.	DESCRIPTION	12 Months Ended 12/31/88	12 Months Ended 12/31/87
OPERATING REVENUES:			
500	Local Service Revenues	262860	359100
510	Toll Service Revenues	1032660	1024900
520	Miscellaneous Revenues	14760	72105
530	Uncollectible Operating Revenues	-4800	-1533
	Total Operating Revenues	1305480	1454572
OPERATING EXPENSES AND TAXES:			
600	Maintenance Expenses	204763	220072
620	Traffic Expenses	362052	342570
640	Commercial Expenses	56671	121429
660	General Office Salaries and Expenses	247324	300829
667	Other Operating Expenses	67757	74178
	Total Above Expenses	938567	1059078
608.1	Depreciation Expense	169658	167148
609	Extraordinary Retirement	28413	28413
	Total Operating Expenses	1136638	1254639
304	Investment Tax Credit, Net	-8054	-8112
307.10	State Income Tax	7503	-1878
307.11	Gross Receipts Tax	55302	59359
307.12	Capital Stock Tax	16232	14609
	Other State Taxes	3246	6125
306	Federal Income Tax	27460	-2245
	Other Federal Taxes	20385	24144
308	Deferred Federal Income Tax	1559	47960
	Deferred State Income Tax	426	11305
309	Income Credit from Deferred Income Taxes	-16800	-14600
	Total Operating Expenses and Taxes	1251817	1391378
	Net Operating Income	53663	63194
OTHER INCOME:			
313.1	Interest during Construction	0	0
	Other Income, Net	60204	32028
	Total Other Income	60204	32028
	Income Available for Fixed Charges	113867	95222
FIXED CHARGES:			
335	Interest on Funded Debt	0	0
336	Other Interest Deductions	800	800
338	Amortization of Discount on Funded Debt	0	0
340	Other Fixed Charges	0	0
	Total Fixed Charges	800	800
	INTRASTATE INCOME STATEMENT	113059	94414

PRO FORMA

COOPERSBURG TELEPHONE COMPANY
INTERSTATE INCOME STATEMENT

ACCT.	DESCRIPTION	12 Months Ended 12/31/88	12 Months Ended 12/31/87
OPERATING REVENUES:			
500	Local Service Revenues	0	0
510	Toll Service Revenues	489000	392800
520	Miscellaneous Revenues	0	395
530	Uncollectible Operating Revenues	0	-467
	Total Operating Revenues	489000	392728
OPERATING EXPENSES AND TAXES:			
600	Maintenance Expenses	47906	49886
620	Traffic Expenses	4282	3988
640	Commercial Expenses	9634	22999
660	General Office Salaries and Expenses	51665	66642
667	Other Operating Expenses	16069	17423
	Total Above Expenses	129556	160138
688.1	Depreciation Expense	39874	39284
689	Extraordinary Retirement	5799	5799
	Total Operating Expenses	175229	205221
304	Investment Tax Credit, Net	-1871	-1884
307.10	State Income Tax	24251	11174
307.11	Gross Receipts Tax	22005	17678
307.12	Capital Stock Tax	3768	3391
	Other State Taxes	4650	1431
306	Federal Income Tax	88760	49471
	Other Federal Taxes	2780	5679
308	Deferred Federal Income Tax	270	11032
	Deferred State Income Tax	74	2619
309	Income Credit from Deferred Income Taxes	-3920	-3392
	Total Operating Expenses and Taxes	315996	302420
	Net Operating Income	173004	90308
OTHER INCOME:			
313.1	Interest during Construction	0	0
	Other Income, Net	13062	0
	Total Other Income	13062	0
	Income Available for Fixed Charges	186066	90308
FIXED CHARGES:			
335	Interest on Funded Debt	0	0
336	Other Interest Deductions	188	188
338	Amortization of Discount on Funded Debt	0	0
340	Other Fixed Charges	0	0
	Total Fixed Charges	188	188
	INTERSTATE INCOME STATEMENT	185878	90120

PRO FORMA

COOPERSBURG TELEPHONE COMPANY
INCOME STATEMENT

ACCT.	DESCRIPTION	12 Months Ended 12/31/88	12 Months Ended 12/31/87
OPERATING REVENUES:			
500	Local Service Revenues	262860	359100
510	Toll Service Revenues	1521660	1417700
520	Miscellaneous Revenues	14760	72500
530	Uncollectible Operating Revenues	-4800	-2000
	Total Operating Revenues	1794480	1847300
OPERATING EXPENSES AND TAXES:			
600	Maintenance Expenses	252669	269158
620	Traffic Expenses	366334	346558
640	Commercial Expenses	66305	144428
660	General Office Salaries and Expenses	298989	367471
667	Other Operating Expenses	83826	91601
	Total Above Expenses	1068123	1219216
608.1	Depreciation Expense	289532	206432
609	Extraordinary Retirement	34212	34212
	Total Operating Expenses	1311867	1459860
304	Investment Tax Credit, Net	-9925	-9996
307.10	State Income Tax	31754	9296
307.11	Gross Receipts Tax	77307	77037
307.12	Capital Stock Tax	20000	18000
	Other State Taxes	7896	7556
306	Federal Income Tax	116220	47226
	Other Federal Taxes	31165	29823
308	Deferred Federal Income Tax	1829	58992
	Deferred State Income Tax	500	14004
309	Income Credit from Deferred Income Taxes	-20000	-10000
	Total Operating Expenses and Taxes	1567813	1693798
	Net Operating Income	226667	153502
OTHER INCOME:			
313.1	Interest during Construction	0	0
	Other Income, Net	73266	32028
	Total Other Income	73266	32028
	Income Available for Fixed Charges	299933	185530
FIXED CHARGES:			
335	Interest on Funded Debt	0	0
336	Other Interest Deductions	996	996
338	Amortization of Discount on Funded Debt	0	0
340	Other Fixed Charges	0	0
	Total Fixed Charges	996	996
	NET INCOME	298937	184534

PRO FORMA

COOPERSBURG TELEPHONE COMPANY
INTRASTATE RATE OF RETURN STUDY

Requested in Public Utility Commission's Letter of September 13, 1978

SCHEDULE A
INTRASTATE

	12 Months Ended 12/31/88	12 Months Ended 12/31/87	Average
Original cost of telephone plant in service, including construction work in progress in service	1992962	1851152	1922057
Deductions:			0
Depreciation Reserve	860806	735152	797979
Contributions in Aid of Construction	0	0	0
Customers' Advances for Construction	0	0	0
Accumulated Deferred Income Taxes	316149	331138	323644
Total Deductions	1176955	1066291	1121623
Net Investment	816007	784862	800434
Material and Supplies	42282	42282	42282
Cash Working Capital	0	0	0
Rural Telephone Bank Class B Stock	0	0	0
	858289	827144	842717
Less: Unamortized ITC (pre-1971)	0	0	0
Intrastate Rate Base - Normalized	858289	827144	842717
Operating Revenues	1305480		1305480
Operating Revenue Deductions:			
Operating Expense	938567		938567
Depreciation Expense	169658		169658
Extraordinary Retirement	28413		28413
Taxes:			0
Investment Tax Credit, Net	-8054		-8054
State Income Tax	5494		5494
Federal Income Tax	14574		14574
Other Operating Taxes	103165		103165
Total Operating Revenue Deductions	1251817		1251817
Income Available for Intrastate Return - Normalized	53663		53663
Intrastate Rate of Return	6.25%		6.37%
Income Available for Intrastate Return - Adjusted for Known Changes	53663		53663
Intrastate Rate of Return	6.25%		6.37%

PRO FORMA

COOPERSBURG TELEPHONE COMPANY
INTERSTATE RATE OF RETURN STUDY

Requested in Public Utility Commission's Letter of September 13, 1978

SCHEDULE A
INTERSTATE

	12 Months Ended 12/31/88	12 Months Ended 12/31/87	Average
Original cost of telephone plant in service, including construction work in progress in service	462937	429997	446467
Deductions:			
Depreciation Reserve	199561	170431	184996
Contributions in Aid of Construction	0	0	0
Customers' Advances for Construction	0	0	0
Accumulated Deferred Income Taxes	73437	76919	75178
Total Deductions	272998	247349	260174
Net Investment	189939	182647	186293
Material and Supplies	10249	10249	10249
Cash Working Capital	0	0	0
Rural Telephone Bank Class B Stock	0	0	0
	200188	192896	196542
Less: Unamortized ITC (pre-1971)	0	0	0
Interstate Rate Base - Normalized	200188	192896	196542
Operating Revenues	489000		489000
Operating Revenue Deductions:			
Operating Expense	129556		129556
Depreciation Expense	39874		39874
Extraordinary Retirement	5799		5799
Taxes:			0
Investment Tax Credit, Net	-1871		-1871
State Income Tax	23760		23760
Federal Income Tax	85674		85674
Other Operating Taxes	33204		33204
Total Operating Revenue Deductions	315996		315996
Income Available for Interstate Return - Normalized	173004		173004
Interstate Rate of Return	86.42%		88.02%
Income Available for Interstate Return - Adjusted for Known Changes	173004		173004
Interstate Rate of Return	86.42%		88.02%

PRO FORMA
COOPERSBURG TELEPHONE COMPANY
RATE OF RETURN STUDY

SCHEDULE A

Requested in Public Utility Commission's Letter of September 13, 1978

	12 Months Ended 12/31/88	12 Months Ended 12/31/87	Average
	<u> </u>	<u> </u>	<u> </u>
Original cost of telephone plant in service, including construction work in progress in service	2455899	2281149	2368524
Deductions:			
Depreciation Reserve	1060367	905583	982975
Contributions in Aid of Construction	0	0	0
Customers' Advances for Construction	0	0	0
Accumulated Deferred Income Taxes	389586	488857	398822
Total Deductions	<u>1449953</u>	<u>1313640</u>	<u>1381797</u>
Net Investment	1005946	967509	986728
Material and Supplies	52531	52531	52531
Cash Working Capital	0	0	0
Rural Telephone Bank Class B Stock	0	0	0
	<u>1058477</u>	<u>1020040</u>	<u>1039259</u>
Less: Unamortized ITC (pre-1971)	0	0	0
Rate Base - Normalized	<u><u>1058477</u></u>	<u><u>1020040</u></u>	<u><u>1039259</u></u>
Operating Revenues	1794480		1794480
Operating Revenue Deductions:			
Operating Expense	1068123		1068123
Depreciation Expense	209532		209532
Extraordinary Retirement	34212		34212
Taxes:			
Investment Tax Credit, Net	-9925		-9925
State Income Tax	29254		29254
Federal Income Tax	100249		100249
Other Operating Taxes	136368		136368
Total Operating Revenue Deductions	<u>1567813</u>		<u>1567813</u>
Income Available for Return - Normalized	<u>226667</u>		<u>226667</u>
Rate of Return	<u><u>21.41%</u></u>		<u><u>21.81%</u></u>
Income Available for Return - Adjusted for Known Changes	<u>226667</u>		<u>226667</u>
Rate of Return	<u><u>21.41%</u></u>		<u><u>21.81%</u></u>

PRO FORMA

COOPERSBURG TELEPHONE COMPANY
 Calculation of Intrastate Return on Average Common Equity
 for the Twelve Months Ended 12/31/88

SCHEDULE C
 INTRASTATE

	(1) Average Capital Ratios	(2) Average Intrastate Rate Base	(3) Totals	(4) Average Cost Rate	(5) Rate Base Related Cost of Debt & Pfd
1. Avg. Debt	45.00%	842717	379223	7.61%	28859
2. Avg. Preferred	0.00	842717	0	6.24	0
3. Avg. Common Equity	55.00	842717	463494	-	-
4. Total	<u>100.00%</u>		<u>842717</u>		<u>28859</u>

Twelve Months Ended
 12/31/88

	Actual	Adjusted
5. Income Available for Intrastate Return (Schedule B)	53663	53663
6. Less: Rate Base Related Cost of Debt and Preferred (Line 4, Column 5)	28859	28859
7. Income Available for Average Common Equity (Line 5 less Line 6)	24804	24804
8. Average Debt Cost (Line 1, Column 5)	28859	28859
9. Less: Interest Expense Used to Compute State and Federal Income Taxes	808	808
10. Difference between Line 8 and Line 9	28051	28051
11. Effective State and Federal Income Tax Rate	.3961	.3961
12. Net Addition (Deduction) (Line 10 x Line 11)	11111	11111
13. Income Available for Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 7 + Line 12)	<u>35915</u>	<u>35915</u>
14. Intrastate Return on Average Common Equity (Line 7 / Line 3, Column 3)	<u>5.35%</u>	<u>5.35%</u>
15. Intrastate Return on Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 13 / Line 3, Column 3)	<u>7.75%</u>	<u>7.75%</u>

PRO FORMA

COOPERSBURG TELEPHONE COMPANY
 Calculation of Interstate Return on Average Common Equity
 for the Twelve Months Ended 12/31/88

SCHEDULE C
 INTERSTATE

	(1) Average Capital Ratios	(2) Average Interstate Rate Base	(3) Totals	(4) Average Cost Rate	(5) Rate Base Related Cost of Debt & Pfd
1. Avg. Debt	45.00%	196542	88444	7.61%	6731
2. Avg. Preferred	0.00	196542	0	6.24	0
3. Avg. Common Equity	55.00	196542	108098	-	-
4. Total	<u>100.00%</u>		<u>196542</u>		<u>6731</u>

	Twelve Months Ended 12/31/88	
	Actual	Adjusted
5. Income Available for Interstate Return (Schedule B)	173004	173004
6. Less: Rate Base Related Cost of Debt and Preferred (Line 4, Column 5)	6731	6731
7. Income Available for Average Common Equity (Line 5 less Line 6)	166273	166273
8. Average Debt Cost (Line 1, Column 5)	6731	6731
9. Less: Interest Expense Used to Compute State and Federal Income Taxes	188	188
10. Difference between Line 8 and Line 9	6543	6543
11. Effective State and Federal Income Tax Rate	.3961	.3961
12. Net Addition (Deduction) (Line 10 x Line 11)	2592	2592
13. Income Available for Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 7 + Line 12)	<u>168865</u>	<u>168865</u>
14. Interstate Return on Average Common Equity (Line 7 / Line 3, Column 3)	<u>153.82%</u>	<u>153.82%</u>
15. Interstate Return on Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 13 / Line 3, Column 3)	<u>156.21%</u>	<u>156.21%</u>

PRO FORMA

COOPERSBURG TELEPHONE COMPANY
 Calculation of Return on Average Common Equity
 for the Twelve Months Ended 12/31/88

SCHEDULE C

	(1)	(2)	(3)	(4)	(5)
	Average Capital Ratios	Average Rate Base	Totals	Average Cost Rate	Rate Base Related Cost of Debt & Pfd
1. Avg. Debt	45.00%	1039259	467667	7.61%	35589
2. Avg. Preferred	0.00	1039259	0	6.24	0
3. Avg. Common Equity	55.00	1039259	571592	-	-
4. Total	<u>100.00%</u>		<u>1039259</u>		<u>35589</u>

	Twelve Months Ended 12/31/88	
	Actual	Adjusted
5. Income Available for Return (Schedule B)	226667	226667
6. Less: Rate Base Related Cost of Debt and Preferred (Line 4, Column 5)	35589	35589
7. Income Available for Average Common Equity (Line 5 less Line 6)	191078	191078
8. Average Debt Cost (Line 1, Column 5)	35589	35589
9. Less: Interest Expense Used to Compute State and Federal Income Taxes	996	996
10. Difference between Line 8 and Line 9	34593	34593
11. Effective State and Federal Income Tax Rate	.3961	.3961
12. Net Addition (Deduction) (Line 10 x Line 11)	13702	13702
13. Income Available for Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 7 + Line 12)	<u>204780</u>	<u>204780</u>
14. Return on Average Common Equity (Line 7 / Line 3, Column 3)	<u>33.43%</u>	<u>33.43%</u>
15. Return on Average Common Equity, Including Tax Effect, Using Average Debt Cost (Line 13 / Line 3, Column 3)	<u>35.83%</u>	<u>35.83%</u>



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P. O. BOX 3265, HARRISBURG, Pa. 17120

ORIGINAL

October 2, 1987

IN REPLY PLEASE
REFER TO OUR FILE

RECEIVED

OCT 2 1987

SECRETARY'S OFFICE
Public Utility Commission

Jerry Rich, Secretary
Pa. Public Utility Commission
Post Office Box 3265
Harrisburg, PA 17120

Re: Petition Requesting Establishment of
Temporary Rates for Coopersburg
Telephone Company; Docket No. P-870218

Application of Coopersburg Telephone
Company, Lewisberry Telephone Company
and Commonwealth Telephone Company for
Approval of the Transfer by Merger of
All Property and Rights of the Former
Two Companies to the Commonwealth
Telephone Company; Docket No. A-310800

DOCKETED
OCT 07 1987

DOCUMENT
FOLDER

Dear Secretary Rich:

On April 14, 1987, the Office of Trial Staff
(OTS) filed with the Commission a Petition Requesting Estab-
lishment of Temporary Rates for Coopersburg Telephone Company.

On April 17, 1987, OTS filed a Response to Application
setting forth conditions requisite to the approval of the
merger of Coopersburg Telephone Company with other telephone
companies as requested under Application filed with the
Commission on or about March 18, 1987.

On October 1, 1987, Coopersburg Telephone Company,
et al. filed an Amendment of Application which satisfies
the concerns of OTS as set forth in both our Petition for
Temporary Rates and our Answer to the Merger Application.

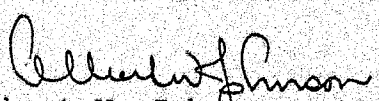
By this letter, OTS hereby withdraws its Petition
for Temporary Rates docketed at P-870218 and withdraws
the relief sought by our Response to Application docketed
at A-310800.

Jerry Rich, Secretary
Pa. Public Utility Commission

October 2, 1987

By this withdrawal and our agreement to the terms of the Amendment of Application, it is understood that OTS will not be precluded from questioning and/or challenging the propriety of Commonwealth Telephone Company's rate bands or the level of revenues Commonwealth achieves as a result of the application of the rate bands.

Very truly yours,



Albert W. Johnson
Deputy Chief Prosecutor
Office of Trial Staff

AWJ:gdp

cc: See attached Certificate
of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing letter was served either personally or by first class mail upon the persons addressed below:

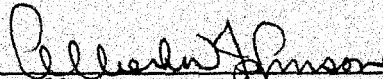
Bernard A. Ryan, Jr., Esquire
Dechert, Price & Rhoads
800 North Third Street
Harrisburg, PA 17102

Raymond B. Ostroski, Esquire
c/o C-Tech Corporation
46 Public Square
Wilkes-Barre, PA 18703

Daniel P. Delaney
Chief Counsel - Law Bureau
Pa. Public Utility Commission
Post Office Box 3265
Harrisburg, PA 17120

David M. Barasch, Consumer Advocate
Pamela Sarvey, Assistant
Consumer Advocate
Office of Attorney General
1425 Strawberry Square
Harrisburg, PA 17120

Jack H. Thomas, Executive
Vice-President
Coopersburg Telephone Company
100 Lake Street
Dallas, PA 18612



Albert W. Johnson
Deputy Chief Prosecutor
Office of Trial Staff
Pennsylvania Public Utility Commission

Date: October 2, 1987

ORIGINAL

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE
1425 Strawberry Square
Harrisburg, Pennsylvania 17120



(717) 783-6048

DAVID M. BARASCH
Consumer Advocate

October 6, 1987

RECEIVED

OCT 6 1987

Jerry Rich, Secretary
PA Public Utility Commission
Room G-18, North Office Bldg.
Harrisburg, PA 17120

SECRETARYS OFFICE
Public Utility Commission

Re: Application of Coopersburg
Telephone Company,
Lewisberry Telephone
Company and Commonwealth
Telephone Company For
Approval of The Transfer
By Merger of All Property
and Rights of The Former
Two Companies To The
Commonwealth Telephone
Company
Docket No. A-310800

Dear Secretary Rich:

Enclosed for filing is an original and two copies of a
Notice of Withdrawal of the Office of Consumer Advocate's
Protest to the above-captioned Application. As per the
attached Certificate of Service, all parties of record have
been served with this document.

Very truly yours,

Pamela B. Sarvey
Assistant Consumer Advocate

4207C
Enclosure
cc: All parties of record

CERTIFICATE OF SERVICE

Re: Application Of Coopersburg Telephone Company,
Lewisberry Telephone Company and The Commonwealth
Telephone Company For Approval Of The Transfer By
Merger Of All The Property And Rights Of The Former
Two Companies To Commonwealth Telephone Company
Docket No. A-310800

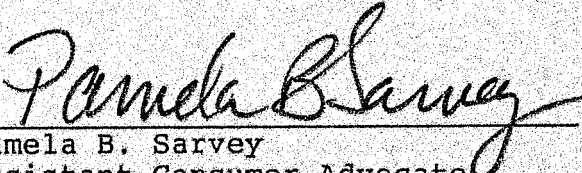
I hereby certify that I am this 6th day of October,
1987, serving either in person or by first class mail the
foregoing document, Notice of Withdrawal of Protest, upon the
persons listed below:

Albert W. Johnson
Deputy Chief Prosecutor
Office of Trial Staff
P.O. Box 3265
Harrisburg, PA 17120

Raymond B. Ostroski, Esq.
C-TEC Corporation
46 Public Square
Wilkes-Barre, PA 18703

Jack H. Thomas
Executive Vice President
Coopersburg Telephone Company
100 Lake Street
Dallas, PA 18612

Bernard A. Ryan, Jr., Esq.
Dechert, Price & Rhoads
800 North Third Street
Harrisburg, PA 17102


Pamela B. Sarvey
Assistant Consumer Advocate

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

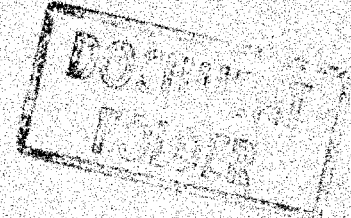
RECEIVED

OCT 9 1987

APPLICATION OF COOPERSBURG :
TELEPHONE COMPANY, LEWISBERRY :
TELEPHONE COMPANY AND :
COMMONWEALTH TELEPHONE COMPANY :
FOR APPROVAL OF THE TRANSFER :
BY MERGER OF ALL PROPERTY AND :
RIGHTS OF THE FORMER TWO :
COMPANIES TO THE COMMONWEALTH :
TELEPHONE COMPANY :

SECRETARYS OFFICE
Public Utility Commission

Docket No. A-310800



NOTICE OF WITHDRAWAL OF PROTEST

DOCKETED

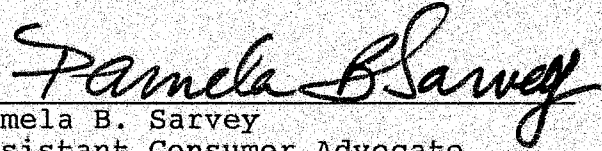
OCT 09 1987

Pursuant to 52 Pa.Code §5.94, the Office of Consumer Advocate hereby withdraws its Protest to the above-captioned application and in support thereof, states the following:

1. On or about March 18, 1987, the above-captioned Application was filed with this Commission.
2. On April 17, 1987, the Office of Consumer Advocate (OCA) filed a Protest to the Application.
3. On October 1, 1987, the three telephone companies involved filed an Amendment of Application in this proceeding.
4. The concerns noted by the OCA in its Protest have been addressed by the Companies' Amendment of Application.

WHEREFORE, for the reasons set for the above, the OCA respectfully requests this Commission to approve this Withdrawal of Protest to the Application.

Respectfully submitted,



Pamela B. Sarvey
Assistant Consumer Advocate

For:

David M. Barasch
Consumer Advocate

DATED: October 6, 1987