

ANNUAL REPORT OF  
LOCAL EXCHANGE TELEPHONE COMPANIES

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Public Service Commission  
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Frontier Communications of the South, Inc.

(EXACT NAME OF RESPONDENT)

201 S. Pensacola Avenue, Atmore, AL 36502

(ADDRESS OF RESPONDENT)

REGULATORY SERVICE  
ECONOMIC REGULATION

10 FEB 30 PM 2:51

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2009

Officer or other person to whom correspondence should be addressed concerning this report:

Name: Jessica Matushek

Title: Sr. Manager

Address: 100 CTE Drive

City: Dallas

State: PA

Telephone No.

570.631.5003

**SIGNATURE PAGE**

I certify that I am the responsible accounting officer of  
**Frontier Communications of the South, Inc.**

that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2009\_ to December 31, \_2009\_, inclusive.

I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083.

Jessica Matushek  
**Signature**

4-27-10  
**Date**

Jessica Matushek  
**Name**

Sr. Manager  
**Title**

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**Identity of Respondent**

*Schedule A-1*

**Company:**

**For the Year Ended December 31, 2009** \_\_\_\_\_

Immediately following these instructions insert the several numbers together with the information respectively pertinent thereto.

1. Exact name of respondent. Use the words "The" and "Company" or "Co." only when they are parts of the corporate name.
2. Date of incorporation.

1 Frontier Communications of the South, Inc.  
 2 January 1, 1947 in the State of Alabama

**Control Over Respondent**

*Schedule A-2*

1. If direct control over the respondent was held by a corporation, individual, association or other person at the end of the year, state:
  - (a) The form of control (sole or joint):
  - (b) The name and address of the directly controlling organization or person (Give names and addresses of all organizations or persons involved if control was joint.):
  - (c) The means by which control was held (For example, through ownership of voting securities; through common directors, officers or stockholders through voting trusts; etc.)
  - (d) The extent of control:
2. See Schedule Z-9 for an updated organizational chart.

1a Sole  
 1b Frontier Communications Corporation  
 3 High Ridge Park  
 Stamford, CT 06905

**Board of Directors and General Officers**

*Schedule A-3*

Name of Director or Officer and Address (City and State)	Title & Dept. over Which Jurisdiction is Exercised	Director's Fees
Mary Agnes Wilderotter	Chairman	
Daniel J. McCarthy	President and Chief Operating Officer	
Donald R. Shassian	Vice President and Chief Financial Officer	
Peter B. Hayes	Vice President	
Robert J. Larson	Vice President and Chief Accounting Officer	
Hilary E. Glassman	Vice President, General Counsel and Secretary	
David R. Whitehouse	Vice President and Treasurer	
Michael Golob	Vice President, Engineering	
Kenneth Mason	Vice President, Regulatory	
David G. Schwartz	Assistant Secretary	
Gregg C. Sayre	Assistant Secretary	

**Stockholders**

**Schedule A-4**

**Company:**

**For the Year Ended December 31, 2009**

1. This information shall be compiled as of December 31, except that if similar information has been compiled for some other purpose between the beginning of the year for which the report is made and the date of preparation of this report, the latest compilation shall be used.
2. Stockholders of each class of stock shall be listed in the order of their holdings, beginning with the highest and continuing until the 10 largest holdings have been listed. If any such holder was a trustee or nominee for other persons who held the beneficial interest in the securities, the name and address of each person who has the beneficial interest shall be shown. Likewise, if any person had the beneficial interest in securities held by trustees or nominees under different trusts or other groupings, and the aggregate of such person's holdings would place him among the listed holders if he were the holder of record, the details of such holdings shall be shown.

<b>Class of Stock</b>	
<b>Name and Address (City and State) of Stockholder</b>	<b>Shares Held</b>
Frontier Communications of the South Inc., was merged into Frontier Communications of the South LLC, on 5/11/2006. It is now a limited liability company with no capital stock structure, only 100% membership interest held by Frontier Subsidiary Telco, LLC.	

**Important Changes During the Year**

**Schedule A-5**

- Give concise answers to each of the following, numbering them in accordance with the numbers of the question:
1. If during the year a substantial portion or all of the property of the respondent was sold, merged, or abandoned, give full particulars, including the location and territory covered. In case of sale or merger, give the effective date, name and address of successor company, and the consideration received.
  2. Give information on any changes in accounting standards that have occurred during the year.

- 1 None
- 2 None

# BALANCE SHEET

## Schedule B-1

Company:

For the Year Ended December 31, 2009

Page 1 of 2

Ref. Sch.	Account No.	Accounts	Amounts (\$)	
			Beginning of Year	End of Year
		<b>Current Assets</b>		
	1130	Cash	2,280	(9,752)
	1140	Special Cash Deposits		
	1150	Working Cash Advance	300	300
	1160	Temporary Investments		
	1180	Telecom. Accounts Receivable	448,229	367,914
	1181	Telecom. Accounts Receivable Allowance	(8,650)	(29,306)
	1190	Other Accounts Receivable	151,444	327,983
	1191	Accounts Receivable Allowance-Other	(101,412)	(150,833)
	1200	Notes Receivable		
	1201	Notes Receivable Allowance		
	1210	Interest and Dividends Receivable		
	1220	Material and Supplies	0	0
	1290	Prepaid Rents		
	1300	Prepaid Taxes		
	1310	Prepaid Insurance		
	1320	Prepaid Directory Expenses		
	1330	Other Prepayments	21,009	
	1350	Other Current Assets		
		<b>Total Current Assets</b>	513,200	506,306
		<b>Noncurrent Assets</b>		
	1401	Investments in Affiliated Co.	4,885,478	6,314,329
	1402	Investments in Nonaffiliated Co.		
	1406	Non Regulated Investments	(71,567)	(75,088)
B-4	1407	Unamortized Debt Issuance Expense		
	1408	Sinking Funds		
	1410	Other Noncurrent Assets		
	1438	Deferred Maintenance & Retirements		
	1439	Deferred Charges		
	1500	Other Jurisdictional Assets - Net		
		<b>Total Noncurrent Assets</b>	4,813,911	6,239,241
		<b>Telephone Plant in Service</b>		
B-2	2001	Telecom. Plant in Service	23,294,427	18,251,897
	2002	Property Held for Future Use		
	2003	Plant under Construction	122,394	159,718
	2005	Plant Adjustment	500,969	313,105
	2006	Nonoperating Plant		
	2007	Goodwill	6,747,218	6,747,218
		<b>Subtotal</b>	30,665,008	25,471,938
		<b>Less:</b>		
B-3	3100	Acc. Depreciation	13,781,464	14,578,089
"	3200	Acc. Depreciation-Held for Future Use		
"	3300	Acc. Depreciation-Nonoperating		
"	3410	Acc. Amort. - Capitalized Leases		
"	3420	Acc. Amort. - Leasehold Improvements		
"	3500	Acc. Amort. - Intangible	5,273,111	573,165
"	3600	Acc. Amort. - Other	2,976,016	3,276,205
		<b>Subtotal</b>	22,030,591	18,427,459
		<b>Net Telephone Plant in Service</b>	8,634,417	7,044,479
		<b>TOTAL ASSETS</b>	13,961,528	13,790,026

# BALANCE SHEET

## Schedule B-1

Company:

For the Year Ended December 31, 2009

Page 2 of 2

Ref. Sch.	Account No.	Accounts	Amounts (\$)	
			Beginning of Year	End of Year
		<b>Current Liabilities</b>		
	4010	Accounts Payable	1,306,010	758,154
	4020	Notes Payable		
	4030	Advanced Billing and Payments	173,137	166,875
	4040	Customers' Deposits	267	2,512
B-4	4050	Current Maturities - Long Term		
	4060	Current Maturities - Capital Leases		
	4070	Income Taxes - Accrued		
	4080	Other Taxes - Accrued	17,867	2,647
	4100	Net Current Deferred Op. Income Taxes		
	4110	Net Current Deferred Nonop. Income Taxes		
	4120	Other Accrued Liabilities		
	4130	Other Current Liabilities		
		<b>Total Current Liabilities</b>	1,497,281	930,188
		<b>Long-Term Debt</b>		
B-4	4210	Funded Debt		
"	4220	Premium on Long-Term Debt		
"	4230	Discount on Long-Term Debt		
	4240	Reacquired Debt		
	4250	Obligations under Capital Leases		
B-4	4260	Advanced from Affiliated Companies		
"	4270	Other Long-Term Debt		
		<b>Total Long-Term Debt</b>		
		<b>Other Liabilities and Deferred Credits</b>		
	4310	Other Long-Term Liabilities		
	4320	Unamortized Operating ITC - Net		
	4330	Unamortized Nonoperating ITC - Net		
	4340	Net Noncur. Def. Oper. Income Taxes	155,415	231,422
	4350	Net Noncur. Def. Nonoper. Inc. Taxes	(1,072,333)	(1,178,694)
	4360	Other Deferred Credits		
	4370	Other Juris. Liab. & Def. Credits		
		<b>Total Other Liab. &amp; Def. Credits</b>	(916,918)	(947,272)
		<b>Stockholder's Equity</b>		
	4510	Capital Stock		
	4520	Additional Paid-in Capital	7,295,192	7,295,192
	4530	Treasury Stock		
	4540	Other Capital		
	4550	Retained Earnings	6,085,973	6,511,918
		<b>Total Stockholder's Equity</b>	13,381,165	13,807,110
		<b>TOTAL LIABILITIES AND EQUITY</b>	13,961,528	13,790,026

*Annual Status Report  
Analysis of Plant in Service Accounts  
Schedule B-2*

Company: \_\_\_\_\_  
For the Year Ended December 31, 2009

Page 1 of 2

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
2111	Land		41,947						41,947
<b>Amortizable General Support Assets:</b>									
2116	Other Work Equipment	7 yrs	41,516						41,516
2122	Furniture	10 yrs	2,565						2,565
2123	Office Support Equipment	7 yrs							
2123	Company Communications	5 yrs							
2124	General Purpose Computer	5 yrs	15,015						15,015
<b>Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.</b>									
2112	Motor Vehicles		-	-					-
2121	Buildings		184,000	3,875					187,875
<b>Total Land &amp; Support Assets</b>			\$ 285,043	\$ 3,875	\$ -	\$ -	\$ -	\$ -	\$ 288,918
<b>Office Assets:</b>									
2212	Digital Electronic Switch		3,669,907	13,099					3,683,006
2215	Elec. Mechanical Switch		-	-					-
2220	Operator Systems		-	-					-
2231	Radio Systems		-	-					-
2232	Circuit Equipment		1,502,777	48,007			(7,154)		1,543,629
2232	Fiber Circuit Equipment		402,633	12,762			(1,902)		413,492
<b>Total Central Office Assets</b>			\$ 5,575,316	\$ 73,868	\$ -	\$ -	\$ (9,056)	\$ -	\$ 5,640,128
<b>Info. Orig/Term Assets:</b>									
2321	Customer Premise Wiring **		18,588	-					18,588
2351	Public Telephone Equipment		-	-					-
<b>Total Info. Orig/Term Assets</b>			\$ 18,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,588
**	Acct 2362 Other Term Equipment replaces acct 2321								



**Annual Status Report**  
**Analysis of Plant in Service Accounts**  
**Schedule B-2**

Company: **For the Year Ended December 31, 2009**

Page 2 of 2

Acct. No. Description (Continued)	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
<b>Cable and Wire Facilities</b>								
2411 Poles		827						827
2421 Aerial Cable Metallic		2,605						2,605
2421 Aerial Cable Fiber		-						-
2422 Underground Cable Metallic		18,694						18,694
2422 Underground Cable Fiber		3,724						3,724
2423 Buried Metallic Cable		9,017,473	109,327	(34,375)				9,092,424
2423 Buried Fiber Cable		2,572,168	30,835	(9,696)				2,593,308
2423 Buried Cable Terminal		-						-
2423 Buried Air Cove Cable		-						-
2441 Conduit Systems		1,709	1,416				0	3,126
<b>Total Cable and Wire Facilities</b>		<b>\$ 11,617,200</b>	<b>\$ 141,578</b>	<b>\$ (44,071)</b>	<b>\$</b>	<b>\$</b>	<b>\$ 0</b>	<b>11,714,708</b>
<b>Capital Recovery Schedules: This schedule should identify each approved capital recovery schedule.</b>								
<b>Jointly Used Plant Allocated to Non Regulated</b>		( )	( )	( )	( )	( )	( )	( )
<b>Amortizable Assets:</b>								
2681 Capital Leases								
2682 Leasehold Improve.								
2690 Intangibles		5,798,279					-5,208,724	589,555
<b>Total Balances</b>								
<b>Note: * The total beginning and ending balances plus jointly used plant allocated to non regulated, if any, must agree to acct. 2001, Plant in Service, in Schedule B-1, Balance Sheet.</b>								

**Annual Status Report**  
**Analysis of Accumulated Depreciation & Amortization**  
**Schedule B-3**

Company: For the Year Ended December 31, 2009

Acct. No.	Account Description	Beginning Balance*	Accruals**	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
<b>Amortizable General Support Assets:</b>										
2116	Other Work Equipment	19,998	2,864							22,862
2122	Furniture	2,566								2,566
2123	Office Support Equipment									
2123	Company Communications							253		
2124	General Purpose Computer	21,731								21,984
<b>Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.</b>										
3112	Motor Vehicles	-								-
3121	Buildings	106,246	5,372							111,618
	<b>Total Land &amp; Support Assets</b>	\$ 150,541	\$ 8,236		\$ -	\$ -	\$ -	\$ 253	\$ -	\$ 159,030
<b>Central Office Assets:</b>										
3212	Digital Electronic Switch	3,879,472	7,341							3,886,813
3215	Elec. Mechanical Switch	-	-							-
3220	Operator Systems	-	-							-
3231	Radio Systems	-	-							-
3232	Circuit Equipment	830,389	119,586					(196)		949,779
3232	Fiber Circuit Equipment	220,563	31,789					(52)		252,300
	<b>Total Central Office Assets</b>	\$ 4,930,424	\$ 158,716		\$ -	\$ -	\$ -	\$ (248)	\$ -	\$ 5,088,892
<b>Info. Orig/Term Assets:</b>										
3321	Customer Premise Wirin.**	9,817	5,574							15,391
3351	Public Telephone Equipment	-	-							-
	<b>Total Info. Orig/Term Assets</b>	\$ 9,817	\$ 5,574		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,391
**	Account 3362 Other Term Equipment is being used in place of Acct 3321									

**Annual Status Report**  
**Analysis of Accumulated Depreciation & Amortization**  
**Schedule B-3**

Company:

For the Year Ended December 31, 2009

Page 2 of 2

Acct. Account No. Description (Continued)	Beginning Balance*	Accruals**	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
<b>Cable and Wire Facilities</b>									
3411 Poles	597	75	-	(48)	-	30	-	-	594
3421 Aerial Cable Metallic	908	238	-	-	-	-	-	-	1,146
3421 Aerial Cable Fiber	-	-	-	-	-	-	-	-	-
3422 Underground Cable Metallic	4,926	1,281	-	-	-	-	-	-	6,207
3422 Underground Cable Fiber	-	-	-	-	-	-	-	-	-
3423 Buried Metallic Cable	8,675,965	647,847	-	(18,153)	-	-	-	-	9,305,659
3423 Buried Fiber Cable	-	-	-	-	-	-	-	-	-
3423 Buried Cable Terminal	-	-	-	-	-	-	-	-	-
3423 Buried Air Cove Cable	-	-	-	-	-	-	-	-	-
3441 Conduit Systems	1,118	52	-	-	-	-	-	-	1,170
<b>Total Cable and Wire Facilities</b>	<b>\$ 8,683,514</b>	<b>\$ 649,493</b>	<b>\$ -</b>	<b>\$ (18,201)</b>	<b>\$ -</b>	<b>\$ 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,314,776</b>
<b>Capital Recovery Schedules: This schedule should identify each approved capital recovery schedule.</b>									
<i>Subtotal</i>									
<b>Reserve for Jointly Used Plant Allocated to Non Regulated</b>	( )	( )	( )	( )	( )	( )	( )	( )	( )
<b>Accumulated Depr. &amp; Amortization:</b>									
3200 PHF-U									
3300 Nonoperating									
3410 Capital Lease									
3420 Leasehold Improve.									
3500 Intangibles	5,273,111	40,940						(4,740,886)	573,165
3600 Other	2,813,201	462,724						280	3,276,205
<i>Subtotal</i>									
<b>Total Balances</b>									

**Note:** \* The grand total of beginning and ending balances plus jointly used plant allocated to non regulated, if any, must agree to the subtotal of Depreciation & Amortization in Schedule B-1, Balance Sheet.  
\*\* The grand total of accruals plus jointly used plant allocated to non regulated, if any, must agree with the total Depreciation & Amortization Expense in Schedule I-1, Income Statement.

**Long-Term Debt (Accts 4050, 4210, 4220, 4230, 4260 & 4270)**  
**Schedule B-4**

Company:

For the Year Ended December 31, 2009 \_\_\_\_\_

Description of Obligation	Nominal Date of Issue	Date of Maturity	Acct 4050	Accts 4210, 4260 & 4270	Unamortized Prem or Disc 4220 & 4230	Unamortized Debt Iss Exp Acct 1407	Stated Rate	Int. Acc. During the Year
			\$	\$	\$	\$		\$
<b>Totals</b>			\$	\$	\$	\$		\$

**Funded Debt Reacquired or Retired During the Year**  
**Schedule B-5**

Description of Security	Reacquired During Year		Retired During Year Book/Face Amount	Effective Date of Call (if any)	Unamortized Discount or (Premium) Acct & Amt	Redemption Premium or (Discount) Acct & Amt	Reacquisition or Redemp Expense Acct & Amt
	Reacquisition Cost Per \$100 of Debt	Book/Face Amount					
<b>Remarks</b>							

# INCOME STATEMENT

Schedule I-1

Company:

For the year ended December 31, 2009

Page 1 of 4

Account No.	Accounts	Amounts (\$)		
		Current Year		Total Company Prior Year
		Total Company	Intrastate	
	<b>OPERATING REVENUES</b>			
5001	Basic Area	563,686	563,686	585,453
5002	Extended Area			
5003	Cellular Mobile			
5004	Other Mobile Service	125,427	125,427	(18,762)
5010	Public Telephone			
5040	Local Private Line	30,594	30,594	35,828
5050	Customer Premises	6,912	6,912	12,938
5060	Other Local Exchange	504,201	504,201	532,715
5069	Other Local Ex. Settlements			
	<b>Total Local Network Service</b>	1,230,820	1,230,820	1,148,172
5081	End User	432,729		479,178
5082	Switched Access	172,852		203,707
5083	Special Access	192,700		210,064
5084	State Access	38,425	38,425	186,952
	<b>Total Network Access</b>	836,706	38,425	1,079,901
5100	Long Distance Message	813	813	458
5110	Unidirectional Long Distance			
5120	Long Distance Private Network	3,384	3,384	3,576
5160	Other LD Revenue			
5169	Other LD Revenue Settle.			
	<b>Total LD Network</b>	4,197	4,197	4,034
5230	Directory	27,126	27,126	59,498
5240	Rent	0	0	18
5250	Corporate Operations			
5261	Special Billing Arrangement	6,179	6,179	6,233
5262	Customer Operations	0	0	-53
5263	Plant Operations			
5264	Other Incidental Regulated Rev.	28,875	28,875	25,811
5269	Other Revenue Settle.			
5270	Interstate Billing & Collection	0		19,870
5270	Intrastate Billing & Collection	0		9,957
5301	Uncollectible Revenue-Tele.	(93,601)	(61,273)	(18,656)
5302	Uncollectible Revenue-Other			
	<b>Total Miscellaneous</b>	-31,421	62,180	102,678
	<b>TOTAL OPERATING REVENUES</b>	2,040,302	1,335,622	2,334,786

## INCOME STATEMENT

### Schedule I-1

Company:

For the year ended December 31, 2009

Page 2 of 4

Acct. No.	Account	Current Year Total	Prior Year Total
	<b><i>Plant Specific Expense</i></b>		
6112	Motor Vehicle	5	51
6113	Aircraft		
6114	Vehicle		
6115	Garage Work Equipment		
6116	Other Work Equipment		0
	<b><i>Total Network Support</i></b>	5	51
6121	Land & Building	41,048	49,005
6122	Furniture & Artwork	1,465	1,554
6123	Office Equipment	4,014	4,333
6124	Gen. Purpose Computer	94,776	96,623
	<b><i>Total General Support</i></b>	141,302	151,514
6211	Analog Electronic		
6212	Digital Electronic	19,198	37,264
6215	Electromechanical		
	<b><i>Total CO Switching</i></b>	19,198	37,264
6220	Operator Systems	1,865	1,301
6231	Radio Systems	1,523	515
6232	Circuit Equipment	2,331	3,306
	<b><i>Total Circuit Equipment</i></b>	5,718	5,121
6310	Information Orig./Term.		
	<b><i>Total Information Orig/Term</i></b>		
6411	Poles		
6421	Aerial Cable	435	434
6422	Underground Cable	2,802	1,446
6423	Buried Cable	169,198	160,685
6424	Submarine Cable		
6425	Deep Sea Cable		
6426	Intrabuilding Network		
6431	Aerial Wire		
6441	Conduit Systems		
	<b><i>Total Cable &amp; Wire</i></b>	172,435	162,566
	<b><i>Total Plant Specific</i></b>	338,658	356,517
	<b><i>Plant Nonspecific Expense</i></b>		
6510	Other Property Plant and Equipment	47	92
6531	Power	64,485	63,371
6532	Network Administration	77,620	95,066
6533	Testing	16,943	7,574
6534	Plant Operations Administration	4,198	631
6535	Engineering	54,793	27,673
	<b><i>Total Network Operations</i></b>	218,086	194,407

# INCOME STATEMENT

## Schedule I-1

Company:

For the year ended December 31, 2009

Page 3 of 4

Acct. No.	Account	Current Year Total	Prior Year Total
6540	Access	150,747	63,464
6561	Depreciation - TPIS	647,878	316,826
6562	Depreciation - PHFU		
6563	Amortization - Tangible		
6564	Amortization - Intangible	373,943	373,943
6565	Amortization - Other		
	<b>Total Depreciation &amp; Amortization</b>	1,021,821	690,769
	<b>Total Plant Nonspecific</b>	1,390,654	948,640
	<b>Customer Operations</b>		
6611	Product Management	9,238	8,526
6612	Sales	56,580	34,710
6613	Product Advertising	32,885	28,054
	<b>Total Marketing</b>	98,703	71,290
6621	Call Completion	13,986	12,357
6622	Number Service	1,590	1,730
6623	Customer Service	143,870	119,450
	<b>Total Services</b>	159,446	133,537
	<b>Total Customer Operations</b>	258,149	204,827
	<b>Corporate Operations</b>		
6711	Executive	34,717	25,573
6712	Planning	1,306	700
6721	Accounting/Finance	34,446	37,773
6722	External Relations	21,316	32,109
6723	Human Resources	9,309	7,997
6724	Info. Management	31,695	25,394
6725	Legal	3,510	7,773
6726	Procurement	1,743	1,984
6727	Research/Development		
6728	Other General & Administrative	47,075	124,894
	<b>Total Corporate Operations</b>	185,118	264,199
	<b>TOTAL OPERATING EXPENSES</b>	2,172,579	1,774,182

**INCOME STATEMENT**

*Schedule I-1*

Company:

For the year ended December 31, 2009

Page 4 of 4

Ref. Sch.	Account No.	Account	Current Year Total	Prior Year Total
	7100	Other Operating Income and Expenses <b><i>Other Operating Income &amp; Expenses</i></b>		
	7210	Operating ITC		
	7220	Operating Federal Income Taxes	263,843	474,664
	7230	Operating State & Local Income Taxes	49,825	94,263
I-2	7240	Other Operating Taxes	89,565	103,414
	7250	Provision for Deferred Operating Taxes-Net	11,859	(69,367)
		<b><i>Total Operating Taxes</i></b>	<b>415,092</b>	<b>602,974</b>
		<b><i>NET OPERATING INCOME</i></b>	\$ (547,369)	\$ (42,370)
	7310	Dividend Income		
	7320	Interest Income		(32)
	7330	Income from Sinking & Other Funds		
	7340	Allowance for Funds Used During Construction	2,525	
	7350	Gain/Loss from the Disposition of Property		1,098
	7360	Other Nonoperating Income	(501,187)	(250,593)
	7370	Special Charges	(704)	(776)
		<b><i>Total Nonoperating Income &amp; Expenses</i></b>	<b>(499,367)</b>	<b>(250,303)</b>
	7400	Nonoperating Taxes	0	(342,034)
		<b><i>Total Nonoperating Taxes</i></b>	<b>0</b>	<b>(342,034)</b>
B-4	7510	Interest on Funded Debt		
	7520	Interest Expense - Capital Leases		
B-4	7530	Amortization of Debt Issuance Expense		
	7540	Other Interest Deductions	72,639	
		<b><i>Total Interest &amp; Related Items</i></b>	<b>72,639</b>	
	7610	Extraordinary Income Credits		
	7620	Extraordinary Income Charges		
	7630	Current Income Tax Effect of Ex. Items-Net		
		<b><i>Total Extraordinary Items</i></b>		
	7910	Income Effect of Juris. Ratemaking Differences		
	7990	Non Regulated Net Income	755,013	916,908
		<b><i>NET INCOME</i></b>	<b>-364,362</b>	<b>966,269</b>



**Other Operating Taxes**  
**Schedule I-2**

**Company:**

**For the Year Ended December 31, 2009** \_\_\_\_\_

Name of Government	Type of Tax						
	Property	Gross Receipts	PSC Assess	Intangible	Franchise	Other*	Total
US Government							
State of Florida	85,521.46				4,009.21	34.50	89,565.17
State of Florida - Deferred Inc						11,858.82	11,858.82
<b>Total</b>	<b>85,521.46</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,009.21</b>	<b>11,893.32</b>	<b>101,423.99</b>
Charged to Construction							
<b>Net Charged to Account</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**Note: \* List separately each item in excess of \$500.**

**Donations or Payments for Services Rendered by Persons  
Other Than Employees  
Schedule I-3**

**Company:**  
**For the Year Ended December 31, 2009** \_\_\_\_\_

Name of Recipient	Nature of Services	Account No.	Amount of Payment
Sunshine State One Call	Construction Labor	6423	\$ 71,826

**Membership Fees and Dues  
Schedule I-4**

Particulars	Account	Amount
<b>Expenditures Charged to Operating Expenses</b>		\$
Membership in:		
Association of Telecommunications Companies	6722	\$ -
Trade, Technical and Professional Associations		
Other Organizations (Specify Type):		
<b>Total</b>		<b>\$ -</b>

**Access Lines in Service by Customer**  
**Schedule S-1**

**Company:**

**For the year ended December 31, 2009**

State or Territory	Business		Public Access Lines	Residential Access Lines	Mobile Access Lines	Total Access Lines (Switched & Special)
	Single Line	Multi Line				
Florida	307	190	1	2987		3485

**Telephone Calls**  
**Schedule S-2**

State or Territory	Local Calls	IntraLATA Toll Calls Completed (Originating)	InterLATA Toll Calls Completed (Originating)			InterLATA Billed Access Minutes (Originating and Terminating)		
			Interstate	Intrastate	Total	Interstate	Intrastate	Total
Florida	N/A	239,772	1,086,223	212,626	1,298,849	11,339,048	2,538,835	13,877,883
<b>Totals</b>		239,772	1,086,223	212,626	1,298,849	11,339,048	2,538,835	13,877,883



**Compensation of Officers**  
**Schedule Z-2**

**Company:**

**For the Year Ended December 31, 2009** \_\_\_\_\_

1. Report below the name, title, salary and bonus/incentive compensation for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Title (a)	Name of Officer (b)	Salary for Year (c)	Bonus/Incentive (d)	Total (e)
Please see the enclosed proxy statement which lists information regarding the officers and directors of Citizens Communications Company, the parent company of Frontier Communications of the South, Inc.				

**Affiliation of Officers and Directors**  
**Schedule Z-3**

For each of the officials named in Schedule A-3, list the principal occupation or business affiliation if other than listed in Schedule A-3 and all affiliations or connections with any other business or financial organizations, firms, or partnerships. For purposes of this part, the official will be considered to have an affiliation with any business or financial organization, firm or partnership in which he is an officer, director, trustee, partner, or a person exercising similar functions.

Name	Principal Occupation or Business Affiliation	Affiliation or Connection with any other business or Financial Organization Firm or Partnership	
		Affiliation or Connection	Name and Address

**Business Contracts with Officers and Directors**  
**Schedule Z-4**

List all contracts, agreements, or other business arrangements\* entered into during the calendar year (other than compensation-related to position with respondent) between the respondent and each officer and director listed in Schedule A-3. In addition, provide the same information with respect to professional services for each firm, partnership, or organization with which the officer or director is affiliated.

\*Note: Business agreement, for this schedule, shall mean any oral or written business deal which binds the concerned parties for products or services during the reporting year or future years.

Name of Officer or Director	Name and Address of Affiliated Entity	Amount	Identification of Product or Service

## Analysis of Directory Advertising Operations

### Schedule Z-5

**Company:**

**For the Year Ended December 31, 2009**

Items	Consolidated (f) Amount	Amount Per Books
1. Revenues (Account 5230) (e)	27,126	27,126
2. Local		
3. National		
4. Sales		
5. Commissions		
6. Other		
7. Total (line 2 thru 6)	27,126	27,126
8. Expenses (Account 6622) (e)	1,590	1,590
9. Printing		
10. Commissions		
11. Deliver		
12. Salvage		
13. Other		
14. Total (line 9 thru 13)	1,590	1,590
15. Gross Profit (Line 7 minus 14)	25,535	25,535
16. Gross Profit 1982 (a)	8,830	8,830
17. Customer Growth Factor (b)	1.59	1.59
18. CPI-U Factor (c)	2.24	2.24
19. Adjusted 1982 (L16 x L17 x L18)	31,361	31,361
20. Non Regulated (d)	8,512	8,512

**Footnotes:**

(a) Gross Profit Base as Stated in FPSC Rule 25-4.0405.

Average Current Year Access Lines	=	3,617	=		1.59
Average 1982 Access Lines Per Rule 25-4.0405		2279			

Annual Average CPI-U for Current Year	=	215,949	=		2.24
Annual Average CPI-U for 1982		96.5			

(d) (Line 15 less Line 19) or (1/3 of Line 15) whichever is smaller but not less than zero.

(e) Only those revenues and expenses formerly included in accounts 523 and 649 should be included in this schedule.

(f) This column only applies to those LEC's with an affiliated directory publishing company providing the service. The consolidated amount should contain the entire or gross amount from the Directory Advertising operation in the local franchise area to be considered in setting rates for telecommunications service. This will include the gross amounts billed from all sources, including all amounts from the publishing or directory companies as well as the Local Exchange Companies.

*Average Access Lines in Service*

*Schedule Z-6*

**Company:**

**For the Year Ended December 31, 2009**

<b>(a) Classification</b>	<b>(b) Average Number</b>
1. Residence Lines (R-1, 2, 4, etc.)	3,133
2. Business Lines (B-1, 2, 4, etc.)	337
3. Centrex Lines	45
4. PBX Trunks	2
5. Key System Lines	44
6. Subtotal (Line 1 thru Line 5)	<u>3,561</u>
7. Teletypewriter Lines	
8. Foreign Exchange Lines	
9. Service Telephone Lines	
10. Other Lines	56
11. Total (Line 6 thru Line 10)	<u>3,617</u>

**Footnotes:**

- (a) Include lines terminating in customer owned equipment.
- (b) Average is the average of the twelve monthly averages.

**Corporate Structure**  
**Schedule Z-7**

**Company:**

**For the Year Ended December 31, 2009** \_\_\_\_\_

Provide an updated organizational chart showing all affiliated companies, partnerships, etc.

**Effective  
Date**

**Please see the attached organizational chart showing all affiliated companies for the year ending December 31,2009**



Frontier Communications Corporation

Active Entity List

Entity Name	Domestic Jurisdiction
C-DON Partnership	Pennsylvania
Citizens Capital Ventures Corp.	Delaware
Citizens Directory Services Company L.L.C.	Delaware
Citizens Louisiana Accounting Company	Delaware
Citizens Mohave Cellular Company	Delaware
Citizens NEWCOM Company	Delaware
Citizens NEWTEL, LLC	Delaware
Citizens Pennsylvania Company LLC	Delaware
Citizens SERP Administration Company	Delaware
Citizens Telecom Services Company L.L.C.	Delaware
Citizens Telecommunications Company of California Inc.	California
Citizens Telecommunications Company of Idaho	Delaware
Citizens Telecommunications Company of Illinois	Illinois
Citizens Telecommunications Company of Minnesota, LLC	Delaware
Citizens Telecommunications Company of Montana	Delaware
Citizens Telecommunications Company of Nebraska	Delaware
Citizens Telecommunications Company of Nebraska LLC	Delaware
Citizens Telecommunications Company of Nevada	Nevada
Citizens Telecommunications Company of New York, Inc.	New York
Citizens Telecommunications Company of Oregon	Delaware
Citizens Telecommunications Company of Tennessee L.L.C.	Delaware
Citizens Telecommunications Company of the Volunteer State LLC	Delaware
Citizens Telecommunications Company of the White Mountains, Inc.	Delaware
Citizens Telecommunications Company of Utah	Delaware
Citizens Telecommunications Company of West Virginia	West Virginia
Citizens Utilities Capital L.P.	Delaware
Citizens Utilities Rural Company, Inc.	Delaware
Commonwealth Communication, LLC	Delaware
Commonwealth Telephone Company LLC	Pennsylvania
Commonwealth Telephone Enterprises LLC	Pennsylvania
Commonwealth Telephone Enterprises, LLC	Delaware
Commonwealth Telephone Management Services, Inc.	Pennsylvania
Conference-Call USA, LLC	Delaware
CTE Delaware Holdings, LLC	Delaware
CTE Holdings, Inc.	Pennsylvania
CTE Services, Inc.	Pennsylvania
CTE Telecom, LLC	Pennsylvania
CTSI, LLC	Pennsylvania
CU Capital LLC	Delaware
CU Wireless Company LLC	Delaware
Electric Lightwave NY, LLC	Delaware
Evans Telephone Holdings, Inc.	Delaware
Fairmount Cellular LLC	Georgia
Frontier Cable of Wisconsin LLC	Wisconsin

Frontier Communications - Midland, Inc.	Illinois
Frontier Communications - Prairie, Inc.	Illinois
Frontier Communications - Schuyler, Inc.	Illinois
Frontier Communications - St. Croix LLC	Wisconsin
Frontier Communications Corporation	Delaware
Frontier Communications of Alabama, LLC	Alabama
Frontier Communications of America, Inc.	Delaware
Frontier Communications of AuSable Valley, Inc.	New York
Frontier Communications of Breezewood, LLC	Pennsylvania
Frontier Communications of Canton, LLC	Pennsylvania
Frontier Communications of DePue, Inc.	Illinois
Frontier Communications of Fairmount LLC	Georgia
Frontier Communications of Georgia LLC	Georgia
Frontier Communications of Illinois, Inc.	Illinois
Frontier Communications of Indiana LLC	Indiana
Frontier Communications of Iowa, LLC	Iowa
Frontier Communications of Lakeside, Inc.	Illinois
Frontier Communications of Lakewood, LLC	Pennsylvania
Frontier Communications of Lamar County, LLC	Alabama
Frontier Communications of Michigan, Inc.	Michigan
Frontier Communications of Minnesota, Inc.	Minnesota
Frontier Communications of Mississippi LLC	Mississippi
Frontier Communications of Mondovi LLC	Wisconsin
Frontier Communications of Mt. Pulaski, Inc.	Illinois
Frontier Communications of New York, Inc.	New York
Frontier Communications of Orion, Inc.	Illinois
Frontier Communications of Oswayo River LLC	Pennsylvania
Frontier Communications of Pennsylvania, LLC	Pennsylvania
Frontier Communications of Rochester, Inc.	Delaware
Frontier Communications of Seneca-Gorham, Inc.	New York
Frontier Communications of Sylvan Lake, Inc.	New York
Frontier Communications of the South, LLC	Alabama
Frontier Communications of Thorntown LLC	Indiana
Frontier Communications of Virginia, Inc.	Virginia
Frontier Communications of Viroqua LLC	Wisconsin
Frontier Communications of Wisconsin LLC	Wisconsin
Frontier Directory Services Company, LLC	Delaware
Frontier InfoServices Inc.	Delaware
Frontier Mobile LLC	Delaware
Frontier Security Company	Delaware
Frontier Subsidiary Telco LLC	Delaware
Frontier TechServ, Inc.	Delaware
Frontier Telephone of Rochester, Inc.	New York
GVN Services	California
Mohave Cellular Limited Partnership	Delaware
Navajo Communications Company, Inc.	New Mexico
NCC Systems, Inc.	Texas
Ogden Telephone Company	New York
Phone Trends, Inc.	New York
Rhineland Telecommunications, LLC	Wisconsin
Rhineland Telephone LLC	Wisconsin
Rib Lake Cellular for Wisconsin RSA#3, Inc.	Wisconsin

Rib Lake Telecom, Inc.	Wisconsin
T.M.H., Inc.	Delaware

*New or Amended Contracts with Affiliated Companies*  
*Schedule Z-8*

**Company:**

**For the Year Ended December 31, 2009** \_\_\_\_\_

Provide a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis shall include, at a minimum, the terms, price, quantity, amount, and duration of the contracts.

<b>Name of Affiliated Company</b>	<b>Synopsis of Contract</b>
N/A	

**Summary of Affiliated Transfers and Cost Allocations**  
**Schedule Z-9**

**Company:**

**For the Year Ended December 31, 2009** \_\_\_\_\_

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$3,000 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

- (a) Enter name of affiliate.
- (b) Give description of type of service, or name the product involved.
- (d) Enter the letter "p" if the service or product is a purchased by the Respondent: "s" if the service or product is sold by the Respondent.
- (e) Enter utility account number in which charges are recorded.
- (f) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge for Year		
			"p" or "s" (d)	Account Number (e)	Dollar Amount (f)
Citizens Communications Company	Accounting / Executive, Legal, Engineering, Financial, Computer and Other	Various	Both	Various	46,155
Sector Central	Accounting / Executive, Legal, Engineering, Financial, Computer and Other	Various	Both	Various	431,003
Regional Allocation	Accounting / Executive, Legal, Engineering, Financial, Computer and Other	Various	Both	Various	184,095

**Earnings Surveillance**  
**Schedule Z-10**

Company:  
For the Year Ended December 31, 2009

Page 1 of 4

RATE BASE	(1) Total Company Columns (2 + 3)	(2)  Interstate Toll	(3)  Total Intrastate
<b><u>AVERAGE RATE BASE</u></b>			
1. Plant In Service	<u>\$20,773,162</u>	<u>\$6,435,526</u>	<u>\$14,337,636</u>
2. Accumulated Depreciation and Amortization	<u>20,229,025</u>	<u>6,345,845</u>	<u>\$13,883,180</u>
3. Net Plant In Service	<u>\$544,137</u>	<u>\$89,680</u>	<u>\$454,457</u>
4. Property Held for Future Use	<u>                    </u>	<u>                    </u>	<u>                    </u>
5. TPUC	141,056	43,699	\$97,357
6. Working Capital Allowance	<u>111,797</u>	<u>29,895</u>	<u>\$81,902</u>
7. Per Book Average Rate Base	<u>796,990</u>	<u>163,274</u>	<u>633,716</u>
8. % Distribution	<u>100%</u>	<u>20%</u>	<u>80%</u>
<b><u>ADJUSTMENTS TO AVERAGE RATE BASE</u></b>			
9. Adjustments for Achieved Rate Base			<u>\$313,004</u>
10. Adjusted Achieved Rate Base			<u>946,720</u>

**RATES OF RETURN**

11. Average Per Book	<u>-40.80%</u>	<u>134.03%</u>	<u>-85.84%</u>
12. Average FPSC Adjusted			<u>-57.46%</u>

ADJUSTMENTS TO RATE BASE	(1) Plant In Service	(2) Accumulated Depreciation and Amortization	(3) Property Held for Future Use	(4) Telephone Plant Under Construction	(5) Working Capital Allowance	(6) TOTALS
1. Intrastate Rate Base per Books	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>INTRASTATE ADJUSTMENTS</u></b>						
2. General Support	\$1,025,360	\$	\$	\$	\$	\$1,025,360
3. General Support Reserve	<u>                    </u>	<u>(712,356)</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>(712,356)</u>
4. <u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>0</u>
5. Total Accounting Adjustments, Intrastate	<u>\$1,025,360</u>	<u>(712,356)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$313,004</u>
6. Intrastate Rate Base	\$1,025,360	(712,356)	0	0	0	0

## Earnings Surveillance

### Schedule Z-10

Company:

For the Year Ended December 31, 2009

Page 2 of 4

	(1) Total Company Columns (2 + 3)	(2) Interstate Toll	(3) Total Intrastate Columns (4 + 5 + 6)	(4) --- Intrastate Toll --- Inter- territory	(5) Intra- territory	(6) Local
<b>NET OPERATING INCOME</b>						
<b>BOOKED REVENUE</b>						
1. Basic Local Service Revenue	\$1,230,820	\$ _____	\$1,230,820	\$0	\$0	\$1,230,820
2. Network Access Revenue						
a. BHMOG	300,563	300,563	0	\$0	\$0	\$0
b. MOU Access	132,091	93,666	38,425	\$0	\$0	\$38,425
c. Special Access	192,700	192,700	0	\$0	\$0	\$0
d. Other Access	-	-	-	-	-	-
3. Long Distance Revenue						
a. MTS						
b. Other	4,197	0	4,197	\$0	\$0	\$4,197
4. Subsidy Fund Revenue	211,352	211,352	0	\$0	\$0	\$0
5. Miscellaneous Revenue	62,180	0	62,180	\$0	\$0	\$62,180
6. Uncollectible Revenues	(93,601)	(32,328)	(61,273)	\$0	\$0	(61,273)
7. Net Booked Revenue	<u>\$2,040,302</u>	<u>\$765,953</u>	<u>\$1,274,349</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,274,349</u>
<b>OPERATING EXPENSE:</b>						
8. Plant Specific Operations Expense	5338,658	\$104,950	\$233,708			
9. Plant Non-Specific Operations Expense	218,086	67,563	150,523			
10. Access Expense	150,747	2,337	148,411			
11. Depreciation and Amortization	1,021,821	203,547	818,275			
12. Customer Operations Expense	258,149	55,683	202,466			
13. Corporate Operations Expense	185,118	53,295	131,822			
14. Other Income and Expenses	403,233	124,922	278,312			
15. Total Operating Expense	<u>\$2,575,812</u>	<u>\$612,296</u>	<u>\$1,963,516</u>			
16. % Distribution	<u>0</u>	<u>0</u>	<u>0</u>			
<b>OPERATING TAXES:</b>						
17. Federal Income Tax	(187,429)	(58,065)	-5129,363			
18. State Income Tax	(34,808)	(10,784)	-24,025			
19. Other Taxes	11,859	3,674	8,185			
20. Total Operating Taxes	<u>(210,378)</u>	<u>(65,175)</u>	<u>(145,203)</u>			
<b>NET OPERATING INCOME:</b>						
21. Per Book NOI	<u>-325,133</u>	<u>218,832</u>	<u>(543,964)</u>			
22. NOI Effect of Adjustments			<u>0</u>			
23. Adjusted NOI			<u>(543,964)</u>			

**NOTES :**

2. (a) Busy Hour minutes of Capacity Charge.
- (b) Includes Local Switching, Local Transport, Line Termination, Carrier Common Line, Intertoll Trunking and Toll Switching.
- (c) For Intrastate. Interterritory Station Terminals.
- (d) Includes testing, ordering, labor, etc.
3. (a) Include only charges billed to customer and retained by the company, not charges billed on behalf of IXC's.

## Earnings Surveillance

### Schedule Z-10

Company:

For the Year Ended December 31, 2009

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ADJUSTMENTS TO NET OPERATING INCOME INTRASTATE OPERATING REVENUE	(1) Basic Local Service Revenue	(2) Inter- territory	(3) Intra- territory	(4) Local Misc. Revenue	(5) Uncollectible Revenues	(6) Net Booked Revenue
1. Total Intrastate Revenue per Books	\$1,230,820	\$0	\$38,425	\$66,377	(\$61,273)	\$1,274,349
<b>INTRASTATE ADJUSTMENTS</b>						
2. Out of period adjustments	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$0
3. _____	_____	_____	_____	_____	_____	0
4. _____	_____	_____	_____	_____	_____	0
5. _____	_____	_____	_____	_____	_____	0
6. Total Accounting Adjustments, Intrastate	\$0	\$0	\$0	\$0	\$0	\$0
7. Total Adjusted Intrastate Revenue	<u>\$1,230,820</u>	<u>\$0</u>	<u>\$38,425</u>	<u>\$66,377</u>	<u>(\$61,273)</u>	<u>\$1,274,349</u>

ADJUSTMENTS TO NET OPERATING INCOME INTRASTATE OPERATING EXPENSE	(7) Plant Specific Operations Expense	(8) Plant Non-Specific Operations Expense(A)	(9) Depreciation and Amortization	(10) Customer Operations Expense	(11) Corporate Operations Expense	(12) Other Income and Expenses	(13) Total Operating Expense
1. Total Intrastate Expenses per Books	\$233,708	\$150,523	\$818,275	\$202,466	\$131,822	\$278,312	\$1,963,516
<b>INTRASTATE ADJUSTMENTS</b>							
2. Out of period adjustments	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$0
3. _____	_____	_____	_____	_____	_____	_____	0
4. _____	_____	_____	_____	_____	_____	_____	0
5. _____	_____	_____	_____	_____	_____	_____	0
6. Total Accounting Adjustments, Intrastate	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7. Total Adjusted Intrastate Exp.	<u>\$233,708</u>	<u>\$150,523</u>	<u>\$818,275</u>	<u>\$202,466</u>	<u>\$131,822</u>	<u>\$278,312</u>	<u>\$1,963,516</u>

(A) Including Access Expense

ADJUSTMENTS TO NET OPERATING INCOME INTRASTATE OPERATING TAXES / NET OPERATING INCOME	(14) Federal Income Tax	(15) State Income Tax	(16) Other Taxes	(17) Total Operating Taxes	(18) Net Operating Income
1. Total Intrastate Taxes / NOI per Books	(129,363)	(24,025)	8,185	(145,203)	(543,964)
<b>INTRASTATE ADJUSTMENTS</b>					
2. Out of period adjustments	\$ _____	\$ _____	\$ _____	\$0	\$0
3. _____	_____	_____	_____	0	0
4. _____	_____	_____	_____	0	0
5. _____	_____	_____	_____	0	0
6. Total Accounting Adjustments, Intrastate	\$0	\$0	\$0	\$0	\$0
7. Total Adjusted Intrastate Taxes / NOI	<u>(129,363)</u>	<u>(24,025)</u>	<u>8,185</u>	<u>(145,203)</u>	<u>(543,964)</u>



**Earnings Surveillance  
Schedule Z-10**

Company:

For the Year Ended December 31, 2009

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AVERAGE CAPITAL	(1)	(2)	(3)	(4)	(5)	(6) (7) (8) ----- COST RATE -----			(9) (10) (11) ----- WEIGHTED COST RATE -----		
	Average Per Books	Specific Adjustments	Pro Rata Adjustments	Adjusted Amount	% of Total	Floor	Midpoint	Ceiling	Floor	Midpoint	Ceiling
1. Long Term Debt		0	0	0	0		0.00%			0	
2. Short Term Debt		0	0	0	0		0.00%			0	
3. Preferred Stock		0	0	0	0		0.00%			0	
4. Customer Deposits		0	0	0	0		0.00%			0	
5. Common Equity	13,594,138	(12,769,640)	(6,931,676)	(6,107,179)	-766.28%	11.00%	12.00%	13.00%	-84.29%	-91.95%	-99.62%
6. ITC		0	0	0	0	0.00%	0.00%	0.00%	0	0	0
7. Cost Free Capital	(932,095)	0	7,836,264	6,904,169	866.28%	0.00%	0.00%	0.00%	0	0	0
8. Total Capital	12,662,043	(12,769,640)	904,587	796,990	100.00%				-84.29%	-91.95%	-99.62%

**FINANCIAL RATIO**

9. Intrastate achieved return on equity 7.50%  
FPSC Adjusted Basis

ADJUSTMENTS TO AVERAGE CAPITAL	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	LONG TERM DEBT	SHORT TERM DEBT	PREFERRED STOCK	CUSTOMER DEPOSITS	COMMON EQUITY	INVESTMENT TAX CREDITS	COST FREE CAPITAL	TOTAL CAPITAL
1. Total Capital Per Books	0	0	0	0	13,594,138	0	(932,095)	12,662,043

**DESCRIPTION OF ADJUSTMENTS TO SPECIFIC SOURCES**

2. Investment in Alabama Cellular	\$	\$	\$	\$	\$	\$	\$	0
3. NonRegulated Investments					(73,328)			(73,328)
4. Fronter Investments					(12,696,312)			(12,696,312)
5. Sub-total of Adjustments to Specific Sources	0	0	0	0	(12,769,640)	0	0	(12,769,640)
6. Adjusted Total Capital	0	0	0	0	824,498	0	(932,095)	(107,597)

**DESCRIPTION OF PRO RATA ADJUSTMENTS**

7. Alabama Rate Base	\$	\$	\$	\$	\$ (6,931,676)	\$	\$ 7,836,264	\$ 904,587
8.								0
9.								0
10. Sub-total of Pro Rata Adjustments to Sources	0	0	0	0	\$ (6,931,676)	\$ -	\$ 7,836,264	\$ 904,587
11. Subtotal, Pro Rata Adjusted Total Capital	0	0	0	0	\$ (6,107,179)	\$ -	\$ 6,904,169	\$ 796,990
12. Less Interstate Operations	0	0	0	0	\$ -	\$ -	\$ -	\$ -
13. Achieved Intrastate Capital	\$ -	\$ -	\$ -	\$ -	\$ (6,107,179)	\$ -	\$ 6,904,169	\$ 796,990