

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

Docket No. 2008-327-C

In Re: Application of Time Warner Cable Information Services (South Carolina) LLC, d/b/a Time Warner Cable to Amend its Certificate of Public Convenience and Necessity to Provide Telephone Services in the Service Area of Home Telephone Company, Inc. and for Alternative Regulation

PUBLIC VERSION

**DIRECT TESTIMONY OF
WARREN R. FISCHER, C.P.A.**

**ON BEHALF OF
TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC**

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EXHIBITS

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| Exhibit WRF-1: | Curriculum Vitae |
| Exhibit WRF-2: | Home Telephone Company, Inc. Alternative Regulation Plan |
| Exhibit WRF-3: | Cited Portions of Home's 2007 Telecommunications Company Annual Report |
| Exhibit WRF-4: | Cited Portions of Home's 2003 Telecommunications Company Annual Report |
| Exhibit WRF-5: | Cited Portions of Home's 2004 Telecommunications Company Annual Report |
| Exhibit WRF-6: | Cited Portions of Home's 2005 Telecommunications Company Annual Report |
| Exhibit WRF-7: | Cited Portions of Home's 2006 Telecommunications Company Annual Report |
| Exhibit WRF-8: | Cited Portions of AT&T South Carolina's 2007 Telecommunications Company Annual Report |

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS FOR**
3 **THE RECORD.**

4 A. My name is Warren R. Fischer. I currently serve as Chief Financial Officer for QSI
5 Consulting, Inc. ("QSI"). My business address is 2500 Cherry Creek Drive South,
6 Suite 319, Denver, Colorado 80209.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

8 A. I have a Bachelor of Science degree in Business Administration with a concentration
9 in Accounting from the University of Colorado in Boulder, Colorado. I am licensed
10 as a Certified Public Accountant in the States of Colorado and California.

11 **Q. PLEASE GIVE A BRIEF DESCRIPTION OF YOUR PROFESSIONAL**
12 **EXPERIENCE**

13 A. After graduating from the University of Colorado, I worked for several years as an
14 accountant with Deloitte & Touche conducting financial audits. Thereafter, I worked
15 for two major corporations as a financial analyst. I joined AT&T Wireless Services
16 in 1995 as a financial analyst where I managed the preparation of annual revenue
17 forecasts for the company's cellular division. In 1996, I transferred to AT&T Corp.
18 where I became a financial manager and a subject matter expert on pricing and
19 costing issues involving local exchange and exchange access services. In 2000, I
20 joined QSI as a Senior Consultant. In 2007, I became QSI's Chief Financial Officer.

21 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS OR OTHER**
22 **PUBLIC UTILITY COMMISSIONS?**

1 A. While I have not testified before the Public Service Commission of South Carolina
2 (“Commission”), I have testified at the FCC and before 18 other state commissions
3 on rate of return issues as well as pro-competitive regulatory reform issues
4 concerning universal service, inter-carrier compensation, and appropriate cost-based
5 rates under the FCC’s Total Element Long-Run Incremental Cost (“TELRIC”)
6 methodology. A more detailed description of the cases wherein I have provided
7 testimony is included in my curriculum vitae as Exhibit WRF-1.

8 **Q. ON WHOSE BEHALF ARE YOU FILING THIS TESTIMONY?**

9 A. I am testifying on behalf of the Time Warner Cable Information Services (South
10 Carolina) LLC (“TWCIS”).

11
12 **II. PURPOSE OF TESTIMONY**

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. The purpose of my testimony is to demonstrate that the availability of affordable
15 basic local exchange rates in Home Telephone Company, Inc.’s (“Home”) service
16 area is not at risk and that Home is financially strong enough to withstand
17 competition from TWCIS. While a local exchange carrier’s (“LEC”) financial health
18 is not (and should not be) an explicit consideration in the Commission’s evaluation
19 of TWCIS’s application under S.C. Code §58-9-280, I have nevertheless considered
20 that issue in evaluating whether TWCIS’ provision of service (1) will not adversely
21 impact the availability of affordable local exchange service¹ and (2) provision of the

¹ See S.C. Code §58-9-280(B)(3).

1 service does not otherwise adversely impact the public interest.² The other factors
2 stated in §58-9-280 that are relevant to the Commission's determination in this
3 proceeding are addressed in detail by the testimonies of August Ankum, Ph.D. and
4 Julie Laine.

5 My testimony will describe the restriction on Home's ability to raise basic
6 local exchange rates under the terms of the alternative regulation requirements of
7 §58-9-576 and demonstrate that Home is a financially strong company through
8 analysis of its financial results over the period 2003 - 2007. Dr. Ankum discusses
9 general economic policy issues associated with TWCIS' application as well as the
10 numerous services offered by Home that will allow it to continue operating as a
11 strong company after competitive entry by TWCIS into its market.

12
13 **III. TWCIS' ENTRY WILL NOT ADVERSLEY AFFECT THE**
14 **AVAILABILITY OF AFFORDABLE LOCAL EXCHANGE**
15 **SERVICE**

16 **Q. WHAT IS YOUR UNDERSTANDING OF THE ALTERNATIVE**
17 **REGULATION PROVISIONS OF SOUTH CAROLINA CODE §58-9-576**
18 **THAT IMPACT AN RLEC'S RATES?**

19 **A.** A rural local exchange carrier ("RLEC") such as Home that elects to have the rates,
20 terms, and conditions for its services determined pursuant to §58-9-576(B) is subject
21 to the following terms and conditions on the rates it can charge for basic local
22 exchange and all other services:

² See S.C. Code §58-9-280(B)(5).

- 1 1. Residential flat-rated local exchange service and single-line business local
2 exchange service rates in effect on the date of the LEC's election to be subject to
3 alternative regulation are the maximum rates it can charge for those services
4 unless those rates are less than the statewide average local service rate, weighted
5 by the number of access lines. For small LECs whose prices are less than the
6 statewide average rate, the Commission may waive the cap on local service rates
7 until the LEC's residential flat-rated local exchange service rate equals the
8 statewide average local residential service rate, weighted by the number of access
9 lines, and the single-line business flat-rated local exchange service rate equals
10 two times the statewide average local residential service rate.³
11
12 2. LECs subject to the local exchange service rate cap may adjust rates for
13 residential flat-rate local exchange service and single-line business flat-rate local
14 exchange service annually pursuant to an inflation-based index.⁴
15
16 3. LECs have the flexibility to set rates for all other services at their discretion as
17 long as rates do not discriminate unreasonably between similarly situated
18 customers.⁵
19

20 **Q. HAS HOME ELECTED ALTERNATIVE REGULATION FOR ITS**
21 **SERVICES?**

22 A. Yes. Home filed its Alternative Regulation Plan on March 8, 2006, and the
23 Commission approved it on April 28, 2006.⁶

24 **Q. WAS HOME SUBJECT TO THE TWO-YEAR CAP ON RAISING LOCAL**
25 **SERVICE RATES BEYOND THE RATES IN EFFECT ON THE DATE OF**
26 **ITS ELECTION?**

³ See S.C. Code §58-9-576(B)(3).

⁴ See S.C. Code §58-9-576(B)(4).

⁵ See S.C. Code §58-9-576(B)(5).

⁶ See Home's Alternative Regulation Plan filed in Docket No. 2006-76-C and attached as Exhibit WRF-2. Home's Alternative Regulation Plan was approved in Order No. 2006-271.

1 A. Yes. In its Alternative Regulation Plan filing, Home noted that its flat-rated local
2 service rates for residential and single-line business customers were priced at the
3 statewide average local service rates at the date of its election, March 8, 2006.⁷

4 **Q. COULD HOME INCREASE ITS FLAT-RATED LOCAL SERVICE RATES**
5 **FOR RESIDENTIAL AND SINGLE-LINE BUSINESS CUSTOMERS SINCE**
6 **THE TWO-YEAR PERIOD HAS EXPIRED?**

7 A. Yes. Since the two-year cap period expired March 7, 2008, Home could raise its
8 rates if the inflation-based index has increased to permit a rate increase. However,
9 Home will have to weigh the pros and cons of such an increase in light of the
10 competitive alternatives offered by other carriers. Rather than risk losing current
11 customers, the more rational response from a business perspective would be to reduce
12 prices on its local exchange services or offer its customers attractive bundles of
13 services to provide them an incentive to stay. Home already offers its residential
14 customers packages of bundled services.⁸ These can be expanded to meet
15 competitive threats. Dr. Ankum discusses the various services offered by Home
16 which include long distance, high speed Internet, wireless telephone, video, and
17 home security services at a minimum. As Dr. Ankum's testimony explains in detail,
18 bundled offers focus the customer's attention on the convenience and cost savings of
19 receiving multiple services from a single provider and paying a single bill.

⁷ See Application in Exhibit WRF-2, page 2.

⁸ See residential local service product packages at Home's website:
<http://www.hometelco.com/simpleConnectionsWhyBundle.php>.

1 **Q. DO SUBSEQUENT POTENTIAL RATE INCREASES BY HOME HAVE ANY**
2 **RELEVANCE IN THIS CASE?**

3 A. No. Home's local service rates are already at the statewide average rate which is
4 presumed to be an affordable rate based on the South Carolina General Assembly's
5 enactment of the statute defining the parameters of the statewide average rate
6 calculation. Any decision by Home to increase its rates will be independent of
7 TWCIS's entry into its market and will also be limited to the inflation-based index
8 stipulated by S.C. Code §58-9-576(B)(4).

9 **Q. BASED ON THE ALTERNATIVE REGULATION RULES DISCUSSED**
10 **ABOVE, WILL TWCIS' APPLICATION IN THIS CASE ADVERSELY**
11 **IMPACT THE AVAILABILITY OF AFFORDABLE LOCAL EXCHANGE**
12 **SERVICE?**

13 A. No. To the contrary, TWCIS' entry into Home's market will increase choices to
14 customers and thus *promote* the availability of affordable local exchange service.

15

16 **IV. HOME IS IN A STRONG AND HEALTHY FINANCIAL**
17 **POSITION SUFFICIENT TO SUCCEED IN A COMPETITIVE**
18 **MARKET**

19 **A. Home's 2007 Financial Results**

20 **Q. PLEASE DESCRIBE HOMES' CURRENT FINANCIAL POSITION.**

21 A. My review of Home's 2007 Telecommunications Company Annual Report ("Annual
22 Report") filed with the Office of Regulatory Staff and the Commission finds that
23 Home is a profitable company with over *****BEGIN CONFIDENTIAL**

1 **END CONFIDENTIAL***** in retained earnings along with a strong balance
2 sheet that reflects a **BEGIN CONFIDENTIAL END CONFIDENTIAL*****
3 net working capital position and *****BEGIN CONFIDENTIAL END**
4 **CONFIDENTIAL** long-term debt.⁹

5 **Q. WHAT IS THE SIGNIFICANCE OF HOME'S RETAINED EARNINGS**
6 **BALANCE?**

7 A. Home's retained earnings balance reflects the accumulation of profits it has earned
8 over a number of years. Home has earned profits in excess of \$5 million per year
9 over the last five years; in 2006, net income jumped to almost \$10 million.¹⁰
10 Because of its consistent profitability, Home has paid average dividends of over
11 *****BEGIN CONFIDENTIAL END CONFIDENTIAL***** annually for
12 the last five years.¹¹ The above discussion and analysis reveal that Home has enjoyed
13 great financial success in recent years.

14 **Q. WHAT IS WORKING CAPITAL AND HOW IS A COMPANY'S WORKING**
15 **CAPITAL POSITION EVALUATED?**

16 A. Working capital is simply the difference between a company's current assets and its
17 current liabilities. Current assets are those that could be converted to cash in less

⁹ See 2007 Annual Report, Balance Sheet. Cited portions of 2007 Annual Report are attached as Exhibit WRF-3.

¹⁰ See 2003 - 2006 Annual Reports, Operating Revenue and Expenses, (Cited portions of 2003 Annual Report are attached as Exhibit WRF-4. Cited portions of 2004 Annual Report are attached as Exhibit WRF-5. Cited portions of 2005 Annual Report are attached as Exhibit WRF-6. Cited portions of 2006 Annual Report are attached as Exhibit WRF-7).

¹¹ See 2003 - 2006 Annual Reports, Balance Sheet, (Cited portions of 2003 Annual Report are attached as Exhibit WRF-4. Cited portions of 2004 Annual Report are attached as Exhibit WRF-5. Cited portions of 2005 Annual Report are attached as Exhibit WRF-6. Cited portions of 2006 Annual Report are attached as Exhibit WRF-7).

1 than a year while current liabilities are obligations that must be repaid within one
2 year. A company with a positive working capital position is one where current assets
3 exceed current liabilities. The strength of a company's working capital position is
4 typically measured as the ratio of current assets to current liabilities. A working
5 capital ratio that is greater than 1.0 indicates that a company has sufficient resources
6 to pay its short-term debts.

7 **Q. WHAT WAS HOMES' WORKING CAPITAL POSITION AT THE END OF**
8 **2007?**

9 A. Home's 2007 Annual Report shows that it had the following current assets and
10 current liabilities resulting in a working capital ratio of *****BEGIN**

11 **CONFIDENTIAL END CONFIDENTIAL *****¹²

12 *****BEGIN CONFIDENTIAL**

13
14 **END CONFIDENTIAL *****

15 Home had *****BEGIN CONFIDENTIAL** **END**

16 **CONFIDENTIAL** resources to satisfy its short-term obligations at the end of

17 2007. Its working capital ratio demonstrates that Home has *****BEGIN**

¹² See 2007 Annual Report, Balance Sheet, Exhibit WRF-3.

1 **CONFIDENTIAL** **END CONFIDENTIAL** *** liquidity, further signifying its

2 *****BEGIN CONFIDENTIAL** **END CONFIDENTIAL***** financial position.

3 **Q. WHAT DOES THE DEBT-TO-EQUITY RATIO MEASURE?**

4 **A.** It measures the relative proportion of debt and equity used to finance a company's

5 assets. Home's 2007 Annual Report shows that it has *** **BEGIN**

6 **CONFIDENTIAL** **END CONFIDENTIAL***** long-term debt and is capitalized

7 *****BEGIN CONFIDENTIAL** **END CONFIDENTIAL***** by

8 stockholder's equity.¹³ Therefore, it has *****BEGIN CONFIDENTIAL** **END**

9 **CONFIDENTIAL** Debt / Equity ratio at this time.

10 *****BEGIN CONFIDENTIAL**

11
12 **END CONFIDENTIAL**

13 Since Home does not have to commit *****BEGIN CONFIDENTIAL** **END**

14 **CONFIDENTIAL** of its cash flow to service debt, it can use its cash to invest in

15 network infrastructure, product development, and other undertakings that will

16 improve its service offerings and overall quality of service, making it a capable player

17 as competition develops in the market.

¹³ See 2007 Annual Report, Balance Sheet, Exhibit WRF-3.

1 **B. Home's Financial Performance (2003 – 2007)**

2 **Q. HOW WOULD YOU DESCRIBE HOMES' FINANCIAL PERFORMANCE**
3 **OVER THE LAST FIVE YEARS?**

4 A. Based upon my review of Home's Annual Reports for the period 2003 – 2007, Home
5 has been able to mitigate a slight decline in residential access lines with increases in
6 business access lines resulting in virtually static total access lines over the five-year
7 period. As noted previously, Home also generated significant Net Margins with
8 profits exceeding 20% of revenue each year. The following table illustrates the
9 strong performance exhibited by Home over the last five years.¹⁴

10 *****BEGIN CONFIDENTIAL**

11
12
13 **END CONFIDENTIAL**

¹⁴ See 2003 Annual Report, Operating Revenue & Expenses, Balance Sheet, Retained Earnings, and Access Lines in Exhibit WRF-4. See 2004 Annual Report, Operating Revenue & Expenses, Balance Sheet, Retained Earnings, and Access Lines in Exhibit WRF-5. See 2005 Annual Report, Operating Revenue & Expenses, Balance Sheet, Retained Earnings, and Access Lines in Exhibit WRF-6. See 2006 Annual Report, Operating Revenue & Expenses, Balance Sheet, Retained Earnings, and Access Lines in Exhibit WRF-7. See 2007 Annual Report, Operating Revenue & Expenses, Balance Sheet, Retained Earnings, and Access Lines in Exhibit WRF-3.

1 In 2003, its total revenue was \$22.1 million and it had 22,937 total access lines. In
2 2007, Home had \$24.0 million in revenue and 22,629 total access lines. Revenue
3 increased by 9% despite total access lines declining by 1%. Home earned \$7.1
4 million in net income in 2003 and \$5.5 million in 2007 resulting in a decline of 22%
5 between the two time periods. However, Home earned \$9.9 million in 2006 or over
6 1.5 times its average net income over the other four years. Consequently, retained
7 earnings increased by *****BEGIN CONFIDENTIAL END**
8 **CONFIDENTIAL** from 2003 to 2007, from *****BEGIN CONFIDENTIAL**
9 **CONFIDENTIAL*****.

10 **Q. WHAT IS NET MARGIN AND WHAT IS ITS SIGNIFICANCE?**

11 A. Net Margin is a measure of profitability used by investors and financial analysts. Net
12 Margin is calculated by dividing a firm's net profit by net sales. This ratio is used to
13 measure a firm's performance over time. It can also be used to compare the firm's
14 performance with other companies in the same industry.

15 **Q. WHAT WAS HOME'S NET MARGIN OVER THE PERIOD 2003 – 2007?**

16 A. As noted in the table above, Home's Net Margin ranged from a low of 22.9% in 2007
17 to a high of 42.2% in 2006. In comparison AT&T South Carolina's 2007 Net Margin
18 was only 8.7%.¹⁵ Compared to the largest telecommunications carrier in South
19 Carolina, Home is an extremely profitable company.

¹⁵ See 2007 Telecommunications Company Annual Report of BellSouth Telecommunications, Inc. DBA: AT&T South Carolina, Operating Revenue & Expenses. Net Income of \$89,258,446 divided by Total Operating Revenue of \$1,030,269,190 results in an 8.7% Net Margin. Cited portions of 2007 Annual Report are attached as Exhibit WRF-8.

1 **Q. HOW HAS HOME BENEFITED FROM UNIVERSAL SERVICE FUND**
 2 **SUPPORT?**

3 **A. Home receives both state and federal universal service fund (“USF”) support. The**
 4 **trend by year is reflected in the table below:¹⁶**

| | STATE USF | FEDERAL USF | | | | | TOTAL FEDERAL USF | TOTAL STATE AND FEDERAL USF |
|---------------------------|-------------|-------------|-------------|------------|--------------|------|-------------------|-----------------------------|
| | | HCL | ICLS | LSS | LTS | SNA | | |
| Home Telephone | | | | | | | | |
| 2003 | \$1,059,778 | \$1,882,784 | \$ 525,989 | \$ 535,794 | \$ 806,424 | \$ - | \$ 3,750,991 | \$ 4,810,769 |
| 2004 | \$1,558,712 | \$1,611,291 | \$1,231,872 | \$ 604,151 | \$ 407,784 | \$ - | \$ 3,855,098 | \$ 5,413,810 |
| 2006 | \$2,437,577 | \$1,568,433 | \$1,917,053 | \$ 516,804 | \$ - | \$ - | \$ 4,002,290 | \$ 6,439,867 |
| 2006 | \$2,522,680 | \$1,478,538 | \$2,152,572 | \$ 506,724 | \$ - | \$ - | \$ 4,137,834 | \$ 6,660,514 |
| 2007 | \$2,397,049 | \$1,151,472 | \$2,395,872 | \$ 661,176 | \$ - | \$ - | \$ 4,208,520 | \$ 6,605,569 |
| <i>Ratio 2007 to 2003</i> | 126% | -39% | 356% | 23% | -100% | | 12% | 37% |

5
6
7 In 2003, it received \$1.1 million in state USF support and \$3.7 million in federal USF
 8 support for a total of \$4.8 million. State USF support has been increasing each year
 9 to \$2.4 million in 2007 resulting in a 126% increase in 2007 state USF receipts over
 10 2003. Federal USF receipts have increased by 12% since 2003 to \$4.2 million.
 11 Home’s increasing USF support as a percentage of total revenue over the five-year
 12 period is shown in the table below which is a synthesis of the two previous tables:

¹⁶ South Carolina USF disbursements are from Home’s Response to TWCIS 1st Set of Interrogatories, No. 1-11. Federal USF disbursements are from Universal Service Administration Company data available at <http://www.usac.org/hc/tools/disbursements/>.

| | OPERATING REVENUE (COMBINED) | | |
|---------------------------|------------------------------|-----------------------------|--------------------|
| | TOTAL | TOTAL STATE AND FEDERAL USF | % REVENUE FROM USF |
| Home Telephone | | | |
| 2003 | \$ 22,080,580 | \$ 4,810,769 | 22% |
| 2004 | \$ 21,792,892 | \$ 5,413,810 | 25% |
| 2005 | \$ 22,725,763 | \$ 6,439,867 | 28% |
| 2006 | \$ 23,516,422 | \$ 6,660,514 | 28% |
| 2007 | \$ 23,960,367 | \$ 6,605,569 | 28% |
| <i>Ratio 2007 to 2003</i> | <u>9%</u> | <u>37%</u> | |

In short, USF support is a significant and growing portion of Home's revenue stream, and it will continue to provide a safety net to Home in the face of competition.

Q. IF HOME LOSES ADDITIONAL LINES AND REVENUE DUE TO MARKET SHARE LOSS TO TWCIS, WILL IT RECEIVE EVEN MORE USF SUPPORT THAN IT DOES TODAY?

A. Yes. When an RLEC such as Home loses access lines, its cost per loop increases since its relatively static network costs are divided over fewer lines. As an RLEC's cost per loop increases over the national average cost per line, it will receive additional federal USF support. Regarding the state USF, LECs can receive additional support in two different ways. First, it can file for rate reductions to services priced above cost and recover projected lost revenue from the state USF. This allows an RLEC to adjust its prices to meet or beat the competition.¹⁷ Second,

¹⁷ See Docket No. 97-239-C, Order No. 2001-996, Exhibit A – Guidelines for South Carolina Universal Service Fund, § 9, page 7.

1 if an RLEC loses its lower cost customers to competition, it can petition the
2 Commission to approve a new cost study reflecting its change in cost per line.¹⁸

3 **Q. GIVEN THE FINANCIAL STRENGTH OF HOME, WILL TWCIS' ENTRY**
4 **INTO HOME'S MARKET ADVERSLEY IMPACT THE AFFORDABILITY**
5 **OF LOCAL EXCHANGE SERVICE?**

6 A. No. To the contrary, TWCIS' entry in Home's market will increase customer choice
7 and potentially lead to lower prices.

8 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

9 A. Yes, it does.

¹⁸ See S.C. Code § 58-9-280(E).

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

Docket No. 2008-327-C

In Re: Application of Time Warner Cable Information)
Services (South Carolina) LLC, d/b/a Time)
Warner Cable to Amend its Certificate of Public)
Convenience and Necessity to Provide)
Telephone Services in the Service Area of)
Home Telephone Company, Inc. and for Alternative)
Regulation)

DIRECT TESTIMONY OF

WARREN R. FISCHER, C.P.A.

ON BEHALF OF

TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC

EXHIBIT WRF-1

Curriculum Vitae

Warren R. Fischer, C.P.A.

**Chief Financial Officer
QSI Consulting, Inc.**

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Denver, Colorado, 80209-3279
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WFischer@QSIconsulting.com

Biography

Mr. Fischer is a QSI partner and currently serves as Chief Financial Officer in QSI's Telecommunications Division. Mr. Fischer has over 13 years of experience in the telecommunications industry and joined QSI after five years of service within AT&T's Local Service & Access Management and Wireless Services divisions. During his telecommunications career, Mr. Fischer has focused his attention largely on TELRIC pricing, local market entry, Section 271 compliance, access and universal service reform issues, billing disputes, and damages assessment.

Mr. Fischer is an experienced and effective expert witness who has provided expert testimony in over 30 proceedings before 18 state utility commissions and other administrative agencies. Mr. Fischer is an active Certified Public Accountant who is licensed in the States of Colorado and California. Mr. Fischer's professional experience as a C.P.A. includes two years in public practice with Deloitte and Touche LLP and over 20 years of managing financial analysis, reporting and forecasting processes for various multi-national corporations.

Educational Background

Bachelor of Science, Business Administration (emphasis in Accounting)
University of Colorado at Boulder, Boulder, Colorado

1984



Professional Experience

QSI Consulting, Inc.
2000 - Current
Chief Financial Officer

AT&T Corp.
1997 - 2000
Financial Manager
1996 - 1997
Supervisor
Network Services Division

AT&T Wireless Services
1995 - 1996
Marketing Analyst / Planner
Cellular Division

E. & J. Gallo Winery
1994 - 1995
Senior Financial Analyst
1991 - 1994
Operations Accountant

Century 21 Real Estate Corporation
1987 - 1991
Financial Analyst

Deloitte & Touche LLP
1985 - 1987
Audit-in-Charge

Expert Testimony – Profile

The information below is Mr. Fischer's best effort to identify all proceedings wherein he has either provided pre-filed written testimony, an expert report or provided live testimony.

Before the Federal Communications Commission **File Nos. EB-01-MD-001 and EB-01-MD-002**

In the matter of the formal complaints of AT&T corp. and Sprint Communications Company L.P., vs. Business Telecom, Inc.

On behalf of Business Telecom, Inc.
Affidavit

February 23, 2001

Before the Public Utilities Commission of the State of Colorado **Docket No. 99A-161T**

In the matter of the application of U S WEST Communications, Inc., to reduce business basic exchange and long-distance revenues upon receipt of the Colorado high-cost support mechanism in accordance with Decision No. C 99-222

On behalf of AT&T Communications of the Mountain States, Inc.
Direct

August 6, 1999

Before the Public Utilities Commission of the State of Colorado **Docket No. 98A-068T**

In the matter of the application of U S WEST Communications, Inc., to restructure and reduce switched access rates pursuant to the stipulation in Docket No. 97A-540T

On behalf of AT&T Communications of the Mountain States, Inc.
Amended Direct
Supplemental

May 17, 1999

June 9, 1999

**In The United States District Court for The Middle District Of Florida, Jacksonville Division
Civil Action No. 3:07-CV-598-J-32MCR**

*James D. Hinson Electrical Contracting Co., Inc., Individually and On Behalf Of All Others Similarly
Situating, Plaintiff, v. BellSouth Telecommunications, Inc., Defendant*

On behalf of Plaintiff

Declaration

September 18, 2007

Expert Report

August 1, 2008

Before the Public Service Commission of Florida

Docket No. 041464-TP

*Petition of Sprint-Florida, Inc. for Arbitration of an Interconnection Agreement with Florida Digital
Network, Inc. Pursuant to Section 252 of the Telecommunications Act of 1996*

On Behalf of Florida Digital Network, Inc. D/B/A FDN Communications

Direct

May 27, 2005

Before the Public Service Commission of Florida

Docket No. 990649B-TP

In re: investigation into pricing of unbundled network elements

On Behalf of AT&T Communications of the Southern States, Inc., MCImetro Access Transmission
Services, LLC & MCI WorldCom Communications, Inc., and Florida Digital Network, Inc. (collectively
called the "ALEC Coalition")

Rebuttal

January 30, 2002

Before the Illinois Commerce Commission

Docket No. 02-0864

*Illinois Bell Telephone Company: Filing to increase unbundled loop and nonrecurring rates (tariffs filed
December 24, 2002)*

On Behalf of AT&T Communications of Illinois, Inc., WorldCom, Inc. ("MCI"), McLeodUSA
Telecommunications Services, Inc., Covad Communications Company, TDS Metrocom, LLC, Allegiance
Telecom of Illinois, Inc., RCN Telecom Services of Illinois, LLC, Globalcom, Inc., Z-Tel
Communications, Inc., XO Illinois, Inc., Forte Communications, Inc., and CIMCO Communications, Inc.

Direct

May 6, 2003

Rebuttal

January 20, 2004

Surrebuttal

February 20, 2004

Supplemental Surrebuttal

May 5, 2004

Before the Indiana Utility Regulatory Commission

Cause No. 42393

*In the matter of the commission investigation and generic proceeding of rates and unbundled network
elements and collocation for Indiana Bell Telephone Company, Incorporated d/b/a SBC Indiana pursuant
to the Telecommunications Act of 1996 and related Indiana statutes*

On behalf of AT&T Communications of Indiana, G.P. and TCG Indianapolis ("AT&T"), WorldCom, Inc.
("MCI"), McLeodUSA Telecommunications Services, Inc., Covad Communications Company, and Z-Tel
Communications, Inc.

Response

August 15, 2003

Before the Public Service Commission of Maryland

Case No. 8879

*In the matter of the investigation into rates for unbundled network elements pursuant to the
Telecommunications Act of 1996*

On Behalf of the Staff of the Public Service Commission of Maryland

Rebuttal

September 5, 2001

Supplemental Rebuttal

October 4, 2001

Surrebuttal

October 15, 2001

Before the Massachusetts Department of Telecommunications and Energy

Docket DTE 06-61 Investigation by the Department on its own motion as to the propriety of the rates and charges set forth in the following tariff: M.D.T.E. No. 14, filed with the Department on June 16, 2006, to become effective July 16, 2006, by Verizon New England, Inc. d/b/a Verizon Massachusetts

On Behalf of Broadview Networks, Inc.; DSCI Corporation; Eureka Telecom, Inc. d/b/a InfoHighway Communications; Metropolitan Telecommunications of Massachusetts, Inc., a/k/a MetTel; New Horizon Communications; and One Communications (collectively "CLEC Coalition")

Rebuttal Panel Testimony

September 12, 2006

Before the Massachusetts Department of Telecommunications and Energy

Docket DTE 01-20

Investigation by the department on its own motion into the appropriate pricing, based upon total element long-run incremental costs, for unbundled network elements and combinations of unbundled network elements, and the appropriate avoided cost discount for Verizon New England Inc., d/b/a Verizon Massachusetts' resale services

On Behalf of the CLEC Coalition

Rebuttal

July 17, 2001

Before the Michigan Public Service Commission

Case No. U-13531

In the matter, on the commission's own motion, to review the costs of telecommunications services provided by SBC Michigan

On behalf of AT&T Communications of Michigan, Inc., and TCG Detroit ("AT&T")

Initial

January 20, 2004

Final Reply

May 10, 2004

Before the Michigan Public Service Commission

Case No. U-11756

In the matter of the complaint of Michigan Pay Telephone Association et al. Against Ameritech Michigan and Verizon North Inc., f/k/a GTE North Incorporated

On behalf of Michigan Pay Telephone Association and the other payphone service provider Complainants

Direct

February 10, 2003

Before The Office Of Administrative Hearings For The Minnesota Public Utilities Commission

MPUC Docket No. P-421/AM-06-713, OAH Docket No. 3-2500-17511-2

In the matter of Qwest Corporation's Application for Commission Review of TELRIC Rates Pursuant to 47 U.S.C. § 251

On behalf of Integra Telecom of Minnesota, Inc.; McLeodUSA Telecommunications Services, Inc.; POPP.com, Inc.; DIECA Communications, Inc., d/b/a Covad Communications Company; TDS Metrocom; and XO Communications of Minnesota, Inc., ("The CLEC Coalition")

Direct

August 24, 2007

Before the Public Service Commission of the State of Montana

Docket No. D97.5.87

IN THE MATTER OF the Investigation into US WEST Communications, Inc.'s Compliance with Section 271(c) of the Telecommunications Act of 1996

On behalf of AT&T Communications of the Mountain States

Direct

June 1998

Rebuttal

June 1998

Supplemental Rebuttal

November 1998

Before the Public Service Commission of the State of Montana**Docket No. D96.12.220***IN THE MATTER of the Application of US WEST Communications, Inc. to Restructure its Prices for Regulated Telecommunications Service.*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

October 1997

Before the Nebraska Public Service Commission**Application No. C-1628***In the matter of the Nebraska Public Service Commission, on its own motion, seeking to conduct an investigation into intrastate access charge reform and intrastate universal service fund*

On behalf of AT&T Communications of the Midwest, Inc.

Direct

October 20, 1998

Before the Nebraska Public Service Commission**Application No. C-1830***In the Matter of US West Communications, Inc., filing its notice of intention to file Section 271(c) application with the FCC and request for Commission to verify US West compliance with Section 271(c)*

On behalf of AT&T Communications of the Midwest, Inc.

Direct and rebuttal

August 1998

Before the Nebraska Public Service Commission**Docket No. C-1519***In the matter of the emergency petition of MCI Telecommunications Corporation and AT&T Communications of the Midwest, Inc. to investigate compliance of Nebraska LECs with FCC payphone orders*

On behalf of AT&T Communications of the Midwest, Inc.

Direct

January 20, 1998

Before the New Mexico State Corporation Commission**Docket No. 96-310-TC and Docket No. 97-334-TC***In the matter of the consideration of the adoption of a rule concerning costing methodologies and In the matter of the implementation of new rules related to the rural, high-cost, and low-income components of the New Mexico universal service fund**On behalf of AT&T Communications of the Mountain States, Inc.*

Direct

July 8, 1998

Rebuttal

August 5, 1998

Before the New Mexico State Corporation Commission**Docket No. 97-106-TC***In The Matter Of Qwest Corporation's Section 271 Application And Motion For Alternative Procedure To Manage The Section 271 Process*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

July 1998

Rebuttal

July 1998

Reply

September 1998

Before the New Mexico State Corporation Commission**Docket No. 97-69-TC**

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

March 20, 1997

Before the North Carolina Utilities Commission**Docket No. P-100, Sub 133d, Phase I***In the matter of general proceeding to determine permanent pricing for unbundled network elements*

On Behalf of New Entrants

Direct

August 11, 2000

Before the Public Service Commission of the State of North Dakota**Case No. PU-05-451***Midcontinent Communications, a South Dakota Partnership, Complainant vs. North Dakota Telephone Company, Respondent*

On behalf of Midcontinent Communications

Direct

December 21, 2005

Rebuttal

January 16, 2006

Before the Public Service Commission of the State of North Dakota**Docket No. PU-314-97-465***In the matter of U S WEST Communications, Inc., universal service costs investigation*

On behalf of AT&T Communications of the Midwest, Inc.

Rebuttal

February 27, 1998

Before the Public Utilities Commission of Ohio**Case No. 02-1280-TP-UNC, Phase II***In the matter of the Review of SBC Ohio's TELRIC Costs for Unbundled Network Elements*

On behalf of MCIMetro Access Transmission Services, LLC, McLeodUSA Telecommunications Services, Inc., Covad Communications Company, NuVox Communications of Ohio, Inc., and XO Ohio, Inc.

Direct

August 8, 2005

Before the State of South Dakota Public Utilities Commission**Docket No. TC07-117***In The Matter of the Petition Of Midcontinent Communications For Approval Of Its Intrastate Switched Access Tariff And For An Exemption From Developing Company-Specific Cost-Based Switched Access Rates*

On behalf of Midcontinent Communications

Direct

July 15, 2008

Before the State Office of Administrative Hearings (Texas)**SOAH Docket No. 473-07-1365, PUC Docket No. 33545***Application of McLeodUSA Telecommunications Services, Inc. For Approval of Intrastate Switched Access Rates Pursuant To PURA Section 52.155 And PUC Subst. R. 26.223*

On behalf of McLeodUSA Telecommunications Services, Inc.

Rebuttal

May 24, 2007

Before the Public Service Commission of Wisconsin**Docket No. 6720-TI-187***Petition of SBC Wisconsin to determine rates and costs for unbundled network elements*

On behalf of AT&T Communications of Wisconsin, L.P. and TCG Milwaukee ("AT&T"), and MCI, Inc.

Rebuttal

June 15, 2004

Before the Wyoming Public Service Commission**Docket No. 70000-TA-98-442***In the matter of the second application of U S WEST Communications, Inc., for a finding that its interexchange telecommunications services are subject to competition*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

January 6, 1999

Before the Wyoming Public Service Commission**Docket No. 70000-TR-98-420**

In the matter of the application of U S WEST Communications, Inc., for authority to implement price ceiling in conjunction with its proposed Wyoming price regulation plan for essential and noncompetitive telecommunication services

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

September 9, 1998

Before the Wyoming Public Service Commission**General Order No. 81**

In the matter of the investigation by the Commission of the feasibility of developing its own costing model for use in determining federal universal service fund support obligations in Wyoming

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

November 1997

Amended Direct

January 23, 1998

Rebuttal

February 6, 1998

Before the Wyoming Public Service Commission**Docket No. 72000-TI-97-107 and Docket No. 70000 TI-97-352**

In the matter of the petition of AT&T for the Commission to initiate investigation of U S WEST Communications, Inc.'s compliance with Section 271 of the Telecommunications Act of 1996

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

1998

Before the Wyoming Public Service Commission**Docket No. 72000-TC-97-99**

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

May 15, 1997

Before the Wyoming Public Service Commission**Docket No. 70007-TR-95-15**

On behalf of AT&T Communications of the Mountain States, Inc.

Adopted Pre-filed Direct

October 1996

Selected Reports, Presentations and Publications

QSI Final Report to the Hawaii Public Utilities Commission "Analysis and Recommendations Related to Docket No. 04-0140 *Merger Application Of Paradise Mergersub, Inc. (n/k/a Hawaiian telecom Mergersub, Inc.), Verizon Hawaii, Inc. and Related Companies*" February 7, 2005

QSI Technical Report No. 012605A "IP-Enabled Voice Services: Impact of Applying Switched Access Charges to IP-PSTN Voice Services"

Ex Parte filing in FCC dockets WC Dockets No. 04-36 (In the Matter of IP-Enabled Services), 03-266 (In the Matter of Level 3 Communications LLC Petition for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of 47 U.S.C. § 251(g), Rule 51.701(b)(1), and Rule 69.5(b); IP Enabled Services)
Washington DC, January 27, 2005

QSI Report to the Wyoming Legislature "The Wyoming Universal Service Fund. *An Evaluation of the Basis and Qualifications for Funding*" December 3, 2004

QSI Management Audit Reports to the Wyoming Public Service Commission on the Wyoming Universal Service Fund:

1. For the period October 28, 1999 through December 31, 2001 (issued May 15, 2002)
2. For the period January 1, 2002 through December 31, 2004 (issued January 31, 2006)

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

Docket No. 2008-327-C

In Re: Application of Time Warner Cable Information)
Services (South Carolina) LLC, d/b/a Time)
Warner Cable to Amend its Certificate of Public)
Convenience and Necessity to Provide)
Telephone Services in the Service Area of)
Home Telephone Company, Inc. and for Alternative)
Regulation)

DIRECT TESTIMONY OF

WARREN R. FISCHER, C.P.A.

ON BEHALF OF

TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC

EXHIBIT WRF-2

Home Telephone Company, Inc. Alternative Regulation Plan

178373

MCNAIR LAW FIRM, P.A.
ATTORNEYS AND COUNSELORS AT LAW

www.mcnaik.net

BANK OF AMERICA TOWER
1301 GERVAIS STREET, 17TH FLOOR
COLUMBIA, SOUTH CAROLINA 29201

POST OFFICE BOX 11380
COLUMBIA, SOUTH CAROLINA 29211
TELEPHONE (803)799-9800
FACSIMILE (803)876-2277

2006-76-C

March 8, 2006

Mr. Charles L. A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
Synergy Business Park, The Saluda Building
101 Executive Center Drive
Columbia, South Carolina 29210

8
MAR 10 2006
COLUMBIA, SC

Re: Home Telephone Company, Inc.
Alternative Regulation Plan Pursuant to S.C. Code Ann. § 58-9-576

Dear Mr. Terreni:

Enclosed for filing on behalf of Home Telephone Company, Inc. ("Home"), please find an original and ten (10) copies of an Alternative Regulation Plan.

On January 18, 2006, the Commission approved a local interconnection agreement between Home and MCImetro Access Transmission Services, LLC ("MCI"). Pursuant to S.C. Code Ann. § 58-9-576(A), any LEC may elect the alternative regulation plan described in S.C. Code Ann. § 58-9-576(B) if the Commission has approved a local interconnection agreement in which the LEC is a participant with an entity determined by the Commission not to be affiliated with the LEC. An Affidavit of William S. Helmly is being filed with this Plan to certify that Home is not affiliated with MCI.

Therefore, having met the statutory requirement for election of alternative regulation, Home hereby elects to have its rates, terms and conditions determined pursuant to the plan described in S. C. Code Ann. § 58-9-576(B), as set forth in the attached Alternative Regulation Plan, effective April 7, 2006.

In addition to the Alternative Regulation Plan and Affidavit of William S. Helmly, we are also enclosing a proposed Notice of Filing for the Commission's convenience.

Please clock in a copy of this filing and return it with our courier.

Thank you for your assistance.

Very truly yours,

Margaret M. Fox
Margaret M. Fox

Enclosures

cc: C. Dukes Scott, Esquire
H. Keith Oliver

**HOME TELEPHONE COMPANY, INC.
ALTERNATIVE REGULATION PLAN
PURSUANT TO S.C. CODE ANN. § 58-9-576**

Filed March 8, 2006
Effective April 7, 2006

1. Introduction

Pursuant to S.C. Code Ann. § 58-9-576(A), any local exchange carrier ("LEC") may elect to have the rates, terms, and conditions of its services determined pursuant to the alternative regulation plan described in S.C. Code Ann. § 58-9-576(B), provided the Public Service Commission of South Carolina ("Commission") has approved a local interconnection agreement in which the LEC is a participant with an entity determined by the Commission not to be affiliated with the LEC. The Commission has approved such an agreement for Home Telephone Company, Inc. ("Home"), and Home hereby elects to have the rates, terms, and conditions of its services determined pursuant to the alternative regulation plan described herein (the "Plan"), which conforms with the plan described in S.C. Code Ann. § 58-9-576(B).

In its regular agenda session on January 18, 2006, the Commission approved an interconnection agreement between Home and MCImetro Access Transmission Services, LLC ("MCI"). An Affidavit of William S. Helmly is being filed with this Plan to certify that Home is not affiliated with MCI.

The Plan described herein is in lieu of other forms of regulation including, but not limited to, rate of return or rate base monitoring or regulation.

2. Effective Date

The effective date of the Plan is April 7, 2006, which is not sooner than thirty days after filing with the Commission notice of election of the Plan. The Plan will apply to all local services offered by Home that are regulated by the Commission.

3. The Plan

- a. As of March 8, 2006, the date of notice of election of the Plan, existing rates, terms, and conditions for the services provided by Home contained in Home's then-existing tariffs and contracts are considered just and reasonable.
- b. Home is a "small LEC" for purposes of S.C. Code Ann. § 58-9-576(B)(3). S.C. Code Ann. § 58-9-10(14) defines "small LEC" to mean a "rural telephone company" as defined in the federal Telecommunications Act of 1996.

- c. Although Home is a "small LEC" for purposes of S.C. Code Ann. § 58-9-576(B)(3), Home's flat-rated local exchange services for residential and single-line business customers are currently priced at the statewide average local service rates for those services, weighted by number of access lines, as shown in Home's local service tariff on file with the Commission. Therefore, the requirements of S.C. Code Ann. § 58-9-576(B)(3) and (4) are not waived for Home, and Home's residential and single-line business rates shall be frozen for a period of two years from the date of election of this Alternative Regulation Plan and, after the expiration of the two-year period, may be adjusted on an annual basis pursuant to an inflation-based index.
- d. Home will set rates for all other services on a basis that does not unreasonably discriminate between similarly situated customers. All such rates are subject to a complaint process for abuse of market position in accordance with Commission rules and procedures.
- e. Except when exempted by law, Home will file tariffs for price changes or new services with respect to its local exchange services (including residential and single-line business services) that set out the terms and conditions of the services and the rates for such services. Tariffs will be presumed valid and become effective seven days after filing for price decreases and fourteen days after filing for price increases and new services.
- f. As provided for in S.C. Code Ann. § 58-9-576(B), the Plan applies in lieu of rate of return or rate base regulation. Thus, the procedures set forth above for changes in rates are to be used in lieu of traditional rate-of-return procedures for determining rates, terms, and conditions for service, as found in S.C. Code Ann. §§ 58-9-510 through -570 and in 26 Code Ann. Regs. 103-834(A)(3).

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

Docket No. 2006-_____-C

IN RE: Home Telephone Company, Inc. Alternative)
Regulation Plan Filed Pursuant to S.C. Code)
Ann. § 58-9-576) **AFFIDAVIT**
) **OF**
) **WILLIAM S. HELMLY**
)


STATE OF SOUTH CAROLINA

COUNTY OF BERKELEY

PERSONALLY APPEARED BEFORE ME the undersigned WHO, BEING DULY
SWORN, deposed and said:

1. My name is William S. Helmly. I am employed by Home Telephone Company, Inc. (the "Company") as its President and Chief Operating Officer. I am an officer of the Company and am authorized to give this affidavit on behalf of the Company.
2. Home Telephone Company, Inc., hereby certifies that it is not affiliated with MCImetro Access Transmission Services, LLC.

FURTHER AFFIANT SAYETH NOT.


William S. Helmly
President and Chief Operating Officer

Subscribed to and sworn before me this 7th day of March, 2006.


NOTARY PUBLIC FOR SOUTH CAROLINA

Debra D. McGriff
(Print Name of Notary)
My Commission Expires: September 28, 2009

~~HOME TELEPHONE COMPANY PROPOSED NOTICE OF FILING~~

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKETING DEPARTMENT

NOTICE OF FILING

DOCKET NO. 2006-__-C

Home Telephone Company, Inc. ("Home Telephone") has filed with the Public Service Commission of South Carolina ("Commission") a request to have its rates, terms and conditions determined pursuant to the plan described in S.C. Code Ann. § 58-9-576(B). Pursuant to S.C. Code Ann. § 58-9-576(A), any local exchange carrier ("LEC") may elect to have the rates, terms and conditions of its services determined pursuant to the alternative regulation plan described in S.C. Code Ann. § 58-9-576(B), provided the Commission has approved a local interconnection agreement in which the LEC is a participant with an entity determined by the Commission not to be affiliated with the LEC. The Commission has approved such an agreement on January 18, 2006 between Home Telephone and MCImetro Access Transmission Services, LLC ("MCI"). Home Telephone elects to have its rates, terms, and conditions determined pursuant to the Plan described in S.C. Code Ann. § 58-9-576(B) as set forth in its Alternative Regulation Plan, effective date April 7, 2006.

A copy of the Application is on file in the offices of the Commission, 101 Executive Center Drive, Columbia, South Carolina 29210, the Commission's web site at www.psc.sc.gov, and is available from Margaret M. Fox, Esquire, Post Office Box 11390, Columbia, South Carolina 29211. Interested persons may contact the Commission or counsel for PBT for additional information concerning the Plan. *Please refer to Docket No. 2006-__-C.*

Persons seeking information about the Commission's Procedures should contact the Commission at (803) 896-5100.

Public Service Commission of South Carolina
Attn: Docketing Department
Post Office Drawer 11649
Columbia, South Carolina 29211

MAR-__-06

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

Docket No. 2008-327-C

In Re: Application of Time Warner Cable Information)
Services (South Carolina) LLC, d/b/a Time)
Warner Cable to Amend its Certificate of Public)
Convenience and Necessity to Provide)
Telephone Services in the Service Area of)
Home Telephone Company, Inc. and for Alternative)
Regulation)

Fischer Testimony Exhibit WRF-3

HOME TELEPHONE CO.'S
2007 TELECOMMUNICATIONS COMPANY ANNUAL REPORT
INCLUDING CONFIDENTIAL SCHEDULES

CONFIDENTIAL AND PROPRIETARY

FILED UNDER SEAL

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

Docket No. 2008-327-C

In Re: Application of Time Warner Cable Information)
Services (South Carolina) LLC, d/b/a Time)
Warner Cable to Amend its Certificate of Public)
Convenience and Necessity to Provide)
Telephone Services in the Service Area of)
Home Telephone Company, Inc. and for Alternative)
Regulation)

DIRECT TESTIMONY OF

WARREN R. FISCHER, C.P.A.

ON BEHALF OF

TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC

EXHIBIT WRF-4

Cited Portions of Home's 2003 Telecommunications Company Annual Report

pssc 2/2001

ANNUAL REPORT

Name Home Telephone Company, Inc.

Address P.O. Box 1194, Moncks Comer, SC 29461

Telephone Number (843) 761-9101

TELEPHONE UTILITY

TO

PUBLIC SERVICE COMMISSION OF SC

FOR THE CALENDAR YEAR ENDING DECEMBER 31, 2003

or Fiscal Year Ending _____

Due on April 1st

For Fiscal Year Ending other than December 31, Report is due within 3 months after

Fiscal Year Ending.

May use additional blank pages if needed

All entries should be in Ink or typewriter

Schedule #2-Operating Revenue & Expenses

Year Ending **December 31, 2003** or Fiscal Year Ending

| Operating Revenues: | | Combined | Intrastate Gross Receipts |
|---|------------------|-------------------|----------------------------------|
| Local Network Services Revenue | 5001-5069 | 8,517,506 | |
| Network Access Service Revenues | 5080 | 10,445,528 | |
| Long Distance Revenues | 5100-5169 | 457,471 | |
| Miscellaneous Revenues | 5230-5270 | 2,817,197 | |
| Uncollectible Revenues | 5301-5302 | (157,122) | |
| Total Revenues | | 22,080,580 | |
| Operating Expenses: | | | |
| Plant Specific Expenses | 6112-6410 | 4,586,842 | |
| Plant Nonspecific Expenses | 6560 | 6,713,158 | |
| Customer Operations Expenses | 6620 | 2,402,692 | |
| Corporate Operations Expenses | 6711-6790 | 2,828,063 | |
| Operating Taxes other than Income | 7240 | 656,637 | |
| Operating Investment Tax Credits-Net | 7210 | - | |
| Operating Taxes-Income-Current-Federal | 7220 | 1,755,000 | |
| Operating Taxes-Income-Current-State | 7230 | 180,000 | |
| Operating Taxes-Deferred Income-Net | 7250 | (32,000) | |
| Total Operations Expenses | | 19,090,392 | |
| Net Income from Operations | | 2,990,188 | |
| Interest Income | 7320 | 375,475 | |
| Nonoperating Income and Expenses | 7310-7450 | 2,726,580 | |
| Fixed Charges-(Other Than Interest on Debt) | | 28,955 | |
| Interest Expense on Funded Debt | 7510 | - | |
| Non-regulated Net Income | 7610-7991 | 987,775 | |
| Net Income | | 7,051,063 | |

Schedule #3-Balance Sheet
Company: Home Telephone Company, Inc.
Date of Balance Sheet: December 31, 2003

Assets:

| <u>Balance at Beginning of Year</u> | <u>Description</u> | <u>Balance at Close of Year</u> |
|---|---|-------------------------------------|
| | Telecommunications Plant | |
| 69,823,083 | Telephone Plant in Service | 71,959,742 |
| - | Property Held for Future Use | - |
| 1,202,441 | Telecommunications Plant under Construction | 2,659,976 |
| - | Telecommunications Plant Adjustment | - |
| - | Non-Operating Plant | - |
| - | Goodwill | - |
| 71,025,524 | Total Plant | 74,619,718 |
| 45,128,603 | Depreciation Reserve-Plant | 49,268,722 |
| - | Depreciation Reserve-Other | - |
| 45,128,603 | Total Depreciation Reserve | 49,268,722 |
| 25,896,921 | Net Telecommunications Plant | 25,350,996 |
| | Non-Current Assets | |
| 110,000 | Investments in Affiliated Companies | 110,000 |
| 2,817,503 | Investment in Non-Affiliated Companies | 3,045,367 |
| 6,527,145 | Non-Regulated Investments | 7,364,985 |
| - | Other Non-Current Assets | - |
| 9,454,648 | Total Non-Current Assets | 10,520,352 |
| | Current Assets | |
| 627,040 | Cash | 474,702 |
| 13,379,598 | Temporary Investments | 18,117,821 |
| 1,028,092 | Telecommunications Accounts Receivables | 1,336,393 |
| (59,907) | Allowance for Bad Debts | (59,907) |

Schedule #3-Balance Sheet-Continued

Assets-Continued:

| <u>Balance at Beginning of Year</u> | <u>Description</u> | <u>Balance at Close of Year</u> |
|---|---|-------------------------------------|
| | <u>Current Assets-Continued</u> | |
| 764,397 | Interest, Dividends & Other Accounts Receivable | 793,246 |
| - | Notes Receivable-Net | - |
| 564,881 | Materials & Supplies Inventory | 323,335 |
| 16,304,101 | Total Current Assets | 20,985,590 |
| | <u>Prepaid Accounts & Deferred Charges</u> | |
| 431,051 | Prepays | - |
| 213,500 | Deferred Charges | 230,500 |
| 644,551 | Total Prepaid Accounts & Deferred Charges | 230,500 |
| 52,300,221 | Total Assets | 57,087,438 |
| | <u>Stockholders Equity</u> | |
| 811,200 | Capital Stock | 811,200 |
| - | Additional Paid in Capital | - |
| - | Treasury Stock | - |
| - | Other Capital | - |
| 43,175,611 | Retained Earnings | 47,387,474 |
| 43,986,811 | Total Stockholders Equity | 48,198,674 |
| | <u>Long Term Debt</u> | |
| - | Funded Debt | - |
| - | Reacquired Debt | - |
| - | Obligations Under Capital Leases | - |
| - | Advances from Affiliated Companies | - |
| - | Other Long Term Debt | - |

Schedule #3-Balance Sheet-Continued

Equity and Liabilities-Continued:

| Balance at Beginning of Year | Description | Balance at Close of Year |
|---|--|-------------------------------------|
| - | Total Long Term Debt | - |
| | Current and Accrued Liabilities | |
| 3,377,089 | Accounts Payable | 4,141,194 |
| - | Notes Payable | - |
| - | Advance Billings and Payments | - |
| 108,550 | Customer Deposits | - |
| - | Current Maturities-Long Term Debt | - |
| - | Current Maturities-Capital Leases | - |
| - | Income Taxes Accrued | - |
| 166,863 | Other Accrued Taxes | 490,771 |
| | Other Accrued Liabilities | |
| 3,454,664 | Other Current Liabilities | 2,834,113 |
| 7,107,166 | Total Current and Accrued Liabilities | 7,466,078 |
| | Other Liabilities and Deferred Credits | |
| - | Other Long Term Liabilities | |
| - | Premium on Long Term Debt | |
| - | Unamortized Operating Investment Tax Credits-Net | |
| - | Unamortized Nonoperating Investment Tax Credits-Net | |
| 942,821 | Other Deferred Credits | 1,036,263 |
| | Net Current Deferred Operating Income Taxes | |
| | Net Current Deferred Nonoperating Income Taxes | |
| 394,000 | Net Noncurrent Deferred Operating Income Taxes | 379,000 |
| (130,577) | Net Noncurrent Deferred Nonoperating Income Taxes | 7,423 |
| - | Other Jurisdictional Liabilities and Deferred Credits | - |

Schedule #3-Balance Sheet-Continued

Equity and Liabilities-Continued:

| Balance at Beginning of Year | Description | Balance at Close of Year |
|---|--|-------------------------------------|
| 1,206,244 | Total Other Liabilities and Deferred Credits | 1,422,686 |
| 8,313,410 | Total Liabilities and Other Credits | 8,888,764 |
| 52,300,221 | Total Stockholders Equity and Liabilities | 57,087,438 |

Schedule #4-Retained Earnings

| Description | Debits | Credits |
|---|------------------|-------------------|
| Retained Earnings Account | | |
| Retained Earnings-Beginning of Year | | 43,175,611 |
| Miscellaneous Debits to Retained Earnings | | - |
| Miscellaneous Credits to Retained Earnings | | - |
| Net Income or Loss From Operations | | 7,051,063 |
| Retained Earnings-End of Year | | 50,226,674 |
| Appropriated Retained Earnings: | | - |
| Dividends Declared | 2,839,200 | |
| Other | | |
| Unappropriated Retained Earnings: | | |
| Jurisdictional Retained Earnings | | |
| Other | | |
| Retained Earnings-Total End of Year | | 47,387,474 |

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

Docket No. 2008-327-C

In Re: Application of Time Warner Cable Information)
Services (South Carolina) LLC, d/b/a Time)
Warner Cable to Amend its Certificate of Public)
Convenience and Necessity to Provide)
Telephone Services in the Service Area of)
Home Telephone Company, Inc. and for Alternative)
Regulation)

DIRECT TESTIMONY OF

WARREN R. FISCHER, C.P.A.

ON BEHALF OF

TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC

EXHIBIT WRF-5

Cited Portions of Home's 2004 Telecommunications Company Annual Report

RECEIVED

MAY 12 2005

ORS
T,T,W,W/W

**PUBLIC SERVICE COMMISSION
AND OFFICE OF REGULATORY STAFF**

ANNUAL REPORT

(Complete and Return with Annual Report)

For Calendar Year Ending December 31, 2004

For Fiscal Year Ending _____

IDENTIFICATION (legal title)

PSC/ORS No. _____ (leave blank) Federal ID No. 57-0339548

Check/Date: Sole Proprietorship Partnership Corporation _____

Name of Company: Home Telephone Company, Inc

Doing Business As: _____

Street Address: 579 Stoney Landing Road

City Moncks Corner State SC Zip Code 29461

Telephone No. (Include Area code) (843) 761-9101

TYPE BUSINESS (CHECK ALL THAT APPLY)

- | | | | |
|--|--|--------------------------------------|------------------------------------|
| <input type="checkbox"/> CLEC | <input type="checkbox"/> ELECTRIC | <input type="checkbox"/> WATER | <input type="checkbox"/> TAXI |
| <input checked="" type="checkbox"/> ILEC | <input type="checkbox"/> GAS | <input type="checkbox"/> WATER/SEWER | <input type="checkbox"/> LIMOUSINE |
| <input type="checkbox"/> IXC | <input type="checkbox"/> RAILROAD | <input type="checkbox"/> SEWERAGE | <input type="checkbox"/> SHUTTLE |
| <input type="checkbox"/> HOUSEHOLD GOODS | <input type="checkbox"/> HAZARDOUS WASTE | | |

CONTACT (for purpose of this report)

Contact Name: Alan Smoak

Title: Accounting Manager Telephone: (843) 761-9169

Email Address: Alan.Smoak@Hometelco.com Fax No. (843) 761-6869

Schedule #2-Operating Revenue & Expenses

| Year Ending | December 31, 2004 | or Fiscal Year Ending | Intrastate Gross Receipts |
|---|-------------------|-----------------------|---------------------------|
| Operating Revenues: | | Combined | |
| Local Network Services Revenue | 5001-5069 | 8,177,851 | |
| Network Access Service Revenues | 5080 | 10,439,776 | |
| Long Distance Revenues | 5100-5169 | 296,502 | |
| Miscellaneous Revenues | 5230-5270 | 2,998,389 | |
| Uncollectible Revenues | 5301-5302 | (119,626) | |
| Total Revenues | | 21,792,892 | |
| Operating Expenses: | | | |
| Plant Specific Expenses | 6112-6410 | 4,220,756 | |
| Plant Nonspecific Expenses | 6560 | 7,118,227 | |
| Customer Operations Expenses | 6620 | 2,421,754 | |
| Corporate Operations Expenses | 6711-6790 | 2,916,451 | |
| Operating Taxes other than Income | 7240 | 663,856 | |
| Operating Investment Tax Credits-Net | 7210 | - | |
| Operating Taxes-Income-Current-Federal | 7220 | 1,075,000 | |
| Operating Taxes-Income-Current-State | 7230 | 10,000 | |
| Operating Taxes-Deferred Income-Net | 7250 | 462,000 | |
| Total Operations Expenses | | 18,888,044 | |
| Net Income from Operations | | 2,904,848 | |
| Interest Income | 7320 | 707,337 | |
| Nonoperating Income and Expenses | 7310-7450 | 2,137,499 | |
| Fixed Charges-(Other Than Interest on Debt) | | 44,872 | |
| Interest Expense on Funded Debt | 7510 | - | |
| Non-regulated Net Income | 7610-7991 | 309,602 | |
| Net Income | | 6,014,414 | |

Schedule #3-Balance Sheet
 Company: Home Telephone Company, Inc.
 Date of Balance Sheet: December 31, 2004

Assets:

| <u>Balance at Beginning of Year</u> | <u>Description</u> | <u>Balance at Close of Year</u> |
|---|---|-------------------------------------|
| | Telecommunications Plant | |
| 71,959,742 | Telephone Plant in Service | 78,235,258 |
| - | Property Held for Future Use | - |
| 2,659,976 | Telecommunications Plant under Construction | 1,830,414 |
| - | Telecommunications Plant Adjustment | - |
| - | Non-Operating Plant | - |
| - | Goodwill | - |
| 74,619,718 | Total Plant | 80,065,672 |
| 49,268,722 | Depreciation Reserve-Plant | 54,151,398 |
| - | Depreciation Reserve-Other | - |
| 49,268,722 | Total Depreciation Reserve | 54,151,398 |
| 25,350,996 | Net Telecommunications Plant | 25,914,274 |
| | Non-Current Assets | |
| 110,000 | Investments in Affiliated Companies | (44,550) |
| 3,045,367 | Investment in Non-Affiliated Companies | 3,165,236 |
| 7,364,985 | Non-Regulated Investments | 6,564,865 |
| - | Other Non-Current Assets | 9,500,000 |
| 10,520,352 | Total Non-Current Assets | 19,185,551 |
| | Current Assets | |
| 474,702 | Cash | 481,993 |
| 18,117,821 | Temporary Investments | 9,094,314 |
| 1,336,393 | Telecommunications Accounts Receivables | 1,261,325 |
| (59,907) | Allowance for Bad Debts | (60,000) |

Schedule #3-Balance Sheet-Continued

Assets-Continued:

| <u>Balance at Beginning of Year</u> | <u>Description</u> | <u>Balance at Close of Year</u> |
|-------------------------------------|---|---------------------------------|
| | <u>Current Assets-Continued</u> | |
| 793,246 | Interest, Dividends & Other Accounts Receivable | 1,190,664 |
| - | Notes Receivable-Net | - |
| 323,335 | Materials & Supplies Inventory | 482,559 |
| 20,985,590 | Total Current Assets | 12,450,855 |
| | <u>Prepaid Accounts & Deferred Charges</u> | |
| - | Prepays | 816,477 |
| 230,500 | Deferred Charges | 264,500 |
| 230,500 | Total Prepaid Accounts & Deferred Charges | 1,080,977 |
| 57,087,438 | Total Assets | 58,631,657 |
| | <u>Stockholders Equity</u> | |
| 811,200 | Capital Stock | 811,200 |
| - | Additional Paid in Capital | - |
| - | Treasury Stock | - |
| - | Other Capital | - |
| 47,387,474 | Retained Earnings | 50,157,088 |
| 48,198,674 | Total Stockholders Equity | 50,968,288 |
| | <u>Long Term Debt</u> | |
| - | Funded Debt | - |
| - | Reacquired Debt | - |
| - | Obligations Under Capital Leases | - |
| - | Advances from Affiliated Companies | - |
| - | Other Long Term Debt | 500,000 |

Schedule #3-Balance Sheet-Continued

Equity and Liabilities-Continued:

| <u>Balance at Beginning of Year</u> | <u>Description</u> | <u>Balance at Close of Year</u> |
|---|---|-------------------------------------|
| - | Total Long Term Debt | 500,000 |
| | Current and Accrued Liabilities | |
| 4,141,194 | Accounts Payable | 2,211,350 |
| - | Notes Payable | - |
| - | Advance Billings and Payments | - |
| - | Customer Deposits | - |
| - | Current Maturities-Long Term Debt | - |
| - | Current Maturities-Capital Leases | - |
| - | Income Taxes Accrued | - |
| 490,771 | Other Accrued Taxes | 166,578 |
| | Other Accrued Liabilities | |
| 2,834,113 | Other Current Liabilities | 2,693,240 |
| 7,466,078 | Total Current and Accrued Liabilities | 5,071,168 |
| | Other Liabilities and Deferred Credits | |
| | Other Long Term Liabilities | |
| | Premium on Long Term Debt | |
| | Unamortized Operating Investment Tax Credits-Net | |
| | Unamortized Nonoperating Investment Tax Credits-Net | |
| 1,036,263 | Other Deferred Credits | 1,120,778 |
| | Net Current Deferred Operating Income Taxes | |
| | Net Current Deferred Nonoperating Income Taxes | |
| 379,000 | Net Noncurrent Deferred Operating Income Taxes | 875,000 |
| 7,423 | Net Noncurrent Deferred Nonoperating Income Taxes | 96,423 |
| - | Other Jurisdictional Liabilities and Deferred Credits | - |

Schedule #3-Balance Sheet-Continued

Equity and Liabilities-Continued:

| <u>Balance at Beginning of Year</u> | <u>Description</u> | <u>Balance at Close of Year</u> |
|---|--|-------------------------------------|
| 1,422,686 | Total Other Liabilities and Deferred Credits | 2,092,201 |
| 8,868,764 | Total Liabilities and Other Credits | 7,663,369 |
| 57,087,438 | Total Stockholders Equity and Liabilities | 58,631,657 |

Schedule #4-Retained Earnings

| Description | Debits | Credits |
|---|------------------|-------------------|
| Retained Earnings Account | | |
| Retained Earnings-Beginning of Year | | 47,387,474 |
| Miscellaneous Debits to Retained Earnings | | - |
| Miscellaneous Credits to Retained Earnings | | - |
| Net Income or Loss From Operations | | 6,014,414 |
| Retained Earnings-End of Year | | 53,401,888 |
| Appropriated Retained Earnings: | | - |
| Dividends Declared | 3,244,800 | |
| Other | | |
| Unappropriated Retained Earnings: | | |
| Jurisdictional Retained Earnings | | |
| Other | | |
| Retained Earnings-Total End of Year | | 50,157,088 |

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

Docket No. 2008-327-C

In Re: Application of Time Warner Cable Information)
Services (South Carolina) LLC, d/b/a Time)
Warner Cable to Amend its Certificate of Public)
Convenience and Necessity to Provide)
Telephone Services in the Service Area of)
Home Telephone Company, Inc. and for Alternative)
Regulation)

DIRECT TESTIMONY OF

WARREN R. FISCHER, C.P.A.

ON BEHALF OF

TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC

EXHIBIT WRF-6

Cited Portions of Home's 2005 Telecommunications Company Annual Report

**TELECOMMUNIC
COMPANY ANNUAL**

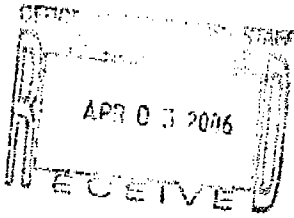
HOME
TELEPHONE COMPANY, INC.
PO Box 1194
Moncks Corner, SC 29461

OF

Home Telephone Company, Inc.

Exact Legal Name of Respondent

PSC/ORS Number (leave blank)



FOR THE YEAR ENDED 2005

Calendar Year Ending December 31, 2005

or

Fiscal Year Ending _____



LOCAL EXCHANGE CARRIER ANNUAL REPORT
Schedule #1-Operating Revenue & Expenses

Year Ending December 31, 2005

| <u>Operating Revenues:</u> | <u>Uniform System of Accounts</u> | <u>GA. Accounts</u> | <u>Combined</u> | <u>Intrastate</u> |
|---|-----------------------------------|---------------------|-------------------|-------------------|
| Local Network Service Revenues | 5001-5069 | | 8,164,217 | |
| Network Access Service Revenues | 5080 | | 11,475,371 | |
| Long Distance Revenues | 5100-5169 | | 280,776 | |
| Miscellaneous Revenues | 5230-5270 | | 2,863,723 | |
| Uncollectible Revenues | 5301-5302 | | (58,324) | |
| Total Revenues | | | 22,725,763 | |
| <u>Operating Expenses:</u> | | | | |
| Plant Specific Expenses | 6112-6410 | | 4,431,597 | |
| Plant Nonspecific Expenses | 6560 | | 7,846,404 | |
| Customer Operations Expenses | 6620 | | 2,597,872 | |
| Corporate Operations Expenses | 6711-6790 | | 3,108,625 | |
| Operating Taxes other than Income | 7240 | | 659,470 | |
| Operating Investment Tax Credits-Net | 7210 | | | |
| Operating Taxes-Income-Current-Federal | 7220 | | 2,120,000 | |
| Operating Taxes-Income-Current-State | 7230 | | 75,000 | |
| Operating Taxes-Deferred Income-Net | 7250 | | (854,000) | |
| Total Operations Expenses | | | 19,984,968 | |
| Net Income from Operations | | | 2,740,795 | |
| Interest Income | 7320 | | 1,028,912 | |
| Nonoperating Income and Expenses | 7310-7450 | | 1,284,604 | |
| Fixed Charges-(Other Than Interest on Debt) | | | 48,210 | |
| Interest Expense on Funded Debt | 7510 | | | |
| Non-regulated Net Income | 7610-7991 | | 298,136 | |
| Extraordinary Items | | | | |
| Net Income | | | 5,304,239 | |

LOCAL EXCHANGE CARRIER ANNUAL REPORT
Schedule #2- Balance Sheet

Date of Balance Sheet: December 31, 2005

| Description | G/L Accounts | Balance at Close of Year |
|--|--------------|--------------------------|
| Current Assets | | |
| Cash | | 817,526 |
| Temporary Investments | | 12,691,363 |
| Telecommunications Accounts Receivables | | 1,229,657 |
| Allowance for Bad Debts | | (60,000) |
| Interest, Dividends & Other Accounts Receivable | | 2,396,847 |
| Notes Receivable-Net | | - |
| Materials & Supplies Inventory | | 540,891 |
| Other Current Assets | | - |
| Total Current Assets | | 17,416,284 |
| Prepaid Accounts & Deferred Charges | | |
| Prepays | | 335,610 |
| Deferred Charges | | 255,000 |
| Total Prepaid Accounts & Deferred Charges | | 590,610 |
| Non-Current Assets | | |
| Investments in Affiliated Companies | | - |
| Investment in Non-Affiliated Companies | | - |
| Non-Regulated Investments | | - |
| Other Non-Current Assets | | 17,505,654 |
| Total Non-Current Assets | | 17,505,654 |
| Telecommunications Plant | | |
| Telephone Plant in Service | | 82,482,717 |
| Property Held for Future Use | | - |
| Telecommunications Plant under Construction | | 1,899,573 |
| Telecommunications Plant Adjustment | | - |

Schedule #2- Balance Sheet-Continued

| Description | GA Accounts | Balance at Close of Year |
|--|-------------|--------------------------|
| Telecommunications Plant-Continued | | |
| Non-Operating Plant | | - |
| Goodwill | | - |
| Total Plant | | 84,382,290 |
| Depreciation Reserve-Plant | | 58,942,893 |
| Depreciation Reserve-Other | | - |
| Total Depreciation Reserve | | 58,942,893 |
| Net Telecommunications Plant | | 25,439,397 |
| Total Assets | | 60,951,945 |
| Current and Accrued Liabilities | | |
| Accounts Payable | | 3,295,590 |
| Notes Payable-Affiliated | | - |
| Advance Billings and Payments | | - |
| Customer Deposits | | - |
| Current Maturities-Long Term Debt | | - |
| Current Maturities-Capital Leases | | - |
| Income Taxes Accrued | | - |
| Other Accrued Taxes | | 163,938 |
| Other Accrued Liabilities | | - |
| Other Current Liabilities | | 2,791,534 |
| Total Current and Accrued Liabilities | | 6,251,062 |
| Other Liabilities and Deferred Credits | | |
| Other Long Term Liabilities | | - |
| Premium on Long Term Debt | | - |
| Unamortized Operating Investment Tax Credits-Net | | - |

Schedule #2- Balance Sheet-Continued

| Description | G/L Accounts | Balance at Close of Year |
|---|--------------|--------------------------|
| Other Liabilities and Deferred Credits-Continued | | |
| Unamortized Nonoperating Investment Tax Credits-Net | | - |
| Other Deferred Credits | | 1,015,607 |
| Net Current Deferred Operating Income Taxes | | - |
| Net Current Deferred Nonoperating Income Taxes | | - |
| Net Noncurrent Deferred Operating Income Taxes | | 11,000 |
| Net Noncurrent Deferred Nonoperating Income Taxes | | (108,000) |
| Other Jurisdictional Liabilities and Deferred Credits | | - |
| Total Other Liabilities and Other Credits | | 918,607 |
| Long Term Debt | | |
| Funded Debt | | - |
| Reacquired Debt | | - |
| Obligations Under Capital Leases | | - |
| Advances from Affiliated Companies | | - |
| Other Long Term Debt | | - |
| Total Long Term Debt | | 500,000 |
| Total Liabilities | | 7,669,669 |
| Stockholders Equity | | |
| Capital Stock | | 811,200 |
| Additional Paid in Capital | | - |
| Treasury Stock | | - |
| Other Capital | | - |
| Retained Earnings | | 52,471,076 |
| Total Stockholders Equity | | 53,282,276 |
| Total Stockholders Equity and Liabilities | | 60,951,945 |

Schedule #3-Retained Earnings

| <u>Description</u> | <u>Debits</u> | <u>Credits</u> |
|---|---------------|----------------|
| Retained Earnings Account | | |
| Retained Earnings-Beginning of Year | | 50,157,088 |
| Miscellaneous Debits to Retained Earnings | | 254,549 |
| Miscellaneous Credits to Retained Earnings | | - |
| Net Income or Loss From Operations | | 5,304,239 |
| Retained Earnings-End of Year | | 55,715,876 |
| Appropriated Retained Earnings: | | - |
| Dividends Declared | 3,244,800 | |
| Other | | - |
| Unappropriated Retained Earnings: | | - |
| Jurisdictional Retained Earnings | | - |
| Other | | - |
| Retained Earnings-Total End of Year | | 52,471,076 |

Schedule #7-Access Lines

| | |
|--------------------------------------|---------------|
| Total Business | <u>6,270</u> |
| Total Residence | <u>18,341</u> |
| Total Access Lines | <u>22,611</u> |
| Total Number of Customers | <u>N/A</u> |
| Total Wholesale Customers | <u>N/A</u> |
| Total Wholesale DSL Customers | <u>N/A</u> |

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

Docket No. 2008-327-C

In Re: Application of Time Warner Cable Information)
Services (South Carolina) LLC, d/b/a Time)
Warner Cable to Amend its Certificate of Public)
Convenience and Necessity to Provide)
Telephone Services in the Service Area of)
Home Telephone Company, Inc. and for Alternative)
Regulation)

Fischer Testimony Exhibit WRF-7

HOME TELEPHONE CO.'S
2006 TELECOMMUNICATIONS COMPANY ANNUAL REPORT
INCLUDING CONFIDENTIAL SCHEDULES

CONFIDENTIAL AND PROPRIETARY

FILED UNDER SEAL

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

Docket No. 2008-327-C

In Re: Application of Time Warner Cable Information Services (South Carolina) LLC, d/b/a Time Warner Cable to Amend its Certificate of Public Convenience and Necessity to Provide Telephone Services in the Service Area of Home Telephone Company, Inc. and for Alternative Regulation

**DIRECT TESTIMONY OF
WARREN R. FISCHER, C.P.A.**

**ON BEHALF OF
TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC**

**EXHIBIT WRF-8
Cited Portions of AT&T South Carolina's 2007 Telecommunications Company Annual Report**

LOCAL EXCHANGE CARRIER ANNUAL REPORT
Schedule #1-Operating Revenue & Expenses

Year Ending December 31, 2007

| <u>Operating Revenues:</u> | <u>Uniform System of Accounts</u> | <u>G/L Accounts</u> | <u>Combined</u> | <u>Intrastate</u> |
|---|-----------------------------------|-----------------------------|----------------------|--------------------|
| Local Network Service Revenues | 5001-5069 | 5000 | 474,968,464 | 474,968,464 |
| Network Access Service Revenues | 5080 | 5080 | 289,406,195 | 43,721,804 |
| Long Distance Revenues | 5100-5169 | 5100 | 21,914,109 | 21,682,309 |
| Miscellaneous Revenues | 5230-5270 | 5200 | 257,603,430 | 91,472,655 |
| Uncollectible Revenues | 5301-5302 | 5300 | (13,633,008) | (8,544,689) |
| Total Revenues | | | 1,030,259,190 | 623,300,643 |
| <u>Operating Expenses:</u> | | | | |
| Plant Specific Expenses | 6112-6410 | 6112-6441 | 139,676,252 | |
| Plant Nonspecific Expenses | 6560 | 6511-6560 | 342,263,677 | |
| Customer Operations Expenses | 6610-6620 | 6611-6623 | 103,745,205 | |
| Corporate Operations Expenses | 6711-6790 | 6720-7100 | 83,980,679 | |
| Operating Taxes other than Income | 7240 | 7240 | 48,896,901 | |
| Operating Investment Tax Credits-Net | 7210 | 7210 | (11) | |
| Operating Taxes-Income-Current-Federal | 7220 | 7220 | 103,362,728 | |
| Operating Taxes-Income-Current-State | 7230 | 7230 | 11,843,783 | |
| Operating Taxes-Deferred Income-Net | 7250 | 7250 | (7,273,626) | |
| Total Operations Expenses | | | 826,495,498 | |
| Net Income from Operations | | | 203,763,692 | |
| Interest Income | 7320 | 7300.1200 | 37,638 | |
| Nonoperating Income and Expenses | 7310-7450 | 7300-7400 Less 7300.1200 | (85,124,465) | |
| Fixed Charges-(Other Than Interest on Debt) | | 7500 Less 7500.1000 | 20,260,833 | |
| Interest Expense on Funded Debt | 7510 | 7500.1000 | 9,157,686 | |
| Non-regulated Net Income | 7610-7991 | 7600-7990 | 0 | |
| Extraordinary Items | | | | |
| Net Income | | | 89,258,446 | |

LOCAL EXCHANGE CARRIER ANNUAL REPORT
Schedule #2- Balance Sheet

Date of Balance Sheet: December 31, 2007

| <u>Description</u> | <u>G/L Accounts</u> | <u>Balance at Close of Year</u> |
|--|---------------------|---------------------------------|
| <u>Current Assets</u> | | |
| Cash | 1120 | 0 |
| Temporary Investments | 1120.6000 | 0 |
| Telecommunications Accounts Receivables (See End Note C) | 1170 | N/A |
| Allowance for Bad Debts (See End Note C) | 1171 | N/A |
| Interest, Dividends & Other Accounts Receivable (See End Note C) | 1170.8200 | N/A |
| Notes Receivable-Net (See End Note C) | 1170.8100 | N/A |
| Materials & Supplies Inventory | 1220 | 5,055,919 |
| Other Current Assets | 1350 | 0 |
| Total Current Assets | | 5,055,919 |
| <u>Prepaid Accounts & Deferred Charges</u> | | |
| Prepays | 1280 | 0 |
| Deferred Charges (See End Note B) | 1437-1438 | 707,696 |
| Total Prepaid Accounts & Deferred Charges | | 707,696 |
| <u>Non-Current Assets</u> | | |
| Investments in Affiliated Companies | 1410.1000 | 0 |
| Investment in Non-Affiliated Companies | 1410.7000 | 0 |
| Non-Regulated Investments | 1406 | 0 |
| Other Non-Current Assets | 1410.0000 | 0 |
| Total Non-Current Assets | | 0 |
| <u>Telecommunications Plant</u> | | |
| Telephone Plant in Service (See End Note E) | 2001 | 4,238,524,119 |
| Property Held for Future Use | 2002 | 0 |
| Telecommunications Plant under Construction | 2003 | 2,065,772 |
| Telecommunications Plant Adjustment (See End Note E) | 2005 | 0 |

Schedule #2- Balance Sheet-Continued

| Description | G/L Accounts | Balance at Close of Year |
|--|---------------------------------------|--------------------------|
| Telecommunications Plant-Continued | | |
| Non-Operating Plant | 2006 | 25,766 |
| Goodwill | 2007 | 0 |
| Total Plant | | 4,240,615,657 |
| Depreciation Reserve-Plant | 3100 | 3,140,533,419 |
| Depreciation Reserve-Other (See End Note E) | 3200-3600 | 59,967,462 |
| Total Depreciation Reserve | | 3,200,500,881 |
| Net Telecommunications Plant | | 1,040,114,776 |
| Total Assets | | 1,045,878,391 |
| Current and Accrued Liabilities | | |
| Accounts Payable (See End Note D) | 4000.1000 | N/A |
| Notes Payable-Affiliated | 4000.2100 | 0 |
| Advance Billings and Payments | 4130.4000 | 29,213,787 |
| Customer Deposits | 4040 | 2,482,710 |
| Current Maturities-Long Term Debt | 4130.5100 | 0 |
| Current Maturities-Capital Leases | 4130.6000 | 0 |
| Income Taxes Accrued | 4070 | 173,627,492 |
| Other Accrued Taxes | 4080 | 39,718,593 |
| Other Accrued Liabilities | 4130.2900 | (1,594,629) |
| Other Current Liabilities | 4130 Less 4130.4000 Less 4130.2900 | 6,396,104 |
| Total Current and Accrued Liabilities | | 249,844,057 |
| Other Liabilities and Deferred Credits | | |
| Other Long Term Liabilities (See End Note D) | 4300 | N/A |
| Premium on Long Term Debt | 4200.2100 | 0 |
| Unamortized Operating Investment Tax Credits-Net | 4320 | - |

Schedule #2- Balance Sheet-Continued

| Description | G/L Accounts | Balance at Close of Year |
|---|---------------------|---------------------------------|
| Other Liabilities and Deferred Credits-Continued | | |
| Unamortized Nonoperating Investment Tax Credits-Net | 4330 | 0 |
| Other Deferred Credits (See End Note B) | 4300.4300 | 174,855 |
| Net Current Deferred Operating Income Taxes | 4100 | (475,497) |
| Net Current Deferred Nonoperating Income Taxes | 4110 | 2,777,874 |
| Net Noncurrent Deferred Operating Income Taxes | 4340 | 197,842,433 |
| Net Noncurrent Deferred Nonoperating Income Taxes | 4350 | (4,220,669) |
| Other Jurisdictional Liabilities and Deferred Credits | 4370 | 0 |
| Total Other Liabilities and Other Credits | | 196,098,996 |
| Long Term Debt | | |
| Funded Debt | 4200.1000 | 0 |
| Reacquired Debt | N/A | N/A |
| Obligations Under Capital Leases | 4200.2300 | 0 |
| Advances from Affiliated Companies | 4200.3000 | 0 |
| Other Long Term Debt | 4200.2400 | 0 |
| Total Long Term Debt | | 0 |
| Total Liabilities | | 445,943,053 |
| Stockholders Equity | | |
| Capital Stock | | 0 |
| Additional Paid In Capital | | 0 |
| Treasury Stock | | 0 |
| Other Capital | | 0 |
| Headquarters Control | 9999 | 599,935,338 |
| Total Stockholders Equity | | 599,935,338 |
| Total Stockholders Equity and Liabilities | | 1,045,878,391 |

Schedule #3-Retained Earnings

| Description | Debits | Credits |
|---|--------------------|--------------------|
| Retained Earnings Account | | |
| Retained Earnings-Beginning of Year | | 741,834,007 |
| Miscellaneous Debits to Retained Earnings | | |
| Miscellaneous Credits to Retained Earnings | | |
| Net Income or Loss From Operations | | 89,258,446 |
| Retained Earnings-End of Year | | |
| Appropriated Retained Earnings: | | |
| Dividends Declared | | |
| Other | | |
| Unappropriated Retained Earnings: | | |
| Jurisdictional Retained Earnings | | |
| Other | 231,157,115 | |
| Retained Earnings-Total End of Year | | 599,935,338 |

Schedule #7- South Carolina Local Access Lines

| | |
|---|------------------|
| Total Business (See End Note F) | <u>339,754</u> |
| Total Residence (See End Note F) | <u>716,177</u> |
| Total Lifeline Access Lines (See End Note H) | <u>23,480</u> |
| Total Access Lines (See End Note F) | <u>1,079,411</u> |
| Total Number of Customers | <u>787,387</u> |
| Total Wholesale Customers (See End Note G) | <u>165</u> |
| Total Wholesale DSL Customers (See End Note G) | <u>16</u> |