

104 W. Mulberry Street, Normal, Illinois 61761

ILLINOIS
COMMERCE COMMISSION

2011 APR 29 A 11 59

April 29, 2011

CHIEF CLERK'S OFFICE

Ms. Elizabeth Rolando
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

Ms. Mary Selvaggio
Manager of Accounting
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

Dear Ms. Rolando and Ms. Selvaggio:

Pursuant to the requirements of Condition 4.2 and Condition 4.3 of the Appendix attached to the Illinois Commerce Commission's Order in Docket No. 09-0268, Frontier submits for filing the following documents:

1. A copy of an internal audit letter, performed to comply with Condition 4.3, of the Commission's Order, as stated above.
2. Attachments to the audit letter which list the USOA accounts and their ratios of regulated vs. non-regulated costs for each of the properties Frontier acquired from Verizon including the former GTE, former Contel and former Alltel.
3. A new Cost Allocation Manual, filed pursuant to Condition 4.2 of the Commission's Order, as stated herein.

This letter is being filed in triplicate. Please return one stamped copy of the letter and each attachment for our files.

If you have any questions, please contact me at (309) 454-7803 or at Karen.boswell@ftr.com.

Yours truly,



Karen Boswell
Manager – Government and External Affairs

C: Ms. Kathy Stewart
Dr. Jim Zolnierok
Mr. Mike Ostrander

April 26, 2011

Illinois Commerce Commission
Bureau of Public Utilities
Financial Analysis Division
Attention: Ms. Mary Selvaggio
Manager of Accounting
527 East Capitol Avenue FL 003
Springfield, Illinois 62701

RE: Illinois Commerce Commission Order # 09-0268

Dear Ms. Selvaggio:

In compliance with Staff Condition No. 4(3) of the Conditions Appendix in the Illinois Commerce Commission's ("ICC") April 21, 2010 Order in Docket No. 09-0268, the Internal Audit department of Frontier Communications (the "Company") has performed an internal audit examination of cost allocation procedures relating to the Illinois properties acquired from Verizon ("Illinois Acquired Properties") for the period July 1, 2010 through December 31, 2010.

On September 6, 2008, the Federal Communications Commission ("FCC") issued an order approving Verizon's petition for forbearance from the Cost Assignment Rules. On September 19, 2008, Verizon filed a plan to comply with the September 6, 2008 Order in which Verizon committed to "maintain it(s) most recent cost allocation results and calculate corresponding ratios by Uniform System of Accounts ("USOA") for non-regulated, state, interstate, and each Part 64 rate element using data from the calendar year immediately preceding the date Verizon's Compliance Plan is approved by the Bureau." On July 21, 2009, Verizon filed that same Compliance Plan with the ICC thereby committing to maintain the use of those same "frozen" cost allocation ratios, in lieu of any further cost allocation manual ("CAM") filings. Frontier has filed an updated CAM with the ICC simultaneously with this report, which continues to use the same "frozen" cost allocation ratios previously utilized by the Illinois Acquired Properties prior to the acquisition of the Illinois Acquired Properties on July 1, 2010.

The purpose of the internal audit examination was to determine if cost allocations between regulated and non-regulated activities are in compliance with the Illinois Acquired Properties CAM. This internal audit examination validated that the allocation of costs between regulated and non-regulated activities related to the Illinois Acquired Properties during the six month period ended December 31, 2010 was performed utilizing the cost allocation factors contained in the CAM and that the calculations by USOA account derived by utilizing those factors was complete and accurate.

In our opinion, Frontier's utilization of the CAM to allocate Illinois Acquired Properties costs between regulated and non-regulated activities for the six months ending December 31, 2010, as reflected in the attached reports, was done accurately.

Sincerely,

A handwritten signature in cursive script that reads "Neil Frieser".

Neil Frieser

Vice President, Internal Audit

Frontier Communications GTIL (former GTE)
July 1 - December 31, 2010

USOA Account		Total	Regulated	Non-Regulated	Regulated	Non-Regulated
Number	Description	Amount	Ratio	Ratio	Amount	Amount
1171	ACCOUNT_ALLOWANCE_OTH_RECEIVABLE	(1,695,190)	1.000000	0.000000	(1,695,190)	0
1220	INVENTORY	3,184,691	0.558422	0.441578	1,778,402	1,406,290
1280	PREPAID	(89)	1.000000	0.000000	(89)	0
1350	OTH_CURR_ASSET	4,432,690	1.000000	0.000000	4,432,690	0
1410	OTH_INV_NONCURR_ASSET_PENS	46,920,946	0.926003	0.073997	43,448,937	3,472,009
1438	CURR_DEFERRED_CHARGE	171,597	1.000000	0.000000	171,597	0
1439	NONCURR_DEFERRED_CHARGE	5,187,462	1.000000	0.000000	5,187,462	0
2003	TEL_PLANT_UNDER_CONSTRUCTION	(417,301)	1.000000	0.000000	(417,301)	0
2006	NONOPERATING_PLANT_DEPRECIABLE	554,961	1.000000	0.000000	554,961	0
2007	GOODWILL	0	1.000000	0.000000	0	0
2111	LAND	6,242,214	0.944172	0.055828	5,893,724	348,490
2112	MOTOR_VEHICLE	11,690,157	0.888207	0.111793	10,383,279	1,306,878
2113	AIRCRAFT	(508,545)	1.000000	0.000000	(508,545)	0
2114	TOOL_OTH_WORK	9,828,107	0.920862	0.079138	9,050,330	777,777
2121	BUILDING	111,455,047	0.944162	0.055838	105,231,620	6,223,427
2122	FURNITURE	83,173	0.873788	0.126214	72,675	10,498
2123	OFFICE	518,727	0.871689	0.128311	452,159	66,569
2124	GENERAL_PURPOSE_COMPUTER	1,243,985	0.889717	0.110283	1,106,795	137,190
2212	DIGITAL_ELECTRONIC_SW	337,938,298	0.995672	0.004328	336,475,701	1,462,597
2220	OPERATOR_SYSTEM	196,434	0.852713	0.147287	167,502	28,932
2231	RADIO_SYSTEM	321,321	0.581451	0.418549	186,832	134,489
2232	CIRCUIT_EQP	300,599,076	0.928674	0.070326	279,459,145	21,139,931
2351	NONREGULATED_PUBLIC_TEL_TERMINAL	73,235	0.000000	1.000000	0	73,235
2382	OTH_TERMINAL	13,572,399	0.835285	0.164715	11,336,821	2,235,578
2411	POLE	33,986,789	1.000000	0.000000	33,986,789	0
2421	AERIAL_CABLE	111,712,317	1.000000	0.000000	111,712,317	0
2422	UNDERGROUND_CABLE	49,981,704	1.000000	0.000000	49,981,704	0
2423	BURIED_CABLE	616,068,002	1.000000	0.000000	616,068,002	0
2424	SUBMARINE_DEEP_SEA_CABLE	68,034	1.000000	0.000000	68,034	0
2441	CONDUIT_SYSTEM	29,254,087	1.000000	0.000000	29,254,087	0
2882	LEASEHOLD_IMPROVEMENT	101,975	0.916667	0.083333	93,477	8,498
2890	INTANGIBLE	2,007,207	0.323799	0.676201	649,932	1,357,275
3100	ACCUM_DEPRECIATION	(1,385,312,472)	0.990070	0.009930	(1,371,556,319)	(13,756,153)
3100	ACCUM_DEPRECIATION_STATE_JURIS_DIFF	(123,505,101)	1.000000	0.000000	(123,505,101)	0
3300	ACCUM_DEPRECIATION_NONOPERATING	(4,005)	1.000000	0.000000	(4,005)	0
3300	ACCUM_DEPRECIATION_NONOPERATING_STATE_JURIS_DIFF	(190)	1.000000	0.000000	(190)	0
3420	ACCUM_AMORTIZATION_LEASEHOLD_IMPRV	(100,154)	0.916667	0.083333	(91,808)	(8,346)
3500	ACCUM_AMORTIZATION_INTANGIBLE	(565,969)	0.323799	0.676201	(183,260)	(382,709)
4000	ACCOUNT_NOTE_PAYABLE	39,571,875	1.000000	0.000000	39,571,875	0
4070	ACCRUED_INC_TAX	1,025,698	1.000000	0.000000	1,025,698	0
4080	OTH_ACCRUED_TAX	(1,485,052)	1.000000	0.000000	(1,485,052)	0
4100	CURR_DEFERRED_OPERATING_INC_TAX	1,824,850	0.925446	0.074554	1,688,800	136,050
4130	OTH_CURRENT LIABILITY	(4,590,724)	1.000000	0.000000	(4,590,724)	0
4300	OTH_LONG_TERM LIABILITY_OTH	(5,385,431)	0.923024	0.076976	(4,970,882)	(414,549)
4300	OTH_LONG_TERM LIABILITY_PENS	(550,591)	0.926003	0.073997	(509,849)	(40,742)
4340	NONCURR_DEFERRED_OPERATING_INC_TAX	68,469,909	0.947255	0.052745	64,858,464	3,611,445
4340	NONCURR_DEFERRED_OPERATING_INC_TAX_STATE_JURIS_DIFF	43,515,765	1.000000	0.000000	43,515,765	0
4650	RETAINED_EARNING	(6,602,209)	1.000000	0.000000	(6,602,209)	0
5001	BASIC_AREA_REV	(40,677,555)	1.000000	0.000000	(40,677,555)	0
5002	OPT_EXT_AREA_REV	(80,060)	1.000000	0.000000	(80,060)	0
5003	CELLULAR_MOBILE_REV	(348,557)	1.000000	0.000000	(348,557)	0
5040	LOCAL_PRIVATE_LINE_REV	(229,545)	1.000000	0.000000	(229,545)	0
5080	OTH_BASIC_REV	(7,331,292)	1.000000	0.000000	(7,331,292)	0
5081	END_USER_REV	(17,000,841)	1.000000	0.000000	(17,000,841)	0
5082	SWITCHED_ACCESS_REV	(9,110,257)	1.000000	0.000000	(9,110,257)	0
5083	SPECIAL_ACCESS_REV	(40,757,812)	1.000000	0.000000	(40,757,812)	0
5100	LONG_DISTANCE_MESSAGE_REV	(4,532,617)	1.000000	0.000000	(4,532,617)	0
5200	MISCELLANEOUS_BC_REV	(2,288,135)	1.000000	0.000000	(2,288,135)	0
5200	MISCELLANEOUS_OTH_REV	(4,980,402)	1.000000	0.000000	(4,980,402)	0
5230	DIRECTORY_REV	(713,022)	1.000000	0.000000	(713,022)	0
5280	NONREGULATED_REV	(8,713,051)	0.000000	1.000000	0	(8,713,051)
5300	UNCOLLECTIBLE_REV	1,720,524	1.193531	-0.193531	2,053,499	(332,975)
6112	MOTOR_VEHICLE_EXP	463,295	0.908060	0.091940	420,699	42,595
6114	TOOL_OTH_WORK_EQP_EXP	(85,041)	0.933884	0.066116	(79,419)	(5,623)
6121	LAND_BUILDING_EXP	3,474,410	0.939796	0.060204	3,265,237	209,173
6122	FURNITURE_EXP	6,610	0.862385	0.137615	5,700	910

Frontier Communications GTIL (former GTE)
July 1 - December 31, 2010

USOA Account		Total	Regulated	Non-Regulated	Regulated	Non-Regulated
Number	Description	Amount	Ratio	Ratio	Amount	Amount
6123	OFFICE_EQP_EXP	62,609	0.889628	0.130372	54,447	8,163
6124	GENERAL_PURPOSE_COMPUTER_EXP	1,524,337	0.930777	0.069223	1,418,818	105,519
6212	DIGITAL_ELECTRONIC_SW_EXP	2,667,814	1.000357	-0.000357	2,668,767	(952)
6220	OPERATOR_SYSTEM_EXP	23,892	0.855422	0.144578	20,438	3,454
6231	RADIO_SYSTEM_EXP	129	1.000000	0.000000	129	0
6232	CIRCUIT_EQP_EXP	75,019	1.008618	-0.008616	75,665	(646)
6311	STATION_APPARATUS_EXP	38,443	0.000000	1.000000	0	38,443
6341	LARGE_PRIVATE_BRANCH_EXCHANGE_EXP	894	0.000000	1.000000	0	894
6351	PUBLIC_TEL_TERMINAL_EQP_EXP	6,395	0.000000	1.000000	0	6,395
6382	OTH_TERMINAL_EQP_EXP	1,084,569	0.355978	0.644022	386,083	698,486
6411	POLE_EXP	145,536	1.000000	0.000000	145,536	0
6421	AERIAL_CABLE_EXP	2,269,661	1.000000	0.000000	2,269,661	0
6422	UNDERGROUND_CABLE_EXP	206,621	1.000000	0.000000	206,621	0
6423	BURIED_CABLE_EXP	9,394,991	1.000000	0.000000	9,394,991	0
6424	SUBMARINE_DEEP_SEA_CABLE_EXP	54	1.000000	0.000000	54	0
6426	INTRABUILDING_NETWORK_CABLE_EXP	1,636	1.000000	0.000000	1,636	0
6441	CONDUIT_SYSTEM_EXP	1,036	1.000000	0.000000	1,036	0
6450	NET_SALVAGE_EXP	0	1.000000	0.000000	0	0
6512	PROVISIONING_EXP	209,995	0.802445	0.397555	126,510	83,484
6531	POWER_EXP	870,352	0.984082	0.035918	839,090	31,261
6532	NETWORK_ADMIN_EXP	2,123,345	0.895384	0.004616	2,113,543	9,801
6533	TESTING_EXP	1,499,570	0.873798	0.126202	1,310,321	189,249
6534	PLANT_OPERATION_EXP	7,817,237	0.938820	0.061180	7,338,978	478,259
6535	ENGINEERING_EXP	508,974	0.946029	0.053971	481,505	27,470
6540	ACCESS_USF_EXP	11,876,927	1.000000	0.000000	11,876,927	0
6581	DEPRECIATION_EXP	49,518,977	0.973111	0.026889	48,187,462	1,331,516
6581	DEPRECIATION_EXP_STATE_JURIS_DIFF	(2,089,134)	1.000000	0.000000	(2,089,134)	0
6583	AMORTIZATION_LEASE_EXP	497	0.909091	0.090909	451	45
6584	AMORTIZATION_INTANGIBLE_EXP	199,666	0.462528	0.537472	92,351	107,315
6611	PRODUCT_MANAGEMENT_SALE_EXP	6,230,094	0.949085	0.050915	5,912,889	317,205
6613	PRODUCT_ADVERTISING_EXP	1,199,585	0.795335	0.204665	954,072	245,513
6621	CALL_COMPLETION_EXP	234,724	0.988858	0.011142	232,109	2,615
6622	NUMBER_SERVICE_EXP	201,902	0.684743	0.315257	138,251	63,651
6623	CUSTOMER_SERVICE_EXP	4,642,684	0.840139	0.159861	3,900,500	742,184
6720	GENERAL_ADMIN_EXP	14,489,807	0.918303	0.081697	13,306,033	1,183,774
7220	OPERATING_FEDERAL_INC_TAX	(2,571,592)	0.936931	0.063069	(2,409,404)	(162,188)
7230	OPERATING_STATE_LOCAL_INC_TAX	1,597,250	0.998930	0.003070	1,592,347	4,904
7240	OPERATING_OTH_TAX	1,502,721	0.849599	0.050401	1,426,983	75,739
7250	OPERATING_DEFERRED_INC_TAX_FED	5,661,436	0.995502	0.004498	5,635,971	25,465
7250	OPERATING_DEFERRED_INC_TAX_FED_STATE_JURIS_DIFF	486,607	1.000000	0.000000	486,607	0
7250	OPERATING_DEFERRED_INC_TAX_LCL	(967,239)	0.976263	0.023737	(944,280)	(22,959)
7250	OPERATING_DEFERRED_INC_TAX_LCL_STATE_JURIS_DIFF	698,829	1.000000	0.000000	698,829	0
7300	NONOPERATING_INC_EXP	(3,243)	1.010846	-0.010846	(3,278)	35
7400	NONOPERATING_INC_TAX	(807)	1.000000	0.000000	(807)	0
7500	INTEREST	1,138,343	0.975655	0.024345	1,110,630	27,713
7910	INC_EFFECT_JURIS_RATEMAKING	(903,698)	1.000000	0.000000	(903,698)	0
7910	INC_EFFECT_JURIS_RATEMAKING_STATE_JURIS_DIFF	903,698	1.000000	0.000000	903,698	0

Frontier Communications COIL (former Contel)
July 1 - December 31, 2010

USOA Account						
Number	Description	Total Amount	Regulated Ratio	Non-Regulated Ratio	Regulated Amount	Non-Regulated Amount
1171	ACCOUNT_ALLOWANCE_OTH_RECEIVABLE	2,440,889	1.000000	0.000000	2,440,889	0
1220	INVENTORY	6,343,063	0.945000	0.055000	5,994,195	348,868
1280	PREPAID	0	1.000000	0.000000	0	0
1350	OTH_CURR_ASSET	888,124	1.000000	0.000000	888,124	0
1410	OTH_INV_NONCURR_ASSET_PENS	6,061,500	0.933888	0.066112	5,660,762	400,738
1438	CURR_DEFERRED_CHARGE	40,754	1.000000	0.000000	40,754	0
1439	NONCURR_DEFERRED_CHARGE	1,076,031	1.000000	0.000000	1,076,031	0
2003	TEL_PLANT_UNDER_CONSTRUCTION	130,794	1.000000	0.000000	130,794	0
2005	TEL_PLANT_ADJUSTMENT	0	1.000000	0.000000	0	0
2006	NONOPERATING_PLANT_DEPRECIABLE	59,593	1.000000	0.000000	59,593	0
2007	GOODWILL	0	1.000000	0.000000	0	0
2111	LAND	1,221,796	0.968624	0.031376	1,183,481	38,335
2112	MOTOR_VEHICLE	1,582,965	0.872093	0.127907	1,380,493	202,472
2114	TOOL_OTH_WORK	1,275,552	0.912031	0.087969	1,163,343	112,209
2121	BUILDING	23,778,178	0.968758	0.031242	23,035,300	742,878
2122	FURNITURE	29,879	0.913793	0.086207	27,303	2,576
2123	OFFICE	23,276	0.916667	0.083333	21,336	1,940
2124	GENERAL_PURPOSE_COMPUTER	43,022	0.925928	0.074074	39,836	3,187
2212	DIGITAL_ELECTRONIC_SW	73,584,425	0.995429	0.004571	73,248,071	336,354
2220	OPERATOR_SYSTEM	140,721	0.783784	0.216216	110,295	30,426
2231	RADIO_SYSTEM	18,074	0.198020	0.801980	3,579	14,495
2232	CIRCUIT_EQP	51,747,359	1.000000	0.000000	51,747,359	0
2351	NONREGULATED_PUBLIC_TEL_TERMINAL	30,927	0.000000	1.000000	0	30,927
2362	OTH_TERMINAL	2,742,272	1.000000	0.000000	2,742,272	0
2411	POLE	4,247,124	1.000000	0.000000	4,247,124	0
2421	AERIAL_CABLE	12,623,527	1.000000	0.000000	12,623,527	0
2422	UNDERGROUND_CABLE	10,320,245	1.000000	0.000000	10,320,245	0
2423	BURIED_CABLE	122,703,221	1.000000	0.000000	122,703,221	0
2441	CONDUIT_SYSTEM	4,428,671	1.000000	0.000000	4,428,671	0
2682	LEASEHOLD_IMPROVEMENT	30,137	1.000000	0.000000	30,137	0
2690	INTANGIBLE	240,158	1.000000	0.000000	240,158	0
3100	ACCUM_DEPRECIATION	(289,758,993)	0.995072	0.004928	(268,427,630)	(1,329,362)
3100	ACCUM_DEPRECIATION_STATE_JURIS_DIFF	(24,364,929)	1.000000	0.000000	(24,364,929)	0
3300	ACCUM_DEPRECIATION_NONOPERATING	(6,902)	1.000000	0.000000	(6,902)	0
3300	ACCUM_DEPRECIATION_NONOPERATING_STATE_JURIS_DIFF	(1,261)	1.000000	0.000000	(1,261)	0
3420	ACCUM_AMORTIZATION_LEASEHOLD_IMPRV	(30,137)	1.000000	0.000000	(30,137)	0
3500	ACCUM_AMORTIZATION_INTANGIBLE	(58,428)	1.000000	0.000000	(58,428)	0
3600	ACCUM_AMORTIZATION_OTH	0	1.000000	0.000000	0	0
4000	ACCOUNT_NOTE_PAYABLE	(39,502,202)	1.000000	0.000000	(39,502,202)	0
4070	ACCRUED_INC_TAX	(4,070,011)	1.000000	0.000000	(4,070,011)	0
4080	OTH_ACCRUED_TAX	10,837	1.000000	0.000000	10,837	0
4100	CURR_DEFERRED_OPERATING_INC_TAX	201,785	0.928571	0.071429	187,372	14,413
4130	OTH_CURRENT_LIABILITY	(922,875)	1.000000	0.000000	(922,875)	0
4300	OTH_LONG_TERM_LIABILITY_OTH	(1,096,006)	0.946245	0.053755	(1,037,090)	(58,916)
4300	OTH_LONG_TERM_LIABILITY_PENS	811,847	0.933888	0.066112	758,174	53,673
4340	NONCURR_DEFERRED_OPERATING_INC_TAX	110,224	0.961896	0.038104	106,024	4,200
4340	NONCURR_DEFERRED_OPERATING_INC_TAX_STATE_JURIS_DIFF	8,650,731	1.000000	0.000000	8,650,731	0
4550	RETAINED_EARNING	(3,244,907)	1.000000	0.000000	(3,244,907)	0
5001	BASIC_AREA_REV	(8,127,910)	1.000000	0.000000	(8,127,910)	0
5002	OPT_EXT_AREA_REV	(9,312)	1.000000	0.000000	(9,312)	0
5003	CELLULAR_MOBILE_REV	(65,435)	1.000000	0.000000	(65,435)	0
5040	LOCAL_PRIVATE_LINE_REV	(10,513)	1.000000	0.000000	(10,513)	0
5080	OTH_BASIC_REV	(1,313,008)	1.000000	0.000000	(1,313,008)	0
5081	END_USER_REV	(3,393,237)	1.000000	0.000000	(3,393,237)	0
5082	SWITCHED_ACCESS_REV	(2,473,865)	1.000000	0.000000	(2,473,865)	0
5083	SPECIAL_ACCESS_REV	(8,144,038)	1.000000	0.000000	(8,144,038)	0
5100	LONG_DISTANCE_MESSAGE_REV	(933,115)	1.000000	0.000000	(933,115)	0
5200	MISCELLANEOUS_BC_REV	(495,657)	1.000000	0.000000	(495,657)	0
5200	MISCELLANEOUS_OTH_REV	(941,252)	1.000000	0.000000	(941,252)	0
5230	DIRECTORY_REV	(129,092)	1.000000	0.000000	(129,092)	0
5280	NONREGULATED_REV	(1,122,730)	0.000000	1.000000	0	(1,122,730)
5300	UNCOLLECTIBLE_REV	358,371	1.114286	-0.114286	399,328	(40,957)
6112	MOTOR_VEHICLE_EXP	67,467	0.892308	0.107692	60,192	7,265
6114	TOOL_OTH_WORK_EQP_EXP	(17,391)	0.921053	0.078947	(16,018)	(1,373)
6121	LAND_BUILDING_EXP	659,473	0.966514	0.033486	637,390	22,083
6122	FURNITURE_EXP	2,214	0.900000	0.100000	1,992	221
6123	OFFICE_EQP_EXP	28,205	0.885057	0.114943	24,983	3,222
6124	GENERAL_PURPOSE_COMPUTER_EXP	374,575	0.946288	0.053712	354,456	20,119
6212	DIGITAL_ELECTRONIC_SW_EXP	506,081	1.000000	0.000000	506,081	0
6220	OPERATOR_SYSTEM_EXP	4,819	0.882353	0.117647	4,252	567
6232	CIRCUIT_EQP_EXP	(21,561)	0.998487	0.001513	(21,529)	(33)
6311	STATION_APPARATUS_EXP	2,411	0.000000	1.000000	0	2,411
6341	LARGE_PRIVATE_BRANCH_EXCHANGE_EXP	359	0.000000	1.000000	0	359
6362	OTH_TERMINAL_EQP_EXP	157,831	0.408560	0.591440	64,402	93,229
6411	POLE_EXP	2,237	1.000000	0.000000	2,237	0

Frontier Communications COIL (former Contel)
July 1 - December 31, 2010

USOA Account						
Number	Description	Total Amount	Regulated Ratio	Non-Regulated Ratio	Regulated Amount	Non-Regulated Amount
6421	AERIAL_CABLE_EXP	210,937	1.000000	0.000000	210,937	0
6422	UNDERGROUND_CABLE_EXP	94,837	1.000000	0.000000	94,837	0
6423	BURIED_CABLE_EXP	2,074,268	1.000000	0.000000	2,074,268	0
6424	SUBMARINE_DEEP_SEA_CABLE_EXP	3,015	1.000000	0.000000	3,015	0
6426	INTRABUILDING_NETWORK_CABLE_EXP	62	1.000000	0.000000	62	0
6441	CONDUIT_SYSTEM_EXP	92	1.000000	0.000000	92	0
6450	NET_SALVAGE_EXP	0	1.000000	0.000000	0	0
6512	PROVISIONING_EXP	40,222	0.948278	0.051724	38,141	2,080
6531	POWER_EXP	172,197	0.995871	0.004329	171,452	745
6532	NETWORK_ADMIN_EXP	175,084	0.995455	0.004545	174,289	796
6533	TESTING_EXP	261,888	0.890518	0.109482	233,216	28,672
6534	PLANT_OPERATION_EXP	1,332,502	0.935515	0.064485	1,246,576	85,926
6535	ENGINEERING_EXP	84,856	0.930556	0.069444	78,963	5,893
6540	ACCESS_USF_EXP	482,835	1.000000	0.000000	482,835	0
6561	DEPRECIATION_EXP	9,363,744	0.995911	0.004089	9,325,456	38,288
6581	DEPRECIATION_EXP_STATE_JURIS_DIFF	(132,802)	1.000000	0.000000	(132,802)	0
6584	AMORTIZATION_INTANGIBLE_EXP	46,923	0.998117	0.001883	46,835	88
6611	PRODUCT_MANAGEMENT_SALE_EXP	1,124,290	0.955083	0.044917	1,073,790	50,500
6613	PRODUCT_ADVERTISING_EXP	213,321	0.818760	0.181240	174,658	38,662
6621	CALL_COMPLETION_EXP	43,434	0.990506	0.009494	43,022	412
6622	NUMBER_SERVICE_EXP	40,365	0.695469	0.304531	28,073	12,293
6623	CUSTOMER_SERVICE_EXP	817,071	0.877252	0.122748	716,777	100,294
6720	GENERAL_ADMIN_EXP	2,860,762	0.935124	0.064876	2,675,167	185,595
7220	OPERATING_FEDERAL_INC_TAX	3,701,972	0.868241	0.031759	3,584,401	117,571
7230	OPERATING_STATE_LOCAL_INC_TAX	358,980	0.974790	0.025210	349,910	9,049
7240	OPERATING_OTH_TAX	213,119	0.895556	0.004444	212,172	947
7250	OPERATING_DEFERRED_INC_TAX_FED	(1,941,866)	1.016859	-0.016859	(1,974,604)	32,738
7250	OPERATING_DEFERRED_INC_TAX_FED_STATE_JURIS_DIFF	(8,185)	1.000000	0.000000	(8,185)	0
7250	OPERATING_DEFERRED_INC_TAX_LCL	(217,427)	1.002342	-0.002342	(217,936)	509
7250	OPERATING_DEFERRED_INC_TAX_LCL_STATE_JURIS_DIFF	155,989	1.000000	0.000000	155,989	0
7300	NONOPERATING_INC_EXP	(1,791)	1.000000	0.000000	(1,791)	0
7300	NONOPERATING_INC_EXP_STATE_JURIS_DIFF	200	1.000000	0.000000	200	0
7400	NONOPERATING_INC_TAX	248	1.000000	0.000000	248	0
7500	INTEREST	218,255	0.995104	0.004896	217,187	1,069
7910	INC_EFFECT_JURIS_RATEMAKING	15,201	1.000000	0.000000	15,201	0
7910	INC_EFFECT_JURIS_RATEMAKING_STATE_JURIS_DIFF	(15,201)	1.000000	0.000000	(15,201)	0

Frontier Communications GLIL (former Great Lakes/Alltel)
July 1 - December 31, 2010

USOA Account						
Number	Description	Total Amount	Regulated Ratio	Non-Regulated Ratio	Regulated Amount	Non-Regulated Amount
1171	ACCOUNT ALLOWANCE OTH RECEIVABLE	(149,315)	1.000000	0.000000	(149,315)	0
1220	INVENTORY	1,901	0.939655	0.060345	1,786	115
1280	PREPAID	0	1.000000	0.000000	0	0
1350	OTH_CURR_ASSET	102,508	1.000000	0.000000	102,508	0
1410	OTH_INV_NONCURR_ASSET_PENS	(562,378)	0.965952	0.034048	(543,230)	(19,148)
1438	CURR_DEFERRED CHARGE	4,011	1.000000	0.000000	4,011	0
1439	NONCURR_DEFERRED CHARGE	115,793	1.000000	0.000000	115,793	0
2003	TEL_PLANT_UNDER_CONSTRUCTION	(23,107)	1.000000	0.000000	(23,107)	0
2005	TEL_PLANT_ADJUSTMENT	26,555,197	1.000000	0.000000	26,555,197	0
2007	GOODWILL	0	1.000000	0.000000	0	0
2111	LAND	282,670	0.989619	0.010381	279,736	2,934
2112	MOTOR_VEHICLE	581,677	0.956175	0.043825	556,185	25,492
2114	TOOL_OTH_WORK	355,265	0.967742	0.032258	343,805	11,460
2121	BUILDING	6,911,530	0.989026	0.010972	6,835,697	75,833
2122	FURNITURE	5,081	0.944444	0.055556	4,799	282
2123	OFFICE	18,228	0.944444	0.055556	17,216	1,013
2124	GENERAL_PURPOSE_COMPUTER	19,973	1.000000	0.000000	19,973	0
2212	DIGITAL_ELECTRONIC_SW	20,394,050	0.994924	0.005076	20,290,529	103,520
2232	CIRCUIT_EQP	13,648,441	1.000000	0.000000	13,648,441	0
2362	OTH_TERMINAL	841,614	1.000000	0.000000	841,614	0
2411	POLE	702,526	1.000000	0.000000	702,526	0
2421	AERIAL_CABLE	3,496,093	1.000000	0.000000	3,496,093	0
2422	UNDERGROUND_CABLE	2,632,014	1.000000	0.000000	2,632,014	0
2423	BURIED_CABLE	48,648,743	1.000000	0.000000	48,648,743	0
2441	CONDUIT_SYSTEM	1,492,064	1.000000	0.000000	1,492,064	0
2682	LEASEHOLD_IMPROVEMENT	13,481	1.000000	0.000000	13,481	0
2690	INTANGIBLE	74,279	1.000000	0.000000	74,279	0
3100	ACCUM_DEPRECIATION	(89,937,605)	0.997392	0.002608	(89,703,048)	(234,557)
3100	ACCUM_DEPRECIATION_STATE_JURIS_DIFF	(1,183,898)	1.000000	0.000000	(1,183,898)	0
3420	ACCUM_AMORTIZATION_LEASEHOLD_IMPRV	(13,481)	1.000000	0.000000	(13,481)	0
3500	ACCUM_AMORTIZATION_INTANGIBLE	(16,152)	1.000000	0.000000	(16,152)	0
3600	ACCUM_AMORTIZATION_OTH	(10,788,044)	1.000000	0.000000	(10,788,044)	0
4000	ACCOUNT_NOTE_PAYABLE	(316,110)	1.000000	0.000000	(316,110)	0
4070	ACCRUED_INC_TAX	(720,262)	1.000000	0.000000	(720,262)	0
4080	OTH_ACCRUED_TAX	(95,400)	1.000000	0.000000	(95,400)	0
4100	CURR_DEFERRED_OPERATING_INC_TAX	274,721	0.966790	0.033210	265,598	9,123
4130	OTH_CURRENT LIABILITY	(240,779)	1.000000	0.000000	(240,779)	0
4300	OTH_LONG_TERM LIABILITY_OTH	(131,195)	0.964123	0.035877	(126,488)	(4,707)
4300	OTH_LONG_TERM LIABILITY_PENS	(82,749)	0.965952	0.034048	(79,932)	(2,817)
4340	NONCURR_DEFERRED_OPERATING_INC_TAX	(33,027,162)	0.991451	0.008549	(32,744,813)	(282,349)
4340	NONCURR_DEFERRED_OPERATING_INC_TAX_STATE_JURIS_DIFF	449,853	1.000000	0.000000	449,853	0
4550	RETAINED_EARNING	164,216	1.000000	0.000000	164,216	0
5001	BASIC_AREA_REV	(1,506,833)	1.000000	0.000000	(1,506,833)	0
5002	OPT_EXT_AREA_REV	(200,044)	1.000000	0.000000	(200,044)	0
5003	CELLULAR_MOBILE_REV	(2,483)	1.000000	0.000000	(2,483)	0
5040	LOCAL_PRIVATE_LINE_REV	(8,880)	1.000000	0.000000	(8,880)	0
5060	OTH_BASIC_REV	(394,899)	1.000000	0.000000	(394,899)	0
5081	END_USER_REV	(1,613,594)	1.000000	0.000000	(1,613,594)	0
5082	SWITCHED_ACCESS_REV	(1,151,215)	1.000000	0.000000	(1,151,215)	0
5083	SPECIAL_ACCESS_REV	(955,480)	1.000000	0.000000	(955,480)	0
5100	LONG_DISTANCE_MESSAGE_REV	(274,743)	1.000000	0.000000	(274,743)	0
5200	MISCELLANEOUS_BC_REV	(129,283)	1.000000	0.000000	(129,283)	0
5200	MISCELLANEOUS_OTH_REV	(179,150)	1.000000	0.000000	(179,150)	0
5230	DIRECTORY_REV	(38,482)	1.000000	0.000000	(38,482)	0
5280	NONREGULATED_REV	(279,741)	0.000000	1.000000	0	(279,741)
5300	UNCOLLECTIBLE_REV	96,556	0.283582	0.716418	27,381	69,174
6112	MOTOR_VEHICLE_EXP	25,727	0.956522	0.043478	24,608	1,119
6114	TOOL_OTH_WORK_EQP_EXP	(5,658)	1.000000	0.000000	(5,658)	0
6121	LAND_BUILDING_EXP	275,312	0.983516	0.016484	270,774	4,538
6122	FURNITURE_EXP	751	1.000000	0.000000	751	0
6123	OFFICE_EQP_EXP	5,927	0.954545	0.045455	5,656	269
6124	GENERAL_PURPOSE_COMPUTER_EXP	115,373	0.961303	0.038697	110,909	4,465
6212	DIGITAL_ELECTRONIC_SW_EXP	200,777	1.000000	0.000000	200,777	0
6220	OPERATOR_SYSTEM_EXP	2,002	1.000000	0.000000	2,002	0
6232	CIRCUIT_EQP_EXP	75,698	1.000000	0.000000	75,698	0
6311	STATION_APPARATUS_EXP	59	0.000000	1.000000	0	59
6362	OTH_TERMINAL_EQP_EXP	29,270	0.470588	0.529412	13,774	15,496
6411	POLE_EXP	5,731	1.000000	0.000000	5,731	0
6421	AERIAL_CABLE_EXP	45,896	1.000000	0.000000	45,896	0
6422	UNDERGROUND_CABLE_EXP	3,591	1.000000	0.000000	3,591	0
6423	BURIED_CABLE_EXP	433,968	1.000000	0.000000	433,968	0
6450	NET_SALVAGE_EXP	0	1.000000	0.000000	0	0
6512	PROVISIONING_EXP	13,980	0.933333	0.066667	13,048	932
6531	POWER_EXP	44,090	0.995327	0.004673	43,884	206
6532	NETWORK_ADMIN_EXP	46,180	0.994048	0.005952	45,905	275
6533	TESTING_EXP	52,365	0.916905	0.083095	48,014	4,351
6534	PLANT_OPERATION_EXP	335,894	0.968523	0.031477	325,321	10,573

Frontier Communications GLIL (former Great Lakes/Alltel)
July 1 - December 31, 2010

USOA Account		Total	Regulated	Non-Regulated	Regulated	Non-Regulated
Number	Description	Amount	Ratio	Ratio	Amount	Amount
6535	ENGINEERING_EXP	23,859	0.955752	0.044248	22,804	1,056
6540	ACCESS_USF_EXP	160,384	1.000000	0.000000	160,384	0
6561	DEPRECIATION_EXP	2,824,088	0.997626	0.002374	2,817,364	6,704
6561	DEPRECIATION_EXP_STATE_JURIS_DIFF	17,584	1.000000	0.000000	17,584	0
6583	AMORTIZATION_LEASE_EXP	840	1.000000	0.000000	840	0
6584	AMORTIZATION_INTANGIBLE_EXP	13,852	1.000000	0.000000	13,852	0
6585	AMORTIZATION_TEL_PLANT_ADJ_EXP	331,939	1.000000	0.000000	331,939	0
6611	PRODUCT_MANAGEMENT_SALE_EXP	290,596	0.958912	0.043088	278,075	12,521
6613	PRODUCT_ADVERTISING_EXP	66,263	0.836066	0.163934	57,073	11,191
6621	CALL_COMPLETION_EXP	13,904	0.988889	0.011111	13,750	154
6622	NUMBER_SERVICE_EXP	14,364	0.882562	0.117438	12,677	1,687
6623	CUSTOMER_SERVICE_EXP	229,762	0.932280	0.067720	214,221	15,541
6720	GENERAL_ADMIN_EXP	927,065	0.959537	0.040463	889,553	37,512
7220	OPERATING_FEDERAL_INC_TAX	533,552	0.890954	0.109046	475,371	58,182
7230	OPERATING_STATE_LOCAL_INC_TAX	185,031	1.403955	-0.403955	259,776	(74,744)
7240	OPERATING_OTH_TAX	38,300	0.985437	0.014563	37,742	558
7250	OPERATING_DEFERRED_INC_TAX_FED	(584,896)	0.994553	0.005447	(581,710)	(3,186)
7250	OPERATING_DEFERRED_INC_TAX_FED_STATE_JURIS_DIFF	(34,544)	1.000000	0.000000	(34,544)	0
7250	OPERATING_DEFERRED_INC_TAX_LCL	(112,041)	0.993342	0.006658	(111,295)	(746)
7250	OPERATING_DEFERRED_INC_TAX_LCL_STATE_JURIS_DIFF	81,114	1.000000	0.000000	81,114	0
7300	NONOPERATING_INC_EXP	369	1.000000	0.000000	369	0
7400	NONOPERATING_INC_TAX	(358)	1.000000	0.000000	(358)	0
7500	INTEREST	72,527	0.997106	0.002894	72,317	210
7910	INC_EFFECT_JURIS_RATEMAKING	64,154	1.000000	0.000000	64,154	0
7910	INC_EFFECT_JURIS_RATEMAKING_STATE_JURIS_DIFF	(64,154)	1.000000	0.000000	(64,154)	0

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Frontier Communications ILEC Holdings Inc.
Cost Allocation Manual
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FRONTIER TELEPHONE COMPANIES
Frontier Communications ILEC Holdings Inc.

PART 64

COST ALLOCATION MANUAL

FRONTIER TELEPHONE COMPANIES
Frontier Communications ILEC Holdings Inc.

PART 64

COST ALLOCATION MANUAL

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FRONTIER TELEPHONE COMPANIES
Frontier Communications ILEC Holdings Inc.

PART 64

COST ALLOCATION MANUAL

SECTION I: INTRODUCTION

OVERVIEW

This Cost Allocation Manual (CAM) provides Frontier's methodology for separating the costs of regulated telephone service from the costs of nonregulated activities. This manual is applicable to the incumbent local exchange carrier "ILEC" operations of Frontier Communications ILEC Holdings Inc.

In CC Docket No. 86-111 the FCC established two separate but complementary sets of rules: one setting forth a cost allocation process to separate the costs of regulated and nonregulated activities offered by a carrier, and the other governing transactions for goods and services between a carrier and its nonregulated affiliates. The CAM describes the application of these rules to the carriers operations.

This manual establishes the procedures for the identification of investment and expenses associated with nonregulated activities. These procedures follow the FCC rules, and are intended to guard against the subsidy of nonregulated activities by regulated activities and to detail transactions between the Frontier Telephone Companies and their nonregulated affiliates.

The CAM complies with the Commission's Report and Order, and Order on Reconsideration in CC Docket 86-111, and Report and Order in CC Docket 96-150, and the forbearance orders in FCC 08-271. Its implementation will ensure for regulatory purposes, the proper apportionment of regulated investment and expense.

FRONTIER CAM IMPLEMENTATION

In the orders in FCC 08-271 and approval of compliance plans, forbearance was granted from certain of the recordkeeping and cost assignment rules as applicable to the orders in CC Docket No. 86-111. The forbearance granted relief from preparing cost assignments under the Part 64 rules. Consistent with these orders Frontier has frozen the Part 64 non-regulated relationships by USOA account as of the date of the forbearance orders. This CAM describes the procedures and methods used to establish the frozen Part 64 results.

Frontier maintains a set of books in accordance with the Uniform System of Accounts, Part 32, of the Commission's Rules and Regulations. The frozen Part 64 nonregulated relationships are applied to the current total company results for separating the costs of regulated telephone service from the costs of nonregulated activities.

BACKGROUND

Cost Allocation Requirements

Nonregulated products and services include those that are preemptively deregulated by the Commission, those that have never been subject to regulation, and certain regulated services that are accorded nonregulated accounting treatment pursuant to FCC order. Regulated products and services refer to activities which (a) are subject to the Title II tariff filing requirements; (b) are common carrier products and services tariffed by the state commissions; or (c) are non-tariffed activities offered incidental to regulated tariffed services.

A single set of books is maintained for both regulated and nonregulated products and services, in accordance with the Uniform System of Accounts, Part 32 of the Commission's Rules and Regulations.

The attributable cost method of fully distributed cost allocation is used to apportion total company booked costs between regulated and nonregulated activities.

The cost allocation methods adhere to the following principles:

- The costs of assets and/or resources is directly assigned to regulated and nonregulated wherever feasible. These are costs incurred exclusively for providing either regulated or nonregulated services. For example, the salary of a customer service representative dealing exclusively with interexchange carriers for the provision of access services is a cost directly assignable to regulated services.
- When the provision of nonregulated products and services requires the use of underlying regulated facilities, the tariff rate for that underlying regulated service is charged. Account 5280, Nonregulated Revenue will be debited, and the credit will be recorded in the appropriate regulated revenue account.
- Costs that cannot be directly assign to regulated or nonregulated activities are grouped into homogeneous cost categories (cost pools) which exhibit common cost characteristics. Common cost pools will be categorized and allocated in accordance with the following hierarchy,:

Directly Attributable – costs of assets and/or resources incurred to provide both regulated and nonregulated services apportioned between such services using direct measures of cost causation. An example of direct attribution to regulated services and nonregulated activities is the End User Billing Study. This study analyzes the number of regulated and nonregulated services billed during the billing cycle to distribute Customer Accounting service and equipment processing expense.

Indirectly Attributable – costs of assets and/or resources incurred to provide both regulated and nonregulated activities that can be apportioned using indirect or surrogate measures of cost causation. For example, the salary of supervisors of product management employees supporting both regulated services and nonregulated activities is an indirectly attributable cost. The distribution of product management employees' time worked on regulated services and nonregulated activities is the indirect measure of cost causation in this case.

Unattributable – costs of assets and/or resources incurred to provide both regulated and nonregulated services, for which no causal relationship exists. The costs are accumulated and allocated to both regulated and nonregulated services through the use of the general allocator. The salary of the chief executive officer is an example of an unattributable cost. In the case of unattributable marketing costs, a special marketing allocator apportions these costs to both regulated services and nonregulated activities.

- certain types of shared network investment are allocated between regulated and nonregulated based on the allocation of the relative regulated and nonregulated usage during the calendar year of the upcoming three-year forecast period, in which the percentage of forecasted nonregulated usage is greatest as compared to forecasted regulated usage. If the actual percentage of nonregulated usage exceeds the forecasted nonregulated percent, then regulated investment must be reallocated to nonregulated at “undepreciated baseline cost”, plus the time value of money computed at the interstate rate of return in effect for the relevant period.

The application of these assignments and allocation processes yields total company costs segregated into total regulated and total nonregulated costs in a manner that meets the following FCC objectives.

- Maximize direct assignment through functional analysis of each account;
- Define meaningful measures of asset or resource use to attribute a high proportion of the common cost;
- Apportion shared network investment based on projected measurements of use;
- Apportion unattributable costs through a general allocator;
- Provide an audit trail of costs, assuring traceability to Part 32 Accounts; and
- Charge nonregulated activities tariff rates for tariffed services.

Affiliate Transaction Requirements

The provisions included in contracts or service agreements govern the transactions between regulated and nonregulated affiliates. The Frontier Telephone Companies (FTCs) record these transactions on their regulated books consistent with the rules in Section 32.27 of the FCC's Uniform System of Accounts. The Frontier Companies' long distance affiliates use unaffiliated, wholesale long distance carriers. The Frontier Companies bill these wholesale carriers for access services in accordance with their published tariffs and publicly filed agreements.

Affiliate transaction rules also apply to transactions between two nonregulated affiliates (such as an internet service provider affiliate and a services affiliate) that results in an asset or service provided to the regulated carriers through secondary transactions.

Terms of Transactions

Tariff Rate – The basis for the provision of services or the transfer of assets from a regulated entity to a nonregulated entity if the service or asset is provided under tariffs approved by a federal or state regulatory agency. This definition also includes rates appearing in publicly filed agreements submitted to a state commission pursuant to section 252(e) or statements of generally available terms pursuant to Section 252(f) of the Telecommunications Act of 1996.

Prevailing Price – (Market rate) – The price held out, and actually charged, to nonaffiliated entities. When more than 25% of the annual sales of a similar product/service is sold to those entities it is used to value the transfer of assets or the provision of services between a regulated and nonregulated entity. In the case of transactions for non-discriminatory access services provided to long distance affiliates, the FTCs may record such transactions at prevailing price regardless of whether the 25% threshold has been satisfied.

Fully Distributed Costs (FDC) – Where no tariff rate or prevailing price is applicable, the FTCs use FDC as prescribed by Section 64.901 of the FCC's Rules. FDC consists of costs that the FTCs can directly and indirectly attribute on a cost causative basis, plus an allocation of common overhead (unattributable) costs. FDC also includes a return on investment component limited by the allowed rate of return on the FTCs' regulated interstate operations. Service Company provided products or services are always valued at FDC.

Service Valuation Rule – The basis for transferring products or services between regulated and nonregulated entities or accounts. If a tariff or prevailing price is not available, then:

1. Lower of fully distributed cost or estimated fair market value – method used to value products or services provided by a nonregulated affiliate to a FTC. If the total annual transaction will be less than \$500,000 it can be recorded at FDC.
2. Higher of fully distributed cost or estimated fair market value – method used to value products or services provided by a FTC to a nonregulated affiliate. If the total annual transaction will be less than \$500,000 it can be recorded at FDC.

Asset Transfers

The requirements of Section 32.27 of the FCC's Rules will also govern the FTCs' accounting for the cost of transferred assets. In the absence of a tariff rate or a prevailing price, the FTC will record:

1. No more than the lower of fair market value or net book value as the value of assets transferred from a nonregulated affiliate to a FTC.
2. No less than the higher of fair market value or net book value as the value of assets transferred from a FTC to a nonregulated affiliate.

Services

1. Services provided to the FTCs:

- A. The nonregulated affiliate will provide the service at the Federal or State tariff or contract rate publicly filed with a state commission (including unbundled network elements and statements of terms).
- B. When unaffiliated companies purchase more than 25% of a particular product or service (measured by the amount of annual sales), then the FTCs will record the transaction (sold by a nonregulated affiliate) at the prevailing price.
- C. When unaffiliated companies purchase 25% or less of a particular product or service, and the sale is from a nonregulated affiliate to a FTC, then the FTCs must record the transaction at no more than the lower of estimated fair market value or FDC. If the total annual transaction will be less than \$500,000 it can be recorded at FDC.

2. Services provided by the FTCs:

- A. The FTCs will provide the service at the Federal or State tariff or contract rate publicly filed with a state commission (including unbundled network elements and statements of terms).
- B. When unaffiliated companies purchase more than 25% of a particular product or service (measured by the amount of annual sales), then the FTCs must record the transaction (sold by a FTC) at the prevailing price. In the case of transactions for non-discriminatory access services provided to long distance affiliates, the FTCs may record such transactions at prevailing price regardless of whether the 25% threshold has been satisfied.
- C. When unaffiliated companies purchase 25% or less of a particular product or service, and the sale is from a FTC to a nonregulated affiliate, then the FTCs must record the transaction at no less than the higher of estimated fair market value or FDC. If the total annual transaction will be less than \$500,000 it can be recorded at fully distributed costs.

FRONTIER TELEPHONE COMPANIES
Frontier Communications ILEC Holdings Inc.

PART 64

COST ALLOCATION MANUAL

SECTION II: DESCRIPTION OF NONREGULATED ACTIVITIES

This section includes descriptions of the nonregulated activities that have been or may be provided by the operating telephone companies. An index showing where to find the description for each of these activities is immediately below. Appendix A following the descriptions details the accounts impacted by these activities. Appendix B shows the activities provided by each of the operating telephone companies.

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A. CUSTOMER PREMISES EQUIPMENT

A1 Digital Network Channel Terminating Equipment (DNCTE)

Service offerings through sale or lease, both new and embedded Digital Network Channel Terminating Equipment (DNCTE). DNCTE consists of Channel Service Units and Digital Service Units that are used with Digital Data Service and High-Capacity Digital Data Service.

A2 CPE Planning

CPE planning includes planning and development activities for the future offering of customer premises equipment by the operating telephone companies. Planning includes all activities undertaken from the evaluation of the CPE as a potential offering through market trials and the planning required to provide the offering. The CPE will be in support of new or existing network and nonregulated services

A3 CPE Provisioning

CPE provisioning includes the sale, lease, installation, removal, maintenance, monitoring, and repair of customer premises equipment. The CPE supports new or existing network and nonregulated services.

A4 CO-LAN Extended Interface Unit

CO-LAN provides connections and access to multiple computer data bases and user equipment such as hosts, data terminals, PC's, file storage devices and printers. The "enhanced" CO-LAN feature provides asynchronous to X.25 protocol conversion via an Extended Interface Unit (EIU). The Extended Interface Unit is a multiplexer, which is placed on the customer's premises and is connected by transmission facilities to the Central Office-Local Area Network (CO-LAN) data switch in the serving central office.

A5 Direct Customer Access Service

Direct Customer Access Service (DCAS) gives customers access to a Gateway that enables them to interact electronically with a number of Operations Support Systems (OSSs). Terminal access allows customers to use their own personal computer to gain access to the Gateway via a dial-up or dedicated line connection. The use of the gateway and the operations support systems is a regulated activity. The graphical user interface installed on the customer's PC, Secur-Ids, right to use fees for the communications software, installation and testing of the software at the customer's location and customer training on the use of the interface are classified as nonregulated CPE.

B. ENHANCED SERVICES

B1 Enhanced Services Planning

Enhanced services planning refers to the evaluation of proposed services to be offered over common carrier facilities which employ computer processing applications that 1) act on the format, content, code, protocol or similar aspects of the customer's transmitted information (protocol processing services), 2) provide the customer with additional, different, or restructured information, or 3) involve customer interaction with stored information. All activities from the initial evaluation of the product or service prior to the implementation and delivery of the product or service, fall into the planning category. The evaluation process includes any technical or marketing trials.

B2 Protocol Processing Service

Nonregulated protocol processing includes conversions between data formats, such as frame relay frames and ATM cells, where the form of the underlying subscriber information is not changed, but the packet size or header information are altered within the network. Protocol processing also includes Protocol Conversation Service that changes the form of a subscribers' information within the network to permit communication between disparate terminals or networks. All investment and expenses associated with protocol processing services are separate from the investment and expenses associated with the data transport and routing elements of the service.

B3 Customer Dialed Account Recording (CDAR)

Customer Dialed Account Recording (CDAR) is a feature of Centrex Station Message Detail Recording (SMDR) that permits the addition of a number of digits to the SMDR record of any call. CDAR permits the addition of a customer-controlled number to the MDR magnetic tape detail record for the customer's internal cost allocation of call records. The CDAR number does not affect the charging of the call but is used by the customer for identification or internal allocation of the customer's services.

B4 Messaging Services

Messaging services are a family of services that allow users to address, dispatch, temporarily store, and retrieve information from a store and forward system. The messaging services include such features as Telephone Answering, Voice Mail, Call Delivery, Customized Announcement and Facsimile Store and Forward services.

Telephone Answering Service and Call Answering Service provide automated telephone answering for a subscriber when the line is busy or if there is no answer within a prescribed number of rings. The service permits the calling party to leave a recorded message, and the subscriber is provided a message waiting indicator and message retrieval capabilities.

Voice Mail Service provides subscribers with 24-hour telephone answering and message storage, priority message delivery, delivery to a group list, call transfer to an attendant, remote message notification and automatic response to messages from mailbox subscribers. Call Delivery Service allows a subscriber to dial a call delivery number and record a message for delivery to the recipient at a time designated by the originator. Notification services allow a subscriber to record a message that will be delivered to a preset list of recipients when a trigger event occurs, such as the originating subscriber dialing an emergency services number.

Customized Announcement Service (CAS) is a computer based audiotext service that enable subscribers to create, store, access and retrieve customized announcements. Subscribers and end users will access and interact with CAS through use of a Touch-Tone telephone. Access to CAS will be via tariffed services and enhanced functions will be separate from regulated telephone network equipment

Fax Messaging Service allows customers to store, receive, and send facsimile messages. This feature provides such functions as facsimile storage for busy facsimile machines, facsimile notification via voice mail, pager or E-mail, facsimile retrieval from any facsimile machine chosen by the customer, facsimile delivery over the internet, facsimile retrieval by E-mail, and facsimile broadcasts to large numbers of recipients. Customers can also store documents permanently so that they can be accessed by anyone with a fax machine at any time.

B5 section reserved for future use

B6 Enhanced Directory Assistance Service

Enhanced Directory Assistance Service (EDAS) provides directory assistance callers with information beyond directory number listing information. This information may include movie listings and locations, restaurant reviews and locations, weather and traffic advisories, driving directions, searches by item category or proximity to the caller and other information not available through traditional directory services. EDAS may be provided to other carriers for use by their customers and directly to the operating companies end user customers.

C. INTELLECTUAL PROPERTY

Services include a variety of developmental and support activities in order for customers to use software or related intellectual properties licensed by the telephone operating company more effectively. These activities are provided within the restrictions of the Modified Final Judgment and other applicable legal authorities. License and support activities are negotiated with customers on a case by case basis in order to match the customer's needs.

C1 License Support Activities - Regulated in Origin

Licensing of software or other intellectual property developed for a regulated application is recorded by the operating telephone company as an incidental activity. The associated support activities are classified and accounted for as non-regulated activities. License support activities include installing, enhancing, customizing, maintaining and providing other support services as requested by customers. These value-added services can augment a customer's internal staff or provide staff support to those without the internal expertise.

C2 License Support Activities - Nonregulated in Origin

Licensing and support for software and related intellectual properties that were developed as non-regulated products or services. All revenues and expenditures arising from both the licensing and support activities associated with these intellectual properties will be classified and accounted for as nonregulated.

D. PREMISES WIRE SERVICES

Premises wire services are products and services that are located on the customer's side of the demarcation point (i.e., where the network interface is placed).

D1 Installation and Maintenance of Inside Wire

Services providing business and residence customers with installation, additions, rearrangements and changes and removal of premises wire and telephone jacks on either a time and materials basis or a special pricing arrangement based on a fixed price or cost plus bid. Service also provides repair service for premise wire and telephone jacks on a time and materials basis.

D2 Inside Wire Maintenance Plans

Services providing business and residence customers with optional inside wire maintenance plans that include the repair of premises wire and jacks. Services include providing enhanced inside wire maintenance contracts that include the repair of premise wire and jacks and the identification of defective customer equipment. These plans may also include the provision of a loaner or replacement set or the coordination of visits with a customer premises equipment vendor.

E. MISCELLANEOUS SERVICES

E1 Equipment Reclamation Services

Equipment reclamation services encompass the renovation and brokerage of obsolete and/or surplus equipment and materials for third parties. It may also include the purchase and resale of such items.

E2 Paging Service

The service includes the resell of paging services. The resold service includes a pager and usage of an unaffiliated vendor's paging service network. The operating telephone companies will purchase paging service network usage from the paging service vendor and will purchase pagers from affiliates or nonaffiliated vendors for resale. The operating telephone companies will provide network services to the unaffiliated paging service vendor at tariff rates.

E3 Brand Licensing Activities

The operating telephone companies may, at its option, license the companies brand name for use by unaffiliated companies and companies in which may have a minority ownership interest. These companies typically provide products and services of interest to the operating telephone companies customers, either under the company brand name or co-branded with their own brand names. Services may include providing marketing support services and referrals from company sales channels to these licensees.

E4 Billing and Collection Services

Services include performing Billing and Collection services under contract for third parties. This nonregulated activity does not include billing and collection services provided to interexchange carriers, which were detariffed in accordance with CC Docket 85-88, released January 29, 1986. These services may include the gathering and processing of billing data, bill production and mailing, payment processing, collections and inquiry.

E5 800 Database Service

800 Database service is provided by Responsible Organizations associated with ordering 800 services for subscribers. It includes the assignment of 800 numbers to customers, transfers to a new Responsible Organization at the customer's request, reporting trouble with the centralized 800 service database and overall database administration functions.

E6 Equipment Services

Equipment Services includes the sale, maintenance and/or repair of various types of equipment not considered to be customer premise equipment. This service includes equipment calibration and the repair of equipment such as printed wiring cards, various types of control equipment, personal computers and auxiliary power supplies.

F. INTERLATA INFORMATION SERVICES

This section includes services classified by the Federal Communications Commission as interLATA information services that the FCC has permitted the operating telephone companies to provide with nonregulated accounting treatment rather than through a separate subsidiary.

F1 E911 InterLATA Information Service

This service includes the transmission of telephone number and name and address information across LATA boundaries. The network components are interLATA data circuits, Automatic Line Identification (ALI) database systems and database management systems for the Enhanced 911 Service (E911). Equipment located at a Public Safety Answering Point transmits a subscriber's telephone number via an interLATA data circuit to an ALI database system. The ALI database matches the subscriber's telephone number to a name and address and returns this information over an interLATA data circuit to the PSAP. Database management systems verify and update the information in the ALI databases. The E911 interLATA Information Service will purchase the required interLATA data links and link ports between the PSAPs and the ALI database locations at tariff rates. Frontier will also provide

Emergency Service Listings (ESL), to qualified "Emergency Service Providers"(ESP) governmental agencies, per Federal Law requirement. ESL will be sold through the Enterprise Business Group Sales to current E-911 customers who qualify. Frontier will provide the Information to Licensee via a compact disk and electronic transfer, based upon the terms of the contract in the requested states. Contracts are either a one-time snapshot, or 3 years in duration, with daily or weekly updates. ESL will be priced to cover costs. ESL is unique in that no Network element is involved in the sale, and thus can be sold without being attached to an existing phone number.

F2 Customer Name and Address Service

Customer Name and Address service is a reverse directory search feature that allows a caller to request a listed subscriber name and/or address after providing the directory assistance operator a complete telephone number.

G. CONSULTING AND MANAGEMENT SERVICE

G1 National Payphone Account Management

Service provides managerial and consulting services with respect to all aspects of the provision of local public telephone services and facilities on premise owners' business premises. The operating telephone company serves as the premise owner's single point of contact with all providers of local and intraLATA toll telephone service and facilities.

G2 Consulting Services

Consulting services include providing professional or expert advice to external customers. Examples include consultation on proprietary intellectual properties, customer network planning and integration, development and delivery of customer training programs, etc.

Consulting services also includes activities to plan and develop new nonregulated services for the telephone operating companies. Planning and development includes all activities undertaken from the evaluation of a product or service as a potentially viable product offering through the development of a comprehensive plan for the implementation and delivery of the product or service. The evaluation includes any technical or marketing trials performed prior to offering the service.

G3 Maintenance, Support and Provisioning of Privately Owned Telecommunications Networks

Services include providing administration, maintenance, support and provisioning services to customers who desire to build their own telecommunications networks. Administration services include operating a customer's network on their behalf. Maintenance includes serving as a single point of contact for all maintenance activities on the network.

Support includes consultation regarding site location for base stations, acquisition services for non-company owned property, radio frequency planning and network switching and transport design. Provisioning includes acting as a general contractor to direct the construction of customer owned telecommunications networks.

G4 section reserved for future use

G5 Sharing of ILEC Operating, Installation and Maintenance Functions

Service includes providing certain shared services associated with Operating, Installation and Maintenance functions to its separate 272 affiliates, and any other requesting nonaffiliate. The ILEC work force will be used to perform functions on behalf of its 272 affiliates, and may include field force personnel, back office error fallout and back office repair functions.

Services included in these functions are the performance of maintenance and installation functions on Long Distance switching, transport and data equipment at a point of presence or hub in franchise and near out of office franchise. Additionally Frontier technicians may provide manual investigation of voice troubles referred to long distance from the local exchange company trouble centers, and provide support to complete preliminary analysis and routing of trouble to the appropriate organization.

Frontier will adhere to all appropriate affiliate transaction pricing and nondiscrimination rules when providing the above-mentioned services.

H. section reserved for future use

I. PAYPHONE SERVICES

I1 Pay Telephone Service

Pay telephone service includes the provision of public and semi-public pay telephones, the provision of inmate telephone service in correctional facilities, and access to the switched voice telephone network. The pay telephone set is nonregulated. The local loop and access to the local switched network are regulated tariffed services, as are central office based features needed to provide pay telephone service.

I2 section reserved for future use

J. INCIDENTAL INTERLATA SERVICES

J1 Gateway Access Service

Gateway Access Service enables the delivery of SS7 common channel signaling information to, and receipt of this signaling information from, common carriers at any location within the operating telephone companies telephone exchange services area or exchange access. Gateway Access Service provides interLATA transport to any telecommunications carrier or SS7 access hub provider between company identified Gateway Access Signaling Transfer Point (STP) locations. Gateway Access Service also provides connections through local STP locations to subtending end offices located across a LATA boundary from the serving STP locations. Gateway Access Service also provides off-network signaling. Gateway Access Service will purchase the required data links and link ports at tariff rates.

J2 National Directory Assistance Service

NDA service provides International and National Directory Assistance (NDA) service to its local service customers and to other carriers, via a traditional call-in, or in an electronic web-based format. This service provides customers with nonlocal telephone listings for anywhere in the United States, Canada and Puerto Rico. Customers will be asked to provide name, city and state of the listing requested. To obtain IDA/NDA service, customers will dial the telephone number(s) specified by carrier.

J3 Call Management Signaling Service

Call Management Signaling Service provides a customer with a suite of capabilities to access signaling for individual calls and manages the disposition of those calls on both a pre-arranged and real time basis. Call Management Signaling Service includes the following specific features described below. The Real Time Call Disposition feature provides the customer to allow its end user to manage the disposition of incoming calls, including identifying incoming callers, answering calls, and responding to callers with situational messages. The customer will be required to send call disposition requests to the Telephone Company's interface server within 18 seconds of receipt of terminating detail signaling to facilitate real-time forwarding. Call Management Signaling Service will be provided where technical capability exists on individual end user lines that originate from Telephone Company end offices equipped with Advance Intelligent Network (AIN) triggering capability.

K. BROADBAND FACILITY SERVICE

K1 Video and Data Broadband Services

The Fiber to the Premise (FTTP) video service consist of both traditional broadcast video programming and interactive video programming. The broadcast video component shall consist of a mixture of analog-modulated video channels and digitally encoded video channels. The digitally encoded channels shall be access-controlled via an industry standard conditional access method. The service will be organized into multiple tiers of service. The base tier will be analog channels, and higher tiers shall be delivered over digitally encoded channels, eventually evolving to IP-based services.

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)															
	A1	A2	A3	A4	A5	B1	B2	B3	B4	B5	B6	C1	C2	D1	D2	
Asset Accounts																
1220 Inventories	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
1410 Other Noncurrent Assets	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
Plant Accounts																
2002 Property Held for Future Telecom Use	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2003 Telecom Plant Under Construction	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2005 Telecom Plant Adjustment	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2111 Land	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2112 Motor Vehicles	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2113 Aircraft	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2114 Tools & Other Work Equipment	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2121 Buildings	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2122 Furniture	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2123 Office Equipment	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2124 General Purpose Computer Equipment	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2211 Non Digital Switching Equipment								X								
2212 Digital Electronic Switching Equipment						X	X	X	X							
2220 Operator Systems											X					
2231 Radio Systems																
2232 Circuit Equipment							X									
2311 Station Apparatus			X													
2351 Public Telephone Terminal Equipment			X													
2362 Other Terminal Equipment	X	X	X	X	X											

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)															
	A1	A2	A3	A4	A5	B1	B2	B3	B4	B5	B6	C1	C2	D1	D2	
2411 Poles																
2421 Aerial Cable																
2422 Underground Cable																
2423 Buried Cable																
2426 Intra-building Network Cable																
2441 Conduit Systems																
2681 Capital Leases	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2682 Leasehold Improvements	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
2690 Intangibles	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
Depreciation and Amortization Accounts																
3100 Accumulated Depreciation	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
3200 Accum. Depreciation Held for Future Use	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
3410 Accum. Amortization - Capital Leases	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
3420 Accum. Amortization - Leasehold Improvements	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
Current Liability Accounts																
4040 Customer Deposits	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
4100 Net Curr. Def. Operating Income Taxes	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
4300 Other Long Term Liab & Def Credits	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
4340 Net Noncurr. Def. Operating Income Taxes	X	X	X	X	X	X	X	X	X		X	X	X	X	X	

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)															
	A1	A2	A3	A4	A5	B1	B2	B3	B4	B5	B6	C1	C2	D1	D2	
Revenue Accounts																
5230 Directory Revenue																
5280 Nonregulated Operating Revenue	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
5300 Uncollectible Revenue	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
Operating Expense Accounts																
6112 Motor Vehicle Expense	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6113 Aircraft Expense	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6114 Tools and Other Work Equipment Expense	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6121 Land and Buildings Expense	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6122 Furniture & Artworks Expense	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6123 Office Equipment Expense	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6124 General Purpose Computer Expense	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6211 Non Digital Switching Expense								X								
6212 Digital Electronic Expense						X	X	X	X							
6220 Operator Systems Expense											X					
6231 Radio Systems Expense																
6232 Circuit Equipment Expense							X									
6311 Station Apparatus Expense			X													
6341 Large PBX Expense			X													
6351 Public Telephone Term. Equip. Expense			X													
6362 Other Terminal Equipment Expense	X	X	X	X	X									X	X	

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)															
	A1	A2	A3	A4	A5	B1	B2	B3	B4	B5	B6	C1	C2	D1	D2	
6411 Pole Expense																
6421 Aerial Cable Expense																
6422 Underground Cable Expense																
6426 Intra-building Cable Expense																
6441 Conduit Systems Expense																
6511 Prop. Held for Future Use Expense	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6512 Provisioning Expense	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6531 Power Expense						X	X	X	X		X					
6532 Network Administration Expense	X	X	X	X	X	X	X	X	X		X			X	X	
6533 Testing Expense	X	X	X	X	X	X	X	X	X		X			X	X	
6534 Plant Operations Admin Expense	X	X	X	X	X	X	X	X	X		X					
6535 Engineering Expense	X	X	X	X	X	X	X	X	X		X			X	X	
6561 Depreciation Expense TPIS	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6562 Depreciation Expense TPHFTU	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6563 Amortization Expense - Tangible	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6564 Amortization Expense - Intangible	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6565 Amortization Expense - Other	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6611 Product Management & Sales	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6613 Advertising Expense	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6621 Call Completion Services Expense																
6622 Number Service Expense											X					
6623 Customer Service Expense	X	X	X	X	X	X	X	X	X		X	X	X	X	X	

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)															
	A1	A2	A3	A4	A5	B1	B2	B3	B4	B5	B6	C1	C2	D1	D2	
6720 General & Administrative Expenses	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
6790 Provision for Uncoll. Notes Receivable	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
Other Income Accounts																
7100 Other Operating Inc Gains & Losses	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
7210 Operating Investment Tax Credits	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
7220 Operating Federal Income Tax	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
7230 Operating State & Local Income Tax	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
7240 Operating Other Taxes	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
7250 Prov. For Def. Operating Income Taxes	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
7300 Nonoperating Income & Expense	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
7500 Interest and Related Items	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
7600 Extraordinary Items	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
7990 Nonregulated Net Income																

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)																				
	E1	E2	E3	E4	E5	E6	F1	F2	G1	G2	G3	G4	G5	H	I1	I2	J1	J2	J3	K1	
Asset Accounts																					
1220 Inventories	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
1410 Other Noncurrent Assets	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
Plant Accounts																					
2002 Property Held for Future Telecom Use	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
2003 Telecom Plant Under Construction	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
2005 Telecom Plant Adjustment	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
2111 Land	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
2112 Motor Vehicles	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
2113 Aircraft	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
2114 Tools & Other Work Equipment	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
2121 Buildings	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
2122 Furniture	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
2123 Office Equipment	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
2124 General Purpose Computer Equipment	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X	
2211 Non Digital Switching Equipment																					
2212 Digital Electronic Switching Equipment																					
2220 Operator Systems								X										X			
2231 Radio Systems											X										X
2232 Circuit Equipment											X										X
2311 Station Apparatus																					X
2351 Public Telephone Terminal Equipment															X						
2362 Other Terminal Equipment																					X

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)																			
	E1	E2	E3	E4	E5	E6	F1	F2	G1	G2	G3	G4	G5	H	I1	I2	J1	J2	J3	K1
2411 Poles											X									X
2421 Aerial Cable											X									X
2422 Underground Cable											X									X
2423 Buried Cable																				X
2426 Intra-building Network Cable																				X
2441 Conduit Systems											X				X					X
Depreciation and Amortization Accounts																				
2681 Capital Leases	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
2682 Leasehold Improvements	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
2690 Intangibles	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
Current Liability Accounts																				
3100 Accumulated Depreciation	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
3200 Accum. Depreciation Held for Future Use	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
3410 Accum. Amortization - Capital Leases	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
3420 Accum. Amortization - Leasehold Improvements	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
4040 Customer Deposits	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
4100 Net Curr. Def. Operating Income Taxes	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
4300 Other Long Term Liab & Def Credits	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
4340 Net Noncurr. Def. Operating Income Taxes	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)																			
	E1	E2	E3	E4	E5	E6	F1	F2	G1	G2	G3	G4	G5	H	I1	I2	J1	J2	J3	K1
Revenue Accounts																				
5230 Directory Revenue																				
5280 Nonregulated Operating Revenue	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
5300 Uncollectible Revenue	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
Operating Expense Accounts																				
6112 Motor Vehicle Expense	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6113 Aircraft Expense	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6114 Tools and Other Work Equipment Expense	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6121 Land and Buildings Expense	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6122 Furniture & Artworks Expense	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6123 Office Equipment Expense	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6124 General Purpose Computer Expense	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6211 Non Digital Switching Expense																				
6212 Digital Electronic Expense						X					X		X							
6220 Operator Systems Expense								X										X		
6231 Radio Systems Expense						X					X									X
6232 Circuit Equipment Expense						X					X		X							X
6311 Station Apparatus Expense						X					X									X
6341 Large PBX Expense						X					X									X
6351 Public Telephone Term. Equip. Expense															X					
6362 Other Terminal Equipment Expense						X					X		X							X

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)																			
	E1	E2	E3	E4	E5	E6	F1	F2	G1	G2	G3	G4	G5	H	I1	I2	J1	J2	J3	K1
6411 Pole Expense											X									X
6421 Aerial Cable Expense											X									X
6422 Underground Cable Expense											X									X
6426 Intrabuilding Cable Expense																				X
6441 Conduit Systems Expense											X				X					X
6511 Prop. Held for Future Use Expense	X	X	X	X	X	X	X	X	X	X	X				X		X	X	X	X
6512 Provisioning Expense	X	X	X	X	X	X	X	X	X	X	X				X		X	X	X	X
6531 Power Expense					X			X			X							X		X
6532 Network Administration Expense					X		X	X	X		X		X		X		X	X	X	X
6533 Testing Expense					X		X	X	X	X	X		X		X		X	X	X	X
6534 Plant Operations Admin Expense					X	X	X	X			X		X		X		X		X	
6535 Engineering Expense					X	X		X			X		X		X		X		X	
6561 Depreciation Expense TPIS	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6562 Depreciation Expense TPHFTU	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6563 Amortization Expense - Tangible	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6564 Amortization Expense - Intangible	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6565 Amortization Expense - Other	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6611 Product Management & Sales	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6613 Advertising Expense	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6621 Call Completion Services Expense											X							X		
6622 Number Service Expense								X			X							X		
6623 Customer Service Expense	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)																			
	E1	E2	E3	E4	E5	E6	F1	F2	G1	G2	G3	G4	G5	H	I1	I2	J1	J2	J3	K1
6720 General & Administrative Expenses	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
6790 Provision for Uncoll. Notes Receivable	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
Other Income Accounts																				
7100 Other Operating Inc Gains & Losses	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
7210 Operating Investment Tax Credits	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
7220 Operating Federal Income Tax	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
7230 Operating State & Local Income Tax	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
7240 Operating Other Taxes	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
7250 Prov. For Def. Operating Income Taxes	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
7300 Nonoperating Income & Expense	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
7500 Interest and Related Items	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
7600 Extraordinary Items	X	X	X	X	X	X	X	X	X	X	X		X		X		X	X	X	X
7990 Nonregulated Net Income																				

NONREGULATED SERVICES BY COMPANY

	NONREGULATED SERVICES (SEE INDEX)																				
	A1	A2	A3	A4	A5	B1	B2	B3	B4	B5	B6	C1	C2	D1	D2						
Frontier Communications of the Southwest Inc.		X	X			X	X		X		X			X	X						
Frontier North Inc.		X	X			X	X		X		X			X	X						
Frontier Communications Northwest Inc.		X	X			X	X		X					X	X						
Frontier Communications of the Carolinas Inc.		X	X			X	X		X		X			X	X						
Frontier West Coast Inc.		X	X			X	X		X		X			X	X						
Frontier Midstates Inc.		X	X			X	X		X		X			X	X						
Frontier West Virginia Inc.	X	X	X	X	X	X	X	X	X			X	X	X	X						

NONREGULATED SERVICES BY COMPANY

	NONREGULATED SERVICES (SEE INDEX)																			
	E1	E2	E3	E4	E5	E6	F1	F2	G1	G2	G3	G4	G5	H	I1	I2	J1	J2	J3	K1
Frontier Communications of the Southwest Inc.			X	X	X	X	X	X					X		X			X	X	X
Frontier North Inc.			X	X	X	X	X	X			X		X		X			X	X	X
Frontier Communications Northwest Inc.			X	X	X	X	X	X		X	X		X		X			X	X	X
Frontier Communications of the Carolinas Inc.			X	X	X	X	X	X		X	X		X		X			X	X	X
Frontier West Coast Inc.			X	X	X	X	X	X		X	X		X		X			X	X	X
Frontier Midstates Inc.			X	X	X	X	X	X		X	X		X		X			X	X	X
Frontier West Virginia Inc.	X	X	X	X			X	X	X	X	X		X		X		X	X	X	X

FRONTIER TELEPHONE COMPANIES
Frontier Communications ILEC Holdings Inc.

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Section III: LISTING OF INCIDENTAL ACTIVITIES

This section lists the Telephone Companies' activities currently treated as incidental, and the justification for such treatment. The incidental activities listed below are an outgrowth of regulated operations, require a relatively insubstantial commitment of resources or investment, and add relatively little or no financial or other risk to the regulated operations. The incidental activities described are non-tariffed activities offered to nonaffiliated third parties and are incidental to tariffed services. The incidental activities listed do not include nonregulated lines of business, affiliate transactions, court ordered operations, any special construction work within the tariff, or non-tariffed items provided under specific agreement which are similar to the provision of regulated telecommunications services. Thus, for example, the incidental category does not include revenues from affiliates or Shared Network Facilities Agreements.

QUANTITATIVE LIMITS

In the aggregate, incidental activities revenues may not exceed one percent of a company's total revenues for a period of three consecutive years.

QUALITATIVE GUIDELINES

1. The activity must not be a line of business.
2. The activity has been traditionally accorded regulated accounting treatment.
3. The activity is an outgrowth of regulated operations.
4. The activity uses minimal incremental resources or investment.
5. The additional financial or other risk to the regulated operation is negligible.

LISTING of INCIDENTAL ACTIVITIES

Miscellaneous Rentals and Lease Arrangements:

- Pole and conduit space is leased to nonaffiliated third parties pursuant to agreement. This service also includes determining whether or not space is available, inspecting each job to ensure the public's safety, and making space is available when necessary. Power companies and certain independent telephone companies have traditionally used this service.

- Rentals and leases of land, buildings and equipment includes rentals of unused space or space better suited for use by non-affiliated entities in company owned facilities. An example of this type of transaction would be the leasing of ground floor space to a non-affiliated entity engaged in the retail trade.
- In some jurisdictions similar services are offered pursuant to tariff and thus are not include as incidental activities.

Custom Work:

The majority of custom work is composed of rearrangements of telephone plant and pole line construction. The operating telephone company performs the rearrangements to modify or reconfigure company plant to better suit the needs and requirements of the customer. The rearrangements take place at the request of the customer. The operating telephone company will construct additional pole lines on the network side of the demarcation point on private property at the request of the property owner.

Selling Used and Repairable Furniture and Fixtures:

Includes the sale of certain furniture and fixtures (that were previously expensed and have outlived their usefulness to the company) to employees and nonaffiliated third parties. This has never been a tariffed service and is not part of a line of business.

Sale of Company Developed Software:

The company may develop and sell software for the provision of regulated telecommunications services. This has never been a tariffed service and is not part of a line of business. These services will not include intellectual properties developed in the course of a nonregulated activity as an incidental activity.

Network Consulting:

The OTC's occasionally advises non-affiliated telephone companies regarding the maintenance of central office equipment, and diagnosis and correction of malfunctions in hardware and software components. The non-affiliated telephone companies perform the actual maintenance and repair work. These services are not tariffed and are not part of a line of business.

Message Detail Services:

The OTC's may provide recording services from tandem offices. These services are traditionally provided under a contractual agreement to Independent Telephone Companies and other exchange carriers. The unaffiliated companies do not have recording capability in their end offices. Where the OTC's provide

recording service, they normally rate the recorded messages (message processing service) and then provide the message detail, via an agreed upon medium (e.g., magnetic tape, data transmission) to the unaffiliated company. These services are not tariffed and are not part of a line of business.

Billing, Collection and Remitting of Non-Toll Service:

The Operating Telephone Companies have traditionally offered this service to telephone companies along state boundary service areas. In such cases, the customers of the other telephone companies receive basic exchange service from our central office(s). The unaffiliated telephone companies then reimburse the OTC's through a Borderline Service Agreement. This service is not tariffed and is not part of a line of business.

Special Billing Arrangements:

The service provides special billing information to customers, e.g., reproductions of punched cards or magnetic tapes of billing details, and prepare toll statements for independent telephone companies. These services are not tariffed and are not part of a line of business.

Directory Assistance, Directory Sales of Listings, Alarm and Intercept Services:

This incidental activity includes the offering of directory assistance (both local and toll, or toll only), directory sales of listings, infrequent miscellaneous directory related operations, Central Office alarm monitoring and intercept services to non-affiliated Telephone Companies. The services are traditionally provided under contractual arrangement. These services are not tariffed and are not part of a line of business.

Training:

Employees of non-affiliated companies may attend courses offered for company internal purposes when enrollment is not filled by telephone company personnel. Also includes telemarketing training of nonaffiliated customers on the use of telecommunications services for marketing and sales activities. These services are not tariffed and are not part of a line of business.

Vending Machine Commissions:

The unaffiliated owners of vending machines that are located on Company premises pay commissions to the Operating Telephone Companies. These services are not tariffed and are not part of a line of business.

Bill Inserts and Mail Services:

This service includes the advertising of specific non-affiliated companies products and services by means of an insert enclosed in a Operating Telephone Companies customer's bills. These services are not tariffed and are not part of a line of business.

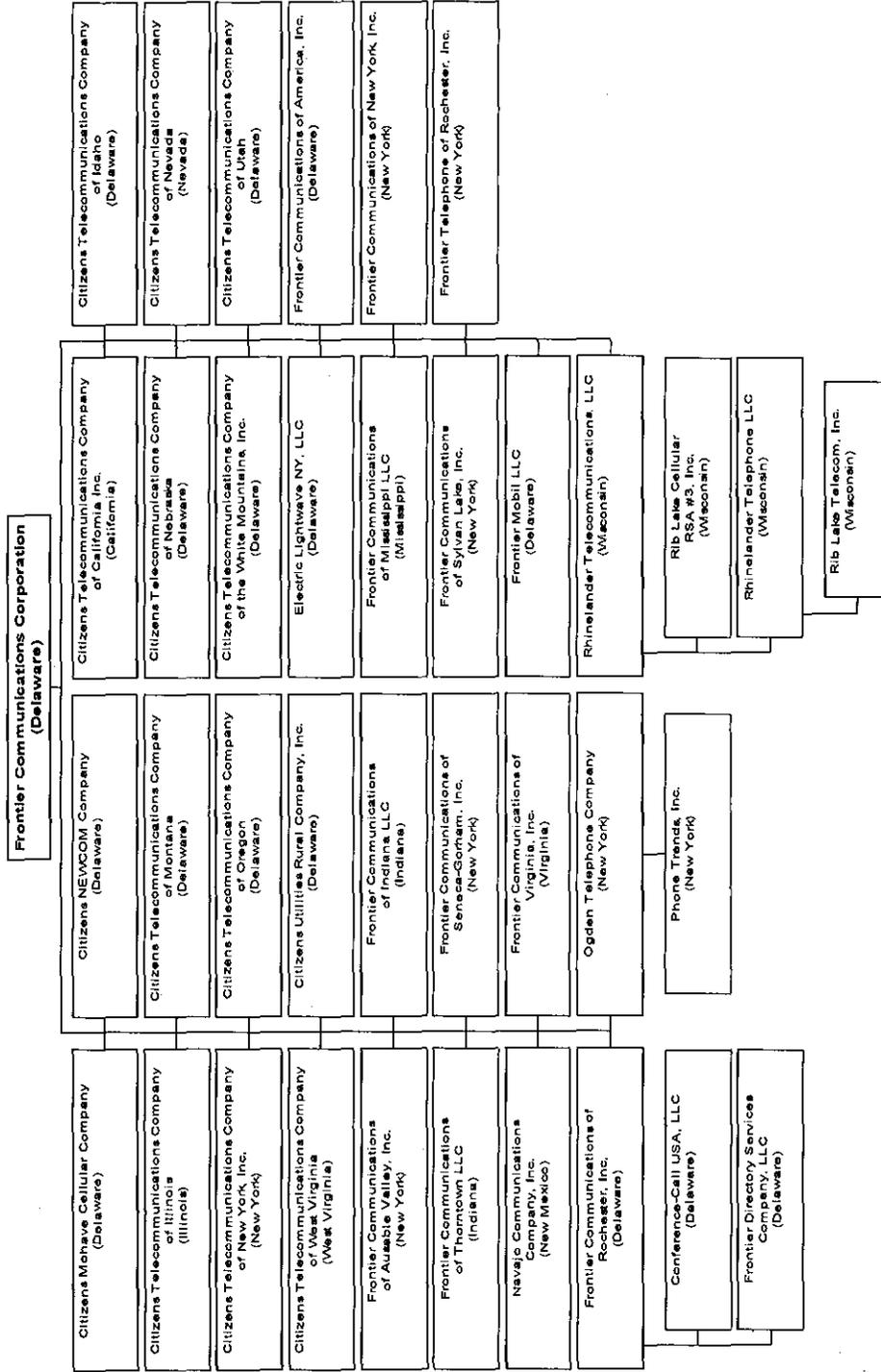
ITAC Processing:

The processing of IntraLata Toll messages in accordance with a State Industry IntraLata Compensation plan on behalf of other telephone companies. These services are not tariffed and are not part of a line of business.

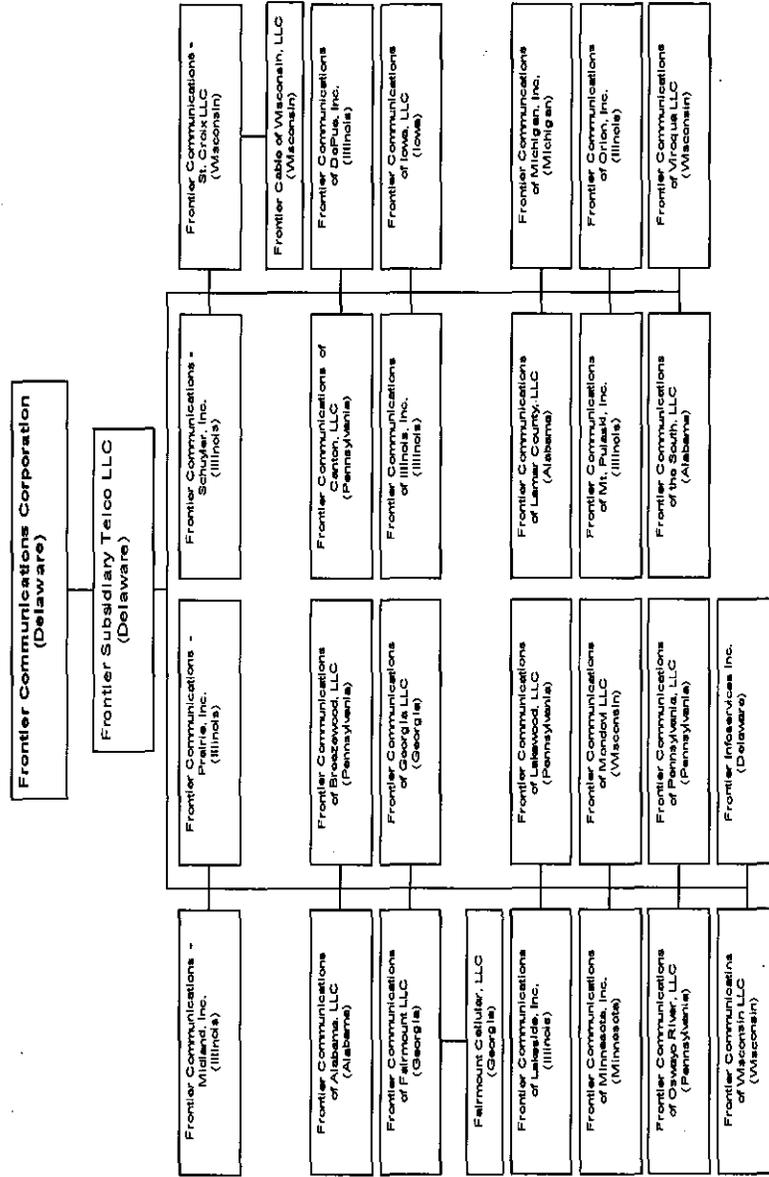
State and Local Utilities (Tax) Commission:

The inclusion of state and/or local utility tax on customer bills, billed on behalf of these government agencies, for which the Operating Telephone Companies receive a commission. These services are not tariffed and are not part of a line of business.

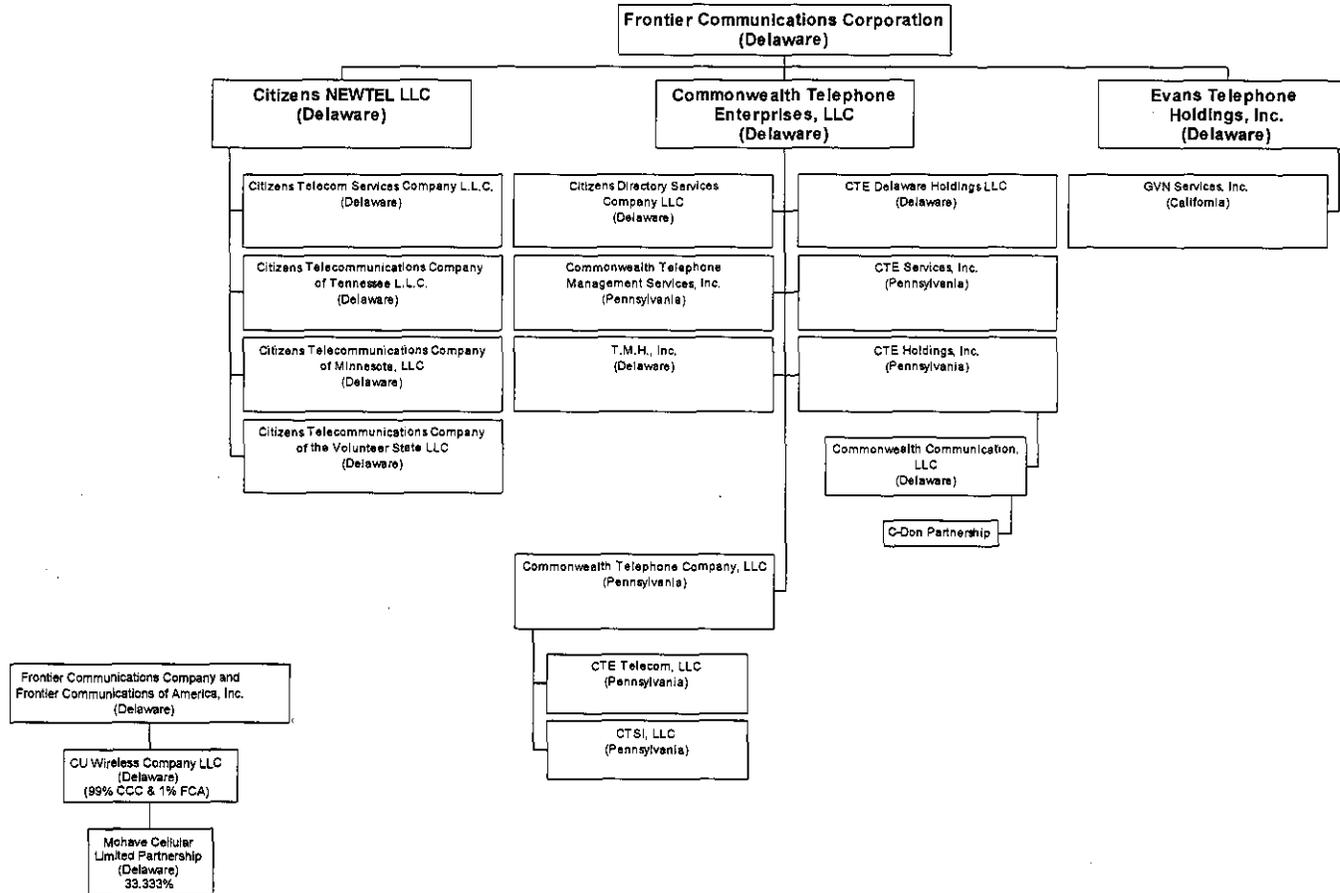
Frontier Communications Corporation Communications Sector Subsidiaries



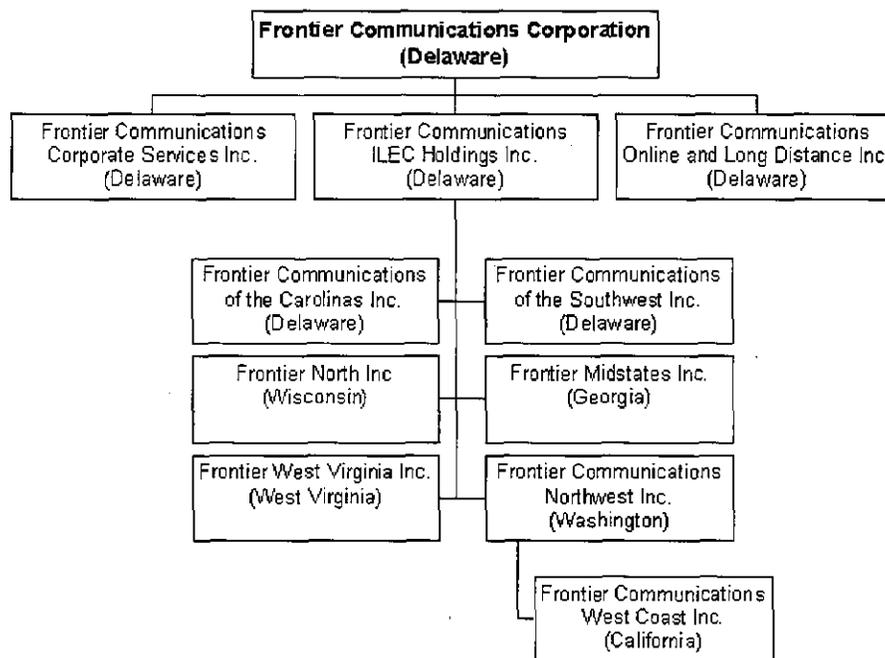
Frontier Communications Corporation Communications Sector Subsidiaries



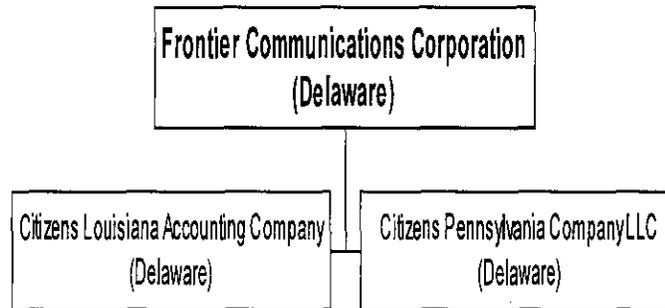
Frontier Communications Corporation Communications Sector Subsidiaries



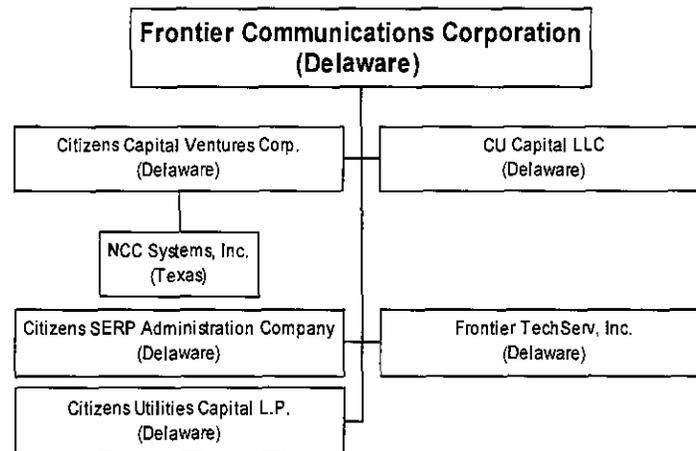
**Frontier Communications Corporation
Communications Sector Subsidiaries
(Frontier 13)**



**Frontier Communications Corporation
Public Service Subsidiaries**



Frontier Communications Corporation Management Entities and Limited Partnerships



FRONTIER TELEPHONE COMPANIES
Frontier Communications ILEC Holdings Inc.

COST ALLOCATION MANUAL

SECTION V: TRANSACTIONS WITH AFFILIATES

INTRODUCTION

This section identifies all Frontier affiliates that engage in transactions with Frontier's regulated carriers subject to the Federal Communications Commission's (FCC's) rules and requirements governing affiliate transactions. It identifies the nature, terms and frequency of all such transactions.

FRONTIER TELEPHONE COMPANIES (FTCs)

Frontier Communications of the Southwest Inc.
Frontier West Coast Inc.
Frontier Communications Northwest Inc.
Frontier Communications of the Carolinas Inc.
Frontier North Inc.
Frontier Midstates Inc.
Frontier West Virginia Inc.
Citizens Telecommunication Company of California Inc.
Citizens Telecommunications Company of Idaho
Citizens Telecommunications Company of Illinois
Citizens Telecommunications Company of Montana
Citizens Telecommunications Company of Nebraska
Citizens Telecommunications Company of Nevada
Citizens Telecommunications Company of New York Inc.
Citizens Telecommunications Company of Oregon
Citizens Telecommunications Company of the White Mountains Inc.
Citizens Telecommunications Company of Utah
Citizens Telecommunications Company of West Virginia
Citizens Telecommunications Company of Tennessee LLC
Citizens Telecommunications Company of Minnesota, LLC
Citizens Telecommunications Company of the Volunteer State LLC
Commonwealth Telephone Company, LLC
Citizens Utilities Rural Company Inc.
Frontier Communications of Ausable Valley Inc.
Frontier Communications of Indiana LLC
Frontier Communications of Mississippi LLC
Frontier Communications of New York, Inc.
Frontier Communications of Thorntown LLC
Frontier Communications of Seneca-Gorham Inc.
Frontier Communications of Sylvan Lake Inc.
Frontier Communications of Rochester, Inc.
Navajo Communications Company, Inc.
Frontier Communications of Rochester, Inc.

Rhineland Telephone Company, LLC
Ogden Telephone Company
Rib Lake Telecom, Inc.
Frontier Communications- Midland
Frontier Communications- Prairie, Inc.
Frontier Communications Schuyler, Inc.
Frontier Communications St. Croix LLC
Frontier Communications of Alabama, LLC
Frontier Communications of Breezeway, LLC
Frontier Communications of Canton, LLC
Frontier Communications of DePue, Inc.
Frontier Communications of Fairmount LLC
Frontier Communications of Georgia LLC
Frontier Communications of Illinois, Inc.
Frontier Communications of Iowa, LLC
Frontier Communications of Lakeside, Inc.
Frontier Communications of Lakewood, LLC
Frontier Communications of Lamar County, LLC
Frontier Communications of Michigan, Inc.
Frontier Communications of Minnesota, Inc.
Frontier Communications of Mondovi LLC
Frontier Communications of Mt. Pulaski, Inc.
Frontier Communications of Orion, Inc.
Frontier Communications of Oswayo River LLC
Frontier Communications of Pennsylvania, LLC
Frontier Communications of the South, LLC
Frontier Communications of Viroqua LLC
Frontier Communications of Wisconsin LLC
Frontier Communications of America, Inc.
Frontier Communications Online and Long Distance Inc.
Frontier Directory Services Company, LLC
Frontier Infoservices Inc.
Frontier Communications Corporate Services Inc.
Citizens Telecom Services Company, LLC

Terms of Transactions:

The terms of FTCs' affiliate transactions are in accordance with FCC Docket CC 96-150 and the FCC's Service and Asset Valuation Rules. Definitions of the terms used in valuing asset and service transactions are included in the glossary.

General Notes:

Service Valuation Rule:

1. If a service provided between a FTC and a Non-Regulated Affiliate is covered by a tariff on file with a federal or state commission, then the transaction shall be recorded at that tariff rate.
2. Non-tariffed services provided between a FTC and its affiliate pursuant to publicly filed agreements submitted to a State commission pursuant to Section 252(e) of the Commission's Act of 1934 or statements of generally available terms pursuant to Section 252(f) shall be recorded using the charges appearing in such publicly filed agreements or statements.

3. If a prevailing price exists for a service transferred between a FTC and a Non-Regulated Affiliate, then the purchasing entity shall record the transaction at the prevailing price. Use of a "prevailing price" requires sales of more than 25% of the quantity of like services to non-affiliates; the prevailing price rule is to be applied on a service-by-service basis, rather than on a product-line or a service-line basis. In the case of transactions for non-discriminatory access services provided to long distance affiliates, the FTCs may record such transactions at prevailing price regardless of whether the 25% threshold has been satisfied.
4. If neither a tariff rate, publicly filed agreements nor a prevailing price applies, then the identity (e.g., service company, long distance affiliate, Non-Regulated affiliate, etc.) of the affiliate governs the manner in which a FTC must record the transaction:
 - a. Services sold by a non-regulated affiliate to a FTC shall be recorded at no more than the lower of fair market value or fully distributed cost, if the total transaction will exceed \$500,000 annually. If the total annual transaction will be less than \$500,000 annually it can be recorded at fully distributed cost. The lower price establishes a ceiling, above which the transaction cannot be recorded.
 - b. Services sold by a FTC to a non-regulated affiliate shall be recorded at no less than the higher of fair market value or fully distributed cost, if the total transaction will exceed \$500,000 annually. If the total annual transaction will be less than \$500,000 it can be recorded at fully distributed cost. The higher price establishes a floor, below which the transaction cannot be recorded.
5. Affiliates which exist solely to provide services to Frontier's corporate family will continue to bill at fully distributed cost.

Asset Valuation Rule:

Assets sold or transferred between a carrier and its affiliate pursuant to existing tariffs, including a tariff filed with a state commission, shall be recorded in the appropriate revenue accounts at the tariff rate. Non-tariffed assets sold or transferred between a carrier and its affiliate that qualify for prevailing price valuation, as defined on page V-A-3, shall be recorded at the prevailing price. For all other assets sold or transferred from a carrier to its non-regulated affiliate, the asset shall be recorded at least at the higher of fair market value or net book cost. For all other assets purchased by or transferred to a carrier from its non-regulated affiliate, the asset shall be recorded at no more than the lower of fair market value or net book cost. For purposes of this section carriers are required to make a good faith determination of fair market value when the total aggregate annual value of the asset(s) reaches or exceeds \$500,000, per affiliate. When the total aggregate annual value of the asset(s) does not reach or exceed \$500,000, the asset(s) shall be recorded at net book cost.

Glossary of Terms:

Tariff Rates - Rates provided pursuant to documents filed with state or federal regulatory authorities (e.g., AMU & Toll, Centrex, VMS rates, etc.).

Publicly filed agreements/statements of generally available terms - Charges appearing in publicly-filed agreements submitted to a State commission pursuant to section 252(e) or statements of generally available terms pursuant to section 252(f) in place of tariffed rates when tariffed rates are not available.

Prevailing Price - The price at which a company offers an asset or service to the general public. In order to qualify for prevailing price valuation, sales of a particular asset or service to third parties must encompass greater than 25 percent of the total quantity of such asset or service sold by an entity. Carriers shall apply this 25 percent threshold on an asset-by-asset and service-by-service basis, rather than on a product line or service line basis (e.g., Inside-wire & CPE provisioning). Sales of non-discriminatory access services to long distance affiliates do not need to meet the 25 percent threshold.

Fair Market Value (FMV) - The price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The price will be developed using methods that are routinely used by the business community for the specific product or service.

Net Book Cost - The original cost of an asset adjusted by the associated valuation reserves (e.g., accumulated depreciation, deferred taxes, etc.)

Fully Distributed Cost (FDC) - Cost determined in a manner that complies with the standards and procedures for the apportionment of special, joint, and common costs between the regulated and nonregulated operations of the carrier. A fully distributed costing methodology apportions the total costs of a group of services or products among the individual services or products in that group. In general, this process directly assigns some of the costs to individual services or products. The remaining costs are allocated among individual services or products based on relative use measurements or estimates of relative use or other appropriate allocation methodology. The resulting cost apportionments determine the share of total cost that is attributed to each service or product.

Asset - An asset encompasses any item that would be recorded in an investment account of a regulated carrier.

Service Company - An affiliate which exists solely to provide services to Frontier's corporate family.

Long Distance Affiliate - An affiliate that offers in-region long distance services.