

FRONTIER TELEPHONE COMPANIES
Frontier Communications ILEC Holdings Inc.

PART 64

COST ALLOCATION MANUAL

SECTION VI: COST APPORTIONMENT TABLES

OVERVIEW:

Consistent with the forbearance orders in FCC 08-271 and approval of compliance plans the results of these cost apportionment tables have been frozen as referenced in Section 1 of the CAM. This section details the procedures and methods used to establish the frozen Part 64 results.

The cost apportionment tables result from an analysis of the following Part 32 balance sheet, investment, revenue, and operating expense accounts and the application of the cost accounting concepts as discussed in Section I.

- Selected Assets & Liabilities
- Telecommunications Plant in Service
- Depreciation and Amortization Reserves
- Revenues
- Plant Specific Operations Expense
- Plant Nonspecific Operations Expense
- Customer Operations Expense
- Corporate Operations Expense
- Tax Expense
- Other Operating Income and Expense
- Nonoperating Income and Expense
- Interest and Related Items
- Extraordinary Items

The cost apportionment tables contain the following information:

USOA PART 32 ACCOUNT NUMBER AND NAME

Accounts included in the cost apportionment tables are those Part 32 accounts which are included in the FCC ARMIS 43-03 Reports as well as any accounts used for rate making purposes.

In a few instances, i.e. Revenue Accounts, when the cost characteristics of a number of closely related final accounts are the same, the accounts are grouped together and a single attribution methodology is displayed.

COST POOL DESCRIPTION

In many cases the main Part 32 account supplies a sufficient level of cost definition for attribution purposes. In those instances where greater cost detail is required to create homogeneous cost groupings warranting separate apportionment treatment, individual cost pools within the main Part 32 account are defined. The summation of dollars assigned to each of the cost pools underlying an account, whether identified by subaccount, accounting records, or some other means, balance to the account total.

COST POOL ASSIGNMENT BASIS

For each cost pool the manual identifies the manner of assigning costs to that cost pool. In certain instances, cost pool assignment relates directly to the subaccount detail maintained in the Operating Telephone Companies' books of account. In other instances, cost pools are determined from an analysis of underlying functional accounting reporting codes, accounting records, a review of the charges to the account, or special studies which are described herein.

REGULATED/NONREGULATED APPORTIONMENT BASIS

Costs are directly assigned to the regulated and nonregulated cost categories whenever possible. The methods used to apportion each cost pool between the regulated and nonregulated cost categories are summarized in the cost apportionment tables. The summary includes an identification of whether the cost pool is directly assigned, directly or indirectly attributed; or generally allocated as well as a description of the allocators used for any such apportionments.

The apportionment of wages and salaries to regulated and nonregulated products and services is included in the distribution of each cost pool and separately tracked within the cost allocation system. Therefore, allocators based on the regulated/nonregulated distribution of wages and salaries are determined by summing the dollar distribution of wages and salaries for each account and/or cost pool. When wage and salary allocators include balance sheet accounts (e.g. TPIS), only the current month activity is included, rather than the wage and salary balance accumulated over time. Generally, allocators based on wages and salaries are calculated using current month wages and salaries. In certain circumstances, prior month wages and salaries are used in order to eliminate circuitous logic problems. Nonproductive time is attributed based on current month productive wages and salaries charged into the Part 32 main account in question, either through the accounting system, or through the creation of separate cost pools. For wage and salary based allocators, the apportionment basis in the cost tables indicates whether current month, prior month, or productive wages and salaries are being used.

For certain accounts, (2112 - Motor Vehicles, 2121 - Buildings) the allocation is defined as current year wages and salaries, to remain in conformance with the CAM Uniformity Order. This designation is intended to distinguish current year as opposed to prior year wages and salaries. Cost pools in these accounts are apportioned using either current or prior month wages and salaries to avoid circuitous logic. The following matrix describes which month (current or prior) of the current year is used in the calculation of the allocator.

<u>Account</u>	<u>Cost Pool</u>	<u>Month</u>
2112	Central Office	Current
	Distribution Services	Current
	Network Operations	Prior
	Customer Operations	Current
	Corporate Operations	Prior
2121	Motor Pool	Prior
	Distribution Services	Current
	Network Operations	Prior
	Customer Operations	Current
	Corporate Operations	Prior

Consistent with the Commission's direction to avoid the use of multiple terms in describing cost allocation factors, the apportionment bases described in the cost tables make use of the terms "Attributed in the same proportion as ..." and "Attributed in the same proportion as the combined distribution of...". Those terms are defined below.

"Attributed in the same proportion as..." is used when the apportionment is based on a single account or cost pool. For example, Account 6XXX is attributed in the same proportion as Account 2XXX. The balance of Account 2XXX has been attributed to regulated and nonregulated as follows: \$200 regulated and \$100 nonregulated. Accordingly, Account 6XXX will be attributed 2/3 to regulated activities and 1/3 to nonregulated activities.

"Attributed in the same proportion as the combined distribution of ..." is used when the apportionment is based on two or more accounts or cost pools. For example, Account 6XXX is attributed in the same proportion as Accounts 2XXY and 2XXZ. Accounts 2XXY and 2XXZ have been apportioned to regulated and nonregulated as follows: Account 2XXY - \$300 regulated and \$100 nonregulated; Account 2XXZ - \$200 regulated and \$400 nonregulated. Thus Account 6XXX will be attributed half to regulated activities and half to nonregulated activities(500/500).

"General Allocator" is used to apportion cost pools for which no causal relationship exists. Costs are apportioned to regulated and nonregulated cost categories in proportion to all expenses previously assigned and attributed to regulated and nonregulated categories.

"Marketing Allocator" is used to apportion residual marketing costs. Costs are apportioned to regulated and nonregulated cost categories in proportion to all Marketing costs previously assigned and attributed to regulated and nonregulated categories. The following accounts are included: Account 6611, 6613 (excluding the Common cost pool, and the Nonproductive Time cost pools), and 6623 (excluding the Customer Instruction cost pool, the Customer Accounting cost pool, the Billing Inquiry cost pools, and the Other Customer Service cost pool).

COMMENTS

Clarifying remarks, information more fully defining the assignment basis or the apportionment basis, and any issues that may impact the method of apportionment are noted in the comments column.

STUDY DESCRIPTIONS:

Central Office Equipment Study

The Central Office Equipment Study examines, by study area, detailed property records to identify the function of the assets and to partition the total cost for central office switches into the Common Control Equipment and Network Equipment cost pools according to the physically significant functions of each switching component.

The Common Control Equipment cost pool includes equipment, which is sensitive to the number and type of calls the switching system is requested to process. The Network Equipment cost pool includes equipment, which is sensitive to the number and type of terminations within the switch.

FTTP Broadband Facilities

The Broadband Facilities cost pools are apportioned to the regulated and nonregulated operations based upon a three-year peak forecast of the number of video subscribers to total subscribers of services offered via Broadband Fiber Facilities.

In addition, FTTP Broadband facility cost pools are established for corresponding plant specific operating expense accounts. For apportionment of these cost pools, the study ratios will be recalculated using actual subscribers of the above-mentioned services.

Common Control Equipment

The Common Control Equipment cost pool is apportioned, for the next year, to the regulated and nonregulated operations based on a forecast of the regulated and nonregulated originating calls. The forecast is based on the peak relative nonregulated use during the three year forecast period.

In addition, common control equipment cost pools are established for plant specific operating expense accounts. For the apportionment of these cost pools, the study ratios will be recalculated using actual originating calls. Investment associated with the discontinued Customer Dialed Account Recording (CDAR) service, will remain frozen until the switching investment is retired.

Motor Vehicles Study

This study distributes investment annually for the active vehicles in Account 2112, Motor Vehicles, into all the FCC required cost pools based upon the analysis of fleet assignment data.

The assignment of vehicle investment to cost pools is based on the association of vehicles to the employees that use them. Vehicles are assigned to the cost pools in accordance with the accounts to which employees' salary or wages are charged. Investment balances by vehicle number are supplied from the asset management records. The assignment of vehicles to employees is obtained from the Fleet Management System. Employee salary and wage accounts are obtained from Human Resources databases. This data is used to calculate the percentage of Total Account 2112 investment for each cost pool.

Residence Selling Study

This quarterly study splits Direct Marketing/Direct Response marketing expenses in Account 6611, Product Management & Sales, between regulated and nonregulated operations based on an analysis of products and services which are the subject of various marketing campaigns. The study examines a customer contact tracking database, to determine contact activity by marketing campaign. The results are weighted by the number of products included in the campaign.

Official Communications

Company communications costs exclude the cost of tariffed services used in an official communications capacity. The nonregulated assignment of these tariffed services costs is separately determined and debited to Account 5280 and credited to the regulated revenue accounts. A special, annual study determines these nonregulated costs.

In performing the study the individual network components comprising the various Official Communications Networks are identified from company communications records. The components of these networks are priced out at the existing tariff rates. Total Telephone Company costs, thus determined, are allocated between regulated and nonregulated services on the basis of total company wages and salaries. The amount attributed to nonregulated services is debited to Account 5280 and credited to the appropriate regulated revenue accounts.

Operator Systems Study

The operator systems shared network investment is allocated based on a three-year peak forecast of the nonregulated use of that investment. The percentage of nonregulated forecasted usage is determined by dividing the forecasted number of nonregulated operator services calls by the forecasted number of the total operator services calls.

Maintenance expenses are apportioned based on the ratio of actual nonregulated operator service calls to actual total operator service calls. Directory assistance operator costs are identified using unique reporting codes and are apportioned to nonregulated operations based on the ratio of actual nonregulated directory assistance calls to total directory assistance service calls.

Buildings Study

This study distributes investment in Accounts 2121, Buildings and 2681, Capitalized Leases, in addition to expenses in Account 6121, Land and Building Expense into the FCC required cost pools.

The study is performed at least annually, or whenever major changes to the account occurs. Building space assignment will be used to identify the distribution by group of space within each building. This distribution will then be weighted by the investment identified for each building to produce a total account cost pool distribution by group. These distribution factors will then be applied to the investment balances to determine cost pool balances. Investment directly identifiable via accounting records as regulated or nonregulated will have been removed from these investment balances, and are summed in the appropriate Dedicated Regulated or Nonregulated cost pool.

Service Order Studies

The Service Order studies distribute expense associated with specific cost pools in Account 2124, General Purpose Computer, Account 6124, General Purpose Computer Expense, Account 6532, Network Administrative Expense, and Account 6623, Customer Service Expense, and various cost pools in Account 6720, General & Administrative. These studies use outputs from a mechanized service order system, which tracks all inward and outward order activity.

A nonregulated percentage is developed in each of the Company's primary billing systems, Carrier Access Billing System (CABS), Customer Record Information System (CRIS) and Customer Billing Services System (CBSS). The nonregulated percentage is developed in each system by counting total Universal Service Order Codes (USOC's) from the Service Order Processing System (SOP). The products and services on each service order are summarized, and the nonregulated USOC's are divided by the total number of USOC's purchased by customers.

Trouble Reports Study

The Trouble Reports Study develops the factors that apportion the costs in the Trouble Reports cost pool in Account 6533, Testing Expense between regulated and nonregulated operations. Monthly report counts are associated with the trouble reporting functions, and are collected in various segments and analyzed to develop regulated and nonregulated counts. These reports contain information that tracks trouble report by type or source, and by location of troubles. These monthly counts are apportioned to the regulated and nonregulated operations based on an analysis of all of the trouble testing reports provided by the various Company systems, such as Network Operations Results Mart (NORM), Mechanized Trouble Analysis System (MTAS), and Network Analysis Measurement System (NAMS).

Customer Billing Study

The Customer Billing Study is used to apportion costs in a specific cost pool in Account 6623, Customer Service Expense. The cost pool represents costs associated with the Revenue Accounting Center functions as they relate to the End User, such as bill processing, payment processing, miscellaneous activities, etc. Finance Operations provides the total number of bill counts, average pages per bill, and Interexchange Carrier (IXC) pages, both total and nonregulated. Service Order study ratios are multiplied by the state local bill pages to determine the number of regulated and nonregulated local bill pages, thus developing the nonregulated to total percentage.

ALLOCATION OF INCOME TAXES:

Book Taxable Income:

After all of the operating accounts excluding income tax expense have been apportioned between regulated and nonregulated activities, book taxable income will be developed as follows: Net Operating Revenues (5XXX) less Operating Expenses (6XXX), plus Other Operating Income (71XX), less Other Operating Taxes (7240), less Interest Expense (75XX), and less State and Local Income Tax Expense (7230).

Account 7220 - Operating Federal Income Tax

Account 7220 - Operating Federal Income Tax will be attributed based on the following:

Total FIT (Accounts 7220 + Federal portion of Account 7250) is allocated based on Book Taxable Income (as described above). The Federal portion of Account 7250 is allocated as described in the cost table. The regulated and nonregulated Federal Deferred Income Taxes are subtracted from the regulated and nonregulated Total FIT respectively, resulting in the regulated and nonregulated amounts for 7220.

Account 7230 - Operating State and Local Income Tax

Account 7230 - Operating State and Local Income Tax will be attributed based on the following:

Total State and Local Income Tax (Account 7230 plus the State portion of Account 7250) is allocated based on Book Taxable Income (excluding Account 7230). The state portion of Account 7250 is allocated as described in the cost table. The regulated and nonregulated State Deferred Income Taxes are subtracted from the regulated and nonregulated Total State and Local Income Tax respectively, resulting in the regulated and nonregulated amounts for 7230.

Account	Cost Pools	Assignment Basis	Apportionment Basis	Comments
1220 INVENTORIES	Outside Plant Supplies Exempt	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total current month wages and salaries in Accounts 2411 - 2441 and 6411 - 6441.	The Other cost pool includes: Building Supplies, Equipment Retired in Place, and other miscellaneous items not provided for elsewhere.
	Outside Plant Supplies Non Exempt	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Accounts 2411 to 2441.	
	C. O. E. Supplies Exempt	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total current month wages and salaries in Accounts 2211 - 2232 and 6211 - 6232	
	C. O. E. Supplies Non Exempt	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Accounts 2211 to 2232.	
	Other	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Accounts 2111 to 2690, excluding the Accum. Amortization cost pool in Account 2690	
	Computer Supplies	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Account 2124, General Purpose Computers.	
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
	Regulated	Ledger Account	Directly assigned to regulated.	
	Inventory Adjustments	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of all other 1220 cost pools.	
FTTP Non Exempt	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.		
1410 OTHER NONCURRENT ASSETS	Post Retirement Benefits	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003, 2111- 2690, 3100, 6112-6540, and 6611-6720.	Voluntary Employee Beneficiary Association (VEBA) Trust transactions. Remainder of Account 1410 is not part of the ratemaking process.
	Other	Ledger Account	Directly assigned to regulated, in accordance with ARMIS requirements.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
1438 DEFERRED MAINTENANCE, RETIREMENTS AND OTHER DEF. CHGS.	Same as Account	Ledger Account	Directly assigned to regulated, in accordance with ARMIS requirements.	Account 1438 is not part of the rate-making process.
1500 OTHER JURISDICTIONAL ASSETS	Same as Account	Ledger Account	Directly assigned to regulated, in accordance with ARMIS requirements.	Account 1500 is not part of the rate-making process.
2002 PROPERTY HELD FOR FUTURE TELECOMMUNICATIONS USE	Regulated	Accounting Records	Directly assigned to regulated.	Accounting records are maintained which identify the investment associated with each property item included in this account. Investment identified as directly assignable to regulated or nonregulated will be accumulated in the appropriate cost pool. The remainder will be categorized in the common cost pool.
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of all common cost pools in Telecommunications Plant in Service Accounts 2111 to 2690, excluding the Accum Amortization cost pool in Account 2690.	
2003 TELECOMMUNICATIONS PLANT UNDER CONSTRUCTION	Regulated	Accounting Records	Directly assigned to regulated.	Accounting records are maintained which identify the investment associated with each property item included in this account. Investment identified as directly assignable to regulated or nonregulated will be accumulated in the appropriate cost pool. The remainder will be categorized in the common cost pool.
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of all common cost pools in Telecommunications Plant in Service Accounts 2111 to 2690, excluding the Accum Amortization cost pool in Account 2690.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
2005 TELECOMMUNICATIONS PLANT ADJUSTMENT	Regulated	Analysis of charges	Directly attributed to regulated.	An analysis of the investment associated with the charges in this account will be analyzed at a minimum on an annual basis, or whenever a major change in the account occurs. The resulting percent distribution will be used to apportion the account balances into the cost pools.
	Nonregulated	Analysis of charges	Directly attributed to nonregulated.	
	Common	Analysis of charges	Indirectly attributed in the same proportion as the combined distribution of TPIS Accounts 2111 to 2690, excluding the Accum. Amort. cost pool in 2690.	
	Accum Amortization - Other	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of the above costs pools.	
2111 LAND	Regulated	Not Applicable	Directly assigned to regulated.	
	Nonregulated	Not Applicable	Directly assigned to nonregulated.	
	Common	Ledger Account	Indirectly attributed in the same proportion as the common cost pools in Account 2121 - Buildings.	
2112 MOTOR VEHICLES	Regulated	Not Applicable	Directly assigned to regulated.	
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
	Central Office	Motor Vehicle Group Study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Accounts 2211 - 2232 and 6211-6232.	
	Distribution Services	Motor Vehicle Group Study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Accounts 2311 - 2441 and 6311 - 6441.	
	Network Operations	Motor Vehicle Group Study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Accounts 6113-6124 and 6511 - 6535.	
	Customer Operations	Motor Vehicle Group Study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Accounts 6611 - 6623.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
2112 MOTOR VEHICLES (Cont'd)	Corporate Operations	Motor Vehicle Group Study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Account 6720.	
	Motor Pool	Motor Vehicle Group Study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Accounts 2003, 2111- 2682, 3100, 6112-6540, and 6611-6720.	
2113 AIRCRAFT	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of prior month wages and salaries in Accounts 6511 to 6720.	
2114 TOOLS AND OTHER WORK EQUIPMENT	Special Purpose Vehicles	Accounting records	Indirectly attributed in the same proportion as the combined distribution of current month wages and salaries in Accounts 2411 to 2441 and 6411 to 6441.	
	Garage Work Equipment	Accounting records	Indirectly attributed in the same proportion as the combined distribution of investment in Accounts 2112, 2113, and the Special Purpose Vehicle and Other Work Equipment cost pools in Account 2114.	
	Other Work Equipment	Accounting records	Indirectly attributed in the same proportion as the combined distribution of current month wages & salaries in Accounts 2111, 2121 and 2211 - 2441 and Accounts 6121 and 6211 - 6441, and 6531 - 6535.	
	Nonregulated	Accounting records	Directly assigned to nonregulated.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
2121 BUILDINGS	Regulated	Ledger Account	Directly assigned to regulated.	Account 2121 is assigned to cost pools through a Buildings study which analyzes the square feet of floor space assigned to each cost pool. On a quarterly basis, or whenever major changes to the account occur, building space assignment records will be used to identify the distribution by group of the space within each building. This distribution will then be weighted by the investment identified for each building to produce a total Account 2121 cost pool distribution by group. These distribution factors will then be applied to the investment balances to determine cost pool balances. Investment directly identifiable via accounting records as regulated will have been removed from these investment balances and are summed in the Dedicated Regulated cost pool.
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
	Attributed Regulated	Building study	Directly attributed to regulated.	
	Attributed Nonregulated	Building study	Directly attributed to nonregulated.	
	Central Office	Building study	Indirectly attributed in the same proportion as the combined distribution of Investment in accounts 2211 to 2232 – C. O. Equipment.	
	Distribution Services	Building study	Indirectly attributed in the same proportion as the combined distribution of current year wages & salaries in Account 2311 – 2441 and 6311 – 6441 excluding wages and salaries associated with the personnel who are assigned to buildings that are directly assigned to regulated or nonregulated.	
	Network Operations	Building study	Indirectly attributed in the same proportion as the combined distribution of current year wages & salaries in Account 6112 – 6124 and 6511 – 6535 excluding wages and salaries associated with the personnel who are assigned to buildings that are directly assigned to regulated or nonregulated.	
	Customer Operations	Building study	Indirectly attributed in the same proportion as the combined distribution of current year wages & salaries in Accounts 6611 through 6623 excluding wages and salaries associated with the personnel who are assigned to buildings that are directly assigned to regulated or nonregulated.	
	Corporate Operations	Building study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Account 6720 excluding wages and salaries associated with personnel who are assigned to buildings that are directly assigned to regulated or nonregulated.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
2122 FURNITURE	Same as account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 6511 - 6540, and 6611 - 6720.	
2123 OFFICE EQUIPMENT	Same as account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 6511 - 6540, and 6611 - 6720.	
2124 GENERAL PURPOSE COMPUTERS	Regulated	Accounting records	Directly assigned to regulated	
	Nonregulated	Accounting records	Directly assigned to nonregulated.	
	Customer Billing	Accounting Records	Indirectly attributed to regulated and nonregulated in the same proportion as the combined distribution of regulated and nonregulated revenues.	
	Plant Related Systems	Accounting Records	Indirectly attributed in the same proportion as Telecommunications Plant in Service Accounts 2111 to 2690, excluding Account 2124 - General Purpose Computers, and the General Pur. Comp. cost pool in Account 2681, and the Non Network Software and Accum Amort. cost pools in Account 2690.	
	Service Orders	Accounting Records	Indirectly attributed based on combined distribution of accounting reporting codes identified on service orders.	
	Personnel Systems	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003, 2111 - 2690, 3100, 6112 - 6540, and 6611 - 6720.	
	Other	Accounting Records	General Allocator.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
2211 NON DIGITAL SWITCHING EQUIPMENT	Same as Account	Accounting Records	Directly assigned to regulated.	
2212 DIGITAL ELECTRONIC SWITCHING EQUIPMENT	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Packet Switching Equipment	Accounting Records	Directly attributed in the same proportion as forecasted usage based on the ratio of converted packets to total packets.	
	Common Control Equipment	Accounting Records/Special Study	Directly attributed in the same proportion as forecasted weighted calls.	See the Common Control Equipment and the Central Office Equipment Study descriptions on pages VI-5 - 6
	Discontinued CDAR Investment	Accounting Records/ Special Study	Frozen Investment until Retired.	
	Network Equipment	Accounting Records/ Special Study	Directly attributed to regulated.	See the Central Office Equipment Study descriptions on page VI-5
2220 OPERATOR SYSTEMS	Same as Account	Ledger Account	Directly Attributed in the same proportion as forecasted operator service calls.	See the Operator Systems Study description on page VI-7.
2231 RADIO SYSTEMS	Regulated	Ledger Account	Directly assigned to regulated.	
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
2232 CIRCUIT EQUIPMENT	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
2311 STATION APPARATUS	Regulated	Not Applicable	Directly assigned to regulated.	Cost pools required due to CAM Uniformity Order DA 93-765.
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
2321 CUSTOMER PREMISES WRING				The Operating Telephone Companies have no investment in Account 2321 at this time.
2341 LARGE PRIVATE BRANCH EXCHANGE	Regulated	Ledger Account	Directly assigned to regulated.	Cost pools required due to CAM Uniformity Order DA 93-765.
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
2351 PUBLIC TELEPHONE TERMINAL EQUIPMENT	Same as Account	Ledger Account	Directly assigned to nonregulated.	
2362 OTHER TERMINAL EQUIPMENT	Regulated	Ledger Account	Directly assigned to regulated.	
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
2411 POLES	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Account 2421, Aerial Cable.	
2421 AERIAL CABLE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Discontinued O.V.S. Facilities	Video Study	Directly Attributed to nonregulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
2422 UNDERGROUND CABLE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Discontinued O.V.S. Facilities	Video Study	Directly Attributed to nonregulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
2423 BURIED CABLE	Regulated	Accounting Records	Directly assigned to regulated.	
	Discontinued O.V.S. Facilities	Video Study	Directly Attributed to nonregulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
2424 SUBMARINE AND DEEP SEA CABLE	Regulated	Accounting Records	Directly assigned to regulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
2426 INTRABUILDING NETWORK CABLE	Regulated	Accounting Records	Direct assigned to regulated	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
2431 AERIAL WIRE	Same as account	Ledger Account	Directly assigned to regulated.	

Account	Cost Pools	Assignment Basis	Apportionment Basis	Comments
2441 CONDUIT SYSTEMS	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Account 2422 – Underground Cable	
2681 CAPITAL LEASES	Other Capital Leases - Motor Vehicles	Accounting Records	Indirectly attributed in the same proportion as Account 2112 – Motor Vehicles.	On a monthly basis the underlying records will be reviewed and the capitalized lease investment associated with each lease assigned to one of the following major groupings: Buildings, Furniture, Motor Vehicles or General Purpose Computers. The Buildings grouping is then further assigned to cost pools using the same methodology described for Account 2121 - Buildings.
	Other Capital Leases - Aircraft	Accounting Records	Indirectly attributed in the same proportion as Account 2113 - Aircraft.	
	Other Capital Leases - General Purpose Computers	Accounting Records	Indirectly attributed in the same proportion as Account 2124 – General Purpose Computers.	
	Leased Cable & Wire Facilities	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Accounts 2411 to 2441.	
	Leased Building Space – Attributed Regulated	Leased Building Study	Directly attributed to regulated.	
	Leased C.O. Building Space	Leased Building Study	Indirectly attributed in the same proportion as the combined distribution of Accounts 2211 to 2232 C. O. Equipment.	
	Leased Distribution Services Space	Leased Building Study	Indirectly attributed in the same proportion as the combined distribution of current month wages & salaries in Accounts 2311 to 2441 and 6311 to 6441.	
	Leased Network Operations Space	Leased Building Study	Indirectly attributed in the same proportion as the combined distribution of prior month wages salaries in Accounts 6113 to 6124 and 6511 to 6535	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
2681 CAPITAL LEASES (Cont'd)	Customer Operations	Leased Building Study	Indirectly attributed in the same proportion as the combined distribution of current month wages and salaries in Accounts 6611 - 6623.	
	Corporate Operations	Leased Building Study	Indirectly attributed in the same proportion as the combined distribution of prior month wages and salaries in Account 6720.	
	Leased Furniture & Office Equipment	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Accounts 2122 & 2123.	
2682 LEASEHOLD IMPROVEMENTS	Same as account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Account 2681-Capital Leases - Leased Space costpools and Account 6121 - Land & Building Expense - Rent Expense cost pools.	
2690 INTANGIBLES	Nonregulated Other	Analysis of charges	Directly assigned to nonregulated.	The non-software charges will be reviewed at required and categorized based on the nature of the item.
	Other	Analysis of charges	General Allocator.	
	Nonregulated Software	Accounting Records	Directly assigned nonregulated.	
	Network Software	Accounting Records	Indirectly attributed in the same proportion as Switching Investment in Accounts 2211 - 2232, excluding the nonregulated costs pool in Account 2212.	
	Non Network Software	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Accounts 6124 and the following cost pools in Account 6720: Information Mgmt - Regulated, Information Mgmt - Nonregulated, Customer Billing, Plant Related Systems, Personnel Systems, Service Orders and Other-Information Management.	
	Accum Amortization - Intangible	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of the above costs pools.	

Account	Cost Pools	Assignment Basis	Apportionment Basis	Comments
3100 ACCUMULATED DEPRECIATION	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Motor Vehicles - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account 2112 - Motor Vehicles.	
	Aircraft	Accounting Records	Indirectly attributed in the same proportion as Account 2113 - Aircraft.	
	Tools and Other Work Equipment - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account 2114 - Tools and Other Work Equipment.	
	Buildings - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account 2121 - Buildings	
	Furniture	Accounting Records	Indirectly attributed in the same proportion as Account 2122 - Furniture.	
	Office Equipment	Accounting Records	Indirectly attributed in the same proportion as Account 2123 - Office Equipment.	
	General Purpose Computers - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account 2124 - General Purpose Computers.	
	Digital Electronic Switching - Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of the common cost pools in Account 2212, Digital Electronic Switching Equipment.	
Operator Systems	Accounting Records	Indirectly attributed in the same proportion as Account 2220 - Operator Systems.		

Account	Cost Pools	Assignment Basis	Apportionment Basis	Comments
3100 ACCUMULATED DEPRECIATION (Cont'd)	Circuit Equipment	Accounting Records	Indirectly attributed in the same proportion as Account 2232 - Circuit Equipment	
	Poles	Accounting Records	Indirectly attributed in the same proportion as Account 2411 - Poles	
	Aerial Cable	Accounting Records	Indirectly attributed in the same proportion as Account 2421 - Aerial Cable.	
	Underground Cable	Accounting Records	Indirectly attributed in the same proportion as Account 2422 - Underground Cable.	
	Buried Cable -	Accounting Records	Indirectly attributed in the same proportion as Account 2423 - Buried Cable.	
	Submarine and Deep Sea Cable - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pool in Account 2424 - Submarine and Deep Sea Cable.	
	Intra-Building Network Cable - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pool in Account 2426 - Intrabuilding Network Cable.	
	Conduit Systems - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pool in Account 2441 - Conduit Systems	
Other	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of the above cost pools.		

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
3200 ACCUMULATED DEPRECIATION HELD FOR FUTURE TELECOM USE	Same as account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of the cost pools in Account 2002 - Property Held for Future Telecommunications Use.	
3410 ACCUMULATED AMORTIZATION - CAPITALIZED LEASES	Same as account	Ledger Account	Indirectly attributed in the same proportion as Account 2681 - Capital Leases.	
4040 CUSTOMER DEPOSITS	Same as account	Ledger Account	Indirectly attributed to regulated and nonregulated in the same proportion as the combined distribution of regulated and nonregulated revenues.	
4100 NET CURRENT DEFERRED OPERATING INCOME TAXES	Property	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Account 2111 to 2690, except the Accum Amortization cost pool in Account 2690.	
	Non Property	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages & salaries in Accounts 2003, 2111-2690, 3100, 6112-6540, and 6611-6720.	
4300 OTHER LONG TERM LIABILITIES AND DEFERRED CREDITS	Deferred Credits	Ledger Account	General Allocator.	
	Pension & Other Benefits	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages & salaries in Accounts 2003, 2111 - 2690, 3100, 6112 - 6540, and 6611 - 6720.	
	Other	Ledger Account	Directly assigned to regulated, in accordance with ARMIS requirements.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
4340 NET NONCURRENT DEFERRED OPERATING INCOME TAXES	Property	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Account 2111 to 2690, except the Accum Amortization cost pool in Account 2690.	
	Non Property	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages & salaries in Accounts 2003, 2111 - 2690, 3100, 6112 - 6540, and 6611 - 6720.	
4370 OTHER JURISDICTIONAL LIABILITIES AND DEFERRED CREDITS-NET	Same as account	Ledger Account	Directly assigned to regulated.	
5001 - 5200 REVENUES	Same as Account	Ledger Accounts	Directly assigned to regulated..	
5230 DIRECTORY REVENUE	Regulated	Ledger Account	Directly assigned to regulated.	
5280 NONREGULATED OPERATING REVENUES	Same as account	Ledger Account	Directly assigned to nonregulated.	
5300 UNCOLLECTIBLE REVENUE	Regulated	Ledger Account	Directly assigned to regulated.	
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
	Common	Ledger Account	Indirectly attributed to regulated and nonregulated in the same proportion as the combined distribution of Accounts 5001 – 5280 .	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6112 MOTOR VEHICLE EXPENSE	Regulated	Not Applicable	Directly assigned to regulated.	Cost pools required due to CAM Uniformity Order DA 93-765.
	Nonregulated	Not Applicable	Directly assigned to nonregulated.	
	Common	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of investment in the Central Office, Distribution Services, Network Operations, Customer Operations, Corporate Operations and Motor Pool Common Motor Vehicles Cost Pools.	
6113 AIRCRAFT EXPENSE	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the Executive cost pool in Account 6720.	
6114 TOOLS AND OTHER WORK EQUIPMENT	Common	Ledger Account	Indirectly attributed in the same proportion as Account 2114 – Tools and Other Work Equipment.	
	Nonregulated	Ledger Account	Directly assigned to nonregulated	
6121 LAND AND BUILDING EXPENSE	Regulated	Ledger Account	Directly assigned to regulated.	The Operating Telephone Companies maintain subaccounts for Account 6121 that identify rent expense and other expense. Rent Expense is further disaggregated into functional operating components using the same methodology described in Account 2121 Building Investment.
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Rent Attributed Regulated	Building study	Directly attributed to regulated.	
	Rent Attributed Nonregulated	Building study	Directly attributed to nonregulated.	
	Rent Central Office	Building study	Indirectly attributed in the same proportion as the combined distribution of Accounts 2211 to 2232 - C. O. Equipment.	
	Rent Distribution Services	Building study	Indirectly attributed in the same proportion as the combined distribution of current month wages & salaries in Accounts 2311 to 2441 and 6311 to 6441.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6121 LAND AND BUILDING EXPENSE (cont'd)	Rent Network Operations	Building study	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 6113 to 6124 and 6511 to 6535.	
	Rent Customer Operations	Building study	Indirectly attributed in the same proportion as the combined distribution of current month wages and salaries in Accounts 6611 - 6623.	
	Rent Corporate Operations	Building study	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Account 6720.	
	Other Common Expense	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of all Building Study cost pools in Accounts 2121, 2681 and 6121.	
6122 FURNITURE AND ARTWORKS EXPENSE	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 6511 - 6540, and 6611 - 6720.	
6123 OFFICE EQUIPMENT EXPENSE	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 6511 - 6540, and 6611 - 6720.	
6124 GENERAL PURPOSE COMPUTER EXPENSE	Regulated	Accounting records	Directly assigned to regulated.	
	Nonregulated	Accounting records	Directly assigned to nonregulated.	
	Customer Billing	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of regulated and nonregulated revenues.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6124 GENERAL PURPOSE COMPUTER EXPENSE (cont'd)	Plant Related Systems Service Orders Personnel Systems Other	Accounting Records Accounting Records Accounting Records Accounting Records	Indirectly attributed in the same proportion as Telecommunications Plant in Service Accounts 2111 to 2690, excluding Account 2124 - General Purpose Computers, and the General Pur. Comp. cost pool in Account 2681, and the Non Network Software and Accum. Amort. cost pools in Account 2690. Indirectly attributed based on combined distribution of accounting reporting codes identified on service orders. Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003, 2111 - 2690, 3100, 6112 - 6540, and 6611 - 6720. General Allocator.	
6211 NON DIGITAL SWITCHING EXPENSE	Same as Account	Accounting records	Directly assigned to regulated.	
6212 DIGITAL ELECTRONIC EXPENSE	Regulated Nonregulated Packet Switching Equipment Common Control Equipment Network Equipment	Accounting Records Accounting Records Accounting Records Accounting Records / Special Study Accounting Records/ Special Study	Directly assigned to regulated. Directly assigned to nonregulated. Directly attributed in the same proportion as actual converted packets to total converted packets. Directly attributed in the same proportion as actual weighted calls. Directly attributed to regulated.	See the Common Control Equipment and the Central Office Equipment Study descriptions on pages VI-5 and VI-6.

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6220 OPERATOR SYSTEMS EXPENSE	Same as account	Ledger Account	Directly Attributed in the same proportion as actual operator service calls.	See the Operator Systems Study description on page VI-8.
6231 RADIO SYSTEMS EXPENSE	Regulated	Ledger Account	Directly assigned to regulated.	
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
6232 CIRCUIT EQUIPMENT EXPENSE	Regulated	Accounting Records	Directly assigned to regulated..	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the actual ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
6311 STATION APPARATUS EXPENSE	Regulated	Not Applicable	Directly assigned to regulated.	In accordance with CAM Uniformity Order DA93-765 paragraph 36.
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common - No Access/No Trouble Found	Not Applicable	Indirectly attributed based on 75% of the ratio of regulated trouble counts cleared to the total trouble counts cleared with the residual going to nonregulated.	
6341 LARGE PRIVATE BRANCH EXCHANGE EXPENSE	Regulated	Not Applicable	Directly assigned to regulated	In accordance with CAM Uniformity Order DA93-765 paragraph 36.
	Nonregulated	Accounting Records	Directly assigned to nonregulated	
	Common - No Access/No Trouble Found.	Not Applicable	Indirectly attributed based on 75% of the ratio of regulated trouble counts cleared to the total trouble counts cleared with the residual going to nonregulated.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6351 PUBLIC TELEPHONE TERMINAL EQUIPMENT EXPENSE	Same as account	Account	Directly assigned to nonregulated.	
6362 OTHER TERMINAL EQUIPMENT EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	In accordance with CAM Uniformity Order DA93-765 paragraph 36. In accordance with CAM Uniformity Order DA 93-765
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common - No Access/No Trouble Found.	Accounting Records	Indirectly attributed based on 75% of the ratio of regulated trouble counts cleared to the total trouble counts cleared with the residual going to nonregulated.	
	Combination Travel Time	Accounting Records	Directly attributed to regulated and nonregulated based per FCC rules, 50% each.	
6411 POLE EXPENSE	Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Account 2411 - Poles.	
6421 AERIAL CABLE EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting	Directly assigned to nonregulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the actual ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6422 UNDERGROUND CABLE EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the actual ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
6423 BURIED CABLE EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the actual ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
6424 SUBMARINE & DEEP SEA CABLE EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the actual ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
6426 INTRABUILDING CABLE EXPENSE	Regulated	Accounting Records	Directly assigned to regulated	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the actual ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
6431 AERIAL WIRE EXPENSE	Same as Account	Ledger Account	Directly assigned to regulated.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6441 CONDUIT SYSTEMS EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Indirectly attributed in the same proportion as Account 2441 - Conduit Systems.	
6511 PROPERTY HELD FOR FUTURE TELECOMMUNICATIONS USE EXPENSE	Same as Account	Ledger Account	Indirectly attributed in the same proportion as Account 2002 - Property Held for Future Telecommunications Use.	
6512 PROVISIONING EXPENSE	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Account 1220 - Inventories.	
6531 POWER EXPENSE	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Accounts 2211 to 2232.	
6532 NETWORK ADMINISTRATION EXPENSE	Regulated	Accounting Records	Directly assigned to regulated	
	Nonregulated	Accounting Records	Directly assigned to nonregulated	
	Installation Control Center Expense	Accounting Records	Directly attributed based on combined distribution of accounting reporting codes identified on service orders.	
	Other Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of current month productive wages and salaries in the above cost pools.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6533 TESTING EXPENSE	Line & Trunk Testing	Accounting Records	Directly assigned to regulated.	The Trouble Reports - Testing Expense cost pool is apportioned to the regulated and nonregulated operations based on an analysis of trouble reports. These reports contain information that tracks trouble reports by type or source and by location of troubles. The expenses are allocated, by study area, between the regulated and nonregulated operations based on the respective ratios of regulated and nonregulated customer trouble reports and employee contacts to total trouble reports and related contacts.
	Trouble Reports	Ledger Account	Directly attributed based on analysis of trouble source type as identified on trouble reports.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated	
6534 PLANT OPERATIONS ADMINISTRATION EXPENSE	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
	Other	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of current month wages and salaries in Accounts 2211-2441 and 6211-6441.	
6535 ENGINEERING EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Accounts 2211-2441.	
	Nonproductive Time	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of current month productive wages and salaries in the above cost pools.	
6540 ACCESS EXPENSE	Same as Account	Ledger Account	Directly assigned to regulated.	

Account	Cost Pools	Assignment Basis	Apportionment Basis	Comments
6561 DEPRECIATION EXPENSES TELECOMMUNICATIONS PLANT IN SERVICE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Motor Vehicles - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account 2112 - Motor Vehicles.	
	Aircraft	Accounting Records	Indirectly attributed in the same proportion as Account 2113 - Aircraft.	
	Tools and Other Work Equipment - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account 2114 - Tools and Other Work Equipment.	
	Buildings - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account 2121 - Buildings	
	Furniture	Accounting Records	Indirectly attributed in the same proportion as Account 2122 - Furniture.	
	Office Equipment	Accounting Records	Indirectly attributed in the same proportion as Account 2123 - Office Equipment.	
	General Purpose Computers - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account 2124 - General Purpose Computers.	
Digital Electronic Switching - Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of the common cost pools in Account 2212, Digital Electronic Switching Equipment.		

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6561 DEPRECIATION EXPENSES TELECOMMUNICATIONS PLANT IN SERVICE (Cont'd)	Operator Systems Circuit Equipment Poles Aerial Cable Underground Cable Buried Cable Submarine & Deep Sea Cable - Common Intra-Building Network Cable Conduit Systems - Common Other	Accounting Records Accounting Records Accounting Records Accounting Records Accounting Records Accounting Records Accounting Records Accounting Records Accounting Records Accounting Records	Indirectly attributed in the same proportion as Account 2220 - Operator Systems. Indirectly attributed in the same proportion as Account 2232 - Circuit Equipment. Indirectly attributed in the same proportion as Account 2411 - Poles Indirectly attributed in the same proportion as Account 2421 - Aerial Cable. Indirectly attributed in the same proportion as Account 2422 - Underground Cable. Indirectly attributed in the same proportion as Account 2423 - Buried Cable. Indirectly attributed in the same proportion as the common cost pool Account 2424 - Submarine & Deep Sea Cable Indirectly attributed in the same proportion as Account 2426 - Intra-Building Network Cable. Indirectly attributed in the same proportion as the common cost pool in Account 2441 - Conduit Systems Indirectly attributed in the same proportion as the combined distribution of the above cost pools.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6562 DEPRECIATION EXPENSE PROPERTY HELD FOR FUTURE TELECOMMUNICATIONS USE	Same as Account	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Account 2002 - Property Held for Future Telecommunications Use.	
6563 AMORTIZATION EXPENSE - TANGIBLE	Same as Account	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Accounts 2681 and 2682 - Capital Leases and Leasehold Improvements.	
6564 AMORTIZATION EXPENSE - INTANGIBLE	Same as Account	Accounting Records	Indirectly attributed in the same proportion as Account 2690 - Intangibles, excluding the Accumulated Amortization - Other cost pool.	
6565 AMORTIZATION EXPENSE - OTHER	Same as Account	Accounting Records	Indirectly attributed in the same proportion as Account 2005 - Telecommunications Plant Adjustment, excluding the Accumulated Amortization - Other cost pool.	
6611 PRODUCT MANAGEMENT AND SALES	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Marketing Allocator	
	Residence Selling	Accounting Records	Directly attributed based on a study of regulated/nonregulated contact activity performed by Residence Telephone Sales Representatives.	
	Nonproductive Time	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of current month productive wages and salaries in the above cost pools.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6613 PRODUCT ADVERTISING	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Marketing Allocator.	
	Nonproductive Time	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of current month productive wages and salaries in the above cost pools.	
6621 CALL COMPLETION SERVICES	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
6622 NUMBER SERVICE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Directory Assistance Operators	Accounting Records	Directly Attributed in the same proportion as actual directory assistance service calls.	See the Operator Systems Study description on page VI-8.

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6623 CUSTOMER SERVICE EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Public Telephone	Accounting Records	Directly assigned to nonregulated.	
	Customer Instruction	Accounting Records	Marketing Allocator.	
	Customer Accounting	Accounting Records	Customer Billing Study.	
	Billing Inquiry - Carrier Access	Accounting Records	Directly attributed based on combined distribution of regulated and nonregulated CABS revenues.	
	Billing Inquiry - End User	Accounting Records	Directly attributed based on combined distribution of regulated and nonregulated total revenues less CABS revenues.	
	Service Order - Carrier Access	Accounting Records	Directly attributed based on combined distribution of accounting reporting codes identified on service orders.	
	Service Order - End User	Accounting Records	Directly attributed based on combined distribution of accounting reporting codes identified on service orders.	
Other Customer Service	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of current month productive wages and salaries in the above cost pools.		

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6720 GENERAL AND ADMINISTRATIVE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	General Allocator.	
	Executive	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 6112-6441, 6532-6535 and 6611-6720 (excluding 6113).	
	Corporate Advertising & Public Relations	Accounting Records	Marketing Allocator.	
	Human Resources/ Security	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003, 2111- 2682, 3100, 6112-6540, and 6611-6720.	
	Procurement	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of previously assigned plant and expenses in Accounts 1220 and 6112 to 6790 (excluding 6113 and 6720).	
	Benefits/Employee Related	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of the total prior month wages and salaries in Accounts 2003, 2111 - 2690, 3100, 6112 - 6540, and 6611 - 6720	
	Information Mgmt - Regulated	Accounting Records	Directly assigned to regulated	
Information Mgmt - Nonregulated	Accounting Records	Directly assigned to nonregulated		

Account	Cost Pools	Assignment Basis	Apportionment Basis	Comments
6720 GENERAL AND ADMINISTRATIVE (Cont'd)	Customer Billing	Accounting Records	Indirectly attributed to regulated and nonregulated in the same proportion as the combined distribution of regulated and nonregulated revenues.	
	Plant Related Systems	Accounting Records	Indirectly attributed in the same proportion as Telecommunications Plant in Service Accounts 2111 to 2690, excluding Account 2124 - General Purpose Computers, and the General Purpose Comp. cost pool in Account 2681, and the Non Network Software and Accum. Amort. cost pools in Account 2690	
	Personnel Systems	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages & salaries in Accounts 2003, 2111 - 2690, 3100, 6112 - 6540 and 6611 - 6720.	
	Service Orders	Accounting Records	Indirectly attributed based on combined distribution of accounting reporting codes identified on service orders.	
	Other - Info Mgmt.	Accounting Records	General Allocator.	
	Nonproductive Time	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of current month productive wages and salaries in the above cost pools.	
6790 PROVISION FOR UNCOLLECTIBLE NOTES RECEIVABLE	Same as Account	Ledger Account	Assigned to regulated and nonregulated based on a review of notes charged to this account.	Presently there are no charges to this account. However, any underlying notes resulting in a charge will be reviewed and an assignment determined.

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
7100 OTHER OPERATING INCOME & EXPENSES	Regulated	Accounting Records/ Analysis of charges	Directly attributed to regulated.	
	Nonregulated	Accounting Records/ Analysis of charges	Directly attributed to nonregulated	
	Gains/Losses - Foreign Exchange	Accounting Records	Analysis of specific items.	
	Gains/Losses - Disposition of Land and Artwork	Accounting Records	Indirectly attributed following the procedures outlined in the FCC's Order in CC Docket 86-497, paragraph 86.	
	VEBA Gains and Losses	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003, 2111 – 2690, 3100, 6112 – 6540, and 6611–6720.	
	Common	Analysis of charges / Subaccount	General Allocator.	
7210 OPERATING INVESTMENT TAX CREDITS	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Accounts 2112 to 2441.	
7220 OPERATING FEDERAL INCOME TAX	Same as Account	Ledger Account	Indirectly attributed based on the allocation of total FIT, based on Book Taxable Income, less the allocation of Federal Deferred Taxes.	See Tax write-up on page VI-10.
7230 OPERATING STATE AND LOCAL INCOME TAX	Same as Account	Ledger Account	Indirectly attributed based on the allocation of total Operating State Income Tax, based on Book Taxable Income, less the allocation of State Deferred Taxes.	See Tax write-up on page VI-10.

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
7240 OPERATING OTHER TAXES	Property Tax	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Telecommunication Plant in Service Accounts 2111 to 2690, excluding the Accum. Amortization cost pool in Account 2690.	
	Gross Receipts Taxes	Accounting Records	Indirectly attributed in the same proportion as regulated and nonregulated revenues.	
	Other Assets and Sales and Use Tax	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Telecommunication Plant in Service Accounts 2111 to 2690.	
	Other Non-Asset Related Tax	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003, 2111-2690, 3100, 6112-6540, and 6611 – 6720.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Regulated Levies	Ledger Account	Directly assigned to regulated.	
7250 PROVISION FOR DEFERRED OPERATING INCOME TAXES	Property - Federal	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Accounts 2111 to 2690, excluding the Accum. Amortization cost pool in Account 2690.	
	Property - State	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Accounts 2111 to 2690, excluding the Accum. Amortization cost pool in Account 2690.	
	Non-Property - Federal	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003, 2111-2690, 3100, 6112-6540, and 6611-6720.	
	Non-Property - State	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003, 2111 - 2690, 3100, 6112 - 6540, and 6611-6720.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
7300 NONOPERATING INCOME & EXPENSE	Regulated	Analysis of charges	Directly attributed to regulated, in accordance with ARMIS requirements.	
	Nonregulated	Analysis of charges	Directly attributed to nonregulated.	
	Common	Analysis of charges	Indirectly attributed following the procedures outlined in the FCC's Order in CC Docket 86-497, paragraph 86.	
	AFUDC	Accounting Records	Indirectly attributed in the same proportion as Account 2003 - Telecommunications Plant Under Construction.	
	Charitable Contributions/ Membership Dues	Accounting Records	General Allocator.	
	Other Charges	Accounting Records	Directly assigned to regulated, in accordance with ARMIS requirements.	
7500 INTEREST & RELATED ITEMS	Funded Debt	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Accounts 2111 to 2690 less Account 2681 - Capital Leases, and the Accum Amortization cost pool in Account 2690.	
	Interest - Capital Leases	Ledger Account	Indirectly attributed in the same proportion as Account 2681 - Capital Leases.	
	Amortization of Debt Issuance Expenses and Other Interest Expense	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Accounts 2111 to 2690 less Account 2681 - Capital Leases, and the Accumulated Amortization cost pool in Account 2690.	
	Customer Deposit Interest	Ledger Account	Indirectly attributed in the same proportion as Account 4040 - Customer Deposits.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
7600 EXTRAORDINARY ITEMS	Income Credits/Charges	Ledger Account	Directly attributed based on analysis of charges to the account.	Charges to this account are infrequent in nature
	Other	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of the above cost pools.	
7910 INCOME EFFECT OF JURISDICTIONAL RATEMAKING DIFFERENCES - NET	Same as Account	Ledger Account	Directly assigned to regulated, in accordance with ARMIS requirements.	Account 7910 is not part of the rate-making process.
7990 NONREGULATED NET INCOME	Same as Account	Ledger Account	Directly assigned to nonregulated, in accordance with ARMIS requirements.	There are no nonregulated services includable in Account 7990.

FRONTIER TELEPHONE COMPANIES
Frontier Communications ILEC Holdings Inc.

PART 64

COST ALLOCATION MANUAL

SECTION VII: TIME REPORTING

Introduction:

This section identifies and describes the Operating Telephone Companies' time reporting methods and internal controls. These controls are representative of the processes and procedures that are utilized to teach, monitor and reinforce accurate time reporting by all employees. Time reporting systems are used to properly identify wages and salaries associated with regulated and nonregulated activities

Methods/Procedures:

The procedures review the two methods to record time worked on specific activities: (1) positive time reporting and (2) exception time reporting. All employees use one of these methods. Following is a summary of each of these methods:

Positive Time Reporting:

Positive time reporting is utilized by employees in work groups that perform a variety of functions on a daily basis. It is a process whereby an employee segments a day into increments of time and records activities performed in each segment. Time is reported in increments of 6 (six) minutes or 15 (fifteen) minutes depending on the union contract for specific employees. Productive time is reported (coded) based on the function performed. Non productive time is separately identified and subsequently apportioned based on the productive time recorded for that particular work group.

The employees of the various work groups that use positive time reporting are instructed on the appropriate use of the system in place for that work group. Periodic reviews of work groups are performed to ensure compliance with current system and reporting standards. Positive time reporting employees are required to input all paid time to the time reporting system in use by their particular department. Supervisory review and approval controls are in place to ensure Positive Time reporting is reviewed on an on-going basis.

Exception Time Reporting:

The wage and salary costs of employees who perform functions that do not vary on a day to day basis are pre-assigned to one or more fixed accounts or codes based on the nature of their functions. These employees use exception time reporting to report time engaged in activities outside routinely assigned functions, when such exception work exceeds one hour per day.

The accounting systems assign costs to both the exception reported and routinely assigned functions in this manner: total costs less exception costs equals costs remaining assigned to routine functions.

Employee related costs are distributed to the appropriate cost pools using Accounting Records, which may include Sub-accounts, Job Function Codes and Product Codes.

Exception Time Reporting employees routinely perform specific job activities over an extended period of time and exception report activities that are outside routinely assigned functions.

Time spent on exception activities is generally recorded in increments of one hour. Some business units use 30 minutes or more.

Periodic reviews are performed to determine the relative amount of time spent on specific functions and the appropriate distribution between regulated and nonregulated activities. Surveys are conducted, and, depending on business unit, could be performed on a representative sample of employees and time period or on an entire functional department. These reviews enhance the accuracy of the time reporting.

Accurate Time Reporting Training and Controls:

Training is designed to raise the employees' awareness of the time reporting requirements. Supervisors are responsible for implementing this training, which includes annual documented reminders that work activity variances of one hour or more are to be reported. The employee's supervisor approves utilization of the Exception time reporting method and all Exception time reports. All employees are required to review and sign the Code of Business Conduct annually, which also stresses the importance of accurate time reporting.

Marketing & Sales Support Documentation:

Within various business units, sales personnel maintain one or more of the following support documents: employee logs/ diaries/ calendars, employee daily tracking and/or supervisor's summary of time. Other business units maintain customer information files by customer account or product. These customer files include premise visit summaries, customer proposals, notes, memos or other relevant correspondence.

Nonproductive Time:

Positive time reporting employees identify vacation, holiday, sickness, training, and unclassified productive time through the positive time reporting process.

For all other employees, nonproductive time that can be related to a specific work assignment (e.g., project specific administrative activities, meetings, conferences and assistance to others) is reported as productive time using both routinely assigned and exception reported Job Function Codes. Nonproductive time that is not related to a specific work assignment (e.g., holidays, vacation, and sickness) is identified by payroll exception codes.

All nonproductive time is apportioned to regulated and nonregulated activities in the same proportion as the productive wages & salaries in that same account.

Record Retention:

All relevant records and required supportive documentation are retained for a minimum of two years.

Time Reporting by Organization

<u>USOA Account</u>	<u>Reporting Organization</u>	<u>Positive Time Reporting</u>	<u>Exception Time Reporting</u>
		<u>Associates</u>	<u>Management</u>
Plant Specific Accounts 6112 to 6441 (Note 3)	Installation	X	X
	Maintenance & Repair	X	X
	Engineering	X	X
	Other (1)	X	X
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Plant Non-Specific Accounts 6512 to 6535 (Note 3)	Provisioning	X	X
	Network and Plant		
	Administration	X	X
	Engineering		
	Administration	X	X
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Time Reporting by Organization

USOA Account	Reporting Organization	Positive Time Reporting	Exception Time Reporting
		<u>Associates</u>	<u>Management & Associates</u>
Marketing Accounts 6611 to 6613	Product Management Sales Advertising		X X X
Customer Services Accounts 6621 to 6623	Call Completion Services Number Services Customer Services	X(2)	X X X
Corporate Operations Accounts 6711 to 6790	Executive Planning Accounting & Finance External Relations Human Resources Information Management Legal Procurement Research and Development Administration		X X X X X X X X X X

- (1) Plant Specific – Other includes motor vehicle operators, aircraft operators, general purpose computer operators and public telephone instruction card preparers.
- (2) Includes coin collection and counting functions in some operating companies.
- (3) Clerical Staff Reporting personnel that support plant specific and non- specific functions can be exception time reporters, since their functions do not vary on a day to day basis.