



805 Central Expressway South
Suite 200
Allen, Texas 75013

Phone 972-908-4415
Fax 214-383-2737

Email: kimberly.a.douglass@ftr.com

October 28, 2011

VIA UPS

Public Utility Commission of Oregon
Attention: Filing Center
550 Capitol Street N.E., Suite 215
Salem, OR 97310-1380

Subject: UM 1431 – Cost Allocation Manual for Frontier Telephone Companies

Dear Filing Center:

In accordance with Condition 52 in Appendix A in Order No. 10-067 in the above-referenced docket, enclosed please find an original and one (1) copy of the Cost Allocation Manual for the Frontier Telephone Companies.

Please call me at 972-908-4415 if you have any questions.

Sincerely,

Kim Douglass
Manager - Regulatory Affairs

Enclosures

**Frontier Telephone Companies
Frontier Communications ILEC Holdings Inc.
Cost Allocation Manual
Revised Date Index**

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FRONTIER TELEPHONE COMPANIES
Frontier Communications ILEC Holdings Inc.

PART 64

COST ALLOCATION MANUAL

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FRONTIER TELEPHONE COMPANIES
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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 of 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.

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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						
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 IntraBuilding Network Cable																				X
2441 Conduit Systems											X				X					X
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
Depreciation and Amortization 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 Improvmts	X	X	X	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	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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COST ALLOCATION MANUAL

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.

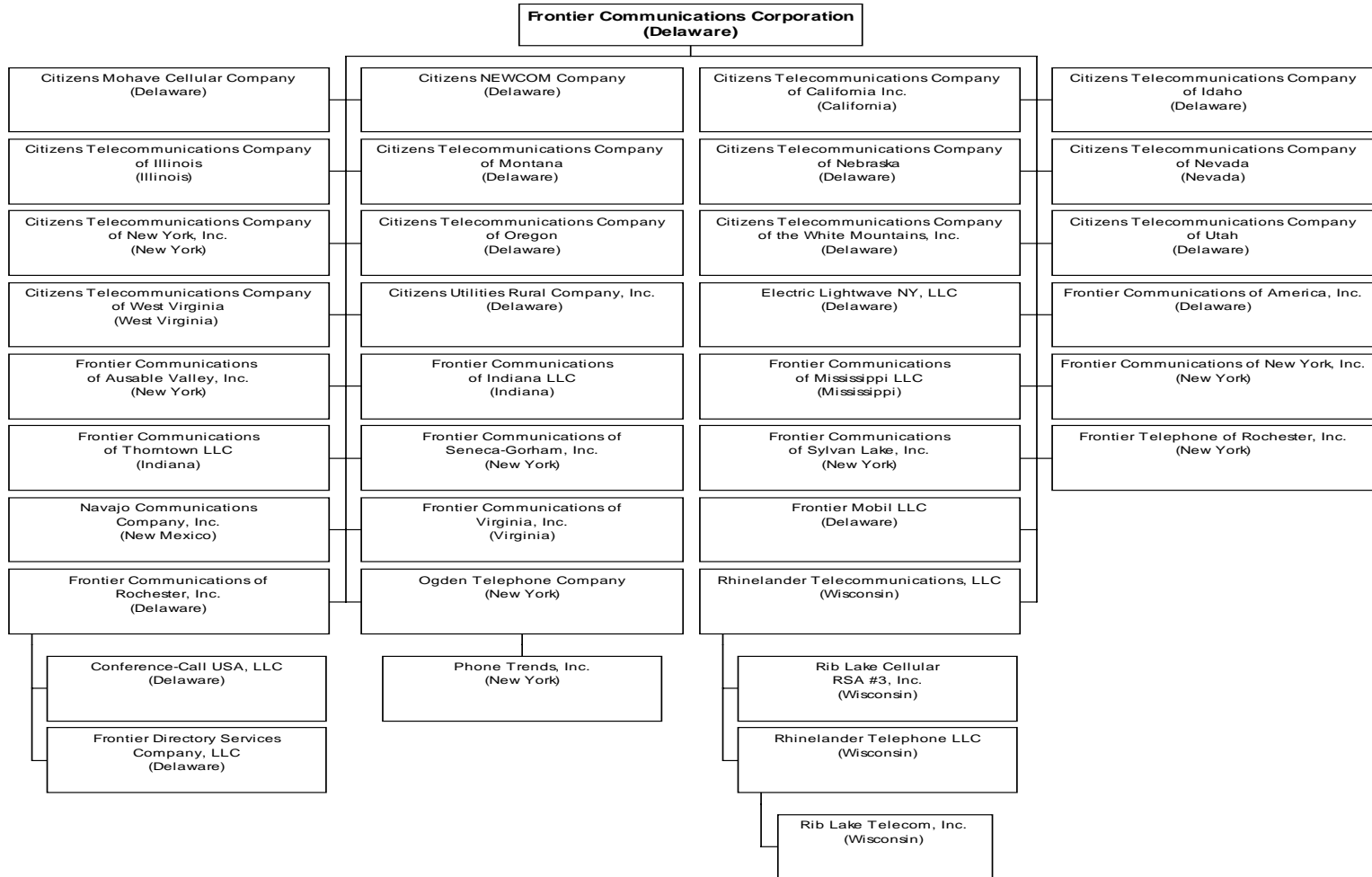
ITAC Processing:

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.

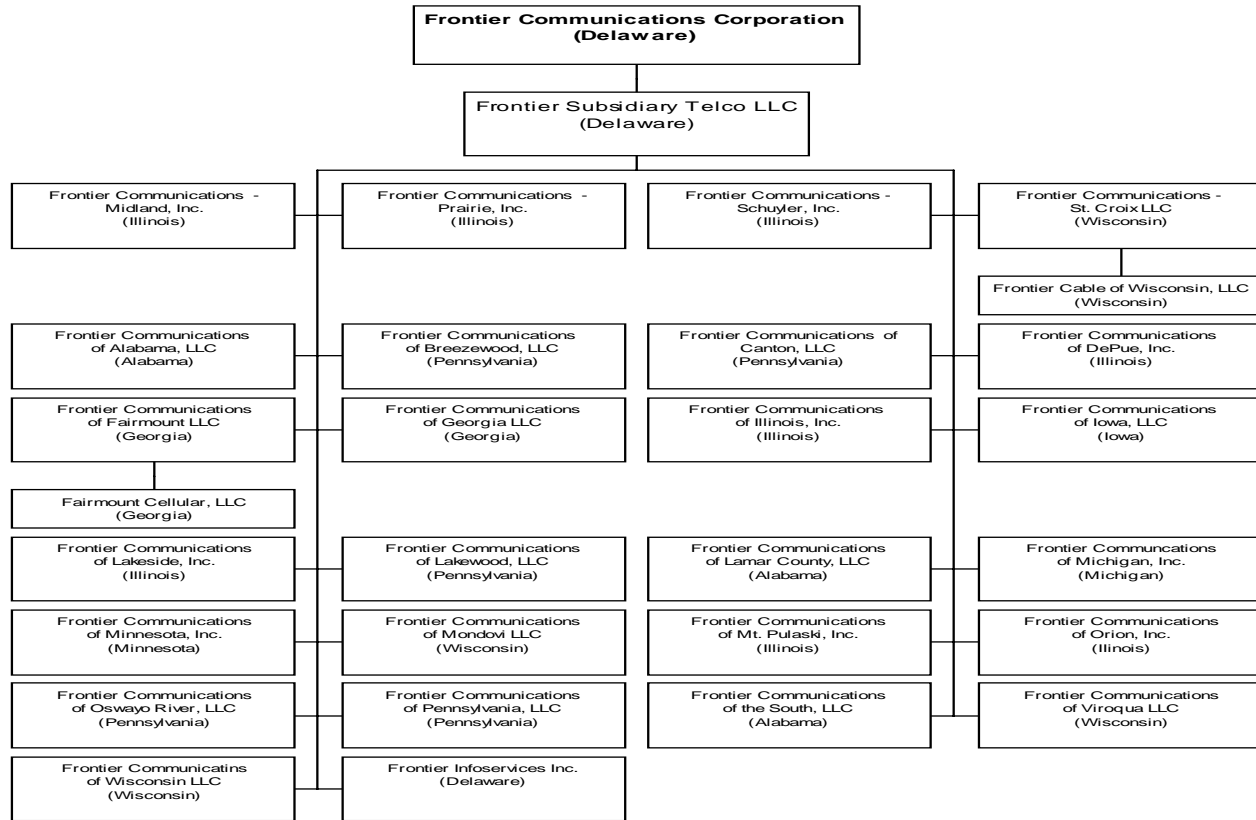
State and Local Utilities (Tax) Commission:

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

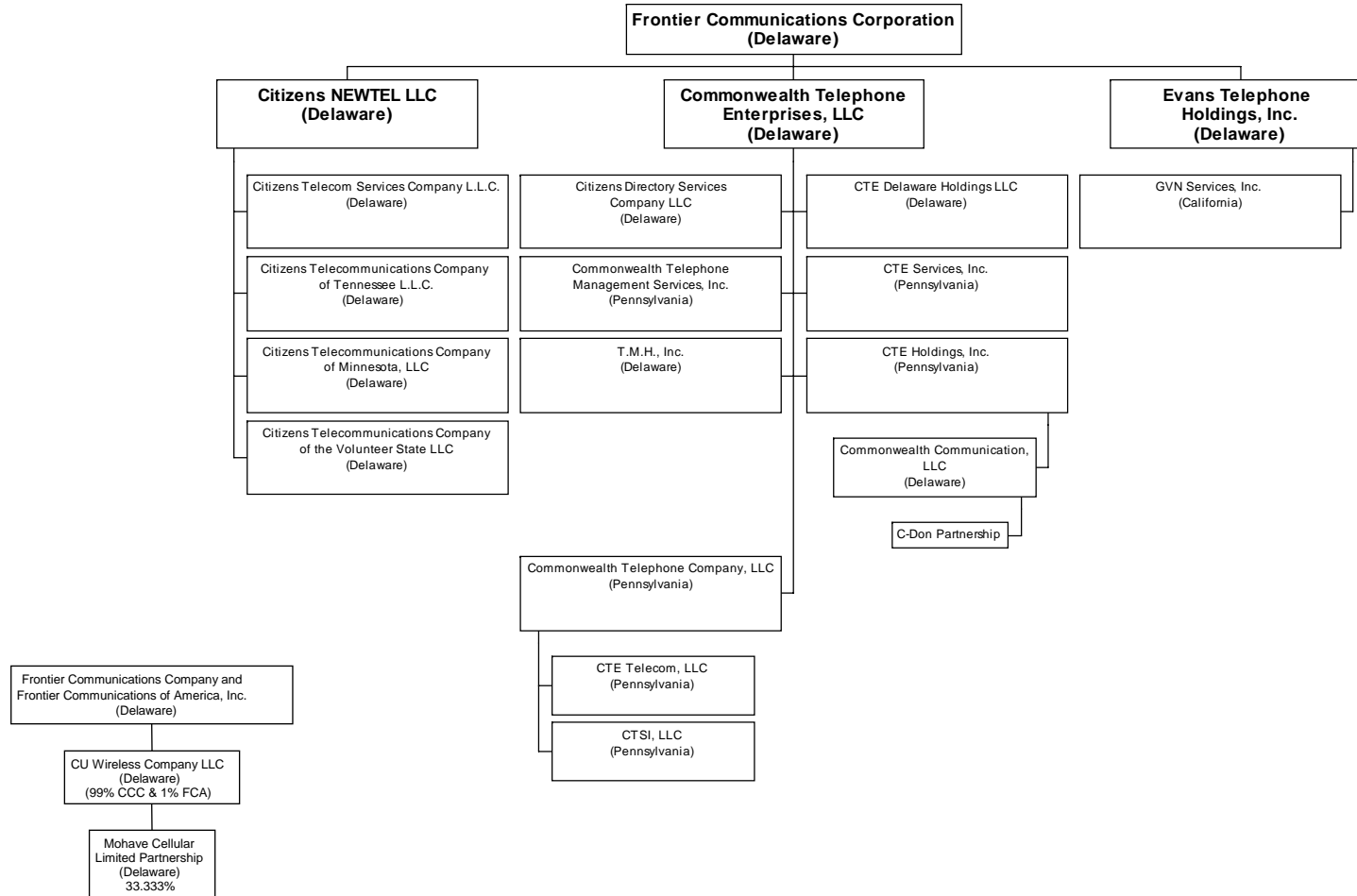


Frontier Communications Corporation Communications Sector Subsidiaries

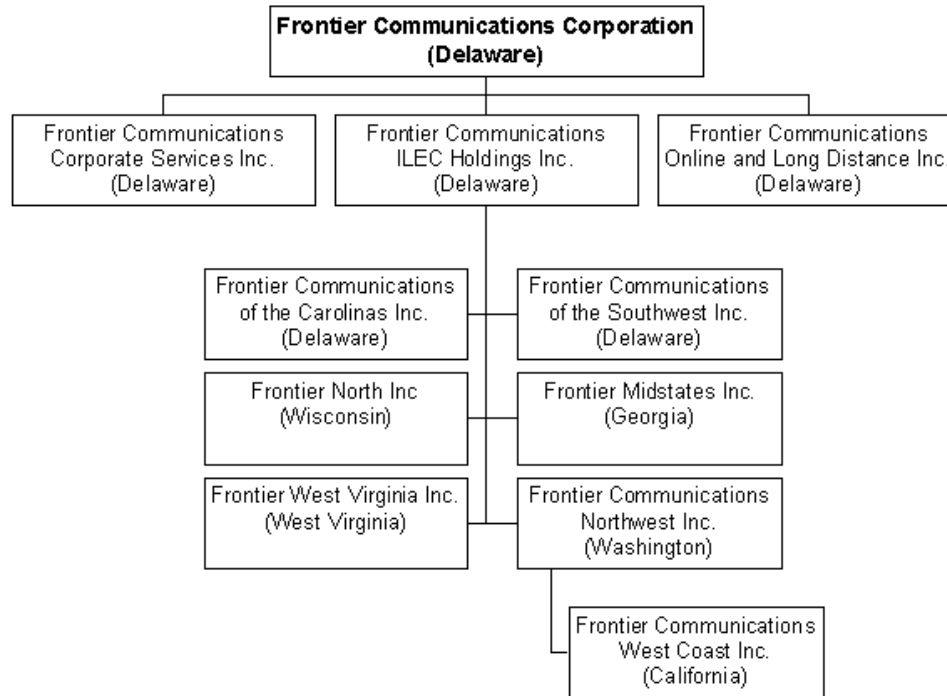


Frontier Communications Corporation

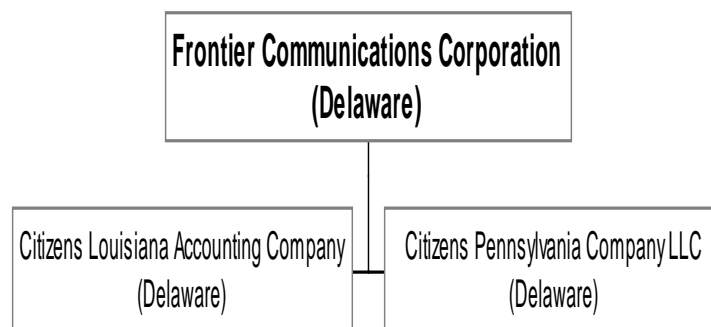
Communications Sector Subsidiaries



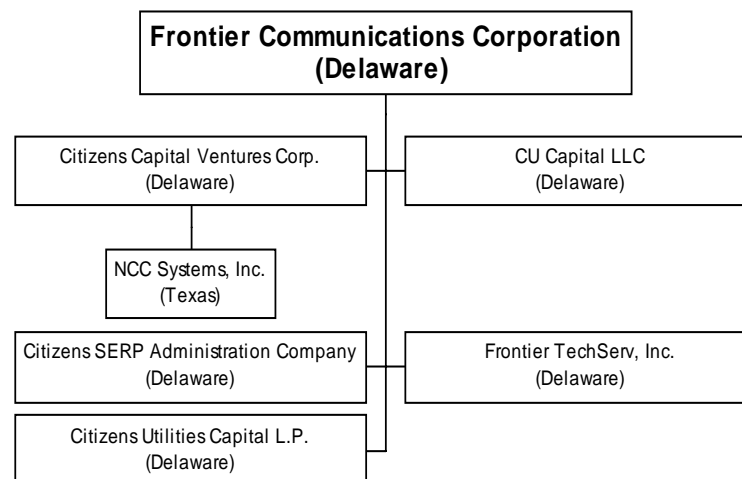
Frontier Communications Corporation Communications Sector Subsidiaries (Frontier 13)



**Frontier Communications Corporation
Public Service Subsidiaries**



Frontier Communications Corporation Management Entities and Limited Partnerships



FRONTIER TELEPHONE COMPANIES
Frontier Communications ILEC Holdings Inc.

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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.

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
	Motor Pool	Prior
2121	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.

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
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.
	Other	Ledger Account	Directly assigned to regulated, in accordance with ARMIS requirements.	Remainder of Account 1410 is not part of the ratemaking process.

<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.	See the Common Control Equipment and the Central Office Equipment Study descriptions on pages VI-5 - 6
	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.	
	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 WIRING				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.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
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.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
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.		

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
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 Non Property	Ledger Account 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. 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 Pension & Other Benefits Other	Ledger Account Ledger Account Ledger Account	General Allocator. 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. 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	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.	
6211 NON DIGITAL SWITCHING EXPENSE	Same as Account	Accounting records	Directly assigned to regulated.	
6212 DIGITAL ELECTRONIC EXPENSE	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 actual converted packets to total converted packets.	
	Common Control Equipment	Accounting Records / Special Study	Directly attributed in the same proportion as actual weighted calls.	See the Common Control Equipment and the Central Office Equipment Study descriptions on pages VI-5 and VI-6.
	Network Equipment	Accounting Records/ Special Study	Directly attributed to regulated.	

<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.	

<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	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	Accounting Records	Indirectly attributed in the same proportion as Account 2220 - Operator Systems.	
	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 & Deep Sea Cable - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pool Account 2424 - Submarine & Deep Sea Cable	
	Intra-Building Network Cable	Accounting Records	Indirectly attributed in the same proportion as Account 2426 - Intra-Building 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>
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 Nonregulated Common Residence Selling Nonproductive Time	Accounting Records Accounting Records Accounting Records Accounting Records Accounting Records	Directly assigned to regulated. Directly assigned to nonregulated. Marketing Allocator Directly attributed based on a study of regulated/nonregulated contact activity performed by Residence Telephone Sales Representatives. 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.	The CABS Service Order Processing cost pool includes all billing, processing, and support cost Accounting records are maintained that identify the investment identified in all service order activity will be categorized based on the service associated with each code. The resulting distribution will be applied. Also on a monthly basis all service order activity excluding CABS will be reviewed to identify the distribution of reporting codes among regulated and nonregulated, and apply the resulting distribution to the End User cost pool.
	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		

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
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.