Ameritech XV, Inc.
Belgacom (1998-1) Trustee Trust **Digital Switching Equipment***
AT&T Hedging Management, LLC*
TeleDenmark A/S Ameritech Capital TACC 1998 Trust **Digital Switching Equipment**
Ameritech XX, Inc.
States Jamvager/Ameritech 12/98 **OT Ferry Boat**
Joseph International Sales, Inc.
AT&T Hedging Management, LLC*
AT&T DataComm, Inc.
SBC DataComm Corporation (Canada)
AT&T Messaging, Inc.
AT&T Services, Inc.*
Bell IP Holding, L.L.C.*
Bell Telephone Company of Nevada
Callisma, Inc.
Corporate Media Partners (Delaware Partnership) d/b/a Americast*
Illinois Bell Telephone Company
Ameritech Management Corporation*
Ameritech Management Services Company, LLC
Ameritech Services, Inc.
Ameritech Center Phase I, Inc.*
Ameritech Management Corporation*
Ameritech Management Services Company, LLC
Bell IP Holding, LLC*
AT&T Services, Inc.*
Indiana Bell Telephone Company, Incorporated
Ameritech Management Corporation*
Ameritech Management Services Company, LLC
Ameritech Services, Inc.
Ameritech Center Phase I, Inc.*
Ameritech Management Corporation*
Ameritech Management Services Company, LLC
Bell IP Holding, LLC*
AT&T Services, Inc.*
Michigan Bell Telephone Company
Ameritech Management Corporation*
Ameritech Management Services Company, LLC
Ameritech Services, Inc.
Ameritech Center Phase I, Inc.*
Ameritech Management Corporation*
Ameritech Management Services Company, LLC
Bell IP Holding, LLC*
AT&T Services, Inc.*
Nevada Bell Telephone Company
Nevada Bell Leasing Company
New Southwestern Bell Mobile Systems, Inc.*
The Ohio Bell Telephone Company
Ameritech Management Corporation*
Ameritech Management Services Company, LLC

*Not Wholly Owned

Ameritech Services, Inc.
Ameritech Center Phase I, Inc.*
Ameritech Management Corporation*
Ameritech Management Services Company, LLC
Bell IP Holding, LLC*
AT&T Services, Inc.*
Pacific Bell Telephone Company
Pacific Bell Information Services
Pacific Bell Leasing Company
The Pacific Telephone Corporation
Pacific Telephone & Telegraph Company
Pacific Telesis, Inc.
Pactel Finance
AT&T Hedging Management, LLC*
PTF/FCLC Associates (LP)*
PTF/GECC (California) Associates (LP)*
PTG Properties, Inc.
AT&T Knowledge Ventures, L.P.*
SBC Alloy Holdings, Inc.*
SBC Advanced Solutions, Inc.*
SBC Global Services, Inc.
Ameritech Information Systems (Canada) Inc.
Ameritech Management Corporation*
SBC Internet Services, Inc.
SBC International Europe, Inc.
SBC Northern Leasing GP Company
SBC Northern Leasing, L.P.*
SBC Telecom, Inc.
Cingular Wireless LLC*
SBC Long Distance, LLC
SBC Venture Capital Corporation*
SBC International B.V. (The Netherlands)
Aurum-SBC Ventures, LTD. (Israel)*
SNET America, Inc.
SNET Credit, Inc.
SNET Diversified Group, Inc.
SNET Properties, Inc.
AT&T Knowledge Ventures, L.P.*
SNET Real Estate, Inc.
The Southern New England Telephone Company
Telesis Inc. (CA)
Telesis Inc. (NV)
Wisconsin Bell, Inc.
Ameritech Management Corporation*
Ameritech Management Services Company, LLC
Ameritech Services, Inc.
Ameritech Center Phase I, Inc.*
Ameritech Management Corporation*
Ameritech Management Services Company, LLC

*Not Wholly Owned

Bell IP Holding, LLC*
AT&T Services, Inc.*
The Woodbury Telephone Company

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Supplemental Affiliate Information:

AT&T Yellow Pages Holdings, LLC
- Southwestern Bell Yellow Pages, Inc.
  - Southwestern Bell Yellow Pages Resources, Inc.
    - **AT&T** Advertising, L.P.*
    - Southwestern Bell Advertising Group, Inc.
  - Southwestern Bell Yellow Pages Services, Inc.
    - **AT&T** Advertising, L.P.*
  - Yellowpages.com LLC *
    - WWW.Yellowpages.com, Inc.
      - Yellowpages Travel, Inc.
      - YPC, LLC
  - Worldwide Directory Products Sales, Inc.
- Pacific Bell Directory
  - PBD Holdings
    - PBD Services, LLC
      - **AT&T** Advertising, L.P.*
  - **Southwestern Bell Yellow Pages, Inc.**
  - **AT&T** Advertising, L.P.*
- **Ameritech Publishing, Inc.**
  - **Ameritech Management Corporation***
  - **SNET Information Services, Inc.**

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Supplemental Affiliate Information:

SBC Tower Holdings, LLC
- Abilene SMSA Tower Holdings, LP*
- Amarillo SMSA Tower Holdings, LP*
- Champaign Tower Holdings, LLC
- Cincinnati SMSA Tower Holdings, LLC*
- Dallas SMSA Tower Holdings, LP*
- Detroit SMSA Tower Holdings LLC*
- Eastern Missouri Cellular Tower Holdings, LLC*
- Gary Cellular Tower Holdings, LLC*
- Kansas City SMSA Tower Holdings, LLC*
- Lubbock SMSA Tower Holdings, LP*
- Madison SMSA Tower Holdings, LLC*
- McAllen-Edinburg Mission SMSA Tower Holdings, LP*
- Midland/Odessa Tower Holdings, LP*
- Milwaukee SMSA Tower Holdings LLC*
- Missouri RSA 11/12 Tower Holdings LLC*
- Missouri RSA 8 Tower Holdings LLC*
- Missouri RSA 9B1 Tower Holdings LLC*
- Oklahoma City Tower Holdings LLC*
- Oklahoma RSA 3 Tower Holdings LLC*
- Oklahoma RSA 9 Tower Holdings LLC*
- SBC General Towerco of Texas, LLC
  - SBC Texas Towers, LP
- SBC Texas Towers, LP
- Springwich Cellular Tower Holdings LLC*
- St. Joseph SMSA Tower Holdings LLC*
- Texas 7B1 Tower Holdings, LP*
- Texas RSA 10B1 Tower Holdings, LP*
- Texas RSA 18 Tower Holdings, LP*
- Texas RSA 19 Tower Holdings, LP*
- Texas RSA 20B1 Tower Holdings, LP*
- Texas RSA 6 Tower Holdings, LP*
- Texas RSA 9B1 Tower Holdings LLC*
- Texas RSA 9B4 Tower Holdings, LP*
- Topeka SMSA Tower Holdings LLC*
- Washington/Baltimore Tower Holdings LLC*
- Wichita SMSA Tower Holdings LLC*
- Worcester Tower Holdings LLC*

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Supplemental Affiliate Information:

- Sterling Commerce, Inc.
  - **Nistevo Corporation**
  - Sterling Commerce (America), Inc.
    - Sterling Commerce (Xel) PTY. LTD. (Australia)
    - **Yantra Solutions Private Limited (India)**
    - **Yantra Corporation U.K. Limited**
    - **Yantra GMBH (Germany)**
  - Sterling Commerce (Australia) PTY Limited
  - Sterling Commerce (Belgium) BVBA
  - Sterling Commerce B.V. (Netherlands)
    - Sterling Commerce (France) SARL
    - Sterling Commerce II N.B.V. (Netherlands)
  - Sterling Commerce do Brazil, LTDA. (Brazil)
  - Sterling Commerce (EU), Inc.
    - Sterling Commerce (Belgium) BVBA
    - Sterling Commerce do Brazil, LTDA. (Brazil)
    - Sterling Commerce (Hong Kong) Limited
      - Sterling Commerce (Hong Kong) Limited (China) Branch
    - Sterling Commerce (Italy) S.r.l.
    - Sterling Commerce (Mexico) S.A. de C.V.
  - Sterling Commerce (France) SARL
  - Sterling Commerce GmbH (Germany)
    - Sterling Commerce (Austria) Branch
  - Sterling Commerce (Hong Kong) Limited
    - Sterling Commerce (Hong Kong) Limited (China) Branch
  - Sterling Commerce International, Inc.
  - Sterling Commerce (Italy) S.r.l.
  - Sterling Commerce K.K. (Japan)
  - Sterling Commerce Leasing, Inc.
  - Sterling Commerce (Mexico) S.A. de C.V.
  - Sterling Commerce (North East), Inc.
  - Sterling Commerce (Singapore) PTE. LTD.
  - Sterling Commerce (Spain) S.L.
  - Sterling Commerce (Sweden) AB
    - Sterling Commerce (Denmark) Branch
    - Sterling Commerce (Finland) Branch
    - Sterling Commerce (Norway) Branch
  - Sterling Commerce (Switzerland) AG
  - Sterling Commerce (U.K.) Limited
  - Sterling Electronic Commerce (Canada), Inc.
  - Yantra Solutions Private Limited (India)

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SECTION V – TRANSACTIONS WITH AFFILIATES
INTRODUCTION

Nevada Bell Telephone Company, Pacific Bell Telephone Company, Southwestern Bell Telephone, L.P., **The Southern New England Telephone Company,** Wisconsin Bell, Inc., The Ohio Bell Telephone Co., Michigan Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, and Illinois Bell Telephone Company (Telcos) use the applicable provisions of the following guidelines established in RAO 26, released May 6, 1998, and modified in the Phase 2 Report and Order in the 2000 Biennial Regulatory Review released November 5, 2001, in conducting all affiliate transactions.

A. General Definitions:

(1) "tariffed rates" -- rates provided pursuant to documents filed with state or federal regulatory authorities.

(2) "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.

(3) "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 product 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.

(4) "fair market value" -- 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.

(5) "net book cost" -- the original cost of an asset adjusted by the associated valuation reserves (e.g., accumulated depreciation, deferred taxes, etc.).

(6) "fully distributed cost" -- 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—including the authorized interstate rate of return—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. The resulting cost apportionments determine the share of total cost that is attributed to each service or product. (In Telco service transactions, fully distributed cost includes a return component calculated, as required, using the authorized interstate rate of return, currently 11.25%.)

B. *Valuation Methods for the Sale or Transfer of Assets*:

(1) "tariffed rate" -- is to be used when assets are sold or transferred between a carrier and its affiliates pursuant to existing tariffs, including a tariff filed with a state commission.

(2) "prevailing price" -- is to be used when non-tariffed assets are sold or transferred between a carrier and its affiliates that qualify for prevailing price. To qualify for prevailing price, the sale of a particular asset must encompass greater than 25 percent of the total quantity of such product sold by an entity. Carriers shall apply this 25 percent threshold on an asset-by-asset basis rather than on a product-line basis. In the case of transactions for assets subject to 47 U.S.C. § 272, a Bell operating company may record such transactions at prevailing price regardless of whether the 25 percent threshold has been satisfied.

(3) "higher of fair market value and net book cost" -- is to be used as a floor for all other assets sold by or transferred from the carrier to its affiliates, except that the first $500,000 of asset transfers on a product-by-product basis, per year, per affiliate may be recorded at net book cost. For each asset listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV (fair market value) or NBC (net book cost) next to each asset listed.

(4) "lower of fair market value and net book cost" -- is to be used as a ceiling for all other assets purchased by or transferred to the carrier from its affiliates, except that the first $500,000 of asset transfers on a product-by-product basis, per year, per affiliate, may be recorded at net book cost. For each asset listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV or NBC next to each asset listed.

C. Valuation Methods for the Provision of Services:

(1) "tariffed rate" -- is to be used when services are sold or transferred between a carrier and its affiliates pursuant to existing tariffs, including a tariff filed with a state commission.

(2) "rate pursuant to a publicly-filed agreement" -- is to be used when non-tariffed services are sold or transferred between a carrier and its affiliates pursuant to publicly filed agreements submitted to state commissions pursuant to section 252(e) of the Communications Act of 1934, as amended, (the Act) or statements of generally available terms pursuant to section 252(f).

(3) "prevailing price" -- is to be used when non-tariffed services are sold or transferred between a carrier and its affiliates that qualify for prevailing price. To qualify for prevailing price, the sale of a particular service must encompass greater than 25 percent of the total quantity of such service sold by an entity. Carriers shall apply this 25 percent threshold on a service-by-service basis rather than on a service-line basis. In the case of transactions for services subject to 47 U.S.C. § 272, a Bell operating company may record such transactions at prevailing price regardless of whether the 25 percent threshold has been satisfied.

(4) "higher of fair market value and fully distributed cost" -- is to be used as a floor for all other services sold by or transferred from the carrier to its affiliates, except that the first $500,000 of services on a service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost. For each service listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV or fully distributed cost (FDC) next to each service listed.

(5) "lower of fair market value and fully distributed cost" -- is to be used as a ceiling for all other services purchased by or transferred to the carrier from its affiliates, except that the first

$500,000 of services on a service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost. An additional exception is that services received by a carrier from its affiliates that exist *solely* to provide services to members of the corporate family shall be recorded at FDC, as shown below in item (6)). For each service listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV or FDC next to each service listed.

(6) "fully distributed cost" -- is to be used only when a carrier purchases services from an affiliate that exists solely to provide services to members of the carrier's corporate family. In order to qualify for this classification, the services affiliate must not have any sales with outside parties.

APPLICATION OF AFFILIATE TRANSACTION RULES

The Telcos and their corporate affiliates will comply with the Commission's affiliate transaction rules as outlined in the Uniform System of Accounts (USOA), Part 32 of the Commission's Rules and Regulations, as modified by the Order on Reconsideration in the Joint Cost Proceeding, and the Accounting Safeguards Order under the Telecommunications Act of 1996, CC Docket 96-150.

Assets transferred from an affiliate to the Telco will be recorded on Telco's books of account at prevailing prices (PP). Where no prevailing price has been established, the lower of fair market value (FMV) or the affiliate's net book cost (NBC) will be used as a ceiling for recording on Telco books, except that the first $500,000 of assets on a product-by-product basis, per year, per affiliate, may be recorded at net book cost.

Assets transferred from Telco to its affiliates will be recorded at prevailing price or tariff rate, if applicable. Otherwise, the higher of fair market value or Telco's net book cost will be used as a floor for recording **on** Telco books, except that the first $500,000 of assets on an a product-by-product basis, per year, per affiliate, may be recorded at net book cost.

With respect to the purchase of services from an affiliate, Telco will record the prevailing price or any applicable rate pursuant to a tariff or publicly filed agreement. Otherwise, Telco will use the lower of fair market value or fully distributed cost (FDC) as a ceiling for recording on Telco books, except that the first $500,000 of **services on a** service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost. An additional exception is that, for services Telco purchases from an affiliate that exists solely to provide services to members of the corporate family, Telco may record **the** fully distributed cost. Instructions have been provided to affiliates concerning the use of the fully distributed cost methodology of cost allocation as contained in Section 64.901 rules. Affiliates are required to apply that method in developing the cost information needed by Telco in complying with the affiliate transaction rules.

When Telco provides a service to an affiliate, the affiliate will be charged an applicable rate pursuant to a tariff or publicly filed agreement. Absent such rates, Telco will apply a prevailing price, if available. Otherwise, the higher of fair market value or fully distributed cost will be used as a floor for recording on Telco books, except that the first $500,000 of services on a service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost.

The Telcos provide instructions and counseling to each affiliate for guidance in developing the affiliate's fully distributed costs, or the fair market value of the service.

SERVICE COSTING PROCEDURES FOR AFFILIATES

PROVISION OF SERVICES

If an affiliate provides a service to Telco, one of three affiliate transaction rules will apply to Telco. First, if the affiliate provides a **service** pursuant to a tariff or publicly filed agreement, Telco must record **the service** at that rate. The second rule applies when the affiliate provides more than 25 percent of the service quantity to nonaffiliated third parties at a "prevailing" price. Under these circumstances, Telco must record expenses on its (regulated) books equal to the affiliate's "prevailing" price.

If the affiliate does not have a "prevailing" price, the lower of fair market value or fully distributed cost will be used as a ceiling for recording **the service** on Telco books. Fair market value is a good faith estimate developed via methods routinely used by the general business community such as appraisals, catalog listings, competitive bids, replacement cost of an asset, net realizable value of an asset, sales to third parties, etc. Except where fair market value is lower than fully distributed cost, the affiliate providing the service to Telco must use FDC procedures in accordance with Section 64.901 of the FCC Rules and Regulations to cost the affiliate's service.

LIST OF AFFILIATES

Ameritech Advanced Data Services, Inc.	Incorporated in each of the five states within the Ameritech region **(Illinois, Indiana, Michigan, Ohio, Wisconsin)**. These companies provide business customers with advanced data communications services.
Ameritech Information Industry Services, Inc.	Provides information services to third-party information providers.
Ameritech Payphone Services, Inc.	Payphone provider outside of **Ameritech** region.
Ameritech Publishing, Inc.	Directory advertising and publishing provider.
Ameritech Services, Inc.	(FDC Exception applies) Provides various administrative and support services for the parent holding company and other subsidiaries.
AT&T Capital Services, Inc.	Provider of capital financing and leasing services.
AT&T Corp.	(Section 272 Affiliate) Provides interexchange and advanced data communications services. Also furnishes telecommunications and systems integration products to customers and operates divisions which sell and service data and voice systems for business use.
AT&T DataComm, Inc.	Furnishes telecommunications and systems integration products to customers and operates divisions which sell and service data systems for business use.
AT&T Enterprise Services, Inc.	(FDC exception applies) Performs centralized administrative support services including Information Technology and Billing Support Services, Real Estate Support Services, Procurement Support Services, Human Resources Support Services, Training Services and Finance Support Services. Also includes Business Process Development and Design, Marketing, Customer Care and Billing Support Services. Also provides various administrative and support services for the parent holding company and other subsidiaries.
AT&T Labs, Inc.	(FDC exception applies) Involved in applications research; the preparation of general generic specifications for products; the testing and evaluation of manufacturers' designs and products to determine if the general specifications set by the various **AT&T** subsidiaries are being met; and writing applications software for computers with processing systems that have been designed to be user-programmed.
AT&T Management Services, L.P.	(FDC exception applies) Provides various administrative and support services for the parent holding company and other subsidiaries.
AT&T Messaging, LLC	Voice messaging services provider.
AT&T Operations, Inc.	(FDC exception applies) Includes the development and design of business processes to provide for the planning, development and other support for the sale and merchandising of telecommunications services and products as well as a single point of contact for customers.
AT&T Services, Inc.	(FDC exception applies) Performs centralized administrative support services including Information Technology and Billing Support Services, Real Estate Support Services, Procurement Support Services. Human Resources Support Services, Training Services and Finance Support Services.
AT&T Video Services, Inc.	Video Programming services provider.
Callisma, Inc.	Provider of network consultation services.
Cingular Wireless, LLC	Wireless services and equipment provider.

Gateway Rivers Insurance Company	(FDC Exception applies) Insurance company that currently provides workers' compensation, general liability, auto liability, printer's errors and omissions, railroad liability, environmental liability, property, medical stop loss, and corporate professional liability.
Pacific Bell Directory	Directory publishing and advertising provider.
Pacific Bell Information Services	Voice messaging service provider.
SBC Advanced Solutions, Inc.	Data services provider.
SBC Asset Management, Inc.	Real estate services provider.
SBC Global Services, Inc.	Furnishes telecommunications and systems integration products to customers and operates divisions which sell and service voice systems for business use.
SBC International, Inc.	Holding company for SBC subsidiaries and affiliates operating internationally whose interests are in foreign telecommunications and other related businesses.
SBC Internet Services, Inc.	Internet service provider.
SBC Long Distance, LLC	(Section 272 Affiliate) Provides interexchange services.
SNET America, Inc.	(Section 272 Affiliate) Provides interexchange telecommunications services and interstate and international long-distance services through alliances with major carriers.
SNET Diversified Group, Inc.	Engages in a variety of business activities including tandem switching services, customer call center operations, operator services and consulting services.
SNET Information Services, Inc.	Provides yellow pages directory advertising and publishing.
SNET Real Estate, Inc.	**Engages in the acquisition and leasing of commercial real estate.**
Southwestern Bell Yellow Pages, Inc.	Directory publishing and advertising provider.
Sterling Commerce, Inc.	Provider of e-business integration solutions.

LIST OF ASSETS AND SERVICES PROVIDED
FROM TELCOS TO AFFILIATES

Service Provided	Service Description
Administrative Services	Services include various combinations of general administrative activities, fraud management, preparation and maintenance of technical and other documents, **assistance in facilitation of mass migration of certain affiliate customers to Telco network,** ID and access cards, facsimile provisioning, conference rooms, E-Rate calculations, etc. **Also includes** CLEC website support.
Asset Transfers	Occasional transfers of assets to affiliates, listed in the associated matrix by asset type.
Billing and Collections **Services**	Services include billing on Telco bill and associated collection for services provided by the affiliate to its customers.
Business Process Development & Design	Includes, but are not limited to, the development of business processes in support of new product introduction, ongoing business delivery, and business process improvement for an identified line of business. Business process development would include creation of business process strategies, business process models, OSS/BSS/NMS architectural and system requirements, testing of new system code, system administration, M&P generation, training, and metric identification. Business process development would address the functional areas of Pre-Order Negotiation, Design, Ordering, Provisioning, Activation, Installation, Repair, Assurance, Testing, and Customer Care.
Collection Services	Provision of collection services which are not included in a separate billing and collection agreement.
Customer Care	Includes post-sale customer care for 272 and 272-like affiliates; encompasses services provided during the period from initial point of sale until first bill is rendered. Includes Customer Account Record Exchange (CARE) testing and high volume business record indicator services. Does not include marketing efforts that precede customer care, and Billing and Collection inquiry service following customer care. Also includes Single Point of Contact (SPOC) support for all affiliates including service and project management functions as well as transfers of misdirected, non-marketing/non-billing/collection calls to affiliate.
Customer Premises Equipment (CPE) and Wire Services	Includes the sale or lease, installation, maintenance and repair of CPE, simple and complex wire, intra- and inter-building cables and voice, data and/or video equipment as well as other related telecommunications equipment on the customer's side of the network interface. Also included are installation, maintenance, operations support and/or management services (e.g., consulting, design, engineering and administration activities). These network plans can consist of customized wiring (copper, coaxial or fiber) and/or equipment that provides voice, data and/or video services. Inside wire maintenance plans are also offered as a part of this service. **Also includes** training of Telco employees to provide CPE Splitter/Filter Support.
Digital Subscriber Loop (DSL) Maintenance and Provisioning	Includes DSL related maintenance and testing activities required to receive process, and close trouble reports and work requests from affiliate and/or affiliate customers. Also includes DSL provisioning functions such as contacting customer or customer representative to assist in PC setups, modem, and filtering requirements. DSL work may include joint testing with telco to resolve provisioning and maintenance issues.
Digital Subscriber Loop (DSL) Network Planning & Engineering **Services**	Service includes implementation engineering functions (e.g. procurement support, monitoring systems and plant additions, project tracking, scheduling, and reporting), network planning functions (e.g. capacity/sizing/budget analysis and verification, forecasting) and project integration/planning functions (e.g. forecasts, new technology initiatives), and other related activities and associated support functions for DSL products in the 13-states.

LIST OF ASSETS AND SERVICES PROVIDED FROM TELCOS TO AFFILIATES

Service Provided	Service Description
Engineering Support	**Service includes receiving and reviewing equipment addition directives from Capacity Managers, complete collocation applications, secure installation vendor and obtain installation quotes, space walkthroughs, vendor installation monitoring/quality assurance, system updates, expense tracking and time-reporting, project scheduling and reporting, and coordination with maintenance engineering for equipment.**
Fiber Broadband Service	Service is a high speed network access service that provides connectivity to SBC's IP-enabled network that is capable of delivering a suite of services including internet access, voice, data, and video. This service consists of fiber transport running from a point at or near the customer's home to the customer's serving central office over a Passive Optical Network (PON). PONs are the next generation in networking technology. The PON elements include an optical line terminal that resides in the central office, an optical splitter which is placed in the outside plant, and an optical network terminal that is placed at or near the customer's premises.
Finance & Treasury Services	Includes budget analysis support, accounting standards, safety services, risk management, and finance corporate fraud management.
Human Resources Support	Includes support activities related to staffing, work force development, benefit administration, absence management and labor relations.
Interconnection	Establishment of interconnection arrangements with other telecommunications providers.
Layer 1/2/3 and Voice Network Planning and Engineering Service	**Services include, but are not limited, to: network planning functions; project integration and planning functions; corporate-wide network planning initiatives; program/project management; common systems standards and applications engineering; equipment and material approval for use (AFUs) and life cycle management; switching/transport/data process support; asset management; cross discipline engineering systems support; network engineering regulatory and compliance support and associated support functions for Layer 1 (i.e., Inter-LATA Transport), Layer 2 (i.e., ATM/FR/Ethernet), Layer 3 (i.e., Internet Protocol) and Voice (i.e., TDM/VoIP) Network Engineering Support services.**
Marketing Services	Includes marketing, retail sales of products and the administrative support of sales operations up to and including issuing orders for outside third parties and affiliates, including sales support by our Global and Major Accounts units. **Also includes** use of Telco assets for advertising (e.g. van wrapping, banner advertising on telco buildings) **and use of customer lists for marketing purposes**. Customer care is not included in marketing services provided to 272 and 272-like affiliates.
Network Operations Support	**Service includes line number administration, customer/network translations, RCMAC, trunk maintenance, switch surveillance and analysis, and electronic switching support.**
Network Performance Monitoring	**Service includes the creation and maintenance of network performance monitor databases; installation and configuration of the hardware and software; creation and maintenance of engineering reports; and data tracking and system troubleshooting.**
Official Communications **Services**	Services include the installation, maintenance, and administration of local, intraLATA and interLATA corporate communications services. Also includes related consulting and engineering, official directory, conference calls and terminal equipment.

LIST OF ASSETS AND SERVICES PROVIDED
FROM TELCOS TO AFFILIATES

Service Provided	Service Description
Operator Services	**Service includes operator services activities.**
Other Directory Services	Oversight of billing and collection of Yellow Pages sales and advertising, and related project management.
Power Management	**Service includes monitoring and evaluating power plants for alarms and possible servicing troubles.**
Primary Interexchange Carrier Services (PIC)	May include account maintenance, provision of customer information, verification of customer record and switch data, and service order issuance. May also include PIC change service.
Public Relations Services	May include handling of customer inquiries, complaints, appeals, and customer service measurement. May also include general public relations services such as layout, video, news clippings, employee information publications, graphics, and audio tape production.
Real Estate Services	Services include asset use, property management, lease administration, architectural planning, design and construction, floor space planning, furniture inventory, floor space, furniture and equipment leasing, parking facilities, and antenna site licenses. **Also includes lease of** central office space and equipment and power space in administrative buildings.
Regulatory **Services**	Services include regulatory support, audit oversight, consulting services and public affairs support.
Tariffed Telecommunications Services	Provision of services covered by federal and/or state tariff or **rates mandated by state/federal commissions.**
Telecommunications and Equipment Services	Includes telecommunications support activities such as access to test systems for purpose of performing tests on telco owned facilities used by affiliates and special construction activities. May also include employee concession in the Ameritech region and providing central office space and power. Also includes equipment related maintenance and testing activities required to receive, process, and close trouble reports and work requests from affiliate and/or affiliate customers. Also includes Equipment provisioning functions such as contacting customer or customer representative to assist in PC setups, modem, and filtering requirements. Equipment work may also include joint testing with affiliate and/or affiliate customers to resolve provisioning and maintenance issues. **Also includes voice mail service and telecommunications-related management consulting and field and staff support functions.**
Telephone Directory Services	Includes provision of White Pages listings to telephone directory publishers as well as other **miscellaneous directory or** support listing services.
Temporary Projects	Services include temporary support, **occasional or** one-time transactions including licensing of intellectual property, and consultation for general administrative activities.
Training Provided to Others	Training classes, curriculums and materials developed or acquired for Telco use are provided to others, and can include custom training development.
Wholesale Services	Provision of services (e.g. broadband , Local Wholesale Complete**, Private Carriage Services**) on a wholesale basis.

LIST OF ASSETS AND SERVICES PROVIDED
TO TELCOS FROM AFFILIATES

Service Provided	Service Description
Administrative Services	Includes security, insurance, office services, maintenance of furniture and office equipment, executive transportation, repatriation, customer seminars, loaned employees, services provided to Telco employees located in affiliate buildings, and interim employee-related services arising from mergers and acquisitions.
Advertising	Directory advertising, directory insert advertising, and miscellaneous advertising.
Advertising and Image Promotion	Provision of information and promotion of **AT&T** and Telco: names, products, services and corporate image to the investment community and other external audiences.
Asset Transfers	Occasional transfers of assets from affiliates, listed in the associated matrix by asset type.
Billing & Collection Services	Services include billing on affiliate bill and associated collection for services provided by the affiliate to its customers. **Also includes cooperating to identify and correct misapplied payments regardless of billing source.**
Billing/Customer Support Services	Includes billing operations, bill printing and mailing, fraud management, payment processing, billing system project management, customer account establishment and servicing, and provision of customer service advice.
Broadband IP Service	Service provides Internet Protocol (IP) connectivity capable of providing high speed internet access, video and voice services. Service may consist of connectivity between the IP backbone and the Layer 3 World Wide Web backbone. Service may also include provisioning of video content, VoIP telephony capabilities, end-user customer account establishment, maintenance and tracking, provision of floor space and power, and installation and maintenance activities, (e.g. CPE installation and maintenance, wire work, dispatch, testing, etc.).
Business Process Development & Design	Includes, but are not limited to, the development of business processes in support of new product introduction, ongoing business delivery, and business process improvement for an identified line of business. Business process development would include creation of business process strategies, business process models, OSS/BSS/NMS architectural and system requirements, testing of new system code, system administration, M&P generation, training, and metric identification. Business process development would address the functional areas of Pre-Order Negotiation, Design, Ordering, Provisioning, Activation, Installation, Repair, Assurance, Testing, and Customer Care.
Call Center Customer Care	Includes call center transfers of misdirected, non-marketing calls to affiliates **and billing and collection related inquiries. Can also include Call Center PC Lease related costs, non-recurring charges for IVR Development Charges and Reports**.
Communications Services and Equipment	Includes provision of inter-LATA services, wireless telephone sets and service; voice messaging and message center mailbox services; Internet access, products and support; circuit access and usage charges; equipment leasing and engineering, installation, monitoring, and maintenance of telecommunications products and services.

LIST OF ASSETS AND SERVICES PROVIDED
TO TELCOS FROM AFFILIATES

Service Provided	Service Description
Corporate Governance	Includes overall corporate direction and development, strategic business planning and executive supervision.
External Affairs and Government Relations	Includes external reporting, regulatory and rate proceeding activities, and compliance with securities law and exchange requirements, and maintaining relations with government and regulatory bodies as well as the general public and other companies.
Finance and Treasury Services	Includes shareowner services, investor relations, earning requirements, economic analysis, investment and cash management, tax services, corporate accounting, financial analysis, asset protection, risk management, audit services, payroll, accounts payable and bill payments, disbursement accounting, fixed asset accounting, and affiliate transactions oversight.
Human Resources Support Services	Includes staffing, work force development, benefit administration, absence management and labor relations.
Information Technology Services	Includes software development and maintenance, data center operations, PC desktop support services, corporate data communications management, related miscellaneous office equipment expense, and other miscellaneous services.
Insurance Services	Includes insurance administration and funding.
Interconnection Services	Establishment of interconnection (includes reciprocal compensation agreements) arrangements with other telecommunications providers.
Layer 1/2/3 and Voice Network Planning and Engineering Service	**Services include, but are not limited, to: network planning functions; project Integration and planning functions; corporate-wide network planning initiatives; program/project management; common systems standards and applications engineering; equipment and material approval for use (AFUs) and life cycle management; switching/transport/data process support; asset management; cross discipline engineering systems support; network engineering regulatory and compliance support and associated support functions for Layer 1 (i.e., Inter-LATA Transport), Layer 2 (i.e., ATM/FR/Ethernet), Layer 3 (i.e., Internet Protocol) and Voice (i.e., TDM/VoIP) Network Engineering Support services.**
Legal Services	Includes professional services provided by affiliate legal organizations.
Marketing Services	Services may include product and market management; distribution channel management and development; pricing, packaging and promotion; customer competitive and research analysis; market trials and tests, marketing channels, corporate call center activities, retail sale of Telco products, industry markets sales support, and call center marketing (includes sales transfers and/or referrals to affiliates). Can also include various customer care services including service management and project management functions **and use of customer lists for marketing purposes. Also can include training to market affiliates products, implementation and installation of equipment/software necessary demonstrations, product demonstrations, attending presentations and use of marketing space for buyer's products.**

LIST OF ASSETS AND SERVICES PROVIDED
TO TELCOS FROM AFFILIATES

Service Provided	Service Description
Operator Services	**This service provides the Company with Operator Services activities.**
Procurement Support Services	Includes contract management, purchasing operations, fleet management, materials management, internal mail services, copy bureau services, office equipment leasing, and procurement systems project management.
Real Estate Support Services	Includes **asset use,** facilities management, real estate design and construction management, real estate transactions, space planning, real estate systems project management and furniture administration, and lease of floor space.
Tariffed Telecommunications Services	Provision of services covered by federal and/or state tariff.
Technology planning, assessment, and applied technology services	Service involves applications research (which takes known discoveries and determines how they can be used); preparing general specifications for products; testing and evaluating manufacturers' designs and products to determine if they meet Telco general specifications; and writing applications software for computers with processing systems that have been designed to be user-programmed.
Temporary Projects	Services include temporary support, **occasional or** one-time transactions including consultation for general administrative activities. **Also can include temporary use of equipment**
White Pages Directory Services	Includes composition, production and distribution of white pages directories, directory sales, printing and binding of Customer Guide Pages, customer listing change support, database support, customer contact referrals, and local directory closing costs.

AFFILIATE TRANSACTIONS MATRIX
FROM TELCOS TO AFFILIATES

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
TARIFFED RATE																														
Billing & Collections		D		D				D							D				D	D	D				D					
Real Estate Services					O	O		O				D			D															
Tariffed Telecommunications Services		D	O	D	D	D	D	D				D	D	D	D			D	D	D	D		D		D		D	D		
Fiber Broadband Service								D																						
Primary Interexchange Carrier Services (PIC)		D																												
Wholesale Services															D					D										
PUBLICLY FILED AGREEMENT																														
Interconnection		O													D					D										
PREVAILING PRICE																														
CPE and Wire Services		O	O	O	O	O		O				O	O	O	D			O	O	D	O		D		O			D		
Billing & Collections		D		O				D							D				D	D	D				D			D		
Telephone Directory Services																			O											
Primary Interexchange Carrier Services (PIC)		D			D										D															

1= N/A
2= SBC Long Distance, LLC
3= SBC International, Inc.
4= Pacific Bell Directory
5= SNET Diversified Group, Inc.
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7= Callisma, Inc.
8= SBC Internet Services, Inc.
9= N/A
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13= AT&T Management Services, L.P.
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Telecommunications and Equipment Services		D		D	D	D	D	D				D	D	D	D			D	D	D	D				D		D	D		
Wholesale Services		D													D					D										
ASSETS – Higher of Fair Market Value and Net Book Cost																														
Inventory												O																		
Central Office Equipment																														
Land and Building																														
Transmitters																														
Support Assets		O				O		O				O		O					O											
SERVICES – Higher of Fair Market Value and Fully Distributed Cost																														
Finance & Treasury Services (FDC, FMV)		O						D				O			D					O					O					
Administrative Services (FDC, FMV)		O	O	O	O	O		O				O	O	O	D			O	O	O	O				O			O		
Official Communications (FDC, FMV)		O	D	D	O	O	O	M				D	D	D		O		D	D	D	D				M		O	O		
Real Estate Services (FDC,FMV)		D		D	D	D	D	D				D	D	D	D	D		D	D	D	D		D		O		D	D		

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Temporary Projects (FDC, FMV)		O	O	O	O	O	O	O				O	O	O	O			O	O	O	O		O		O		O	O		
Business Process Development & Design (FDC, FMV)		D													D					D								D		
Marketing Services (FDC, FMV)		D		O	D	D	D	D				O	D	M	D			O	D	D	D				D			D		
CPE and Wire Services (FDC, FMV)		D		O	O	O		O				D	O					O	O	D	O				O			O		
Telephone Directory Services (FDC)				D															D								D			
Primary Interexchange Carrier Services (PIC) (FDC,FMV)		D			D										D					D										
Regulatory (FDC,FMV)		M		O		O		M				O	M	M	M	M		O	M	M	M				M		O	O		
Other Directory Services (FDC)				O																										
Training Provided to Others (FDC,FMV)		O	O	O		O		O				O	O	O	O				O	O								O		
Collection Services (FDC, FMV)		D			O			D							O					O	O				D			D		
Operator Services (FDC)					D																									
Layer 1/2/3 and Voice Network Planning and Engineering Service (FDC, FMV)		D													D					D								O		

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Telecommunications and Equipment Services (FDC, FMV)		D			D	O	O	D				D		D	D					D	O						D	D		
Human Resources Support (FDC, FMV)																														
Public Relations Services (FDC,FMV)		O	O	O		O		O				O	O	O	O			O	O	O	O		O		O		O			
Customer Care (FDC, FMV)		D			D	D		D							D					D	D							D		
Fiber Broadband Service (FDC, FMV)								D																						
Digital Subscriber Loop (DSL) Maintenance and Provisioning (FDC, FMV)																				D										
Digital Subscriber Loop (DSL) Network Planning & Engineering (FDC, FMV)																				D										
Engineering Support (FDC)					O									O						D										
Network Operations Support (FDC)		D																												
Network Performance Monitoring (FDC)		O																												
Power Management (FDC)		D						O																						

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AFFILIATE TRANSACTIONS MATRIX
FROM TELCOS TO AFFILIATES

Asset/Service Provided**	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47
TARIFFED RATE																	
Billing & Collections		O					O							D			
Real Estate Services																	
Tariffed Telecommunications Services	D	D	D		D	D	D		D	D				D			
Fiber Broadband Service																	
Primary Interexchange Carrier Services (PIC)																	
Wholesale Services																	
PUBLICLY FILED AGREEMENT																	
Interconnection			D											D			
PREVAILING PRICE																	
CPE and Wire Services	O	O	D			O	O							D			
Billing & Collections		O	D		M		D							D			
Telephone Directory Services					M												
Primary Interexchange Carrier Services (PIC)																	

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34= N/A
35= Ameritech Publishing, Inc.
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37= **AT&T** DataComm, Inc.
38= N/A
39= AT&T Capital Services, Inc.
40= Ameritech Information Industry Services, Inc.
41= N/A
42= N/A
43= N/A
44= Cingular Wireless, LLC
45= N/A
46= Ameritech Payphone Services, Inc.
47= N/A

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AFFILIATE TRANSACTIONS MATRIX
FROM TELCOS TO AFFILIATES

Asset/Service Provided**	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47
Telecommunications and Equipment Services		D	D		D	D			D								
Wholesale Services			D														
ASSETS – Higher of Fair Market Value and Net Book Cost																	
Inventory		O				O											
Central Office Equipment																	
Land and Building	**O**																
Transmitters																	
Support Assets		O				O	O										
SERVICES – Higher of Fair Market Value and Fully Distributed Cost																	
Finance & Treasury Services (FDC, FMV)			**D**														
Administrative Services (FDC, FMV)	O	**O**	O			O			O					O		D	
Official Communications (FDC, FMV)		D	O			D	D		O					O		O	

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FROM TELCOS TO AFFILIATES

Asset/Service Provided**	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47
Real Estate Services (FDC,FMV)		D	D		D	D	D		D					D			
Temporary Projects (FDC, FMV)	O	O	O		O	O	O			O	O			O	O		
Business Process Development & Design (FDC, FMV)			D														
Marketing Services (FDC,FMV)		D	D		O		D							D			
CPE and Wire **Services** (FDC, FMV)		O	D			O	O		O					M			
Telephone Directory Services (FDC)					D												
Primary Interexchange Carrier Services (PIC) (FDC,FMV)																	
Regulatory (FDC)							O							M			
Other Directory Services (FDC)																	
Training Provided to Others (FDC,FMV)			O											O			
Operator Services (FDC)																	
Layer 1/2/3 and Voice Network Planning and Engineering Service (FDC, FMV)			**D**														

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FROM TELCOS TO AFFILIATES

Asset/Service Provided**	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47
Collection Services (FDC, FMV)		D	D				D							D			
Telecommunications and Equipment Services (FDC, FMV)		O	D			D	D							D			
Human Resources Support (FDC, FMV)						O											
Public Relations Services (FDC,FMV)							O							O			
Customer Care (FDC, FMV)		O	D				D									D	
Fiber Broadband Service (FDC, FMV)																	
Digital Subscriber Loop (DSL) Maintenance and Provisioning (FDC, FMV)																	
Digital Subscriber Loop (DSL) Network Planning & Engineering (FDC, FMV)			D														
Engineering Support (FDC)																	
Network Operations Support (FDC)																	
Network Performance Monitoring (FDC)																	
Power Management (FDC)																	

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TO TELCOS FROM AFFILIATES

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
TARIFFED RATE																																
Telecommunications Services and Equipment						D																										
Tariffed Telecommunications Services												D	D																			D
PUBLICLY FILED AGREEMENT																																
Interconnection Services																											D					D
PREVAILING PRICE (assets & services)																																
Information Technology Services																								O								
Advertising			D	D												D													D			
Communications Services and Equipment							D						D						D				O	O			D			O		D
Real Estate Support Services																																D
ASSETS – Lower of Fair Market Value and Net Book Cost																																
Test Sets															O																	
Inventory					O				O																							
Amortizable Assets									O																							

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Information Origination/ Termination Assets									O																							
Leasehold Building Improvements														O																		
Support Assets	O				O		O		O	O		O		O	O						O		O			O				O		O
SERVICES – Lower of Fair Market Value and Fully Distributed Cost																																
Temporary Projects (FDC, **FMV**)						O	O					O			O		O		O					O						O		O
White Pages Directory Services (FDC)			D	D												D																
Administrative Services (FDC)						O																										
Communications Services and Equipment (FDC, FMV)						D	O					D			D								D			O						D
Marketing Services (FDC, FMV)																														D		D
Real Estate Support Services (FDC, FMV)		D				D						O										D										D
Broadband IP Services (FDC, FMV)							D																									
Call Center Customer Care																																D
Operator Services (FDC, FMV)													D																			

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Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
FULLY DISTRIBUTED COSTS																																
Advertising and Image Promotion										D																						
Human Resources Support Services	O									D				D																		
Corporate Governance										D																						
Finance and Treasury Services										D				D																		
External Affairs and Government Relations										D				D																		
Administrative Services					D					D				D																	O	
Legal Services										D				D																	O	
Billing/Customer Support Services					D									D																		
Information Technology Services					O									D																		
Technology Planning, Assessment, and Applied Technology Services											D																					
Marketing Services	D				D																										D	
Layer 1/2/3 and Voice Network Planning and Engineering Service														D																	D	

1= AT&T Operations, Inc.
2= **SNET Real Estate, Inc.**
3= **SNET Information Services, Inc.**
4= Pacific Bell Directory
5= Ameritech Services, Inc.
6= Pacific Bell Information Services
7= SBC Internet Services, Inc.
8= N/A
9= SNET America, Inc.
10= AT&T Management Services, L.P.
11= AT&T Labs, Inc.
12= SBC Advanced Solutions, Inc.
13= SNET Diversified Group, Inc.
14= AT&T Services, Inc.
15= Ameritech Advanced Data Services, Inc.
16= Southwestern Bell Yellow Pages, Inc.
17= Callisma, Inc.
18= Gateway Rivers Insurance Company
19= AT&T Messaging, LLC
20= N/A
21= **AT&T** DataComm, Inc.
22= SBC Asset Management, Inc.
23= SBC Long Distance, LLC
24= Sterling Commerce, Inc.
25= N/A
26= AT&T Capital Services, Inc.
27= Cingular Wireless, LLC
28= N/A
29= Ameritech Publishing, Inc.
30= SBC Global Services, Inc.
31= AT&T Enterprise Services, Inc.
32= AT&T Corp.

** See pages V-8 through V-11 appearing earlier in Section V for a more detailed description of services provided
Legend: D = Daily, W = Weekly, M = Monthly, Q = Quarterly, A = Annually, O = Occasionally

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
Temporary Projects	O				O					O	O			O																		
Procurement Support Services					O									D																		
Real Estate Support Services														D																		
Communications Services and Equipment	D				D									D																	O	
Insurance Services																		D														
Business Process Development & Design	D																															
NO CHARGE																																
White Pages Directory Services																													D			
Marketing Services																							O									
Real Estate Support Services																																D
Billing & Collection Services																																O
Call Center Customer Care																																D
Temporary Projects												O			O																	O

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SECTION VI - COST APPORTIONMENT TABLES

OVERVIEW

The Companies' cost apportionment tables contain the methods and procedures for allocating common investment and expense costs to regulated and nonregulated activities. The cost apportionment tables and a summary of tables' development are included in this section.

With respect to the application of the general allocator, this cost apportionment method requires special consideration since it is associated with expenses that are general in nature and can neither be directly assigned nor attributed to regulated or nonregulated operations. The Companies' CAM only uses the general allocator wherever costs can not be directly assigned or otherwise attributed, either directly or indirectly. The use of the general allocator is justified for certain types of expenses, such as accounting and finance, research and development, and external relations. This justification is based on two distinct premises. First, by definition, the expenses that the general allocator is applied to are unattributable. These expenses have no other rational cost apportionment method available for cost allocation purposes. Second, the Companies' accounting systems do not provide a practicable means to capture the information sufficient to support the development of a more cost causative apportionment.

UNIFORMITY OF ACCOUNTS

In order to obtain greater uniformity in LEC cost allocator practices, the FCC issued minimum cost pool requirements and specific allocation procedures for Part 32 accounts which contain large amounts of nonregulated costs.

On July 1, 1993, the FCC issued Memorandum and Opinion Order, Implementation of Further Cost Allocation Uniformity AAD 92-42. This order directs LECs to revise their CAMs to the extent necessary to distinguish properly among "direct assignment," "direct attribution," and "indirect attribution" and to implement uniform cost pools and allocation procedures for ten accounts:

- 2111-Land
- 2112-Motor Vehicles
- 2121-Buildings
- 2311-Station Apparatus
- 2341-Large Private Branch Exchanges
- 6112-Motor Vehicle Expense
- 6121-Land and Building Expense
- 6311-Station Apparatus Expense
- 6341-Large Private Branch Exchange Expense
- 6362-Other Terminal Equipment Expense.

COST APPORTIONMENT TABLES DEVELOPMENT

The cost apportionment tables present the following information for each applicable USOA Part 32 Account:

- USOA Part 32 Accounts: Account number and brief description
- Cost Pool Name: Cost pool(s) into which the costs of the account are assigned or apportioned
- Cost Pool Identification: Method for apportioning the account into the defined cost pools
- Cost Pool Apportionment Method: Method of apportioning cost pools between regulated services and nonregulated activities
- Comments: Added as appropriate to explain costing methodology

Following is a brief discussion on each section of the Cost Apportionment Tables.

COST POOLS

A cost pool represents a homogeneous group of costs within the USOA Part 32 account structure. A cost pool allows further subdivision of an account as necessary to permit analysis based on cost causation.

Direct Cost Pool or Directly Assigned represents revenues, expenses, and investments which can be identified to have been incurred exclusively for regulated services or nonregulated activities.

Directly Attributed represents common costs such as revenues, expenses, and investments which are allocated between regulated and nonregulated activities based on direct measures of cost-causation or direct analysis of the origin of the costs themselves.

All Other costs are apportioned using some method of indirect measures of cost-causation, or general allocation where no causal relationship exists.

COST POOL IDENTIFICATION

This description of the identification section of the cost apportionment tables presents the basis by which an account is split into cost pool categories. All investment is allocated to cost pools based on an analysis of the costs comprising each subaccount. All other cost pools are populated by means of Accounting Codes. Accounting Codes include:

- Accounts
- Subaccounts
- Field Reporting Codes (FRCs)
- Aliases (previously known as Special Purpose Function Codes)
- Expenditure Codes (XCs)
- Responsibility Codes (RCs)
- Continuing Property Records (CPR)
- Activity Codes
- Equipment Category Number (ECN)
- Project Numbers

Utilization of a particular Accounting Code depends upon the type of expenditure being captured. The descriptions below outline the basis for the cost assignments included in the cost apportionment tables.

Based on Description of Accounting Code(s)

An analysis of Accounting Codes is used to identify selected cost pools. Accounting Codes are used in operations to report activities for which time and expenses are incurred. Separate Accounting Codes are used with investment accounts to record the capitalized investments of an account.

Accounting Codes associated with operations are assigned to specific work activities and are reported by employees using positive time reporting procedures.

Accounting Codes associated with investment accounts are used to identify unique classifications of plant within an account.

Accounting codes are pre-assigned to all employees based on an analysis of their normal work activities. When these employees work on other activities, their work is reported through exception time reporting procedures.

Analysis of Building Use

The Companies maintain continuing property records (CPR) of all of their buildings. This CPR associates building locations with functions by building that can be used to separate the CPR dollars for each building location into cost pools. These cost pools include: Central Office, Distribution Services, Network Operations, Customer Operations, Corporate Operations and Rented to Others.

Once the CPR dollars have been derived for each of the Building cost pools listed above, a ratio of that cost pool's CPR dollars to total CPR dollars in a jurisdiction is developed. These ratios are applied to the total building investment in a jurisdiction to determine the level of building investment for that cost pool.

Thus a building by building analysis is performed and the ratios developed by this analysis are applied to each jurisdiction's total building investment within the Companies. This study is performed at least annually.

Analysis of Motor Vehicle Records

The Companies maintain an inventory file of all their motor vehicles. This inventory associates motor vehicle costs with motor vehicle numbers and function codes. The motor vehicle numbers have a unique identification number that is used to populate the Distribution Services-Construction Sub-pool. The remaining pools, i.e., the Corporate Operations, Distribution Services-Installation and Maintenance, Central

COST POOL IDENTIFICATION (cont.)

Office, Network Operations, Customer Operations and Motor Pools, are populated by matching the function code on the motor vehicle inventory file with the related pool category. This study is performed at least annually.

Lease Study – **Pacific and SWBT**

This capital lease study is performed at least annually by obtaining the continuing property record report which lists all capital leases and their amounts within a jurisdiction by lease category.

Leasehold Improvement Study – **Pacific and SWBT**

This leasehold improvement study is conducted at least annually by obtaining the continuing property record report which lists all leasehold improvements and their amounts within a jurisdiction. These leasehold improvements are then pooled based on their related leased building location code.

Analysis of Equipment Inventory Records

Analysis of equipment inventory records is performed when an account cannot be disaggregated into homogeneous cost pools using other detailed information. This disaggregation assures maximum direct assignment of costs to regulated services and nonregulated activities. The equipment inventory records are analyzed in those instances when they help to identify equipment dedicated to either regulated services or nonregulated activities.

Specific Identification of Equipment in Accounting Records – **SWBT**

Specific identification of equipment in accounting records is performed when an entire unit of unique equipment is dedicated solely to regulated or nonregulated activities and can be identified specifically as such in accounting records.

COST POOL IDENTIFICATION (cont.)

Cost Pool Equals Account

When an entire account is considered homogeneous, it is assigned to a single cost pool. A cost pool can be directly assigned to regulated services or nonregulated activities. If the cost pool cannot be directly assigned, then it is allocated on some other basis. The specific allocation method used depends upon the account involved.

Account Balance Less Amounts Assigned to the Direct Cost Pools

After determining the directly assigned costs for an account, those costs are removed from the account balance. Then if the remainder of the account is considered homogeneous, it is assigned to a cost pool. The cost pool is then allocated according to its specifications.

COST POOL IDENTIFICATION (cont.)

Account Balance Less Amount Assigned to Other Cost Pool(s)

This methodology is used when the residual portion of an account is assigned to a single cost pool, after excluding a homogeneous group of costs which are directly assigned or allocated. The exception group of costs will be assigned to a cost pool (or pools) and directly assigned or allocated according to its specifications, while the residual account balance will be directly assigned or allocated, according to its specifications.

Computer Usage

Computer usage is the basis for developing the cost pools of computer costs which then can be apportioned by direct/indirect measures of causation. For general purpose computer and information management expenses billed to the telcos by the affiliate providing support services, actual computer usage **or the use of project management for information technology** based on the services affiliate billing detail will be used to assign costs to cost pools.

Analysis of Property Records - Nevada

The subsidiary records supporting Automated Attendant Services will be studied at least annually and each item will be assigned to the cost pool based on the nature or expected use of the property item.

Based on Relative Value of Cost Pool(s)

For those expense accounts where relative value of cost pool(s) is specified as the basis of pooling costs, the indicated forecasted pooled investment subset in another related investment cost pool is ratioed to the total investment in the other related investment cost pool. This ratio is applied to the expense associated with the other related investment cost pool, populating the expense cost pool indicated in the related expense account.

COST POOL APPORTIONMENT METHOD

This description of the apportionment method section of the Cost Apportionment Table presents the method which a pool is apportioned between regulated and nonregulated activities. Whenever possible, cost pools are established using accounting codes to provide for the direct assignment of costs to regulated services and non regulated activities. When a cost pool cannot be directly assigned, then an allocation must be made. If direct assignments are not available, then direct measures of cost causation are used to make apportionments. Indirect measures of cost causation are used when no direct method exists. Finally, when there are no direct or indirect measures of cost causation available, either a marketing allocator or a general allocator is applied. In some instances direct assignments to regulated or nonregulated occur in an account where a direct cost pool does not exist. This is due to either reconciliation activity at year-end, or exception time reporting in an account where it is not expected. Since these occasions are infrequent and not regularly expected, direct cost pools are not established. The bases for the apportionments in the Cost Apportionment Tables are outlined below. (Please refer to Section VII for sampling apportionment methodology description.)

Assigned to Nonregulated

When a cost pool is identified as incurred exclusively for nonregulated activities, then a direct assignment to nonregulated is made.

Assigned to Regulated

When a cost pool is identified as incurred exclusively for regulated services, then a direct assignment to regulated is made.

Peak Forecasted Annual Usage – Logical Channels - Ameritech

Common network investment that is not attributed pursuant to Section 64.901(b)(1) is apportioned to nonregulated on the basis of peak nonregulated relative forecasted annual usage over a three year forecast period. A logical channel is a unit of measure used to forecast the usage capacity on digital electronic switching equipment. Logical channels represent a manner by which regulated services and nonregulated activities can be differentiated. The apportionment to nonregulated is made by dividing nonregulated logical channels by total logical channels in the peak year.

COST POOL APPORTIONMENT METHOD (cont.)

Peak Forecasted Annual Usage – Kilosegments – SWBT

Common network investment that is not attributed pursuant to Section 64.901(b)(1) is apportioned to nonregulated on the basis of peak nonregulated relative forecasted annual usage over a three year forecast period. A Kilosegment is a unit of measure used to forecast the usage capacity on a packet switch. Kilosegments represent a manner by which regulated services and nonregulated activities can be differentiated. The apportionment to nonregulated is made by dividing nonregulated kilosegments by total kilosegments in the peak year.

Peak Forecased Annual Usage – COE Study – Nevada

Common network investment that is not attributed pursuant to Section 64.901(b)(1) is apportioned to nonregulated on the basis of peak nonregulated relative forecasted annual usage over a three year forecast period. A call attempt is a unit of measure used to forecast the usage capacity on digital electronic switching equipment. Call attempts represent a manner by which regulated and nonregulated services can be differentiated. The apportionment to nonregulated is made by dividing nonregulated call attempts by total call attempts in the peak year.

Peak Forecasted Annual Usage – Call Volumes (Messages) – Ameritech

Common network investment that is not attributed pursuant to Section 64.901(b)(1) is apportioned to nonregulated on the basis of peak nonregulated relative forecasted annual usage over a three year forecast period. Call volumes (messages) is a unit of measure used to forecast the usage capacity on analog and digital electronic switching equipment. Call volumes (messages) represent a manner by which regulated services and nonregulated activities can be differentiated. The apportionment to nonregulated is made by dividing nonregulated call volumes (messages) by total call volumes (messages) in the peak year.

COST POOL APPORTIONMENT METHOD (cont.)

Peak Forecasted Annual Usage - 128-byte segments – Pacific

Common network investment that is not attributed pursuant to Section 64.901(b)(1) is apportioned to nonregulated on the basis of peak nonregulated relative forecasted annual usage over a three year forecast period. 128-byte segments is a unit of measure used to forecast the usage capacity on a packet switch. 128-byte segments represent a manner by which regulated services and nonregulated activities can be differentiated. The apportionment to nonregulated is made by dividing nonregulated 128-byte segments by total 128-byte segments in the peak year.

Peak Forecasted Annual Usage – Living Units – Ameritech, Pacific, **SNET** and SWBT

Common network investment that is not attributed pursuant to Section 64.901(b)(1) is apportioned to nonregulated on the basis of peak nonregulated relative forecasted annual usage over a three year forecast period. A living unit (e.g., a home or business with a unique billing address) is a unit of measure used to forecast the usage of the internet protocol (IP) network. Living units represent a manner by which services accounted for as regulated and those accounted for as nonregulated can be differentiated. The apportionment to nonregulated is made by dividing the IP-enabled living units subscribing to a nonregulated broadband service by the sum of the IP-enabled living units subscribing to a nonregulated broadband service plus IP-enabled living units subscribing to a regulated narrowband service, in the peak year.

Peak Forecasted Annual Usage - cpu seconds - Pacific

Common network investment that is not attributed pursuant to Section 64.901(b)(1) is apportioned to nonregulated on the basis of peak nonregulated relative forecasted annual usage over a three year forecast period Cpu seconds is a unit of measure used to forecast the usage capacity on a digital switch. Cpu seconds represent a manner by which regulated services and nonregulated activities can be differentiated. The apportionment to nonregulated is made by dividing nonregulated cpu seconds by total cpu seconds in the peak year.

Peak Forecasted Annual Usage – Messages - SWBT

Common network investment that is not attributed pursuant to Section 64.901(b)(1) is apportioned to nonregulated on the basis of peak nonregulated relative forecasted annual usage over a three year forecast period. Messages is a unit of measure used to forecast the usage capacity on analog and digital electronic switching equipment. Messages represents a manner by which regulated and nonregulated services can be differentiated. The apportionment to nonregulated is made by dividing nonregulated messages by total messages in the peak year.

Peak Forecasted Annual Usage – Call Volumes – **Ameritech, Nevada, Pacific and SWBT**

Common network investment that is not attributed pursuant to Section 64.901(b)(1) is apportioned to nonregulated on the basis of peak nonregulated relative forecasted annual usage over a three year forecast period. Call volumes is a unit of measure used to forecast the usage capacity on operator systems. Call volumes represent a manner by which regulated services and nonregulated activities can be differentiated. The apportionment to nonregulated is made by dividing nonregulated call volumes by total call volumes in the peak year.

Peak Forecasted Annual Usage – Octets – Ameritech, Pacific and SWBT

Common network investment that is not attributed pursuant to Section 64.901(b)(1) is apportioned to nonregulated on the basis of peak nonregulated relative forecasted annual usage over a three year forecast period. An octet is a unit of measure used to forecast the usage on a portion of the signaling system network. Octets represent a manner by which services accounted for as regulated and those accounted for as nonregulated can be differentiated. The apportionment to nonregulated is made by dividing nonregulated octets by total octets in the peak year.

COST POOL APPORTIONMENT METHOD (cont.)

Relative Value of Current Month Salaries and Wages

For those accounts where relative value of salaries and wages is specified as the basis for apportioning costs between regulated services and nonregulated activities, a nonregulated percentage is developed from the current month salaries and wages in a specified group of accounts. The nonregulated percentage is developed by dividing the nonregulated salaries and wages in the specified accounts by the total salaries and wages in the accounts.

The amount apportioned to nonregulated would be calculated by multiplying the ratio of nonregulated current month salaries and wages to total current month salaries and wages in the specified accounts by the total value of the cost pool. For example, the Station Connections Cost Pool in Account 1220 is apportioned based on the relative value of Station Connections salaries and wages in Accounts 2311 through 2362 and 6311 through 6362. The nonregulated ratio is the total nonregulated salaries and wages in those accounts divided by the total salaries and wages in Accounts 2311 through 2362 and 6311 through 6362. The nonregulated ratio is then multiplied by the costs in the cost pool, and the result is apportioned to nonregulated.

When Accounts 2111 through 2690, Telephone Plant In Service (TPIS), are used as a basis of apportionment, the related accumulated depreciation and amortization included therein and in Accounts 3100 through 3420 and related occurrences in Accounts 2002 through 2005 are also included in the allocator. The inclusion of accumulated depreciation/ amortization and occurrences in 2002 through 2005 are determined on an accounting code by accounting code basis. For example, if the salaries and wages in Account 2212, Accounting Code 377C are the basis of apportionment, then the accumulated depreciation and 2002 through 2005 occurrences related to Accounting Code 377C are also included in the allocator.

Relative Value of Current Year Salaries and Wages

The relative value of current year salaries and wages allocators are calculated the same as the relative value of current month salaries and wages allocators (see previous explanation). The terminology "current year" is used to be consistent with the Uniformity Order; any portion of current year can be used and still comply with the Order. This CAM uses current month salaries and wages.

COST POOL APPORTIONMENT METHOD (cont.)

Current (Month) Regulated and Nonregulated Use

Many plant related expenses (Account 6112 through 6565) will incorporate the concept of forward-looking allocation because they will be indirectly allocated on the basis of plant investment which is allocated based on forecasted peak demand. Maintenance expenses, however, and other non-plant related costs, are to be allocated based on current relative regulated and nonregulated use. The amount apportioned to nonregulated would be calculated by dividing the nonregulated current (month, unless otherwise stated) actual use of certain designated shared network investment by the total current (month, unless otherwise indicated) actual use and then applying this ratio to the total value of the cost pool.

75% of the Ratio of Regulated Trouble Counts Cleared (No Access/ No Trouble Found)

The Uniformity of Accounts established a single cost pool for no access reports and no trouble found reports. Seventy-five percent of the ratio of regulated trouble counts cleared to total trouble counts cleared is calculated.

Current Regulated and Nonregulated Investment Value

This allocator is used to apportion costs which are deemed to have an indirect relationship with certain types of investment. This allocator functions in the same manner as the "Relative Investment" allocator detailed below which is based on the relationship of nonregulated investment to total investment.

It differs from the "Relative Investment Value" allocator in situations when that allocator is determined by forecasted levels of investment. Many plant related expenses (Account 6112 through 6565) will incorporate the concept of forward-looking allocation because they will be indirectly allocated on the basis of plant investment which is allocated based on forecasted peak demand. Maintenance expenses, however, and other non-plant related costs, are to be allocated based on current relative regulated and nonregulated use. In those situations, the "Current Regulated and Nonregulated Investment Value" allocator uses the actual levels of investment as determined by the "Current Regulated and Nonregulated Use" allocator listed earlier instead of forecasted levels of investment.

Analysis of Use of the Rented Asset

Rented Land and Building Assets are directly attributed to regulated and nonregulated based on analyzing the purpose for which the rented asset is used. For example, rental payments incurred under the terms of the MFJ in connection with network facilities are directly attributed to regulated.

Relative Investment Value

For those accounts where relative investment value is specified as the basis of apportioning costs between regulated services and nonregulated activities, a nonregulated percentage is developed from a specific investment component. The nonregulated percentage is developed by dividing the nonregulated investment in the specified accounts by the total investment in the accounts. Accounts allocated on relative investment provide for an indirect causal apportionment. The amount apportioned to nonregulated would be calculated by multiplying the ratio of nonregulated investment to total investment by the total value of the cost pool.

COST POOL APPORTIONMENT METHOD (cont.)

Directly Attributed to Regulated/Nonregulated Based on the Definition of the Cost Pool

When cost pools can be identified as exclusively associated with regulated or nonregulated activities, then the total cost pool is assigned to regulated or nonregulated appropriately.

Company Current Month Salaries and Wages

Salaries and wages as determined on a state-by-state basis are used to distinguish regulated services and nonregulated activities for cost pools in the accounts listed below. This indirect attribution uses the ratio of current month regulated services and nonregulated activities previously allocated current month salaries and wages as the basis for the apportionment of selected cost pools.

An apportionment to nonregulated would be made by dividing the previously allocated nonregulated salaries and wages in the 2000, 3000, 6000, and 7000 series of accounts by the previously allocated salaries and wages in the account series.

Relative Value of Account(s)

For those accounts where a related account/subaccount is specified as the basis of apportioning costs between regulated services and nonregulated activities, a percentage is developed to reflect the proportion of the nonregulated cost component to the total. The percentage is then multiplied by the value of the cost pool to apportion costs to nonregulated.

Relative Value of Telco Marketing Costs in Accounts

For those accounts where telco marketing costs are specified as the basis of apportioning costs between regulated services and nonregulated activities, a percentage is developed to reflect the proportion of the directly assigned and attributed nonregulated telco marketing cost component to total directly assigned and attributed telco marketing costs. Telco marketing costs are calculated by summing total directly assigned and attributed marketing costs, less directly assigned and attributed affiliate joint marketing costs, in Accounts 6611, 6613, 6623 and 6720. The nonregulated percentage is then multiplied by the value of the cost pool to apportion costs to nonregulated.

Tax Allocation-Operating Federal Income Tax, **Operating** State and Local Income Taxes and Provision for Deferred Operating Income Taxes-Net

The **Operating Federal Income Tax, Operating State and Local Income Taxes and Provision for Deferred Operating Income Taxes-Net** common cost pools are allocated based on operating book income before income taxes less interest expense.

Directory Assistance Call Work Volume Usage – **Ameritech, Nevada, Pacific and SWBT**

The **o**perator **s**ystems **d**irectory **a**ssistance common expenses are allocated based on the ratio of nonregulated call work volumes to total call work volumes.

Analysis of Billed Universal Service Order Codes (USOCs)

This allocator is used to apportion costs that relate to the processing of customer bills, including such things as programming, processing, printing and customer collection services. The Universal Service Order Code (USOC) is the fundamental code from which all billing systems are built. Determining the regulated/nonregulated proportion of the monthly billed USOC volume counts will approximate the cost causative efforts involved in the billing and collection processes.

Each month, the total quantity of USOC volumes billed by General Ledger Main Account Code is determined from billing activity reports. The total monthly quantity of USOC volumes billed in Account 5280 is divided by the total monthly quantity of USOC volumes billed.

Relative Value of Cost Pool(s)

The relative value of cost pool(s) is used as a method of apportionment when one cost pool is allocated based on others. An assignment to nonregulated is made by developing the percentage of nonregulated costs in the specified cost pools to total costs in the specified cost pools and applying it to the value of the cost pool to be apportioned.

Current Month **(Year)** Company Salaries and Wages Excluding Specified Salaries and Wages

Salaries and wages excluding specified salaries and wages as determined on a state-by-state basis are used to distinguish regulated services and nonregulated activities for cost pools in the accounts listed below. This indirect attribution uses the ratio of regulated services and nonregulated activities previously allocated salaries and wages less specified salaries and wages as the basis for the apportionment of selected cost pools.

An apportionment to nonregulated would be made by dividing the previously allocated nonregulated current month salaries and wages in the 2000, 3000, 6000, and 7000 series of accounts less the specified current month salaries and wages identified in the Cost Pool Matrix by the related previously allocated current month salaries and wages.

Trouble Reports

Trouble reports are identified as either regulated or nonregulated. This ratio of nonregulated trouble reports to total trouble reports is multiplied by expenses in the cost pool and the resulting amount is apportioned to nonregulated.

Marketing Allocator

The marketing allocator is used to apportion cost pools of marketing expenses for which no other cost causative cost apportionment method exists. The marketing allocator is based on directly assigned and attributed marketing costs obtained from selected cost pools containing marketing costs in accounts 6611, 6613, 6623 and 6720, as applicable. (Note: Costs allocated by the general allocator or the marketing allocator cannot be used to create the marketing allocator.)

General Allocator

The general allocator apportions cost pools for which no other cost causative cost apportionment method exists.

COST POOL APPORTIONMENT METHOD (cont.)

Not Applicable (Uniformity – Cost Pool not in use)

Cost pools exist in some accounts solely as place holders for the cost pools required per Uniformity, **but** are not in use by the Companies. These are accordingly marked "Not Applicable (Uniformity – Cost Pool not in use)."

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
1220 Inventories	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	PB **(Pacific Bell)** and SWBT **(Southwestern Bell Telephone)** rarely use this cost pool.	✓		✓		✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	AOCs **(Ameritech)** rarely use this cost pool.	✓	✓	✓	✓	✓
	Central Office Cost Pool	Based on description of accounting codes.	Indirectly attributed based on current regulated and nonregulated investment value of central office equipment in Accounts 2211 through 2232.		✓	✓	✓	✓	✓
	Cable and Wire Facilities Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of Cable and Wire Facilities current month salaries and wages in Accounts 2411 through 2441 and 6411 through 6441.		✓	✓	✓	✓	✓
	Other Inventories Cost Pool	Based on description of accounting codes.	Indirectly attributed based on current regulated and nonregulated investment value of Account 2001, Telecommunications Plant In Service.	The AOCs rarely use this cost pool.	✓	✓	✓	✓	✓
1410 Other Noncurrent Assets	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes prior Accounts *1401, *1402, *1407, *1408 and/or 1410. None of the * items are subject to separations. PB, NB **(Nevada Bell)** and SWBT rarely use this cost pool.	✓	✓	✓	✓	✓
	Other Noncurrent Assets Cost Pool	Based on description of accounting codes.	Indirectly attributed based on company current month salaries and wages.	Includes prior Account 1410.	✓	✓	✓	✓	✓
1438 Deferred Maintenance, Retirements and Other Deferred Charges	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	Amounts in this account will be excluded from ratemaking in the Separations process; thus allocation between regulated and nonregulated is not necessary. Includes prior Accounts 1438 and/or 1439.	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
1500 Other Jurisdictional Assets - Net	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	Amounts in this account will be excluded from ratemaking in the Separations process; thus allocation between regulated and nonregulated is not necessary.	✓	✓	✓	✓	✓
2002 Property Held For Future Telecommunications Use	Common Cost Pool	Cost Pool equals account.	Indirectly attributed based on current regulated and nonregulated investment value of Account 2001, Telecommunications Plant In Service.	AOCs, PB and NB rarely use this account.	✓	✓		✓	
2003 Telecommunications Plant Under Construction	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	NB rarely uses this cost pool.	✓	✓	✓	✓	✓
	Common Cost Pool	Based on description of accounting codes.	Indirectly attributed based on current regulated and nonregulated investment value of Accounts 2211 through 2232 and 2411 through 2441.		✓	✓	✓	✓	✓
2005 Telecommunications Plant Adjustment	Not applicable.	Not applicable.	Not applicable.	The Companies **(AOCs, NB, PB, SNET (The Southern New England Telephone Company), SWBT)** do not have any Telecommunications Plant Adjustment investment. Includes prior Accounts 2005 and 3600.					

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2111 Land	Directly Assigned Regulated	Not applicable.	Directly Assigned to Regulated.	The Companies do not have land which can be directly assigned. Not applicable (Uniformity - Cost Pool not in use).					
	Directly Assigned Nonregulated	Not applicable.	Directly Assigned to Nonregulated.	The Companies do not have land which can be directly assigned. Not applicable (Uniformity - Cost Pool not in use).					
	Common Cost Pool	Cost Pool equals account.	Indirectly attributed based on the relative value of the common Buildings Cost Pools in Account 2121, Buildings.		✓	✓	✓	✓	✓
2112 Motor Vehicles	Directly Assigned Regulated	Based on description of accounting codes and analysis of motor vehicle records.	Directly Assigned Regulated.	NB rarely uses this cost pool.	✓	✓	✓	✓	✓
	Directly Assigned Nonregulated	Based on description of accounting codes and analysis of motor vehicle records.	Directly Assigned Nonregulated.		✓		✓	✓	✓
	Central Office Cost Pool	Analysis of motor vehicle records.	Indirectly attributed based on relative value of Central Office current year salaries and wages in Accounts 2210 through 2232 and Accounts 6210 through 6232.		✓	✓	✓	✓	✓
	Distribution Services - Installation and Maintenance Sub-pool	Analysis of motor vehicle records.	Indirectly attributed based on relative value of Distribution Services current year salaries and wages in Accounts 2310 through 2441, and 6310 through 6441.		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2112 Motor Vehicles (Cont.)	Distribution Services - Construction Sub-pool	Analysis of motor vehicle records.	Indirectly attributed based on relative value of Cable and Wire Facilities current year salaries and wages in Accounts 2410 through 2441, and 6410 through 6441.		✓	✓	✓	✓	✓
	Network Operations Cost Pool	Analysis of motor vehicle records.	Indirectly attributed based on relative value of Network Operations current year salaries and wages in Accounts 6113 through 6124, and 6510 through 6535.		✓	✓	✓	✓	✓
	Customer Operations Cost Pool	Analysis of motor vehicle records.	Indirectly attributed based on relative value of Customer Services current year salaries and wages in Accounts 6610 through 6623.		✓	✓	✓	✓	✓
	Corporate Operations Cost Pool	Analysis of motor vehicle records.	Indirectly attributed based on relative value of Corporate Operations current year salaries and wages in Account 6720.		✓	✓	✓	✓	✓
	Motor Pool	Analysis of motor vehicle records.	Indirectly attributed based on relative value of the current year salaries and wages of those employees served by the motor pools.	The Companies rarely use this cost pool.	✓	✓	✓	✓	✓
2113 Aircraft	Not applicable.	Not applicable.	Not applicable.	The Companies do not have any Aircraft investment.					
2114 Tools and Other Work Equipment	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓			
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated.				✓		

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2114 Tools and Other Work Equipment (Cont.)	Other Work Equipment Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of current month salaries and wages in Accounts 2211 through 2441 and 6211 through 6441.	Includes major tool items not provided for in other accounts.	✓	✓	✓	✓	✓
	Special Tools – Distribution Services Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of current month salaries and wages in Accounts 2411 through 2441 and 6411 through 6441.	Specialized tools consisting of heavy construction and cable laying equipment. Ameritech rarely uses this cost pool.	✓	✓	✓	✓	✓
2121 Buildings	Directly Assigned Regulated	Not applicable.	Directly Assigned Regulated.	The Companies do not have buildings which can be directly assigned. Not applicable (Uniformity – Cost Pool not in use).					
	Directly Assigned Nonregulated	Not applicable.	Directly Assigned Nonregulated.	The Companies do not have buildings which can be directly assigned. Not applicable (Uniformity – Cost Pool not in use).					
	Directly Attributed Regulated	Analysis of building use.	Directly attributed to regulated.	Includes portions of buildings which are rented to others.	✓	✓	✓	✓	✓
	Directly Attributed Nonregulated	Analysis of building use.	Directly attributed to nonregulated.	Not applicable (Uniformity – Cost pool not in use).					

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2121 Buildings (Cont.)	Central Office Cost Pool	Analysis of building use.	Indirectly attributed based on current regulated and nonregulated investment value of Central Office equipment in Accounts 2210 through 2232, excluding investment in central office equipment in buildings directly assigned to regulated or nonregulated activities.		✓	✓	✓	✓	✓
	Distribution Services Cost Pool	Analysis of building use.	Indirectly attributed based on relative value of Distribution Services current year salaries and wages in Accounts 2310 through 2441, and 6310 through 6441, excluding such salaries and wages associated with personnel who are assigned to buildings that are directly assigned to regulated or nonregulated activities.		✓	✓	✓	✓	✓
	Network Operations Cost Pool	Analysis of building use.	Indirectly attributed based on relative value of Network Operations current year salaries and wages in Accounts 6110 through 6124 (excluding 6121) and 6510 through 6535, excluding such salaries and wages associated with personnel who are assigned to buildings that are directly assigned to regulated or nonregulated activities.		✓	✓	✓	✓	✓
	Customer Operations Cost Pool	Analysis of building use.	Indirectly attributed based on relative value of Customer Operations current year salaries and wages in Accounts 6610 through 6623, excluding such salaries and wages associated with personnel who are assigned to buildings that are directly assigned to regulated or nonregulated activities.		✓	✓	✓	✓	✓
	Corporate Operations Cost Pool	Analysis of building use.	Indirectly attributed based on relative value of Corporate Operations current year salaries and wages in Account 6720, excluding such salaries and wages associated with personnel who are assigned to buildings that are directly assigned to regulated or nonregulated activities.		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2122 Furniture	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓				
	Furniture Cost Pool	Based on description of accounting codes.	Indirectly attributed based on company current month salaries and wages.		✓	✓	✓	✓	✓
2123 Office Equipment	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓				
	Direct Cost Pool	**Based on description of accounting codes.**	**Directly assigned to nonregulated.**						✓
	Office Equipment Cost Pool	Based on description of accounting codes.	Indirectly attributed based on company current month salaries and wages.	Includes office support equipment and company communications systems.	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2124 General Purpose Computers	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓				
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.		✓				
	Communications/ Microcomputers Cost Pool	Based on description of accounting codes.	Indirectly attributed based on company current month salaries and wages.		✓	✓	✓	✓	✓
	General Purpose Operations Cost Pool	Based on description of accounting codes.	Indirectly attributed based on company current month salaries and wages (excluding current month salaries and wages apportioned to affiliate joint marketing).		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2211 Nondigital Switching	Direct Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly assigned to regulated.	Includes prior Accounts 2211 and/or 2215. NB **and SNET** rarely use this cost pool.	✓	✓	✓	✓	✓
	Analog Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage.	AOCs use call volumes (messages); SWBT uses messages. AOCs (except for one state), SWBT's investment is frozen.			✓	✓	
2212 Digital Electronic Switching	Direct Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly assigned to nonregulated.	This cost pool is rarely used by NB.	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2212 Digital Electronic Switching (Cont.)	Packet Switch Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage.	AOCs use logical channels; PB uses 128 byte segments; SWBT uses kilosegments. PB and SWBT's investment is frozen.	✓		✓	✓	
	Signaling Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage-octets.		✓		✓	✓	
	CDAR Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on forecasted annual usage.	AOCs use call volumes (messages); PB uses cpu seconds; SWBT uses messages; NB uses COE usage study. PB and SWBT's investment is frozen.	✓	✓	✓	✓	
	Automated Attendant Cost Pool	Analysis of property records	Directly attributed to nonregulated.	This investment is frozen.		✓			
2220 Operator Systems	Direct Cost Pool	Based on description of accounting codes.	Directly attributed to regulated.						✓
	Direct Cost Pool	Based on description of accounting code and specific identification of equipment in accounting records.	Directly assigned to nonregulated.				✓		
	Operator Systems Frozen Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage-call volumes.	This investment is frozen.			✓		
	Operator Systems Cost Pool	Based on description of accounting codes.	Directly attributed based on peak forecasted annual usage-call volumes.		✓	✓	✓	✓	

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2231 Radio Systems	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Signaling Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage-octets.		✓				
2232 Circuit Equipment	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	This cost pool is rarely used by NB.	✓	✓	✓	✓	✓
	Signaling Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage-octets.		✓		✓	✓	
2311 Station Apparatus	Direct Cost Pool	**Not applicable.**	Directly assigned to regulated.	This pool is not used by the Companies. Not Applicable (Uniformity - cost pool not in use).					
	Direct Cost Pool	**Cost Pool equals account.**	Directly assigned to nonregulated.				✓	✓	✓
2321 Customer Premises Wiring	Direct Cost Pool	Cost pool equals account.	Directly assigned to regulated.					✓	

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2341 Large PBX	Direct Cost Pool	Not applicable.	Directly assigned to regulated.	The Companies do not have Large PBX equipment which can be directly assigned. Not applicable (Uniformity – Cost Pool not in use).					
	Direct Cost Pool	Cost Pool equals account.	Directly assigned to nonregulated.		✓		✓	✓	
2351 Public Telephone Terminal Equipment	Direct Cost Pool	Cost Pool equals account.	Directly assigned to nonregulated.		✓	✓	✓	✓	✓
2362 Other Terminal Equipment	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.		✓	✓	✓	✓	✓
2411 Poles	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.		✓				
2421 Aerial Cable	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	**By special permission from the FCC, SNET records Aerial Wire (Account 2431) with Aerial Cable in this account.**	✓	✓	✓	✓	✓
	Aerial Cable IP Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage-living units.		✓		✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2422 Underground Cable	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Underground Cable IP Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage-living units.		✓		✓	✓	✓
	Signaling Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage-octets.		✓		✓	✓	
2423 Buried Cable	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Buried Cable IP Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage-living units.		✓		✓	✓	✓
	Signaling Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage-octets.					✓	
2424 Submarine and Deep Sea Cable	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	The Companies do not use submarine cable in the provision of nonregulated activities. Includes prior Accounts 2424 and/or 2425.	✓		✓	✓	✓
2426 Intrabuilding Network Cable	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	The Companies do not use intrabuilding network cable in the provision of nonregulated activities.	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2431 Aerial Wire	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	The Companies do not use aerial wire in the provision of nonregulated activities. **By special permission from the FCC, SNET records its Aerial wire investment in Account 2421, Aerial Cable.**	✓	✓	✓		
2441 Conduit Systems	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.		✓				
	Signaling Cost Pool	Based on description of accounting codes and analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage-octets.		✓		✓	✓	
2681 Capital Leases	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	PB rarely uses this pool.	✓				
	Directly Attributed Regulated Cost Pool	Based on description of accounting codes and lease study.	Directly attributed to regulated.	PB rarely uses this pool.	✓				
	Directly Attributed Nonregulated Cost Pool	Based on description of accounting codes and lease study.	Directly attributed to nonregulated.	PB rarely uses this pool.	✓				
	Capital Lease-Office Equipment Cost Pool	Based on description of accounting codes and lease study.	Indirectly attributed based on Company current month salaries and wages, excluding salaries and wages in Accounts 2211 through 2441, and 6211 through 6441.		✓		✓		
	Capital Lease-General Purpose Computer Cost Pool	Based on description of accounting codes and lease study.	Indirectly attributed based on relative investment value of Account 2124, General Purpose Computers.		✓		✓		

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2681 Capital Leases (Cont.)	Capital Lease-Motor Vehicle Cost Pool	Based on description of accounting codes and lease study.	Indirectly attributed based on relative investment value of Account 2112, Motor Vehicles.		✓		✓		
	Capital Lease-Central Office Building Space Cost Pool	Based on description of accounting codes and lease study.	Indirectly attributed based on relative value of Central Office current month salaries and wages in Accounts 2211 through 2232 and Accounts 6211 through 6232.		✓		✓		
	Capital Lease-Distribution Services Building Space Cost Pool	Based on description of accounting codes and lease study.	Indirectly attributed based on relative value of Distribution Services current month salaries and wages in Accounts 2311 through 2441, and 6311 through 6441.	Includes storerooms, garages, warehouses, service operations centers.	✓		✓		
	Capital Lease-Network Operations Building Space Cost Pool	Based on description of accounting codes and lease study.	Indirectly attributed based on relative value of Network Operations current month salaries and wages in Accounts 6112 through 6124 (excluding 6121) and 6511 through 6535.		✓		✓		
	Capital Lease-Customer Operations Building Space Cost Pool	Based on description of accounting codes and lease study.	Indirectly attributed based on relative value of Customer Operations Cost current month salaries and wages in Accounts 6611 through 6623.		✓		✓		
	Capital Lease-Corporate Operations Building Space Cost Pool	Based on description of accounting codes and lease study.	Indirectly attributed based on relative value of Corporate Operations current month salaries and wages in Accounts 6711 through 6728.		✓		✓		

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2681 Capital Leases (Cont.)	Capital Lease-Land and Building Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Account 2121, Buildings.					✓	
2682 Leasehold Improvements	Directly Attributed Regulated Cost Pool	Based on description of accounting codes and leasehold improvement study.	Directly attributed to regulated.	Includes portions of leasehold improvements which are located on leased property that has been sublet.	✓		✓		
	Directly Attributed Nonregulated Cost Pool	Based on description of accounting codes and leasehold improvement study.	Directly attributed to nonregulated.	PB rarely uses this pool.	✓				
	Leased-Central Office Cost Pool	Based on description of accounting codes and leasehold improvement study.	Indirectly attributed based on relative value of Central Office current month salaries and wages in Accounts 2211 through 2232 and Accounts 6211 through 6232.	Includes capital improvements made to building space obtained under capital and operating lease arrangements.	✓		✓		
	Leased-Distribution Services Cost Pool	Based on description of accounting codes and leasehold improvement study.	Indirectly attributed based on relative value of Distribution Services current month salaries and wages in Accounts 2311 through 2441 and 6311 through 6441.		✓		✓		
	Leased-Network Operations Cost Pool	Based on description of accounting codes and leasehold improvement study.	Indirectly attributed based on relative value of Network Operations current month salaries and wages in Accounts 6112 through 6124 (excluding 6121) and 6511 through 6535.		✓		✓		
	Leased-Customer Operations Cost Pool	Based on description of accounting codes and leasehold improvement study.	Indirectly attributed based on relative value of Customer Operations current month salaries and wages in Accounts 6611 through 6623.		✓		✓		

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
2682 Leasehold Improvements (Cont.)	Leased-Corporate Operations Cost Pool	Based on description of accounting codes and leasehold improvement study.	Indirectly attributed based on relative value of Corporate Operations current month salaries and wages in Accounts 6711 through 6728.		✓		✓		
	Operations Leasehold Improvement Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of Operations current month salaries and wages in Accounts 2211 through 2441, 6211 through 6441, and Accounts 6531 through 6623.			✓			✓
	Leasehold Improvement Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative value of capital Lease Land and Building Cost Pool in Account 2681 and Land and Building Operating Rent Cost Pool in Account 6121.					✓	
2690 Intangibles	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes prior Accounts 2690 and 3500.	✓				
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	Includes prior Accounts 2690 and 3500.	✓	✓	✓	✓	✓
	Network Software Cost Pool	Based on description of accounting codes.	Indirectly attributed based on current regulated and nonregulated investment value of the Central Office Equipment in Accounts 2211 through 2232.	Includes prior Accounts 2690 and 3500.	✓	✓	✓	✓	✓
	General Purpose Computer Software Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative value of Account 6124, General Purpose Computers Expense.	Includes prior Accounts 2690 and 3500.	✓	✓	✓	✓	✓
3100 Accumulated Depreciation	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	The cost pool structure for accumulated depreciation is different than Telecommunications Plant in Service. Mass asset depreciation is used which does not require the same level of detail as the investment accounts.	✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
3100 Accumulated Depreciation (Cont.)	Central Office Equipment Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Central Office Equipment in Accounts 2211 through 2232.		✓	✓	✓	✓	✓
	Information Origination/ Termination Equipment Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Information Origination/ Termination Equipment in Accounts 2311 through 2362, excluding investment categories directly assigned in Accounts 2311 through 2362.		✓	✓	✓	✓	✓
	Outside Plant Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Outside Plant in Accounts 2411 through 2441.		✓	✓	✓	✓	✓
	General Support Asset Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of General Support Assets in Accounts 2112 through 2124.		✓	✓	✓	✓	✓
3200 Accumulated Depreciation Held For Future Telecommunications Use	Not applicable.	Not applicable.	Not applicable.	The Companies do not use this account.					
3410 Accumulated Amortization – Capitalized Leases	Accumulated Amortization - Leases Cost Pool	Cost Pool equals account.	Indirectly attributed based on the relative investment value of Account 2681, Capital Leases.		✓		✓	✓	
3420 Accumulated Amortization - Leasehold Improvements	Accumulated Amortization - Buildings Cost Pool	Cost Pool equals account.	Indirectly attributed based on relative investment value of Account 2682, Leasehold Improvements.		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
4040 Customers' Deposits	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	At the present time none of the Companies' nonregulated services require customer deposits.	✓	✓	✓	✓	✓
4100 Net Current Deferred Operating Income Taxes	Plant Cost Pool	Based on description of accounting codes.	Indirectly attributed based on current regulated and nonregulated investment value of Account 2001, Total Plant In Service.	The Companies rarely use this cost pool.	✓	✓	✓	✓	
	Non-Plant Cost Pool	Based on description of accounting codes.	Indirectly attributed based on company current month salaries and wages.		✓	✓	✓	✓	✓
4300 Other Long-Term Liabilities and Deferred Credits	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes prior Account 4360. **The AOCs** rarely use this cost pool.	✓	✓	✓	✓	✓
	Pension, Benefits and Other Cost Pool	Based on description of accounting codes.	Indirectly attributed based on company current month salaries and wages.	Accrued postretirement benefits are to be reflected in the interstate rate base pursuant to CC Docket No. 96-22 released February 20, 1997 (AAD 92-65). Includes prior Account 4310.	✓	✓	✓	✓	✓
	Other Cost Pool	Based on description of accounting codes.	General allocator.	Includes prior Account 4360.	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
4340 Net Noncurrent Deferred Operating Income Taxes	Plant Cost Pool	Based on description of accounting codes.	Indirectly attributed based on current regulated and nonregulated investment value of Account 2001, Total Plant In Service.		✓	✓	✓	✓	✓
	Non-Plant Cost Pool	Based on description of accounting codes.	Indirectly attributed based on company current month salaries and wages.		✓	✓	✓	✓	✓
4370 Other Jurisdictional Liabilities And Deferred Credits-Net	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	Amounts in this account will be excluded from ratemaking in the Separations process; thus allocation between regulated and nonregulated is not necessary.	✓	✓	✓	✓	✓
5001 - 5230	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	Includes prior Accounts 5000-5270.	✓	✓	✓	✓	✓
5280 Nonregulated Operating Revenue	Direct Cost Pool	Cost Pool equals account.	Directly assigned to nonregulated.		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
5300 Uncollectible Revenue	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes prior Accounts 5301 and/or 5302.	✓	✓	✓		✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	Includes prior Accounts 5301 and/or 5302,	✓	✓	✓		✓
	Uncollectible Revenue – Other Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative value of regulated and nonregulated revenue in Accounts 5001 through 5100, 5230 and 5280.	Includes prior Account 5301. The AOCs do not use prior account 5302.				✓	
6112 Motor Vehicle Expense	Direct Assigned Regulated	Based on description of accounting codes.	Directly Assigned Regulated.	NB and SWBT rarely use this cost pool.	✓	✓	✓	✓	
	Directly Assigned Nonregulated	Not applicable.	Directly Assigned Nonregulated.	The Companies do not have motor vehicle expense which can be directly assigned. Not applicable (Uniformity – Cost Pool not in use).					
	Common Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of the common cost pools (excluding the Distribution Services and Central Office cost pools) in Account 2112.	Represents the remaining expenses after clearances to construction accounts and other plant specific expense accounts.	✓	✓	✓	✓	✓
6113 Aircraft Expense	Not applicable.	Not applicable.	Not applicable.	The Companies do not have Aircraft investment.					
6114 Tools and Other Work Equipment Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	NB rarely uses this cost pool.	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6114 Tools and Other Work Equipment Expense (Cont.)	Tools and Work Equipment Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative value of current month salaries and wages in Accounts 2211 through 2441 and 6211 through 6441.		✓	✓	✓	✓	✓
6121 Land and Building Expenses	Directly Assigned Regulated	Based on description of accounting codes.	Directly Assigned Regulated		✓	✓	✓	✓	✓
	Directly Assigned Nonregulated	Based on description of accounting codes.	Directly Assigned Nonregulated	NB **and SNET** rarely use this cost pool.	✓	✓	✓	✓	✓
	Operating Rent Cost Pool	Based on description of accounting codes.	Directly attributed to regulated and nonregulated based on analysis of the use of the rented asset.		✓	✓	✓	✓	✓
	Other Common Expense Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of the common cost pools in Accounts 2111, Land, and 2121, Buildings.		✓	✓	✓	✓	✓
6122 Furniture and Artworks Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	PB and SWBT rarely use this cost pool.	✓		✓		
	Furniture Cost Pool	Based on description of accounting codes.	Indirectly attributed based on company current month salaries and wages.		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6123 Office Equipment Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.		✓	✓	✓	✓	✓
	Office Equipment Cost Pool	Account 6123 balance, less amount assigned to the Direct Cost Pools.	Indirectly attributed based on company current month salaries and wages.		✓	✓	✓	✓	✓
6124 General Purpose Computers Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.		✓	✓	✓	✓	✓
	Directly Attributed Regulated	Based on description of accounting codes and computer usage.	Directly attributed regulated.		✓	✓	✓	✓	✓
	Directly Attributed Nonregulated	Based on description of accounting codes and computer usage.	Directly attributed to nonregulated.	The AOCs and NB rarely use this cost pool.	✓	✓	✓	✓	

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6124 General Purpose Computers Expense (Cont.)	Revenue/Billing Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on analysis of billed universal service order codes.		✓	✓	✓	✓	✓
	Plant Investment Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on current regulated and nonregulated investment value of Account 2001, Telecommunications Plant in Service.		✓	✓	✓	✓	✓
	Personnel/Communications/ Microcomputers Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on company current month salaries and wages.		✓	✓	✓	✓	✓
	Marketing Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on the relative value of the directly assigned and attributed telco marketing costs in Accounts 6611, 6613, 6623 and 6720.		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6124 General Purpose Computers Expense (Cont.)	General Operations Cost Pool	Based on description of accounting codes and computer usage.	General Allocator.		✓	✓	✓	✓	✓
	General Computer Support Cost Pool	Account 6124 balance less amounts assigned to other cost pools.	Indirectly attributed based on relative investment value of the common cost pools in Account 2124, General Purpose Computers.		✓	✓	✓	✓	✓
6211 Nondigital Switching Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes prior Accounts 6211 and 6215.	✓	✓	✓	✓	✓
	Analog Cost Pool	Based on description of accounting codes and relative value of the Analog investment in Account 2211, Nondigital Switching.	Directly attributed based on current regulated and nonregulated use of the Analog investment in Account 2211, Nondigital Switching.	Includes prior Account 6211.				✓	
6212 Digital Electronic Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	NB **and SNET** rarely use this cost pool.	✓	✓	✓	✓	✓
	Packet Switching Cost Pool	Based on description of accounting codes and relative value of the Packet Switch cost pool in Account 2212.	Directly attributed based on current month regulated and nonregulated use of the Packet Switching Cost Pool investment in Account 2212, Digital Electronic Switching.		✓		✓	✓	

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6212 Digital Electronic Expense (Cont.)	Signaling Cost Pool	Based on description of accounting codes and relative value of Signaling Cost Pool in Account 2212.	Directly attributed based on current month regulated and nonregulated use of the Signaling Cost Pool investment in Account 2212, Digital Electronic Switching.		✓		✓	✓	
	CDAR Cost Pool	Based on description of accounting codes and relative value of the CDAR cost pool in Account 2212.	Directly attributed based on current regulated and nonregulated use of CDAR Account 2212, Digital Electronic Switching investment.	PB, NB and the AOCs use monthly call volumes.	✓	✓		✓	
6220 Operator Systems Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	PB and SWBT rarely use this cost pool.	✓		✓		
	Operator Systems Expense Cost Pool	Based on description of accounting codes.	Directly attributed based on current month regulated and nonregulated call volume usage for Operator Systems Cost Pool in Account 2220, Operator Systems.		✓	✓	✓	✓	
6231 Radio Systems Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	SWBT and PB rarely use this cost pool.	✓		✓		

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6231 Radio Systems Expense (Cont.)	Signaling Cost Pool	Based on description of accounting codes and relative value of the Signaling Cost Pool in Account 2231.	Directly attributed to based on current month regulated and nonregulated use of the Signaling Cost Pool investment in Account 2231, Radio Systems.		✓				
6232 Circuit Equipment Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	The AOCs, NB **and SNET** rarely use this cost pool.	✓	✓	✓	✓	✓
	Signaling Cost Pool	Based on description of accounting codes and relative value of Signaling Cost Pool in Account 2232.	Directly attributed based on current month regulated and nonregulated use of the Signaling Cost Pool investment in Account 2232, Circuit Equipment.		✓		✓	✓	
6311 Station Apparatus Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes 50% of the travel associated with combination visits (i.e., jobs that include both regulated and nonregulated work). AOCs, PB, **SNET** and SWBT rarely use this **cost** pool.	✓		✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	Includes 50% of the travel associated with combination visits (i.e., jobs that include both regulated and nonregulated work).	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6311 Station Apparatus Expense (Cont.)	Common-No Access/No Trouble Found Cost Pool	Based on description of accounting codes.	Indirectly attributed to regulated based on 75% of the ratio of regulated trouble counts cleared to total trouble counts cleared, with the residual assigned to nonregulated.	This pool is not used by the Companies. (Uniformity - cost pool not in use.)					
6341 Large Private Branch Exchange Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes 50% of the travel associated with combination visits (i.e., jobs that include both regulated and nonregulated work). **SNET rarely uses this cost pool.**	✓		✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	Includes 50% of the travel associated with combination visits (i.e., jobs that include both regulated and nonregulated work). **SNET rarely uses this cost pool.**	✓	✓	✓	✓	✓
	Common-No Access/No Trouble Found Cost Pool	Based on description of accounting codes.	Indirectly attributed to regulated based on 75% of the ratio of regulated trouble counts cleared to total trouble counts cleared, with the residual assigned to nonregulated.	This pool is not used by the Companies. (Uniformity - cost pool not in use.)					
6351 Public Telephone Terminal Equipment Expense	Direct Cost Pool	Cost Pool equals account.	Directly assigned to nonregulated.		✓	✓	✓	✓	✓
6362 Other Terminal Equipment Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes 50% of the travel associated with combination visits (i.e., jobs that include both regulated and nonregulated work).	✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	Includes nonregulated maintenance expense incurred on customer owned other terminal equipment. Also includes 50% of the travel associated with combination visits (i.e., jobs that include both regulated and nonregulated work).	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6362 Other Terminal Equipment Expense (Cont.)	Common-No Access/No Trouble Found Cost Pool	Based on description of accounting codes.	Indirectly attributed to regulated based on 75% of the ratio of regulated trouble counts cleared to total trouble counts cleared, with the residual assigned to nonregulated.		✓	✓	✓	✓	✓
6411 Poles Expense	Direct Cost Pool	Cost pool equals account.	Directly assigned to regulated.		✓	✓	✓	✓	✓
6421 Aerial Cable Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	**By special permission from the FCC, SNET records Aerial Wire Expense (Account 6431) in this account.**	✓	✓	✓	✓	✓
	Aerial Cable IP Cost Pool	Based on description of accounting codes and relative value of the Aerial Cable IP Cost Pool in Account 2421.	Directly attributed based on current month regulated and nonregulated use of the Aerial Cable IP Cost Pool investment in Account 2421, Aerial Cable.		✓		✓	✓	✓
6422 Underground Cable Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Underground Cable IP Cost Pool	Based on description of accounting codes and relative value of the Underground Cable IP Cost Pool in Account 2422.	Directly attributed based on current month regulated and nonregulated use of the Underground Cable IP Cost Pool investment in Account 2422, Underground Cable.		✓		✓	✓	✓
	Signaling Cost Pool	Based on description of accounting codes and relative value of Signaling Cost Pool in Account 2422.	Directly attributed based on current month regulated and nonregulated use of the Signaling Cost Pool investment in Account 2422, Underground Cable.		✓		✓	✓	
6423 Buried Cable Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6423 Buried Cable Expense (Cont.)									
	Buried Cable IP Cost Pool	Based on description of accounting codes and relative value of the Buried Cable IP Cost Pool in Account 2423.	Directly attributed based on current month regulated and nonregulated use of the Buried Cable IP Cost Pool investment in Account 2423, Buried Cable.		✓		✓	✓	✓
	Signaling Cost Pool	Based on description of accounting codes and relative value of Signaling Cost Pool in Account 2423.	Directly attributed based on current month regulated and nonregulated use of the Signaling Cost Pool investment in Account 2423, Buried Cable.					✓	
6424 Submarine and Deep Sea Cable Expense	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	Includes prior Accounts 6424 and 6425. The **AOCs, NB, PB and SWBT** rarely use this account.	✓	✓	✓	✓	✓
6426 Intrabuilding Network Cable Expense	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	NB rarely uses this account.	✓	✓	✓	✓	✓
6431 Aerial Wire Expense	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	**By special permission from the FCC, SNET records Aerial Wire Expense in Account 6421, Aerial Cable Expense.**	✓	✓	✓	✓	✓
6441 Conduit Systems Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.		✓	✓	✓	✓	
	Signaling Cost Pool	Based on description of accounting codes and relative value of Signaling Cost Pool in Account 2441.	Directly attributed based on current month regulated and nonregulated use of the Signaling Cost Pool investment in Account 2441, Conduit.		✓		✓	✓	

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6511 Property Held For Future Telecommunications Use Expense	Future Use Cost Pool	Cost Pool equals account.	Indirectly attributed based on the relative investment value of Account 2002, Property Held for Future Telecommunications Use.	The AOCs rarely use this account.				✓	
6512 Provisioning Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	NB rarely uses this cost pool.	✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	SWBT, PB and NB rarely use this cost pool.	✓	✓	✓		
	Provisioning Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative investment value of Account 1220, Inventories.	Represents the remaining expenses after clearances to construction accounts and other plant specific expense accounts.	✓	✓	✓	✓	✓
6531 Power Expense	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated.	NB rarely uses this cost pool.	✓	✓	✓	✓	✓
	Power Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of central office equipment in Accounts 2211 through 2232.		✓	✓	✓	✓	✓
6532 Network Administration Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	NB, PB and SWBT rarely use this cost pool.	✓	✓	✓		
	Service Order Center Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of Distribution Services and Station Connections current month salaries and wages in Accounts 2311 through 2441, and 6311 through 6441.		✓	✓	✓	✓	
	Network Administration Support Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of current month salaries and wages in the cost pools (excluding the Network Administration Support Cost Pool) in Account 6532, Network Administration Expense.		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6533 Testing Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes the costs incurred in testing telecommunications facilities from a testing facility to determine the condition of plant.	✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	The AOCs rarely use this cost pool.	✓		✓	✓	
	Subscriber Line Testing Cost Pool	Based on description of accounting codes.	Directly attributed based on trouble reports.		✓	✓	✓	✓	✓
	Testing Support Cost Pool	Based on description of accounting codes.	Directly attributed based on relative value of current month salaries and wages in other cost pools (excluding Testing Support Cost Pool) in Account 6533, Testing Expense.		✓	✓	✓	✓	✓
6534 Plant Operations Administration Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	**The AOCs** rarely use this cost pool.	✓	✓	✓	✓	✓
	Supervision and Support Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of current month salaries and wages in Accounts 6211 through 6441.	The balance remaining in Account 6534 after clearance represents indirect supervision and support related to maintenance activities.	✓	✓	✓	✓	✓
	Shared Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of current month salaries and wages in Accounts 2211 through 2690, and 6211 through 6441.		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6535 Engineering Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	**The AOCs and SNET** rarely use this cost pool.	✓	✓	✓	✓	✓
	Engineering - Central Office Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Accounts 2211 through 2232, Central Office Equipment.	**SNET rarely uses this cost pool.**	✓	✓	✓	✓	✓
	Engineering - Outside Plant Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Accounts 2411 through 2441, Cable and Wire Facilities.	**SNET rarely uses this cost pool.**	✓	✓	✓	✓	✓
	Engineering - Building Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Account 2121, Buildings.		✓	✓	✓	✓	✓
	Engineering - Common Function Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative investment value in Accounts 2121, 2211 through 2232 and 2411 through 2441.		✓	✓	✓	✓	✓
6540 Access Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6561 Depreciation Expense-Telecommunications Plant in Service	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	NB rarely uses this cost pool.	✓	✓	✓	✓	✓
	Central Office Equipment Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of central office equipment in Account 2211 through 2232.		✓	✓	✓	✓	✓
	Information Origination / Termination Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of information origination / termination equipment in Accounts 2311 through 2362.		✓	✓	✓	✓	✓
	Outside Plant Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of outside plant in Accounts 2411 through 2441.		✓	✓	✓	✓	✓
	General Support Asset Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of general support assets in Accounts 2112 through 2124.		✓	✓	✓	✓	✓
6562 Depreciation Expense – Property Held For Future Telecommunications use	Future Depreciation Cost Pool	**Not applicable.**	Indirectly attributed based on relative investment value in Account 2002, Property Held for Future Telecommunications Use.	The Companies do not use this account.					

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6563 Amortization Expense - Tangible	Amortization Tangible Cost Pool	Cost Pool equals account.	Indirectly attributed based on relative investment value in Account 2681, Capital Leases and Account 2682, Leasehold Improvements.		✓	✓	✓	✓	✓
6564 Amortization Expense - Intangible	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	**SNET rarely uses this cost pool.**	✓	✓	✓	✓	✓
	Network Software Amortization Intangible Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of the Network Software Cost Pool in Account 2690, Intangibles.		✓	✓	✓	✓	✓
	General Purpose Computer Software Amortization Intangible Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of the General Purpose Computer Software Cost Pool in Account 2690, Intangibles.		✓	✓	✓	✓	✓
6565 Amortization Expense - Other	Not applicable.	Not applicable.	Not applicable.	The Companies do not use this account.					
6611 Product Management and Sales	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes prior Accounts 6611 and/or 6612.	✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	Includes prior Accounts 6611 and/or 6612.	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6611 Product Management and Sales (Cont.)	Premises Sales Cost Pool	Based on description of accounting codes.	Directly attributed based on statistical sampling of premises sales operations.	See CHEETTA in Section VII. Includes prior Account 6612.	✓	✓	✓		✓
	Sales Administration Cost Pool	Based on description of accounting codes.	Directly attributed based on relative value of related current month sales salaries and wages in the Direct Cost Pools and the Premises Sales Cost Pool in Account 6611, Product Management and Sales.	Includes prior Account 6612. **SNET rarely uses this cost pool.**	✓	✓	✓	✓	✓
	Product Management and Sales Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative value of the directly assigned and attributed telco marketing costs in Accounts 6611, 6613, 6623 and 6720.	Includes prior Accounts 6611 and/**or** 6612.	✓	✓	✓	✓	✓
	Product Management and Sales Residual Cost Pool	Based on description of accounting codes.	Marketing Allocator.	Includes prior Accounts 6611 and/or 6612.	✓	✓	✓	✓	✓
6613 Product Advertising	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	The AOCs rarely use this cost pool.	✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	The Companies rarely use this cost pool.	✓	✓	✓	✓	
	Product Advertising Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative value of the directly assigned and attributed telco marketing costs in Accounts 6611, 6613, 6623 and 6720.		✓	✓	✓	✓	✓
6621 Call Completion Services	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.		✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6622 Number Services	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.		✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.		✓	✓	✓	✓	
	Number Services Support Cost Pool	Based on description of accounting codes.	Directly attributed based on relative value of Number Services current month salaries and wages in the cost pools (excluding the Number Services Support Cost Pool) in Account 6622, Number Services.		✓	✓	✓	✓	
	Operator Systems Directory Assistance Cost Pool	Based on description of accounting codes.	Directly attributed based on current month regulated and nonregulated call work volume usage.		✓	✓	✓	✓	

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6623 Customer Services	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes service order processing, payment and collection and billing inquiry for interexchange carrier customer service. Includes accounting toll operations associated with processing messages for carriers. Includes toll message operations and local message operations along with the associated support. Includes message investigation center and its associated support.	✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.		✓	✓	✓	✓	✓
	Service Order Cost Pool	Based on description of accounting codes.	Directly attributed based on statistical sampling of customer services operations.	Includes the costs of business and residence customers, centralized operations group order processing, and billing inquiry. Also includes local supervision, general administration and administrative support services. See Section VII, Service Representatives.	✓	✓	✓	✓	
	Service Order Support Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of the Service Order Cost **Pool** in Account 6623, Customer Services.		✓	✓	✓	✓	
	Revenue/Billing Cost Pool	Based on description of accounting codes.	Indirectly attributed based on analysis of billed universal service order codes.	Includes costs of retrieving data for and producing customer bills. Includes processing all basic account data. Includes receiving mail payments from customers and public offices and performing payment, collection and treatment activities within a centralized operation.	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6623 Customer Services (Cont.)	Combined Customer Services Operations Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of the Service Order Cost Pool, Service Order Support Cost Pool and Billing/Bill Payment Cost Pool.	Includes costs of combined customer services operations, i.e., order processing, billing inquiry and payment and collection activities performed within a centralized operation.	✓	✓	✓	✓	
	Other Customer Services Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative value of the directly assigned and attributed telco marketing costs in Accounts 6611, 6613, 6623 and 6720.		✓	✓	✓	✓	✓
	Customer Services Residual Cost Pool	**Based on description of accounting codes.**	**Marketing Allocator.**	**SNET rarely uses this cost pool.**					✓
6720 General and Administrative	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes prior Accounts 6711-6727 and/or 6728.	✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	Includes prior Accounts 6711-6726 and/or 6728.	✓	✓	✓	✓	✓
	Directly Attributed Regulated	Based on description of accounting codes and computer usage.	Directly attributed to regulated.	Includes prior Account 6724.	✓	✓	✓	✓	✓
	Directly Attributed Nonregulated	Based on description of accounting codes and computer usage.	Directly attributed to nonregulated.	Includes prior Account 6724. This cost pool is rarely used by the Companies.	✓	✓	✓	✓	
	Plant Operations Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of Plant Operations current month salaries and wages in Accounts 2111 through 2441, 6112 through 6441 and 6532 through 6535.	Includes prior Account 6711.	✓	✓	✓		✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6720 General and Administrative (Cont.)	Customer Services Operations Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of Marketing Operation and Plant Operations current month salaries and wages in Accounts 2111 through 2441, 6112 through 6441, 6532 through 6535, 6611 through 6613, and 6621 through 6623.	Includes prior Account 6711.	✓	✓	✓	✓	✓
	Corporate Operations Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative value of current month salaries and wages in Account 6720 (excluding the Corporate Operations Cost Pool and Planning salaries and wages).	Includes prior Account 6711.	✓	✓	✓	✓	✓
	General and Administrative Operations Cost Pool	Based on description of accounting codes **and computer usage**.	Indirectly attributed based on company current month salaries and wages.	Includes prior Accounts 6723, 6724, 6726 and 6728.	✓	✓	✓	✓	✓
	Plant Accounting Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Accounts 2002 through 2690.	Includes prior Account 6721.	✓	✓	✓	✓	
	Revenue/Billing Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on analysis of billed universal service order codes.	Includes prior Account 6724.	✓	✓	✓	✓	✓
	Plant Investment Cost Pool	Based on description of accounting codes **and computer usage**.	Indirectly attributed based on current **regulated and nonregulated** relative investment value of Account 2001, Telecommunications Plant in Service.	Includes prior Account 6724.	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6720 General and Administrative (Cont.)	Marketing Cost Pool	Based on description of accounting codes **and computer usage**.	Indirectly attributed based on the relative value of the directly assigned and attributed telco marketing costs in Accounts 6611, 6613, 6623 and 6720.	Includes prior Accounts 6722 and 6724.	✓	✓	✓	✓	✓
	Information Management Cost Pool	Based on description of accounting codes **and computer usage**.	Indirectly attributed based on relative investment value of the common pools in Account 2124, General Purpose Computer.	Includes prior Account 6724.		✓	✓	✓	✓
	Network/Delivery Operations Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Accounts 1220 and 2112 through 2682.	Includes prior Account 6726.	✓	✓	✓	✓	✓
	General and Administrative Residual Cost Pool	Based on description of accounting codes **and computer usage**.	General allocator.	Includes prior Accounts 6712, 6721, 6722, 6724, 6725, 6727 and 6728.	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
6790 Provision For Uncollectible Notes Receivable	Uncollectible Cost Pool	**Not applicable.**	**Not applicable.**	The Companies do not use this account.					
7100 Other Operating Income and Expenses	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes prior Accounts 7110 and/or 7130.	✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	Includes prior Account 7130. The Companies rarely use this cost pool.	✓	✓	✓	✓	
	Land and Artworks Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative regulated and nonregulated Land investment in Account 2111 and Artwork investment in Account 2122.	NB and **the AOCs** rarely use this **cost** pool. Includes prior Account 7150.	✓	✓	✓	✓	✓
	Other Operating Income and Expense Residual Cost Pool	Based on description of accounting codes.	General Allocator	Includes prior Accounts 7140 and/or 7160.	✓	✓	✓	✓	✓
7210 Operating Investment Tax Credits - Net	Investment Tax Credit Cost Pool	Cost Pool equals account.	Indirectly attributed based on the current regulated and nonregulated investment value of Account 2001, Telecommunications Plant In Service, less Account 2690, Intangibles.		✓	✓	✓	✓	✓
7220 Operating Federal Income Tax	Federal Income Tax Cost Pool	Cost Pool equals account.	Directly attributed based on operating book income before income taxes less interest expense.		✓	✓	✓	✓	✓
7230 Operating State And Local Income Taxes	State and Local Tax Cost Pool	Cost Pool equals account.	Directly attributed based on operating book income before income taxes less interest expense.		✓		✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
7240 Operating Other Taxes	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.				✓	✓	
	Direct Cost Pool	**Based on description of accounting codes.**	**Directly assigned to nonregulated.**		✓	✓	✓	✓	✓
	Property Tax Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the current regulated and nonregulated investment value of Accounts 2111 through 2682, Account 1220, Inventories, and Account 2002, Property Held for Future Telecommunications Use.		✓	✓	✓	✓	✓
	Gross Receipts Tax Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of revenues in Accounts 5001 through 5280, net of uncollectible revenue in Account 5300 less contra revenues and revenues not subject to Gross Receipts Taxes in Account 5280.	NB and SNET rarely use this cost pool.	✓	✓	✓	✓	✓
	Other Taxes Cost Pool	Based on description of accounting codes.	General allocator.		✓	✓	✓	✓	✓
7250 Provision For Deferred Operating Income Taxes - Net	Deferred Tax Cost Pool	Cost Pool equals account.	Directly attributed based on operating book income before income taxes less interest expense.		✓	✓	✓	✓	✓
7300 Non-Operating Income and Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Amounts in this cost pool will be excluded from ratemaking in the Separations process; thus allocation between regulated and nonregulated is not necessary. Includes prior Accounts 7310, 7320, 7330, 7340, 7350, 7360 and/or 7370.	✓	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	Includes prior Accounts 7310, 7320, 7330, 7340, 7350, 7360 and/or 7370.			✓		
	Funds for Construction Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Account 2003, Telecommunications Plant Under Construction.	Includes prior Account 7340.	✓	✓	✓	✓	✓
	Contributions Cost Pool	Based on description of accounting codes.	General allocator.	Includes prior Account 7370.	✓	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
7500 Interest and Related Items	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Interest paid on regulated customer deposits. The Companies do not pay interest on nonregulated customer deposits. Includes prior Account 7540. The AOCs rarely use this cost pool.	✓	✓	✓	✓	
	Debt and Other Interest Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the current regulated and nonregulated investment value of Account 2001, Telecommunications Plant In Service.	Includes prior Accounts 7510, 7530 and 7540.	✓	✓	✓	✓	✓
	Interest Capital Leases Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative investment value of Account 2681, Capital Leases.	Includes prior Account 7520.	✓		✓	✓	
7600 Extraordinary Items	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	Amounts in this account will be excluded from ratemaking in the Separations process; thus allocation between regulated and nonregulated is not necessary. The Companies rarely use this account. Includes prior Accounts 7610 – 7640.	✓	✓	✓	✓	

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A	C
7910 Income Effect Of Jurisdictional Ratemaking Differences - Net	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	Amounts in this account will be excluded from ratemaking in the Separations process; thus allocation between regulated and nonregulated is not necessary.	✓	✓	✓	✓	✓
7990 Nonregulated Net Income	Direct Cost Pool	Cost Pool equals account.	Directly assigned to nonregulated.	The Companies rarely use this account.	✓	✓	✓	✓	

SECTION VII –TIME REPORTING PROCEDURES

TABLE OF CONTENTS

A. TIME REPORTING METHODS USED TO ALLOCATE EXPENSE TO PART 32 ACCOUNTS

This section of the Companies' CAM describes the methods used to assign salary and wages to regulated and nonregulated operations. Job functions are used to directly assign or attribute costs whenever possible to regulated and nonregulated activities and to a specific Part 32 account. When an entire function cannot be directly assigned or attributed, time reporting is used to assign costs to regulated or nonregulated activities. Two time reporting methods are utilized: Positive Time Reporting (PTR) and Exception Time Reporting (ETR). Chart 1, at the end of this section, displays which method is used by each functional work group. The chart also displays for which employee groups activity sampling is utilized in conjunction with time reporting to allocate to regulated and nonregulated.

1. Positive Time Reporting

   This method of time reporting assigns labor costs by identifying and reporting time for all activities on a daily basis. Positive Time Reporting drives payroll expenses to the appropriate Part 32 account. Network Operations and Engineering labor forces use this method. Employees that positive time report use several time reporting accounting codes. Positive Time Reporting will be in one-quarter hour increments. There are two types of Positive Time Reporting. They are Conventional Positive Time Reporting and Sampled Positive Time Reporting.

   a. Conventional Positive Time Reporting

      Employees who use conventional positive time reporting identify one hundred percent of their time, in fifteen-minute increments, on a daily basis.

   b. Sampled Positive Time Reporting – Ameritech, Southwestern Bell, Pacific Bell, Nevada Bell - Consolidated Hours – ESTRS, ETDP, TRACS, TASS, AIS (CHEETTA) - Network

      Sampled positive time reporting is used for employees who consistently report their time to the same accounting classifications and whose activities are predominantly classifiable to expense accounts. Current employees who use the CHEETTA - Network process for sampled positive time reporting are Plant Specific Installation/Maintenance/Repair technicians. Employees whose activities are predominantly classifiable to construction (capital accounts) report by conventional positive time reporting.

      Employees covered by sampled positive time reporting are subdivided by state and are eligible for sampling each month. For the monthly samples, a statistically valid method is used to randomly select employees within each state. The sample is designed to provide an allocation of employees' time/dollars, that is within +/- 3 percentage points at the 95% level of confidence.

      The selected employees complete mechanized activity logs which identify how their time was spent during the sample day. Completed logs are verified for accuracy by trained analysts via phone interviews with the technicians. A review of the quality of reporting (e.g., completeness, accuracy of detail and matching to source documentation) is also performed. The activity time data is then complied by state and converted into percentages by the appropriate accounting classifications.

The activity percentage distribution for each state developed from the previous three-month sample period is used to distribute the time of all the employees in the CHEETTA population in the current month. The percentage distribution is input into the time reporting system, and employees in the CHEETTA population, when not subject to sampling procedures, report only actual time worked (such as a normal eight-hour workday or paid time off) without identifying any distribution to specific activities. The expense related to paid time, by both sampled and non-sampled employees, is then distributed to Part 32 accounts based upon the state percentage distributions.

Any work outside of normal job activities, such as uniquely-required regulated and nonregulated product/project tracking, contracts, and other special projects not captured in the activity logs, are reported using conventional positive time reporting. The positive time reporting drives the expense to the Part 32 accounts and to regulated or nonregulated products/services as required based on the cost assignment data input.

2. Exception Time Reporting

Exception time reporting is the method by which employees report time only when engaged in an activity outside their routinely assigned functions. Exceptions to normal work activities include time paid but not worked (e.g., vacations, holidays, and paid excused workdays), as well as uniquely-required regulated and nonregulated tracking, contracts, and other special projects. The accounting system assigns costs to both the exception-reported and routinely-assigned functions as follows:

Costs Associated with Routinely Assigned Functions	-	Exception Reported Costs	=	Costs Remaining with Routinely Assigned Functions

Exception time reporting will be in the following increments:

- Southwestern Bell, **The Southern New England Telephone Company,** and Nevada Bell 15 minutes,
- Pacific Bell; marketing employees 15 minutes, other employees 1 hour
- Ameritech 1 hour or less

The expenses associated with the routinely assigned functions are driven to the appropriate Part 32 account by the use of Accounting Codes. These codes are pre-established on each employee's mechanized payroll record and are associated with regulated, nonregulated or common activities. The distribution of expenses among accounting codes is established for each employee through an employee-by-employee analysis of job functions, and is modified whenever a significant shift in employee job functions occurs. It is the responsibility of the employee's department head to insure that the accounting information is accurate. Accurate daily time reporting is each employee's responsibility.

Employees are required to maintain all relevant records, such as time report worksheets and associated back-up, assignment logs, planning calendars, day planner pages and telephone and appointment logs. This supporting documentation, as well as the exception time reports, is maintained by the originator for the record retention period. (See E. RECORD RETENTION.)

Establishment of accounting codes associated with nonregulated activities on the employee's payroll record will be utilized only in selected instances where the time spent on nonregulated activities remains stable. This method of capturing nonregulated payroll expenses is applied on an individual basis. For example, a product manager who month after month spends 80 percent of his/her time on a nonregulated activity can utilize this method to properly record payroll expenses by indicating on the mechanized employee payroll record that 80 percent of his/her time should be assigned to a nonregulated activity each pay period. If this product manager then worked on a special regulated project for a period of time, exception time reporting would be used to assign that additional time to the appropriate regulated account code.

B. STUDIES FOR PART 64 ALLOCATION OF MARKETING AND SALES EMPLOYEES' EXPENSE

This section details the studies that are used to allocate the cost pools within Part 32 Accounts 6611 and 6623 to regulated and nonregulated to meet Part 64 requirements. They are not used to drive expenses to Part 32 accounts. Chart 1 displays the various sampling methods and the employee groups for which they are used.

For the marketing and sales employees, the costs associated with their routine job functions are assigned to the appropriate pool within a specific Part 32 account by Accounting Codes assigned to the employees. Various allocation methods are used to distribute those cost pools to regulated and nonregulated. The allocation methods are applied to pools for specific accounts in the Cost Allocation System (CAS) processes.

1. For Sales employees – Southwestern Bell, **The Southern New England Telephone Company,** Pacific Bell, Nevada Bell - Consolidated Hours – ESTRS, ETDP, TRACS, TASS, AIS (CHEETTA) - Marketing

   This allocation method utilizes a time study to allocate the regulated and nonregulated time of direct sales personnel within Account 6611.

   For the monthly samples, a statistically valid method is used to randomly select employees and assigned sample days. The sample period is one day. The sample is designed to provide an allocation of employees' time/dollars, that is within +/- 3 percentage points at the 95% level of confidence.

   The selected sales personnel complete mechanized daily logs that identify how their time was spent during the sample day. Completed logs are verified for accuracy by trained analysts via phone interviews with the sales personnel. After being reviewed, this information is used to compute a three-month rolling average of regulated and nonregulated percentages. The percentage distribution is input into the CAS system to allocate the Premises Sales Cost Pool in Account 6611.

   The employees in the direct sales personnel who were not selected to be sampled, report only exceptions to normal work activities. Exceptions include uniquely required regulated and nonregulated product/project tracking, contract, and other special projects. The exception reporting drives the expense to the Part 32 accounts associated with the exception code used.

2. For Service Representatives - Southwestern Bell, **Pacific Bell**, and Ameritech - Customer Operations Expense Study

This method of allocating non-exception reported time utilizes time studies to allocate the regulated and nonregulated time of service representatives within Account 6623.

The statistician determines the appropriate number of calls needed to produce a statistically valid sample. Prerecorded sales calls from the various call centers within the Southwestern and Ameritech regions are haphazardly selected monthly by stratum. A time study is performed using these samples to determine the percent of time spent on each product/service offered within the call centers. The results of the study are used to determine the percentage of activities that are devoted to regulated products/services vs. nonregulated products/services.

The resulting percentage is input into the CAS system and is applied to the costs in the Service Order Cost pool in Account 6623. This pool contains the expense for the paid time, including paid time off, of the service representatives.

Any exceptions to normal work activities, such as uniquely-required regulated and nonregulated product/project tracking, contracts, and other special projects, are reported using exception time reporting. The exception reporting drives the expense to the Part 32 accounts associated with the exception code used.

3. For Service Representatives - Nevada Bell – Customer Operations Expense Study

This method of allocating non-exception reported time utilizes time studies, sales reports and call volume data to allocate the regulated and nonregulated time of service representatives within Account 6623.

- Sampled sales calls are used to establish standard times for each nonregulated item that is sold. These standard times include a prorated amount of the common time.
- Call Volume and Average Call Length data from the Business and Consumer support organizations is used to calculate the total call time for all service representatives.
- The standard time to make a sale of a nonregulated product is multiplied by the number of sales for that item for the month. The time for all nonregulated products is summed and subtracted from the total call time. The remainder is the regulated time.
- The results of the study are used to determine the percentage of time, on average, that is devoted to regulated products/services vs. nonregulated products/services.
- The resulting percentage is input into the CAS system. It is applied to the costs in the Service Order Cost pool in Account 6623. This pool contains the expense for the paid time, including paid time off, of the service representatives.

Any exceptions to normal work activities, such as uniquely-required regulated and nonregulated product/project tracking, contracts, and other special projects, are reported using exception time reporting. The exception reporting drives the expense to the Part 32 accounts associated with the exception code used.

C. TRAINING

Training is designed to raise the employees' awareness of the time reporting requirements of this manual.

Methods include:

- Training documents covering system changes that are sent as required to system users.
- Providing revisions to all accounting manuals.
- Initial account code training is given to new positive time reporting employees who support nonregulated activities.
- Periodic time reporting training is provided as requested by a department or as training needs are identified.
- Statements included in the company "Code of Business Conduct." (This is a summary of corporate policies reviewed and signed annually by all employees. It explains the employees' responsibilities and the penalty for violations.)
- Annual time and expense reporting policy letter from upper management, which is provided to all employees.

D. MONITORING AND CONTROL

Time reporting monitoring is achieved through review and verification procedures including:

- Periodic internal and external audits are conducted to ensure compliance with time reporting procedures, and
- Reviews of payroll time reporting and accounting classification code accuracy are performed periodically.
- **Validation techniques are utilized in the further processing of time within the company's systems. Examples of such validation techniques include:**
  - **Payroll processing edit to identify unacceptable input; automatic cross-references to the Employee Master filed to ensure that time reports are from valid employees;**
  - **System requirement labor hours balance to payroll hours before further processing can occur.**

  These system checks are provided within the payroll and financial systems to support time reporting processes.

Control is achieved through the management approval process for time reporting.

E. RECORD RETENTION

All relevant records, including time sheets and required supportive documentation, are retained for a period of at least one year after the close of the year to which the records relate per the "Order on Reconsideration," CC Docket No. 86-111 (released October 16, 1987) paragraph 90.

F. ALLOCATION OF NONPRODUCTIVE TIME

The Companies have subdivided the FCC definition of nonproductive time for clarification. It is classified into two categories, nonproductive time and administrative time, as follows:

- Nonproductive Time is paid time off from work. Nonproductive Time consists of the following items: vacations, holidays, and paid excused workdays.
- Administrative Time consists of productive activities on the job that are not chargeable to a specific type of telephone plant, product, service or job function. Examples of administrative time include, staff meetings and activities not specified to regulated or nonregulated products/services.

1. Positive Time Reporting Employees

   Employees that perform engineering and plant operations functions report their Nonproductive and Administrative Time to specific accounting codes. These costs are apportioned based on their productive wages and salaries.

2. Exception Time Reporting Employees

a. Nonproductive Time

Nonproductive Time for employees using Exception Time Reporting (ETR) from a directly assigned cost pool will be allocated to the same cost pool as the ETR hours based upon a ratio of the nonproductive wages to total productive wages of employees using ETR for the cost pool. The CAM develops the following nonproductive ratio:

$$\frac{\text{Total Nonproductive Costs of ETR employees}}{\text{Total Productive Costs of ETR employees}} = \text{Nonproductive ETR Ratio (NETR Ratio)}$$

For each accounting code with directly assigned wages, the amount of expense that would have been assigned using the NETR Ratio is calculated by multiplying the NETR Ratio times the productive wages. This amount is then assigned to the same cost pool as the ETR productive hours.

b. Administrative Time

Administrative Time for employees using exception time reporting (ETR) from a directly assigned cost pool will be allocated to the same cost pool as the ETR hours. The Administrative Time percentage is determined by a study. It is multiplied against applicable ETR wages. For example, a marketing employee for whom regulated accounting codes have been established, exception reports time to a nonregulated tracking code. The reported nonregulated time is multiplied by the Administrative Time percentage. An applicable amount of additional expense is deducted from regulated expense and assigned to the nonregulated tracking code.

CHART 1
TIME REPORTING AND ALLOCATION METHODS BY WORK GROUP

Work Group In USOA Expense Accounts	Positive Time Reporting: Conventional	Positive Time Reporting: Sampled	Exception Time Reporting: Allocation by Accounting Code	Exception Time Reporting: Allocation Methods Using Sampling
PLANT SPECIFIC				
Construction	NONMGT			
Installation	NONMGT	NONMGT		
Maintenance/Repair	NONMGT	NONMGT		
Engineering	MGT & NONMGT			
PLANT NONSPECIFIC				
Provisioning	NONMGT		MGT & NONMGT[A]	
Network Admin.	NONMGT		MGT & NONMGT[A]	
Testing	NONMGT		MGT & NONMGT[A]	
Plant Oper. Admin.	NONMGT		MGT & NONMGT[A]	
Engineering Admin.	MGT		MGT & NONMGT[A]	
CUSTOMER OPERATIONS				
Product Management			MGT & NONMGT	
Sales			MGT & NONMGT	MGT & NONMGT
Product Advertising			MGT & NONMGT	
Call Completion			MGT & NONMGT	
Number Services			MGT & NONMGT	
Customer Services			MGT & NONMGT	NONMGT
CORPORATE OPERATIONS				
Executive			MGT & NONMGT	
Planning			MGT & NONMGT	
Accounting & Finance			MGT & NONMGT	
External Relations			MGT & NONMGT	
Human Resources			MGT & NONMGT	
Information Management			MGT & NONMGT	
Legal			MGT & NONMGT	
Procurement			MGT & NONMGT	
Research & Development			MGT & NONMGT	
Other General & Admin.			MGT & NONMGT	

[A]Nonmanagement employees using ETR in the plant nonspecific work groups represent clerical and other support employees.