

Connie Wepler
Associate Director
Regulatory Accounting (MO)

Southwestern Bell Telephone
One Bell Center
Room 55-X-7
St. Louis, Missouri 63101
Phone 314 235-5648
Fax 314 825-0184

FILED

MAY 5 2000

Missouri Public
Service Commission

May 2, 2000

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

Dear Judge Roberts:

In the settlement of Case No. TO-94-184, Southwestern Bell Telephone Company (SWBT) agreed to file, annually, the following information with the Missouri Public Service Commission:

- A copy of SWBT's Cost Allocation Manual (CAM)
- A copy of the external auditor's attestation letter regarding SWBT's CAM audit, and
- The results of the joint federal/state biennial audits as required by Section 272 of the 1996 Telecommunications Act.

In accordance with the settlement, attached is the following material:

- SWBT's CAM in effect at December 31, 1999 and
- Ernst & Young's corresponding audit report.

A joint biennial audit has not yet been performed. The results will be forwarded as soon as an audit is performed and the results become available.

If you have any questions concerning this information please give me a call at 314-235-5648.

Very truly yours,



Attachments

CC: Paul Lane (letter only)
Kathleen Larkin (letter only)
Renee Hughes (letter only)

Report of Independent Auditors**FILED****MAY 5 2000**

The Board of Directors of
Southwestern Bell Telephone Company

Missouri Public
Service Commission

We have audited, in accordance with generally accepted auditing standards, the balance sheet of Southwestern Bell Telephone Company (the Company), a wholly-owned subsidiary of SBC Communications, Inc., at December 31, 1999 and the related statements of income, shareowner's equity and cash flows for the year then ended and have issued our report dated February 11, 2000 in which we expressed an unqualified opinion on those financial statements. We have also audited the accompanying Company's Federal Communications Commission (the FCC) Report 43-03 ARMIS Joint Cost Report Submission #1 Columns (b) through (j) (hereafter referred to as "FCC Report 43-03") as of and for the year ended December 31, 1999. As described in Note 1, this report was prepared pursuant to the Company's Cost Allocation Manual, the FCC's Joint Cost Orders issued in conjunction with CC Docket No. 86-111, and the FCC's published rules and regulations thereto (47 CFR Sections 32.23, 32.27, 64.901, and 64.903) in force as of December 31, 1999. This report was prepared for the purpose of complying with those rules and regulations and is not intended to be a complete presentation of the Company's financial statements. The FCC Report 43-03 is the responsibility of the Company's management. Our responsibility is to express an opinion on the FCC Report 43-03 based on our audit.

We conducted our audit of the FCC Report 43-03 in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the FCC Report 43-03 is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the FCC Report 43-03 referred to above presents fairly, in all material respects, the information of the Company required to be set forth therein as of and for the year ended December 31, 1999, in accordance with the Company's Cost Allocation Manual, the FCC's Joint Cost Orders issued in conjunction with CC Docket No. 86-111, and the FCC's published rules and regulations thereto (47 CFR Sections 32.23, 32.27, 64.901, and 64.903) in force as of December 31, 1999.

This report is intended for the information of the Company and the FCC, which established the criteria against which the FCC Report 43-03 was evaluated. Accordingly, this report should not be used for any other purpose.

Ernst & Young LLP

March 21, 2000

Southwestern Bell

March 21, 2000

Ernst & Young LLP
Gateway One
701 Market Street
Suite 1400
St. Louis, MO 63101

Gentlemen:

In our letter dated February 11, 2000 we confirmed by letter certain information and opinions expressed to you. With respect to the financial statements of Southwestern Bell Telephone Company (the "Company") for the year ended December 31, 1999, we confirm that, to the best of our knowledge and belief, the statements made in said letter are correct as of this date and there have been no developments since February 11, 2000, that would materially affect the financial statements for the year ended December 31, 1999. In addition, we know of no event since February 11, 2000, that although not affecting such financial statements, has caused or is likely to cause any material change, adverse or otherwise, in the financial position, results of operations or cash flows of the Company.

In connection with your audit of the Federal Communications Commission ("FCC") Report 43-03, ARMIS Joint Cost Report (columns (b) through (j)) (hereafter referred to as "FCC Report 43-03") for the year ended December 31, 1999 for the purpose of expressing an opinion as to whether such report presents fairly, in all material respects, the information of the Company required to be set forth therein for the year ended December 31, 1999, in accordance with its Cost Allocation Manual (the "Manual"), the FCC's Joint Cost Orders issued in conjunction with CC Docket 86-111 and the FCC's published rules and regulations thereto (including CFR sections 32.23, 32.27, 64.901 and 64.903) (collectively, the "FCC Rules and Regulations") in force as of December 31, 1999, we make the following representations, which are true to the best of our knowledge and belief:

General

We recognize that, as members of management of the Company, we are responsible for the fair presentation in the FCC Report 43-03 of the information of the Company required to be set forth therein in accordance with the Manual and the FCC Rules and Regulations.

We believe that the effects of any unadjusted audit differences, summarized in the accompanying schedule, accumulated by you during the current audit are immaterial, both individually and in the aggregate, to the FCC Report 43-03 taken as a whole.

We have made available to you all significant information that we believe is relevant to the audit including affiliate transactions, time reporting, incidental activities, special studies and non-regulated activities.

Our Manual in force as of December 31, 1999 is in conformity with the FCC Rules and Regulations and provides criteria against which the Company's cost allocation system can be evaluated. The system is supported by cost allocation methods which are consistent with the Manual and utilized methods which permit preparation of the attached FCC Report 43-03 in accordance with the Manual and the FCC Uniformity Order. The actual cost allocation methods and procedures implemented and performed conform with the objectives, approach and procedures described in the Manual. Our Manual as amended through December 31, 1999, has been filed with the FCC and is in conformity with the FCC Rules and Regulations. The copy of the Manual provided to you is identical to the version on file with the FCC on December 31, 1999. There are no amendments on file with the FCC which have not been provided to you.

Cost Allocation System

We believe that, for the year ended December 31, 1999, the cost allocation system, as implemented, conforms with the criteria set forth in the Manual and the FCC Report 43-03 presents the information of the Company in accordance with the Manual and the FCC Rules and Regulations.

There are no material weaknesses in the cost allocation system, including any for which we believe the cost of corrective actions exceeds the benefits.

Year 2000

We are not aware of any significant adverse effects of Year 2000 on our systems and operations.

Affiliate Transactions

The Manual is complete with respect to identifying all affiliates and all transactions with affiliates as defined by the FCC's Rules and Regulations. All affiliate transactions have been accounted for in accordance with the FCC's Rules and Regulations relating to the provision of assets or services between affiliates.

Chaining Transactions

We have policies and procedures in place which are adequate to identify Chaining Transactions as defined by the FCC's Rules and Regulations. In 1999, we have had no Chaining Transactions as defined by the FCC's Rules and Regulations.

Asset Transfers

The Manual is complete with respect to identifying all asset transfers as defined by the FCC's Rules and Regulations. All asset transfers have been accounted for in accordance with the FCC's Rules and Regulations relating to the transfer of assets between affiliates.

We have policies and procedures in place which are adequate to identify Asset Transfers. In 1999, we have had no Asset Transfers as defined by the FCC's Rules and Regulations.

Time Reporting

The time reporting methods and procedures used by the Company comply with the FCC's Rules and Regulations. All time reporting methods used by the Company are described in the Manual and all employees are reporting their time through payroll reporting in accordance with the methodologies set forth in the Manual.

The Company maintains adequate contemporaneous records supporting time reported in accordance with the FCC's Rules and Regulations. All employees who use the exception time reporting method have normal account distributions that have been determined using methods that are in accordance with the Manual. Any time studies are supported by adequate records of the study results.

Incidental Activities

The Company does not conduct any incidental activities which are not described in the Manual. All incidental activities are less than one percent of regulated revenues as set forth in the FCC's Rules and Regulations and are not subject to the FCC's Rules and Regulations relating to the separation of costs between regulated and non-regulated operations.

Special Studies

All studies used as surrogate measures to determine the regulated and non-regulated portions of transactions are conducted in accordance with the FCC's Rules and Regulations and are in compliance with the Manual. All studies are supported by adequate records of the study results.

Non-regulated Activities

There are no non-regulated activities conducted by the Company (as defined by the FCC's Rules and Regulations) which are not identified in the Manual.

Competitive and Universal Services

The Company has adequate policies and procedures in place to ensure that: (1) services which are not competitive do not subsidize services subject to competition and (2) services included in the definition of Universal Services bear no more than their fair share of joint and common costs.

Cost Apportionment Computation

All cost apportionment computations have been made in accordance with the Manual and are the product of accurate methods. All costs are apportioned using the full attributable costing methodology.

Ernst & Young LLP
St. Louis, Missouri

4

March 21, 2000

We believe that, for the year ended December 31, 1999, the cost allocation system, as implemented, conforms with the criteria set forth in the Manual and the FCC Report 43-03 presents fairly, in all material respects, the information of the Company in accordance with the Manual and the FCC Rules.

Sincerely,


Robert Pickering
Senior Vice President - Finance Corporate


Phil Rodick
Managing Director - Finance Operations


Maria Martin
Executive Director - Regulatory Accounting

Southwestern Bell
Summary of Unaudited Differences
12/31/99

Amounts in whole dollars		Provide a Brief Explanation of the Exception	Reg B/S Account Dr. (Cr.)	Journal Entry to Correct the Error Nearing B/S Account Dr. (Cr.)	Reg B/S Account Dr. (Cr.)	Nearing B/S Account Dr. (Cr.)
W/P Ref.	E					
	E	Affiliate Overnight Group loading factor not being included in CFL billings.		\$ (108,028)		
	E	MSI - Legal expense voucher was incorrectly charged to Southwestern Bell Telephone resulting in not overcharged.		\$ (100,228)	\$ (2,465)	
	CA1.1	Time Reporting - Exceptions Nonregulated impact Regulated impact		\$ 230	\$ 94	
	CA1.1	Time Reporting - Missing Documentation Dollar amount related to hours on which EAY had to perform alternate procedures because standard supporting documentation was not available for billing Nonregulated impact Regulated impact		\$ 1,701	\$ 297	
		Total	\$	\$ (208,026)	\$	\$ (2,074)

COST ALLOCATION MANUAL

NEVADA  BELL.

PACIFIC  BELL.

 Southwestern Bell

DECEMBER 16, 1989

December 16, 1999

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
TW-A325, The Portals
445 Twelfth Street, S.W.
Washington, D.C. 20554

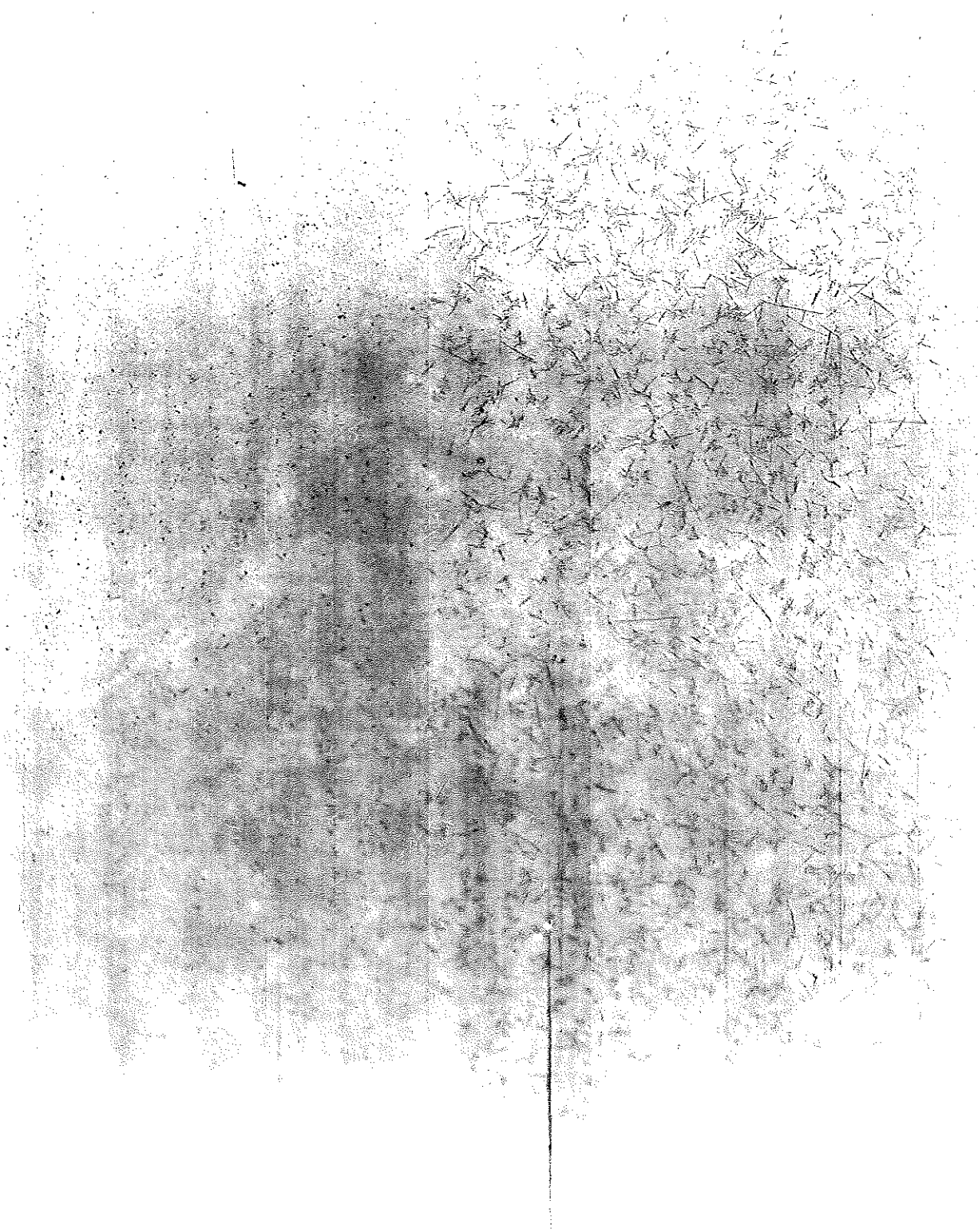
Re: Permanent Cost Allocations Manual for the Separation of Regulated and Nonregulated Costs for Nevada Bell, Pacific Bell and Southwestern Bell Telephone Company

Dear Ms. Salas:

- Pursuant to Section 64.903(b) of the Commission's Rules, as amended by the Report and Order in CC Docket No. 96-193 we respectfully submit an original and three copies of the annual update to the single Cost Allocation Manual ("CAM") for Nevada Bell, Pacific Bell and Southwestern Bell Telephone Company.

This CAM update incorporates description of revisions to cost pools and technical and narrative changes to the CAM. All changes to the manual can be identified by annotations in the right hand margin of each revised page and are described in the attachment. As required by the CAM filing procedures, this CAM update has been reformatted to eliminate blank spaces and repaginated to include any pages added during the calendar year. Additionally, this revision reflects the following:

1. FCC 99-106 Report and Order in CC Docket No. 98-81 released June 30, 1999 (including software capitalization per Statement of Position 98-1; use of Account 5280 for all nonregulated revenue; elimination of Accounts 2115, 2116, 6115, 6116).
2. Classification of Directory Listing Services as nonregulated per the US West Order (In the Matter of Petition of US West Communications, Inc. for a Declaratory Ruling Regarding the Provision of National Directory Assistance; Petition of US West Communications, Inc. for Forbearance; and The Use of N11 Codes and Other Abbreviated Dialing Arrangements, Memorandum Opinion and Order, CC Docket Nos. 97-172 and 92-105 (released September 27, 1999)).
3. Transfer of certain telephone company support service resources to SBC Services, Inc. effective on or after January 1, 2000.



TRANSMITTAL LETTER MATRIX CAM CHANGES

Page USOA Account	Description of Change	Change From	Change To	Reason for Change	Annualized Quantification
General Note 1		N/A	N/A	Per RAO 19, the CAM was reformatted to eliminate blank spaces and repaginated to include pages added during the year. Also, all typographical, punctuation, spelling, capitalization and tabbing errors were corrected throughout the entire CAM.	Not Applicable (N/A)
General Note 2	Nonregulated revenue assignments in Accounts 5010 and 5230, in addition to Account 5280; cost assignments in Accounts 2115, 2116, 6115, 6116.			Part of CC 99-106 released June 30, 1999 (Report and Order in CC Docket No. 98-81, Order on Reconsideration in CC Docket No. 96-150, Fourth Memorandum Opinion and Order in AAD File No. 98-43, para. 2) modified Part 32 such that accounts 2114, 2115 and 2116 were combined into a single new account 2114; accounts 6114, 6115 and 6116 were combined into a single new account 6114; Account 5010 is eliminated and all nonregulated revenues will be recorded in Account 5280.	See Section VI.
General Note 3		N/A		Account 2080, Intangibles, posting is modified to reflect General Purpose Computer Software and Network Software capitalizable software costs.	See Section VI

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page USOA Account	Change From	Change To	Description of Change	Reason for Change	Annualized Quantification
<u>General Note 4</u>	Certain telephone company support services performed within telcos.	Certain telephone company support services performed by SBC Services, Inc.	Certain telephone company support services will be transferred to SBC Services, Inc., effective on or after January 1, 2000. SBC Services, Inc., will then provide these selected support services to the telcos. Section V has been revised as explained in the transmittal at Attachment A. Section VI has been revised and the associated requisite cost apportionment table changes quantified accordingly in this transmittal.	See Sections V and VI portions later in this transmittal.	
II-1	"Directory Yellow Page Services - Nevada Bell"	N/A	Directory Yellow Page Services are no longer provided by Nevada Bell.	N/A	
<u>II-1 General Note 5</u>	N/A	Directory Listing Services	To reflect as nonregulated the directory services so classified per the US West Order (in the Matter of Petition of US West Communications, Inc. for a Declaratory Ruling Regarding the Provision of National Directory Assistance; Petition of US West Communications, Inc. for Forbearance; and The Use of N11 Codes and Other Abbreviated Dialing Arrangements. Memorandum Opinion and Order, CC Docet Nos. 97-172 and 92-105 (released September 27, 1999)).	See Section VI.	
II-3	... programming efforts to create, maintain or customize software for outside third parties and affiliates; and b) funding the development of applications software to create third parties; b) the licensing of software to affiliates; and c) funding the development of applications software ...	To refine the description of the software services being offered to affiliates.	N/A	
II-4 through 7	See related Section VI Table changes.	See related Section VI Table changes.	See related Section VI Table changes.	N/A	
II-4 through 7	To update Section II Matrix to reflect Nevada Bell's new Telephone Company Cost Allocation Method	To update Section II Matrix to reflect	To update Section II Matrix to reflect	N/A	TRANSMITTAL ATTACHMENT Page 2 of 16 REVISED: 10/1999

TRANSMITTAL LETTER MATRIX CAM CHANGES

<u>Page</u> <u>USOA</u> <u>Account</u>	<u>Change From</u>	<u>Change To</u>	<u>Reason for Change</u>	<u>Annualized</u> <u>Quantification</u>
	account code revisions and product assignments.	account code revisions and product assignments.		
II-4 through 7	"6. Directory Yellow Page Services"	N/A	Deleted - See explanation above at II-1.	N/A
II-4 through 7	"5. Directory White Page Services"	"6. Directory White Page Services"	Renumbered to retain alphabetizing.	N/A
II-4 through 7	N/A	"5. Directory Listing Services"	See General Note 5.	See Section VI.
IV-1, 16, 17	Chart of Affiliates	Chart of Affiliates	The Chart is updated.	N/A
V - all pages	See Attachment A	See Attachment A	All Section V change descriptions can be found on Attachment A to this transmittal letter matrix.	See Attachment A
VI-5 through 21	Various additions and deletions	Various additions and deletions	To update listings of accounts using the assignment and apportionment bases described. Also, to reflect Section VI Cost Table changes. Also see General Notes 1-5.	N/A
VI-11	N/A	"Peak Forecasted Annual Usage - COE Study - Nevada"; "Common interest investment ... forecasting process is used to apportion a selected cost pool to Account 2212, Digital Electronic Switching."	Added description of COE Study forecasting process for Nevada Bell.	N/A
VI-23 through 62	Various comments as to company/ies use of pools.	Modified comments as to company/ies use of pools.	To clarify which company/ies are using the pools and the frequency of that use.	N/A
VI-26, 28 2114 (deleted 2115, 2116)	"Cost Pool equals account."	"Based on description of accounting codes."	See General Note 2. Accounts 2114, 2115 and 2116 and their respective pools were combined into Account 2114.	N/A
	N/A	"Direct Cost Pool; Based on description of accounting codes; Directly assigned to"	See General Note 2. Accounts 2114, 2115 and 2116 and their respective pools were	N/A

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page USOA Account	Change From	Description of Change . .	Change To	Reason for Change	Annualized Quantification
		nonregulated."			
	N/A	"Garage Work Equipment Cost Pool; Based on description of accounting codes; Indirectly attributed based on relative investment value of Account 2112, Motor Vehicles, Account 2114, Tools and Other Work Equipment excluding the Garage Work Equipment Cost Pool."		combined into Account 2114. See General Note 2. Accounts 2114, 2115 and 2116 and their respective pools were combined into Account 2114.	N/A
	N/A	"Other Work Equipment Cost Pool; Based on description of accounting codes; Indirectly attributed based on relative value of current month salaries and wages Accounts 2211 through 2441 and 6211 through 6441."		See General Note 2. Accounts 2114, 2115 and 2116 and their respective pools were combined into Account 2114.	N/A
	N/A	Special Tools-Distribution Services Cost Pool; Based on description of accounting codes; Indirectly attributed based on relative value of current month salaries and wages Accounts 2411 through 2441 and 6411 through 6441."		See General Note 2. Accounts 2114, 2115 and 2116 and their respective pools were combined into Account 2114.	N/A
	N/A	Embedded Small Value Tools and Other Work Equipment Cost Pool; Based on description of accounting codes; Indirectly attributed based on relative investment value of the other cost pools in Account 2114, Tools and Other Work Equipment (including the Embedded Small Value Tools and Other Work Equipment Cost Pool)		See General Note 2. Accounts 2114, 2115 and 2116 and their respective pools were combined into Account 2114.	N/A

V-99
2101

Decrease in
regulated
expenditures of

Decrease in
regulated
expenditures of

TRANSMITTAL ATTACHMENT
Page 2 of 16
11/11/2011 11:11 AM

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page
USOA
Account

Description of Change

Change From

Change To

Reason for Change

Annualized
Quantification

\$46.1 million.

Decrease to
regulated
operations of \$9.8
million.

Deleted cost pool.

N/A

"Central Office Cost Pool"

Increase to
regulated
operations of
\$80.4 million.

Network facilities related computer
investment (formerly in the Cable & Wire
Facilities, Central Office and Network cost
pools) was pooled together into one pool.

"Network Facilities Cost Pool": Based on
description of accounting codes and
computer usage; indirectly attributed based
on current regulated and nonregulated
investment value of cable and wire facilities
investment in Accounts 2211 through 2232
and 2411 through 2441."

N/A

Decrease to
regulated
operations of \$2.0
million.

Pool's total dollar amount does not warrant a
separate pool. This change will be effective
for end of year 1989 processing.

N/A

"Inventories Cost Pool"

Decrease to
regulated
operations of
\$37.5 million.

See General Note 4. Computer investment
supporting this pool will be transferred to
SBC Services, Inc.

N/A

"Personnel/Communications Cost
Pool"

Decrease to
regulated
operations of
\$80.1 million.

See General Note 4. Computer investment
supporting this pool will be transferred to
SBC Services, Inc.

N/A

"Service Order Cost Pool"

Decrease to
regulated
operations of \$2.6
million.

See General Note 4. Computer investment
supporting this pool will be transferred to
SBC Services, Inc.

N/A

"Directory Listings Cost Pool"

Decrease to
regulated
operations of \$2.6
million.

Deleted cost pool.

N/A

"Network Cost Pool"

TRANSMITTAL ATTACHMENT
Page 5 of 15
RECEIVED 12/19/89

North Carolina Bell
Telecommunications Company
Cost Accounting Manual

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page USOA Account	Change From	Description of Change	Change To	Reason for Change	Annualized Quantification
VI-31 2220	Operator Systems Cost Pool	Operator Systems Frozen Cost Pool; Directly attributed based on peak forecasted annual usage-call volumes.		To rename cost pool to reflect it only contains frozen investment and standardize wording of usage methodology being applied.	operations of \$24.5 million.
	N/A	Operator Systems Cost Pool; Account balance less amounts assigned to other cost pools; Directly attributed based on peak forecasted annual usage-call volumes. This pool is used by PB and SWBT.		See General Note 5. Pool created to identify common investment used to provide certain directory listings services classified as nonregulated.	N/A
VI-35 2681	2114 Special Purpose Vehicles, and 2116 Other Work Equipment.			See General Note 2. To reflect the combining of Account 2116 into Account 2114.	Decrease to regulated operations of \$9.8 million.
VI-37 2680	N/A	Network Software Cost Pool; Based on description of accounting codes; Indirectly attributed based on current regulated and nonregulated investment values of the Central Office Equipment in Accounts 2211 through 2232.		See General Note 3. Account 2680 pooling is modified to reflect capitalizable software costs.	Increase to regulated operations of \$113.3 million.
	N/A	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.		See General Note 3. Account 2680 pooling is modified to reflect capitalizable software costs.	Increase to regulated operations of \$29.4 million.

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page
USOA
Account

Annualized
Quantification

Reason for Change

Description of Change

Change To

Change From

VI-38
3500

"Cost Pool equals account"

"Based on description of accounting codes; Indirectly attributed based on relative investment value of Account 2690, Intangibles, excluding the Network Software Cost Pool and the General Purpose Computer Software Cost Pool."

See General Note 3. Account 3500 pooling is modified to accommodate the Account 2690 pooling modifications for capitalizable software costs

N/A

N/A

"Network Software Accumulated 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."

See General Note 3. Account 3500 pooling is modified to accommodate the Account 2690 pooling modifications for capitalizable software costs.

Increase to regulated operations of \$18.9 million.

N/A

"General Purpose Computer Software Accumulated 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."

See General Note 3. Account 3500 pooling is modified to accommodate the Account 2690 pooling modifications for capitalizable software costs.

Increase to regulated operations of \$4.9 million.

4100

"Direct Cost Pool, Account transaction analysis; Directly assigned to regulated; This pool is used by NB."

N/A

To delete a pool which has minimal activity.

\$3.3 million less to regulated operations

4310

"Direct Cost Pool, Based on transaction analysis of accounting codes; Directly assigned to nonregulated."

N/A

To delete a pool that is not in use.

N/A

Network Software Cost Pool
Amortization Intangible Cost Pool
Cost Allocation Method

TRANSMITTAL ATTACHMENT
Page 7 of 10
REVISION: 10/19/99

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page USOA Account	Change From	Change To	Description of Change	Reason for Change	Annualized Quantification
VI-40 5000-5270	Nonregulated revenue assignments in Accounts 5010 and 5230, in addition to Account 5280.	N/A		See General Note 2. All nonregulated revenue assignments will be in Account 5280.	N/A
VI-41 6114 (deleted 6115, 6116)	"Cost Pool equals account."		"Based on description of accounting codes."	See General Note 2. Accounts 6114, 6115 and 6116 and their respective pools were combined into Account 6114.	N/A
	N/A		"Direct Cost Pool: Based on description of accounting codes; Directly assigned to nonregulated; This pool is used by PB and SWBT."	See General Note 2. Accounts 6114, 6115 and 6116 and their respective pools were combined into Account 6114.	N/A
	N/A		"Garage Equipment Cost Pool: Based on description of accounting codes; Indirectly attributed based on relative investment value of the Garage Work Equipment Cost Pool in Account 2114, Tools and Other Work Equipment."	See General Note 2. Accounts 6114, 6115 and 6116 and their respective pools were combined into Account 6114.	N/A
	N/A		"Common Tools Cost Pool: Based on description of accounting codes; Indirectly attributed based on relative investment value of the Other Work Equipment Cost Pool in Account 2114, Tools and Other Work Equipment. The cost pool balance represents the remaining expense after clearance to construction accounts and other plant specific expense accounts. This pool is used by SWBT."	See General Note 2. Accounts 6114, 6115 and 6116 and their respective pools were combined into Account 6114.	N/A
	N/A		"Special Tools Distribution Services Cost Pool: Based on description of accounting codes; Indirectly attributed based on relative investment value of the Special Tools Distribution Services Cost Pool in Account 2114, Tools and Other Work Equipment."	See General Note 2. Accounts 6114, 6115 and 6116 and their respective pools were combined into Account 6114.	N/A

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page USOA Account	Change From	Description of Change	Change To	Reason for Change	Annualized Quantification
		Equipment; The cost pool balance represents the remaining expenses after clearance to construction accounts and other plant specific expense accounts; This pool is used by SWBT.			
N/A	N/A	"Other Work Equipment Cost Pool; Based on description of accounting codes: Indirectly attributed based on the relative investment value of Account 2114, Tools and Other Work Equipment; This pool is used by NB and PB."		See General Note 2. Accounts 6114, 6115 and 6116 and their respective pools were combined into Account 6114.	N/A
VI-43, 44 6124	N/A	"Directly Attributed Regulated"		See General Note 4. Pool added to include support costs from SBC Services, Inc.	Increase to regulated operations of \$63.9 million.
	N/A	"Directly Attributed Nonregulated"		See General Note 4. Pool added to include support costs from SBC Services, Inc.	N/A
	"Indirectly attributed based on relative investment value of the Signaling Cost Pool investment in Account 2212, Digital Electronic Switching."			To clarify the usage methodology being applied to apportion the Signaling Cost Pool costs.	N/A
	N/A	"Information Services Cost Pool"		See General Note 4. Pool added to include support costs from SBC Services, Inc.	Increase to regulated operations of \$105.0 million.
	N/A	"Operator Services Cost Pool"		See General Note 4. Pool added to include support costs from SBC Services, Inc.	Increase to regulated operations of \$4.0 million.
	N/A	"Billing Cost Pool"		See General Note 4. Pool added to include	Increase to

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page
USOA
Account

Description of Change

Change From

Change To

Reason for Change

Annualized
Quantification

support costs from SBC Services, Inc.

regulated
operations of
\$215.2 million.

N/A

"Network Facilities Cost Pool"

See General Note 4. Pool added to include
support costs from SBC Services, Inc.

Increase to
regulated
operations of
\$122.5 million.

N/A

"Distribution Services and Station
Connections Cost Pool"

See General Note 4. Pool added to include
support costs from SBC Services, Inc.

Increase to
regulated
operations of
\$33.5 million.

N/A

"Outside Plant Maintenance Cost Pool"

See General Note 4. Pool added to include
support costs from SBC Services, Inc.

Increase to
regulated
operations of
\$68.6 million.

N/A

"Service Order Cost Pool"

See General Note 4. Pool added to include
support costs from SBC Services, Inc.

Increase to
regulated
operations of
\$76.3 million.

N/A

"Personnel/Communications Cost Pool"

See General Note 4. Pool added to include
support costs from SBC Services, Inc.

Increase to
regulated
operations of
\$48.0 million.

N/A

"Marketing Cost Pool"

See General Note 4. Pool added to include
support costs from SBC Services, Inc.

Increase to
regulated
operations of \$7.6
million.

N/A

"General Operations Cost Pool"

See General Note 4. Pool added to include
support costs from SBC Services, Inc.

Increase to
regulated
operations of

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page USOA Account	Change From	Change To	Description of Change	Reason for Change	Annualized Quantification
VI-45 6220	N/A	"Microcomputers Cost Pool"	"Direct Cost Pool: Based on description of accounting codes; Directly assigned to nonregulated."	See General Note 4. Pool added to include support costs from SBC Services, Inc.	\$115.9 million. Increase to regulated operations of \$91.2 million.
	N/A		"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."	See General Note 5.	N/A
VI-52 6564	"Cost Pool equals account."		"Based on description of accounting codes"	See General Note 3.	N/A
	N/A		"Network Software Authorization Intangible Cost Pool: Based on description of accounting codes; Indirectly allocated based on relative value of the Network Software Cost Pool in Account 2000, Intangibles."	See General Note 3.	Increase to regulated operations of \$18.9 million.
	N/A		"General Purpose Computer Software Authorization Intangible Cost Pool: Based on description of accounting codes; Indirectly allocated based on relative value of the General Purpose Computer Software Cost Pool in Account 2000, Intangibles."	See General Note 3.	Increase to regulated operations of \$4.9 million.
0011	"Joint Value Mail CCS Cost Pool"	N/A		To delete pool with related costs.	Less than \$1 million impact on

TRANSMITTAL LETTER MATRIX CAM CHANGES

<u>Page</u> <u>USOA</u> <u>Account</u>	<u>Description of Change</u>		<u>Reason for Change</u>	<u>Annualized</u> <u>Quantification</u>
	<u>Change From</u>	<u>Change To</u>		
	"Joint Voice Mail-Other Cost Pool"	N/A	To delete pool with minimal costs.	regulated operations. Less than \$.1 million impact on regulated operations.
	"Joint Automated Attendant OCS Cost Pool"	N/A	To delete pool with minimal costs.	Less than \$.1 million impact on regulated operations.
	"Joint Automated Attendant-Other Cost Pool."	N/A	To delete pool with minimal costs.	Less than \$.1 million impact on regulated operations.
VI-53 6613	"Joint Voice Mail OCS Cost Pool"	N/A	To delete pool with minimal costs.	Less than \$.1 million impact on regulated operations.
	"Joint Voice Mail-Other Cost Pool"	N/A	To delete pool with minimal costs.	Less than \$.1 million impact on regulated operations.
	"Joint Automated Attendant OCS Cost Pool"	N/A	To delete pool with minimal costs.	Less than \$.1 million impact on regulated operations.
	"Joint Automated Attendant-Other Cost Pool."	N/A	To delete pool with minimal costs.	Less than \$.1 million impact on regulated operations.

TRANSMITTAL LETTER MATRIX CAM CHANGES

<u>Page USOA Account</u>	<u>Change From</u>	<u>Description of Change</u>	<u>Change To</u>	<u>Reason for Change</u>	<u>Annualized Quantification</u>
VI-54 6622	"Number Services Cost Pool"	"Number Services Support Cost Pool; 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."		See General Note 5.	Decrease to regulated operations of \$7.3 million.
	N/A	"Operator Systems Directory Assistance Cost Pool"		See General Note 5.	Decrease to regulated operations of \$13.8 million.
	"Joint Voice Mail OCS Cost Pool"		N/A	To delete pool with minimal costs.	Less than \$.1 million impact on regulated operations.
	"Joint Voice Mail-Other Cost Pool"		N/A	To delete pool with minimal costs.	Less than \$.1 million impact on regulated operations.
	"Joint Automated Attendant OCS Cost Pool"		N/A	To delete pool with minimal costs.	Less than \$.1 million impact on regulated operations.
	"Joint Automated Attendant-Other Cost Pool."		N/A	To delete pool with minimal costs.	Less than \$.1 million impact on regulated operations.
VI-57 6711	N/A	"Executive Cost Pool; Based on description of accounting codes; Indirectly attributed based on company current month salaries and wages; This pool is used by T&E."		Pool was inadvertently left out of the 1985/86 single CMA filing.	N/A

TRANSMITTAL LETTER MATRIX CAM CHANGES

Description of Change

<u>Page</u> <u>USOA</u> <u>Account</u>	<u>Change From</u>	<u>Change To</u>	<u>Reason for Change</u>	<u>Annualized</u> <u>Quantification</u>
VI-59, 60 6724	N/A	"Directly Attributed Regulated"	See General Note 4. Pool added to include support costs from SBC Services, Inc.	Increase to regulated operations of \$286.3 million.
	N/A-	"Directly Attributed Nonregulated"	See General Note 4. Pool added to include support costs from SBC Services, Inc.	N/A
	"Indirectly attributed based on the relative investment value of the Signaling Cost Pool investment in Account 2212, Digital Electronic Switching."	"Directly attributed based on current regulated and nonregulated use of the Signaling Cost Pool investment in Account 2212, Digital Electronic Switching."	To clarify the usage methodology being applied to apportion the Signaling Cost Pool costs.	N/A
	N/A	"Information Services Cost Pool"	See General Note 4. Pool added to include support costs from SBC Services, Inc.	Increase to regulated operations of \$48.1 million.
	N/A	"Operator Services Cost Pool"	See General Note 4. Pool added to include support costs from SBC Services, Inc.	Increase to regulated operations of \$1.8 million.
	N/A	"Billing Cost Pool"	See General Note 4. Pool added to include support costs from SBC Services, Inc.	Increase to regulated operations of \$88.5 million.
	N/A	"Network Facilities Cost Pool"	See General Note 4. Pool added to include support costs from SBC Services, Inc.	Increase to regulated operations of \$88.1 million.
	N/A	"Distribution Services and Station Connections Cost Pool"	See General Note 4. Pool added to include support costs from SBC Services, Inc.	Increase to regulated

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page
USOA
Account

Description of Change

Change From

Change To

Reason for Change

Annualized Quantification

operations of
\$15.3 million.

N/A

"Outside Plant Maintenance Cost Pool"

See General Note 4. Pool added to include support costs from SBC Services, Inc.

Increase to regulated operations of \$31.4 million.

N/A

"Service Order Cost Pool"

See General Note 4. Pool added to include support costs from SBC Services, Inc.

Increase to regulated operations of \$34.9 million.

N/A

"Personnel/Communications Cost Pool"

See General Note 4. Pool added to include support costs from SBC Services, Inc.

Increase to regulated operations of \$22.0 million.

N/A

"Marketing Cost Pool"

See General Note 4. Pool added to include support costs from SBC Services, Inc.

Increase to regulated operations of \$3.5 million.

N/A

"General Operations Cost Pool"

See General Note 4. Pool added to include support costs from SBC Services, Inc.

Increase to regulated operations of \$53.0 million.

VI-62
7189

N/A

"Directly Attributed Regulated Account transaction analysis; Directly attributed to regulated PB and SVST use this pool, while NB rarely uses this pool. Includes portion of Land and Airframe investment gain or loss for time in rate base prior to 1988."

To add a pool to attribute directly to regulated the portion of the gain or loss attributable pre-1988. Note: This is not a change in calculation but a classification as directly attributed the portion of the gain or loss which can be identified as pre-1988.

See note in explanation.

"Indirectly attributed based on the

"Indirectly attributed based on the relative

Combined the Airframe Cost Pool into the

See note in

Florida Bell/Florida Bell
Communications and Telephone Company
Cost Allocation Manual

TRANSMITTAL ATTACHMENT
Page 15 of 15
REVISED: 10/19/99

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page
USOA
Account

Description of Change ..

Change From

relative amount of time and the relative portion of the asset which was included in the rate base over the period of time the asset was in service, per requirement in Report and Order in CC Docket No. 86-497, released December 24, 1986 (Para. 86). The relative portion of the asset is allocated to regulated and nonregulated based on Land investment in Account 2111.

*Indirectly attributed based on the relative amount of time and the relative portion of the asset which was included in the rate base over the period of time the asset was in service, per requirement in Report and Order in CC Docket No. 86-497, released December 24, 1986 (Para. 86). The relative portion of the asset is allocated to regulated and nonregulated based on Artwork investment in Account 2122.

Change To

amount of time and the relative portion of the asset which was included in the rate base over the period of time the asset was in service after 1987, per requirement in Report and Order in CC Docket No. 86-497, released December 24, 1986 (Para. 86). The relative portion of the asset is allocated to regulated and nonregulated based on Land investment in Account 2111 and Artwork investment in Account 2122.

N/A

Reason for Change

Land Cost Pool since there is minimal artwork being disposed. Also, created a separate cost pool (see previous Directly Attributed Regulated Cost Pool in Account 7150) for the portion of the gain or loss attributable pre-1988.

Sales of artwork are so rare as to make this pool not necessary; pool merged with the land pool.

Annualized Quantification

explanation. Less than \$.1 million impact on regulated operations for the change in artwork allocation.

Less than \$.1 million impact on regulated operations

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page USOA Account	Description of Change		Reason for Change	Annualized Quantification
	Change From	Change To		
V-1 thru V-4	Deleted footnote 1 and renumbered footnotes.	N/A	No longer applicable.	N/A
V-5 thru V-7	N/A	Added SBC Advanced Solutions, Inc., PBD Holding/Digital Graphics Advantage, SNET Enhanced Services, Inc., SNET Cellular, Inc., SNET Information Services, SNET Diversified Group, Inc., SNET America, Inc., SNET Personal Vision, Inc., SBC Telecom, Inc., Ameritech Communications, Inc., Ameritech Services.	Additional affiliates with which Telcos engage in transactions.	N/A
5264	N/A	Sales to Affiliates - Regulated	Associated with affiliates listed above.	(\$70.3 million) to regulated
5270	N/A	Sales to Affiliates - Regulated	Associated with affiliates listed above.	(\$3.4 million) to regulated
5280	N/A	Sales to Affiliates - Nonregulated	Associated with affiliates listed above.	(\$39.9 million) to nonregulated
V-8 thru V-9	Deleted SBC Asset Management, Inc., The SBC Center for Learning, Inc., SBC Management Services - USA, Inc., SBC Advanced Data Services, Inc.	N/A	Telcos no longer engage in transactions with these affiliates.	N/A
V-7	Pacific Bell Wireless	Pacific Bell Wireless, LLC	Restructure and name change.	N/A
V-9 thru V-10	Deleted Automotive, Purchasing and Contracting, Software Services, Computer Services, Human Resources Support, HR Professional Services, Billing and Payment Processing Services and Training Support. Also deleted portions of service descriptions for Administrative Services, Real Estate Services and Finance and Treasury Services.	N/A	Services no longer provided by Telcos. Provided by SBC Services, Inc.	

North BellSouth Bell
Southwest Bell Telephone Company
One Atlantic Street

Attachment A
Page 1 of 6
March 1999

TRANSMITTAL LETTER MATRIX CAM CHANGES

<u>Page</u> <u>USOA</u> <u>Account</u>	<u>Change From</u>	<u>Description of Change</u> <u>Change To</u>	<u>Reason for Change</u>	<u>Annualized</u> <u>Quantification</u>
2112	N/A	Asset Transfers to SBC Services	Associated with the services listed above. Includes all assets expected to be transferred in 2000.	(\$9.0 million) to regulated (\$1.4 million) to nonregulated
2115	N/A	Asset Transfers to SBC Services	Associated with the services listed above. Includes all assets expected to be transferred in 2000.	(\$2.1 million) to regulated (\$0.3 million) to nonregulated
2116	N/A	Asset Transfers to SBC Services	Associated with the services listed above. Includes all assets expected to be transferred in 2000.	(\$26.7 million) to regulated (\$2.1 million) to nonregulated
2122	N/A	Asset Transfers to SBC Services	Associated with the services listed above. Includes all assets expected to be transferred in 2000.	(\$3.0 million) to regulated (\$0.4 million) to nonregulated
2123	N/A	Asset Transfers to SBC Services	Associated with the services listed above. Includes all assets expected to be transferred in 2000.	(\$120.8 million) to regulated (\$8.8 million) to nonregulated
2124	N/A	Asset Transfers to SBC Services	Associated with the services listed above. Includes all assets expected to be transferred in 2000.	(\$593.8 million) to regulated (\$55.6 million) to nonregulated
5294	N/A	Sales to Affiliates - Regulated	Associated with services listed above.	\$143.1 million to regulated
5299	N/A	Sales to Affiliates - Nonregulated	Associated with services listed above.	\$29.2 million to nonregulated
V-8	Deleted "voice messaging services"	N/A	Update Official Communications service description.	N/A
V-8	N/A	Added "intellectual property" reference	Update Temporary Projects service description.	N/A
V-9	"provision of sample records primarily at PERV."	"creation of sample transaction file at FBC."	Update Primary Interexchange Carrier Services service description.	N/A

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page USOA Account	Change From	Change To	Description of Change	Reason for Change	Annualized Quantification
V-10	Network and Operator Services	Network Support		Update service name and service description.	N/A
V-10	Deleted Customer Network Services	N/A		Duplicative; services fully included in Customer Premises Equipment and Wire Services listing.	N/A
V-11 thru V-12	Finance and Treasury Services Human Resources Support Purchasing and Contracting Training Program Management Real Estate Support Services Billing Support Services Information Technology	N/A Human Resources Support Services Procurement Support Services Training Services Real Estate Support Services Billing Support Services Information Technology Services		Updated service descriptions to reflect services that SBC Services will provide.	
6121	N/A	Services from SBC Services		Associated with services listed above.	\$216.0 million to regulated
6123	N/A	Services from SBC Services		Associated with services listed above.	\$12.9 million to nonregulated \$86.9 million to regulated
6124	N/A	Services from SBC Services		Associated with services listed above.	\$7.7 million to nonregulated \$86.8 million to regulated
6535	N/A	Services from SBC Services		Associated with services listed above.	\$83.6 million to nonregulated \$88.7 million to regulated
6623	N/A	Services from SBC Services		Associated with services listed above.	\$1.5 million to nonregulated \$288.3 million to regulated
6721	N/A	Services from SBC Services		Associated with services listed above.	\$72.3 million to regulated \$87.4 million to regulated \$4.6 million to nonregulated

Verizon Wireless Inc.
Washington, DC 20005
Copyright © 2005 Verizon Wireless

ATTACHMENT A
Page 3 of 4
000000-0000

TRANSMITTAL LETTER MATRIX CAM CHANGES

Page USOA Account	Change From	Description of Change	Change To	Reason for Change	Annualized Quantification
6723	N/A	Services from SBC Services		Associated with services listed above.	\$206.2 million to regulated
6724	N/A	Services from SBC Services		Associated with services listed above.	\$26.5 million to nonregulated
6726	N/A	Services from SBC Services		Associated with services listed above.	\$356.3 million to regulated
6728	N/A	Services from SBC Services		Associated with services listed above.	\$57.8 million to nonregulated
					\$33.6 million to regulated
					\$2.0 million to nonregulated
					\$19.8 million to regulated
					\$2.3 million to nonregulated
V-11, V-12	Network and Market Planning and Direction	Market Planning and Strategic Direction, Architecture and Technology Planning and Strategy		Split service name into two parts.	N/A
V-11	N/A	Added "and interim employee-related services arising from mergers and acquisitions"		Update Administrative Services service description.	N/A
V-11	Deleted Calling Services	N/A		Merged into Marketing Support.	N/A
V-11	Joint Marketing Services	Marketing Support		Update service name and service description.	N/A
V-12	N/A	Added Lease of Floor Space		New service.	N/A
V-13 thru V-20	N/A	Updated to reflect services provided and received		To reflect matrix changes.	N/A

Harold Burroughs Bell
Southwestern Bell Telephone Company
Cellular/Mobile Market

ATTACHMENT A
Page 4 of 4
REVISED: 10/20/99

TABLE OF CONTENTS

<u>Description</u>	<u>Section</u>
Introduction	I
Nonregulated Activities	II
Incidental Activities	III
Chart of Affiliates	IV
Transactions With Affiliates	V
Cost Apportionment Tables	VI
Time Reporting Procedures	VII

NEVADA BELL/PACIFIC BELL/SOUTHWESTERN BELL TELEPHONE COMPANY
COST ALLOCATION MANUAL
(CAM)
CURRENT PAGE INDEX

<u>SECTION</u>	<u>PAGES</u>	<u>DATE REVISED</u>
I. Introduction	1	10/25/99
	2	10/25/99
	3	10/25/99
	4	10/25/99
	5	10/25/99
II. Nonregulated Activities	1	12/16/99 *
	2	10/25/99
	3	12/16/99 *
	4	12/16/99 *
	5	12/16/99 *
	6	12/16/99 *
	7	12/16/99 *
III. Incidental Activities	1	10/25/99
:	2	10/25/99
IV. Chart of Affiliates	1	12/16/99 *
	2	10/25/99
	3	10/25/99
	4	10/25/99
	5	10/25/99
	6	10/25/99
	7	10/25/99
	8	10/25/99
	9	10/25/99
	10	12/16/99 *
	11	10/25/99
	12	10/25/99
	13	10/25/99
	14	10/25/99
	15	10/25/99
	16	12/16/99 *
	17	12/16/99 *
	18	10/25/99
V. Transactions with Affiliates	1	12/16/99 *
	2	12/16/99 *
	3	12/16/99 *
	4	12/16/99 *
	5	12/16/99 *
	6	12/16/99 *
	7	12/16/99 *
	8	12/16/99 *
	9	12/16/99 *

<u>SECTION</u>	<u>PAGES</u>	<u>DATE REVISED</u>
V. Transactions with Affiliates (cont.)	10	12/16/99 *
	11	12/16/99 *
	12	12/16/99 *
	13	12/16/99 *
	14	12/16/99 *
	15	12/16/99 *
	16	12/16/99 *
	17	12/16/99 *
	18	12/16/99 *
	19	12/16/99 *
VI. Cost Apportionment Tables	1	10/25/99
	2	10/25/99
	3	10/25/99
	4	10/25/99
	5	12/16/99 *
	6	12/16/99 *
	7	12/16/99 *
	8	12/16/99 *
	9	12/16/99 *
	10	12/16/99 *
	11	12/16/99 *
	12	10/25/99
	13	12/16/99 *
	14	12/16/99 *
	15	12/16/99 *
	16	12/16/99 *
	17	12/16/99 *
	18	12/16/99 *
	19	12/16/99 *
	20	12/16/99 *
	21	12/16/99 *
	22	10/25/99
	23	12/16/99 *
	24	10/25/99
	25	12/16/99 *
	26	12/16/99 *
	27	12/16/99 *
	28	12/16/99 *
	29	12/16/99 *
	30	12/16/99 *
	31	12/16/99 *
	32	12/16/99 *
	33	10/25/99
	34	10/25/99
	35	12/16/99 *
	36	10/25/99
	37	12/16/99 *
	38	12/16/99 *
	39	12/16/99 *
	40	12/16/99 *

<u>SECTION</u>	<u>PAGE</u>	<u>DATE REVISED</u>
VI. Cost Apportionment Tables (cont.)	41	12/18/99 *
	42	12/16/99 *
	43	12/16/99 *
	44	12/16/99 *
	45	12/16/99 *
	46	12/16/99 *
	47	12/16/99 *
	48	12/16/99 *
	49	12/16/99 *
	50	12/16/99 *
	51	12/16/99 *
	52	12/16/99 *
	53	12/16/99 *
	54	12/16/99 *
	55	12/16/99 *
	56	12/16/99 *
	57	12/16/99 *
	58	12/16/99 *
	59	12/16/99 *
	60	12/16/99 *
	61	12/16/99 *
	62	12/16/99 *
	63	12/16/99 *
	64	12/16/99 *
	65	12/16/99 *
	66	12/16/99 *
VII. Time Reporting Procedures	1	10/25/99
	2	10/25/99
	3	10/25/99
	4	10/25/99
	5	10/25/99
	6	10/25/99
	7	10/25/99
	8	10/25/99
	9	10/25/99
	10	10/25/99

* denotes changes

SECTION I - INTRODUCTION

OVERVIEW

In compliance with the Federal Communication Commission (FCC) Report and Order (the "Joint Cost Order"), CC Docket No. 86-111, released February 6, 1987¹, Nevada Bell, Pacific Bell and Southwestern Bell Telephone Company (the "Companies") have prepared a Cost Allocation Manual (CAM) based on the attributable cost method of fully distributing costs, with an emphasis on cost causation. This CAM provides the Companies' methodology for separating the costs of regulated telephone service from the costs of nonregulated activities.

The Joint Cost Order established two separate but complementary sets of rules: (1) a cost allocation process which separates the costs of regulated and nonregulated activities offered by a carrier, and (2) rules governing transactions for goods and services between a carrier and its nonregulated affiliates. These rules require carriers to file and maintain current CAMs describing the application of these rules to their particular operations, the results of which are reviewed by an independent auditor.

This CAM establishes the procedures for the identification of costs associated with nonregulated activities. These procedures follow the FCC rules and are intended to guard against the subsidy of nonregulated activities by regulated activities and to detail transactions between the Companies and their nonregulated affiliates. The Companies CAM complies with the FCC's Joint Cost Order, Order on Reconsideration², and Order on Further Reconsideration³, in CC Docket No. 86-111, and Report and Order in CC Docket No. 96-150⁴.

COST ALLOCATION REQUIREMENTS

Regulated products and services refer to activities which (a) are subject to the Title II tariff filing requirements; (b) are common carrier products and services tariffed by the state commissions; or (c) are non-tariffed activities offered incidental to the Companies' regulated tariffed services. Products and services which are preemptively deregulated by the FCC or which have never been subject to regulation are classified as nonregulated activities. Regulated services the FCC ordered to be treated as nonregulated for federal accounting purposes are also classified as nonregulated activities.

¹In the Matter of Separation of costs of regulated telephone service from costs of nonregulated activities, CC Docket No. 86-111, Report and Order ("Joint Cost Order") (released February 6, 1987).

²In the Matter of Separation of costs of regulated telephone service from costs of nonregulated activities, CC Docket No. 86-111, Order on Reconsideration, (released October 16, 1987).

³In the Matter of Separation of costs of regulated telephone service from costs of nonregulated activities, CC Docket No. 86-111, Order on Further Reconsideration, (released November 18, 1988).

⁴In the Matter of Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996, CC Docket No. 96-150, Report and Order, released December 24, 1996 (FCC 96-490) (Report and Order).

All Companies' revenues, expenses and investments are recorded on the regulated set of books in accordance with the Uniform System of Accounts, Part 32 of the FCC's Rules and Regulations. In accordance with Part 64, The Companies use the attributable cost method of fully distributed cost allocation to apportion total company booked costs between regulated and nonregulated activities.

THE ATTRIBUTABLE COST ALLOCATION CONCEPT

The CAM utilizes an attributable cost allocation approach (i.e., fully distributed costing) that provides for an evaluation of all direct and all other costs that bear a direct or indirect causal relationship to nonregulated activities. The CAM accounts for all of the costs contained in appropriate Part 32 accounts.

Any costs not accounted for by a tariff rate, direct cost assignment, or direct or indirect cost causal apportionment, will be allocated via the marketing allocator or the general allocator.⁵

Attributable cost, as applied in the CAM, dictates the necessity of a careful study of all costs and the identification of a causal relationship between each cost and its related final cost objective(s). Emphasis is placed on direct assignment, then attribution.

The CAM's attributable cost approach also provides sufficient controls to ensure that all of The Companies' costs are accounted for and that no cost is counted more than once in the calculation of total costs for nonregulated activities. The attributable costing approach presented herein supports this objective.

THE COST POOL ALLOCATION CONCEPT

Cost pools are the vehicles through which direct costs are assigned and common costs are allocated to regulated and nonregulated cost objectives. Cost pools contain only homogeneous cost data. A homogeneous cost pool, as described here, contains costs similar in nature. All costs that are not directly assigned are allocated to final cost objectives via these homogeneous cost pools. Thus, whenever a cost is applicable to regulated and nonregulated cost objectives, that cost will be assigned to the proper cost pool and then will be allocated. The allocation process will attribute all cost data in that pool to regulated and nonregulated activities.

THE COST CLASSIFICATION CONCEPT

The CAM categorizes costs according to the following fully distributed costing hierarchy:

- (1) Tariff rate - When regulated services are used in the provision of nonregulated products and services, the Companies will record a debit to Account 5280, Nonregulated Revenue (and credit regulated revenue), to charge nonregulated the tariff rate for use of the regulated service.

⁵ Joint Cost Order at para. 161.

(2) Direct Assignable Costs: Those costs that are directly identifiable with (exclusively used for) regulated or nonregulated activities. The Companies CAM will use the direct assignment method for as many costs as possible.

(3) Directly Attributable Costs: Costs associated with resources and assets used to provide both regulated and nonregulated services are attributed using direct measures of cost causation.

(4) Indirectly Attributable Costs: Costs associated with resources and assets used to provide both regulated and nonregulated services, which require an indirect (surrogate) measure of cost causation in order to relate the costs to a final cost objective, are attributed using the indirect measure.

(5) Residual Costs:

(a) Costs Allocated by the General Allocator: Shared residual costs (non-marketing) incurred for the common benefit of both regulated and nonregulated activities, but which are considered unattributable, i.e., for which no causal relationship exists, are allocated to regulated and nonregulated activities by the general allocator. These costs will be grouped into a cost pool and allocated to regulated and nonregulated activities as described in the Order on Reconsideration.

(b) Costs Allocated by the Marketing Allocator: Shared residual marketing costs incurred for the common benefit of both regulated and nonregulated activities, but which are considered unattributable, i.e., for which no causal relationship exists, are allocated to regulated and nonregulated activities by the marketing allocator.

COST ALLOCATION PROCEDURES

The following provides the procedures for separating the costs of nonregulated activities from the costs of regulated activities. These procedures were filed with the FCC pursuant to the Joint Cost Order permitting each of the companies to prepare and file with the FCC a Cost Allocation Manual (CAM) as a prerequisite to engaging in nonregulated activities. The CAM should be considered an evolving document and not a final statement of position.

The CAM is a costing method used for the removal of CAM developed nonregulated costs from the jurisdictional separations process. As the Commission recognized in the Joint Cost Order, it "...is not our purpose, nor should it be our purpose, to seek to attribute costs to particular nonregulated activities for purposes of establishing a relationship between cost and price."⁴ The Companies agree that the CAM method should not dictate pricing strategy.

The CAM is based on accounting for all costs recorded in appropriate Part 32 accounts in the Companies' books of account and supplemental records as required by the FCC. This concept allows an auditor to "audit" the development of the nonregulated activities' total costs by tracing back to the source of those costs in the Company's books of account. The CAM will serve to assist in provision of

⁴Joint Cost Order at para. 40.

an audit trail that tracks costs from the books of account to appropriate final cost objectives (i.e., total regulated or total nonregulated activities).

COST ALLOCATION MANUAL SECTIONS

The Companies' CAM is comprised of the following sections:

Section I – Introduction - This section describes the cost allocation requirements; the attributable cost allocation concept; the cost pool allocation concept; the cost classification concept; and cost allocation procedures.

Section II – Nonregulated Activities - This section contains descriptions of nonregulated activities that the Companies offer. A matrix indicates which accounts are impacted by each nonregulated activity.

Section III – Incidental Activities - This section includes a listing of activities which the Companies classified as incidental for accounting treatment pursuant to the guidelines set forth in the Joint Cost Order. This section also includes a brief statement of these guidelines.

Section IV – Chart of Affiliates - This section contains a chart of the Companies' affiliates.

Section V – Transactions With Affiliates - This section lists the transactions between the Companies and its affiliates. A matrix indicates, by service, which affiliates provide transactions to the Companies and which affiliates receive transactions from the Companies.

Section VI – Cost Apportionment Tables - This section contains a full description of the cost apportionment table development, and the cost apportionment table itself which addresses appropriate Part 32 accounts. The introduction defines the column headings in the cost apportionment table: USQA Part 32 accounts; cost pool name; cost pool identification basis; cost pool apportionment method; and the comments section.

Section VII – Time Reporting Procedures - This section contains time reporting methods; a discussion of teaching, monitoring and reinforcing time reporting systems, methods and procedures; and an explanation of how nonproductive time is allocated.

DEFINITIONS

This section provides definitions of general terms used throughout this manual. Definitions of more specific terms unique to a section will be defined in that section.

CAM - Cost Allocation Manual – The CAM is the Companies' manual that documents the methods used to separate regulated and nonregulated costs. The CAM comprises the seven sections previously listed, i.e., Introduction; Nonregulated Activities; Incidental Activities; Chart of Affiliates; Transactions With Affiliates; Cost Apportionment Tables; and Time Reporting Procedures. The rules pertaining to the CAM are codified in the Code of Federal Regulations, Title 47, Part 64.901-904, Subpart I – Allocation of Costs.

The "Companies" - Nevada Bell, Pacific Bell and Southwestern Bell Telephone Company.

EEO/AAP - Equal Employment Opportunity/Affirmative Action Plan - The Companies' employee resource plan to provide services associated with EEO/AAP matters.

FDC - Fully Distributed Cost - Carriers required to separate their regulated costs from nonregulated costs shall use the attributable cost method of cost allocation for such purpose. (CFR 47 64.901(a)) This method is also known as fully distributed cost (FDC). The FDC methodology was described previously in Section I under "The Cost Classification Concept" (Joint Cost Order, para. 161). Per the Accounting Safeguards Order, para. 165, the FCC concludes, "... that a reasonable rate of return to be used by all incumbent local exchange carriers in determining the fully distributed costs associated with affiliate transactions is the rate of return on interstate services, as amended periodically by the Commission. In establishing the prescribed interstate rate of return, the Commission considered the cost of capital to provide interstate access services and prescribed a rate of return of 11.25% for the local exchange carriers."

General Allocator - The method by which expenses that are considered unattributable are allocated to regulated and nonregulated activities. This method will not be applied to residual marketing expenses.

Marketing Allocator - The method by which marketing expenses that are considered unattributable are allocated to regulated and nonregulated activities. The marketing allocator will be employed to determine the regulated and nonregulated amounts of residual marketing expenses.

OCS - Official Communications Service.

RAO - Responsible Accounting Officer letter issued by the FCC.

SBC - SBC Communications Inc. - The parent entity of the Companies.

SWBT - Southwestern Bell Telephone Company.

Telco - Telephone company

USOA - Uniform System of Accounts (Part 32).

NONREGULATED ACTIVITIES

The Companies presently offer the following nonregulated activities. If individual operating companies are not specified, the activity is provided by the Nevada Bell, Pacific Bell and Southwestern Bell Telephone Companies.

Automated Attendant Service - Nevada Bell

The Automated Attendant Service allows customers to self-route incoming calls, use recorded messages to direct calls and customize greetings and options. This product is used both internally as OCS and by customers.

Billing and Payment Processing Services - Pacific and Southwestern Bell

This service provides billing and processing of customer bill payments for outside third parties and affiliates. It includes billing, customer support, receiving, depositing and processing the payments and creating the payment data.

Computer Services

This service involves the offering of a capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available data which may be conveyed via intraLATA telecommunications. This service also includes the E911 automatic location identification (ALI) service, which is also offered interLATA on an integrated basis in accordance with FCC docket 96-149.

This service also includes computer bureau services, which involve providing the use of company-owned or leased computer hardware, as well as the systems personnel, to process software owned or licensed by the customer. It also involves related report generation and systems maintenance.

Customer Premises Equipment and Wire Services

This service includes the sale or lease, installation, maintenance and repair of customer premises equipment (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. This service also includes installation, maintenance and/or management services (e.g., consulting, design, engineering and administration activities) associated with customer-owned networks. These network plans can consist of customized wiring (copper, coaxial or fiber) and/or equipment that provide voice, data and/or video services. Inside wire maintenance plans are also offered as a part of this service.

Directory Listing Services - Pacific and Southwestern Bell

This service includes the provision of (1) nonregulated operator-assisted directory assistance in which non-local listings are provided for out-of-region and in-region interLATA telephone numbers, such as National Directory Assistance Service, and (2) nonregulated electronic directory listings services in which directory listing information is provided in response to an electronic request from the customer, such as Electronic White Pages and Reverse Number Search.

Directory White Page Services - Southwestern Bell

This service involves providing individual business customers with advertising in the business white pages through the sale of enhanced listings (e.g., "Feature Bold Listing") and cover advertising.

NONREGULATED ACTIVITIES

Incidental InterLATA Services - Pacific and Southwestern Bell

This activity is classified as nonregulated for accounting purposes and consists of certain incidental interLATA services that the Companies were authorized to provide pursuant to Section 271(g) (but not including interLATA services described at 271(g)(4)) of the Telecommunications Act of 1996. Such services were not previously authorized or permitted under the Modification of Final Judgment ("MFJ"). These services are being classified as nonregulated, even though they may be provided under tariff, pursuant to the requirements of the Accounting Safeguards Order, CC Docket No. 96-150, adopted December 23, 1996, paragraphs 75-76.

Marketing Services

Marketing services include retail sales of products and the administrative support of sales operations for outside third parties and affiliates.

One-Way Paging Service - Pacific Bell

One-Way Paging is a messaging service that enables a calling party to contact a paging customer wherever that customer happens to be. The message from the calling party may appear in various forms (e.g. numeric, alpha-numeric or tone). This service includes value added features such as voice mail and custom greeting.

Outsourcing Services - Pacific and Southwestern Bell

This service involves the temporary provision of employees to outside third parties to perform service functions at either Company or customer locations and using Company and/or customer materials. This service also includes provision to outside third parties of training classes/curriculums and training materials which have been developed or acquired for use within the Company, and which may be modified to meet a customer's specific needs. Training services for employees of affiliates are provided by a separate subsidiary, as displayed in Section V.

Pay Telephone CPE and Service

CC Docket 96-128, Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, adopted rules to implement Section 276 of the Telecommunications Act of 1996 which establish pay telephone service as a competitive nonregulated service. The new law required the reclassification of pay telephone equipment and service to nonregulated effective April 15, 1997. Consistent with the 1996 Act's definition, "payphone service" means the provision of public and semi-public pay telephones, the provision of inmate telephone service in correctional facilities and any ancillary services.

Phone Cost Management Support - Nevada and Pacific Bell

Phone Cost Management Support offers customers such products as Customer Dialed Account Recording (CDAR) and Account Code. These products permit a customer to add a customer-designated account number to the Automatic Message Accounting (AMA) record for any Station Message Detail Recording (SMDR) call. The account number, up to eight (8) digits, appears in the SMDR record for the associated call and may be used by the customer for cost allocation purposes. The record is provided to the customer with the monthly bill and contains all information required for SMDR plus the customer-designated account number. CDAR is available to Centrex customers, and Account Code is available to Residential and Centrex customers.

NONREGULATED ACTIVITIES

Planning and Development Activities

This service involves the planning and development of potential nonregulated services, and also includes regulated services that are classified as nonregulated. These planning and development activities include all preparation activities prior to introducing the product for public offering.

Protocol Conversion - Pacific and Southwestern Bell

The Protocol Conversion service provides net conversions between different transmission protocols (e.g., asynchronous, bisynchronous, X.25, X.75, 370 SNA, X.PC), excluding conversions between X.25 and X.75. Net conversion occurs when the protocol originated at the sending computer or terminal is different than that delivered at the receiving end.

Protocol processing includes both regulated (basic) and nonregulated (enhanced) components. The basic components support like - protocol transmissions (e.g., asynchronous to asynchronous, X.25 to X.25) and X.25 to X.75 transport, and are offered as tariffed services. The enhanced portion provides net conversion between protocols, excluding X.25 to X.75.

Software Services - Pacific and Southwestern Bell

This service involves: a) the licensing, sub-licensing or other sale of software to outside third parties; b) the licensing of software to affiliates; and c) funding the development of applications software by outside third parties and affiliates, for which royalties may be received.

Voice Mail Service - Nevada Bell

Voice Mail Service is a messaging, storage, and retrieval system used both internally as OCS and by customers. Voice is digitized, stored, and subsequently played back when the "mail box" is called. The equipment for this service is leased.

NONREGULAR ACTIVITIES

ACTIVITY		
1: Automated Attendant Service	7: Incidental InterLATA Services	13: Planning and Development Activities
2: Billing and Payment Processing Services	8: Marketing Service	14: Protocol Conversion
3: Computer Services	9: One-Way Paging Service	15: Software Services
4: Customer Premises Equipment and Wire Services	10: Outsourcing Services	16: Voice Mail Service
5: Directory Listing Services	11: Pay Telephone CPE and Service	
6: Directory White Page Services	12: Phone Cost Management Support	

ACCT	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1220	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
1410	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X
1438																
1439																
1500											X					
2002				X							X					
2003	X		X	X	X	X	X	X			X	X	X	X		X
2005				X					X		X		X	X		
2111	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2112		X	X	X	X	X	X	X	X	X	X	X	X	X	X	
2113																
2114		X	X	X	X	X	X	X	X	X	X	X	X	X	X	
2121	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2122	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2123	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2124	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2211												X				
2212	X						X					X	X	X		
2215																
2220			X	X	X											
2231							X		X							
2232			X	X			X									
2311				X									X			
2321																
2341			X	X												
2351				X							X					
2352				X												
2411													X			
2421																

NONREGULATED ACTIVITIES

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
ACCT																
2422							X									
2423							X									
2424																
2425																
2426																
2431																
2441							X						X			
2681		X	X	X	X	X	X	X	X	X	X	X	X	X	X	
2682	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2690	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
3100	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
3200				X					X		X		X	X		
3410		X	X	X	X	X	X	X	X	X	X	X	X	X	X	
3420	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
3500	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
3600				X					X		X		X	X		
4040																
4100	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
4120																
4310	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
4340	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
4360	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
4370																
5000-5270																
5230																
5280	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
5301	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
5382			X	X						X	X			X	X	
6112		X	X	X	X	X	X	X		X	X		X	X	X	
6113																
6114		X	X	X	X	X	X	X		X	X		X	X	X	
6121	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6122	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6123	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6124	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6111			X	X												

NONREGULATED ACTIVITIES

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
ACCT																
6212	X		X	X			X				X	X		X		X
6215																
6220			X	X	X						X					
6231				X			X		X							
6232			X	X		X	X									
6311			X	X									X		X	
6341			X	X							X		X			
6351				X												
6362			X	X									X			
6411				X												
6421				X							X					
6422				X			X									
6423				X			X				X					
6424																
6425																
6426																
6431																
6441				X			X									
6511				X												
6512	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6531	X		X	X	X		X	X	X		X	X	X	X	X	X
6532	X		X	X			X	X	X		X	X	X	X	X	X
6533			X	X			X	X	X		X	X	X	X	X	X
6534	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6535	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6540																
6551	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6552																
6553	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6554	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6555			X	X	X	X	X	X	X	X	X	X	X	X	X	X
6556			X	X	X	X	X	X	X	X	X	X	X	X	X	X
6557	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6558	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6559	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

NONREGULATED ACTIVITIES

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
ACCT																
6711	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6712	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6721	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6722	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6723	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6724	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6725	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6726	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6727		X	X	X	X	X	X	X	X	X	X		X	X	X	
6728	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6790																
7110																
7130																
7140																
7150				X							X					
7160		X	X	X	X	X	X	X		X	X		X	X	X	
7210	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X
7220	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7230		X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7240	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7250	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7310																
7320																
7330																
7340	X		X	X	X	X	X	X			X	X	X	X		X
7350																
7360																
7370	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7380	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7390		X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7400	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7410																
7420																
7430																
7440																
7450																
7460																
7470																
7480																
7490																

INCIDENTAL ACTIVITIES

Nevada Bell, Pacific Bell and Southwestern Bell Telephone Company (Telcos) classify as incidental, for accounting treatment, those nontariffed activities that meet the qualitative and quantitative criteria promulgated by the Commission. Specifically, each incidental activity listed in this section meets the following criteria:

- a) the activity is an outgrowth of regulated operations;
- b) the activity is not a separate line of business;
- c) the activity has traditionally been treated as regulated for accounting purposes; and
- d) the total revenue of all incidental activities does not exceed, in the aggregate, one percent of total regulated revenues.

When incidental services are provided to affiliates, the affiliate transaction rules apply. See Section V for services provided to affiliates.

1) Subscriber listing services

Description: The provision of telephone numbers either verbally or in writing in response to lists of names and addresses supplied by the customer according to a prescribed format. The use of the completed list by the customer is restricted to telephone calling purposes. Non-published numbers are not provided, and the Telco assumes no responsibility or liability for any errors that may appear on the completed list.

When provided to telephone directory publishers, White Pages listings for specific NNX's are provided to be used only for the publication of telephone directories. Telco also validates White Pages listings and provides updates to publishers for their use in publishing a telephone directory. The collection and maintenance of the information provided to telephone directory publishers is required for Telco's directory assistance and directory White Pages publications.

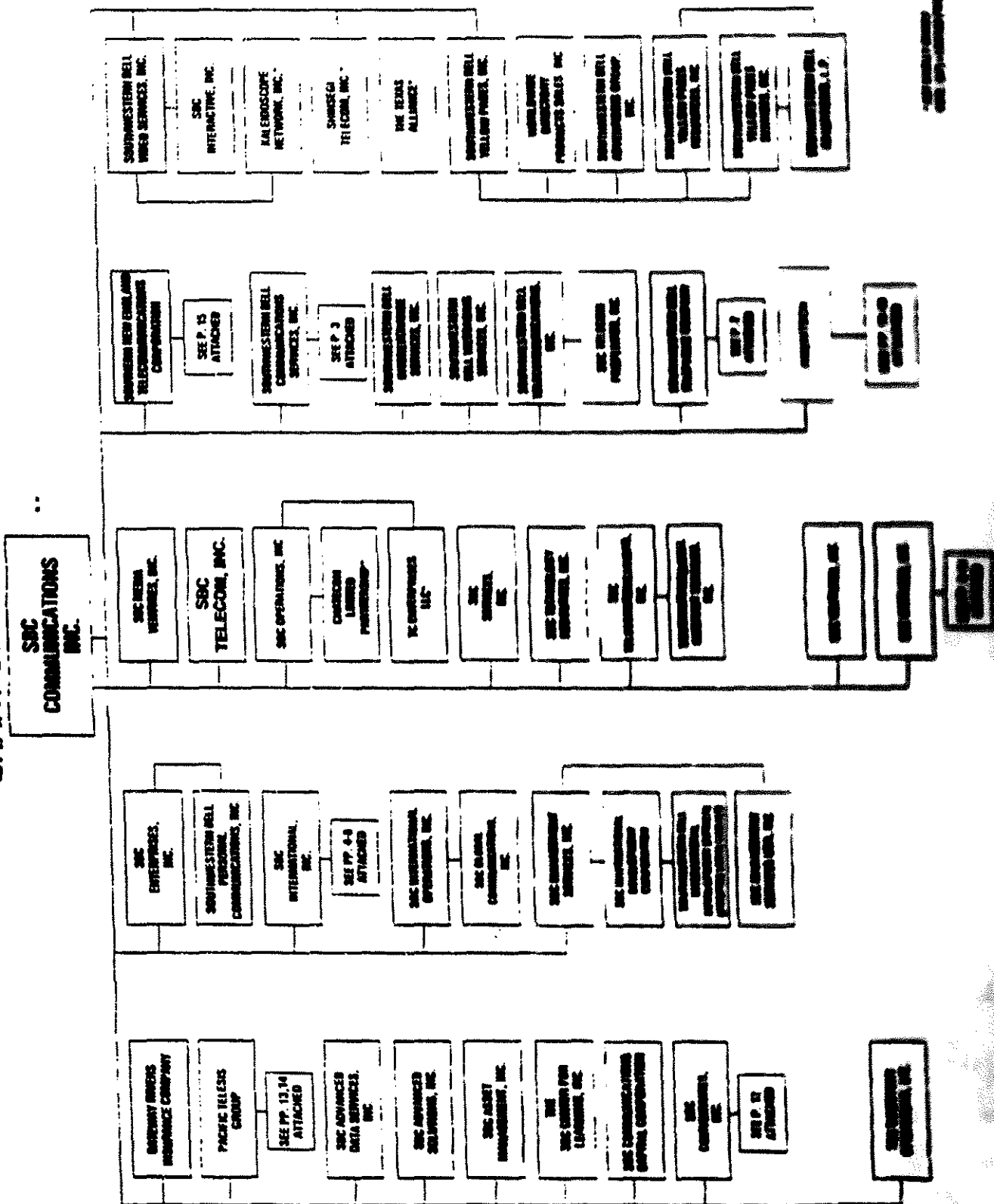
2) Bill insert services

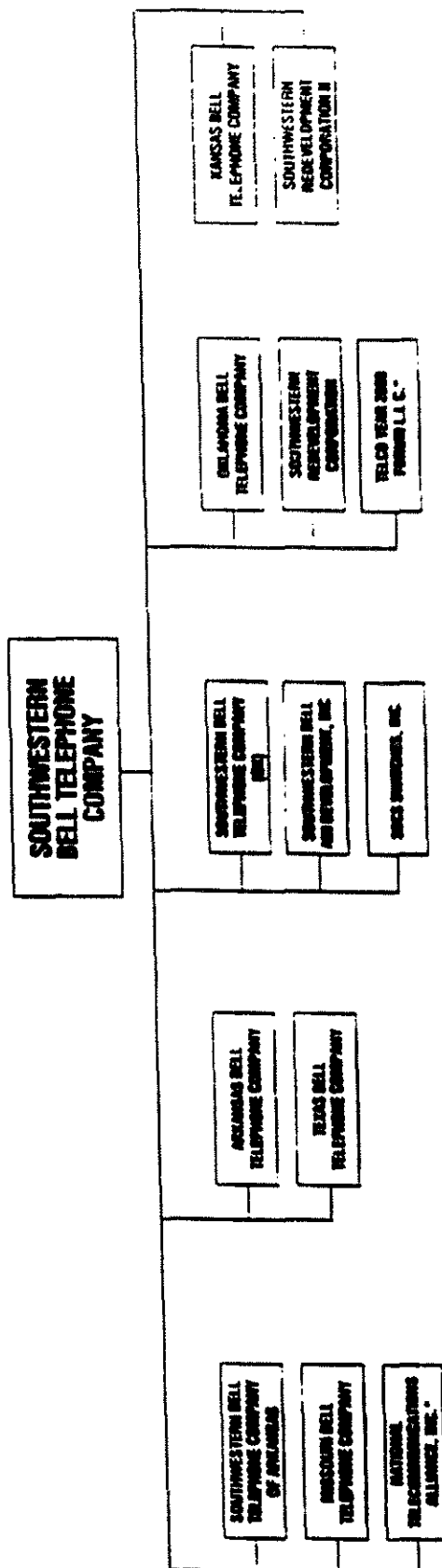
Description: Advertising inserts can be placed in Telco bills under contract with third parties. The bill inserts are included as a part of the normal billing process in billing Telco subscribers. Minimal additional costs are incurred since the function is performed mechanically by the billing machine in place.

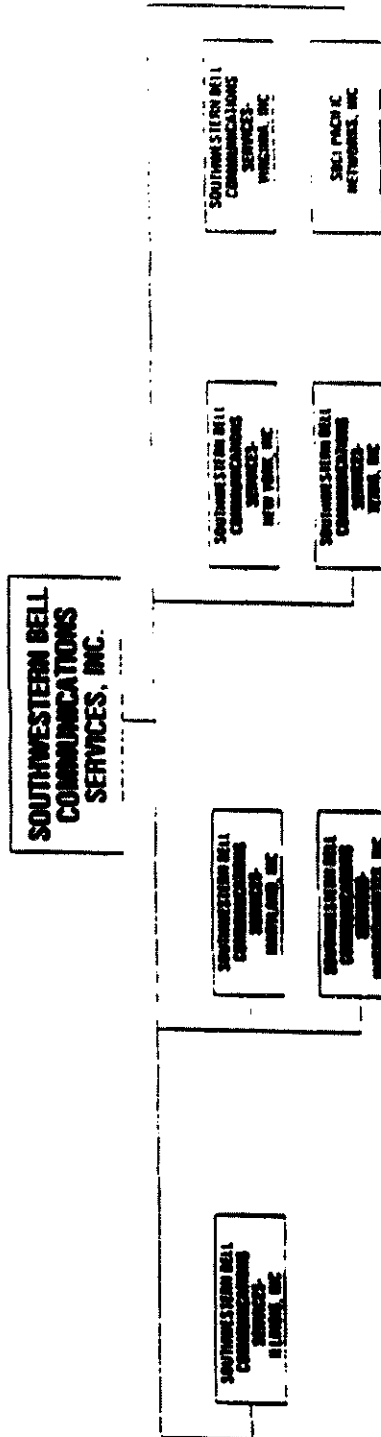
3) Coordination services

Description: After business customers have selected their telecommunications vendors, they may contract with Telco to coordinate and negotiate installation, repair and changes to telecommunications services and/or the handling of billing inquiries for telecommunications services. The coordination functions are similar in nature to services Telco traditionally provided to business customers.

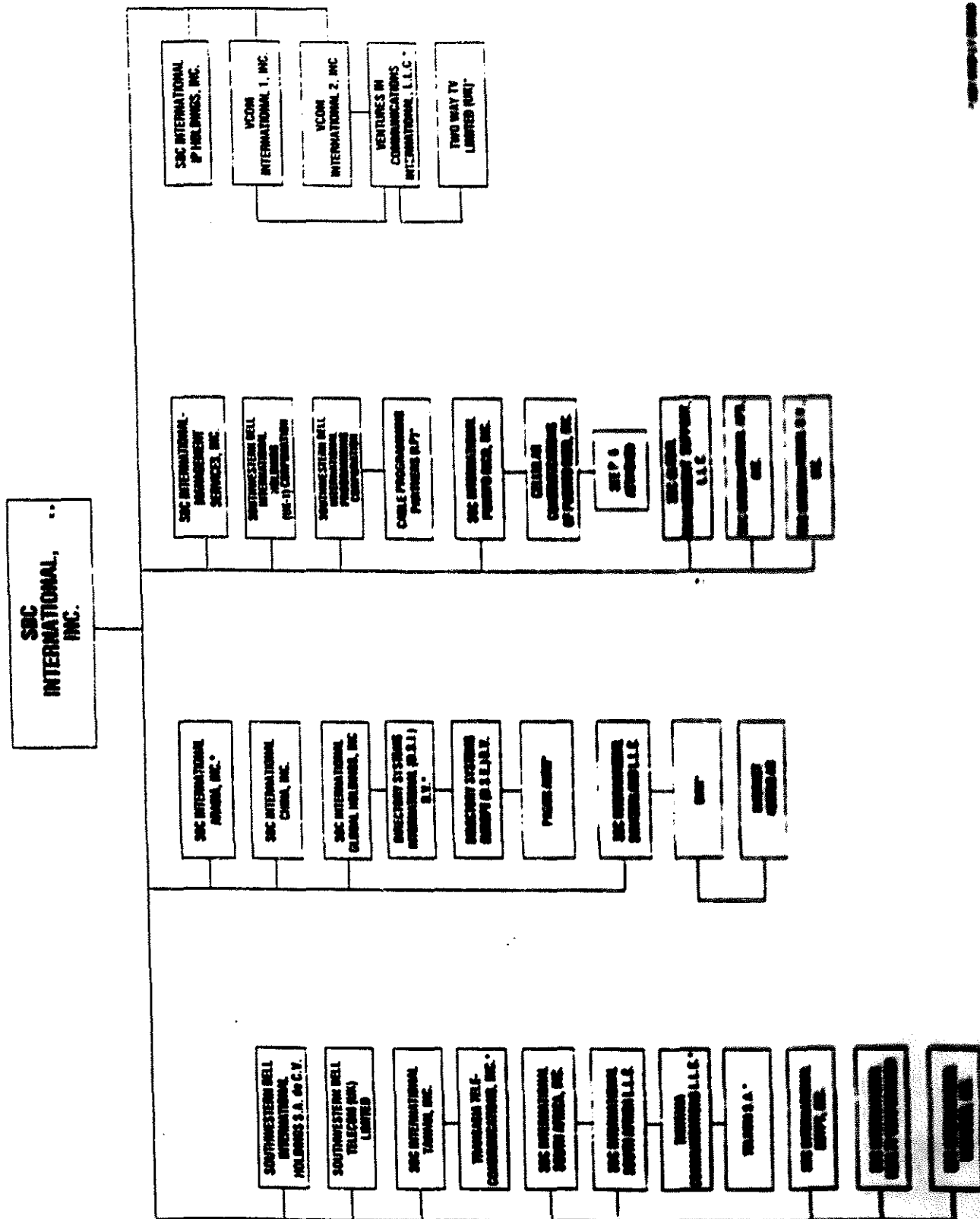
- 4) Surplus space and equipment
Description: Surplus space (including land, buildings and towers) on owned, leased or contracted premises acquired to meet the needs of regulated operations, is being leased, licensed or rented to outside entities as a means of contributing to expense recovery. Audio visual and other equipment is rented to third parties when not in use for Telco business.
- 5) Conduit and pole contact leasing
Description: Fees are charged to outside entities for occupancy, maintenance, and rearrangements of owned conduit and attachments to poles. Licenses are typically issued to other telephone companies, common carriers, power companies, cable television companies and local governments.
- 6) Provision of intellectual property rights
Description: Licensing or other sale of technical know-how, copyrighted materials, and other intellectual property rights developed or otherwise acquired for use in regulated operations.
- 7) Sale of Advertisements, Audio-Visual Materials and Printed Matter
Description: Sale to others of advertisements, audio-visual tapes/materials, and various printed matter including methods and procedures developed for use in regulated operations.
- 8) Provision of software
Description: Software developed for regulated business operations is sold to outside entities. No logic modifications are provided. Changes are limited to logo or symbol differences or minor modifications required for implementation due to operating system or equipment differences. If upgrade releases occur for regulated business operations, such upgrade releases may also be made available to outside entities.
- 9) Work performed for others
Description: Occasionally, nonaffiliated utilities or government entities request the performance of miscellaneous network activities that require specialized equipment and skills possessed by Telco work forces. This includes work performed for others in an emergency situation such as a natural disaster, but does not include work performed on Telco plant or work associated with nonregulated lines of business like provision of inside wire.
- 10) Special billing arrangements
Description: When requested by a customer, nontariffed special billing information is provided by reformatting existing data, providing the data at different levels, or providing supporting detail not included in a tariffed service offering. Billing service and/or customer account information may also be provided to interstate interexchange carriers.

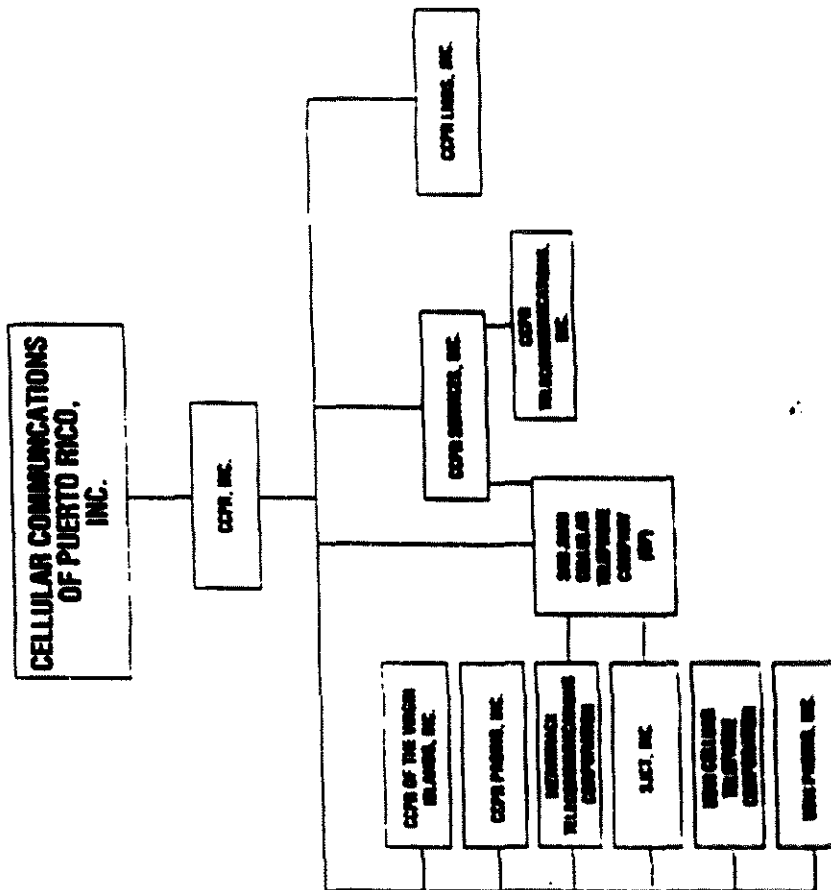


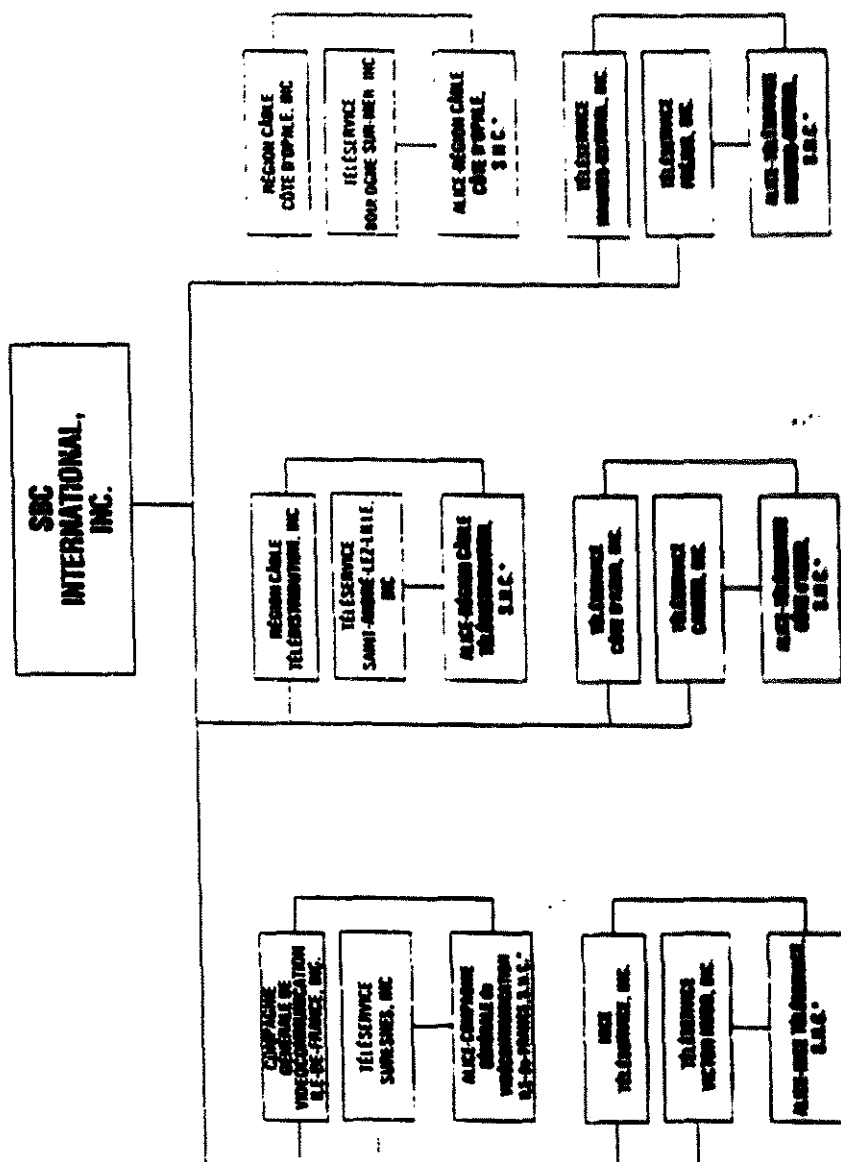


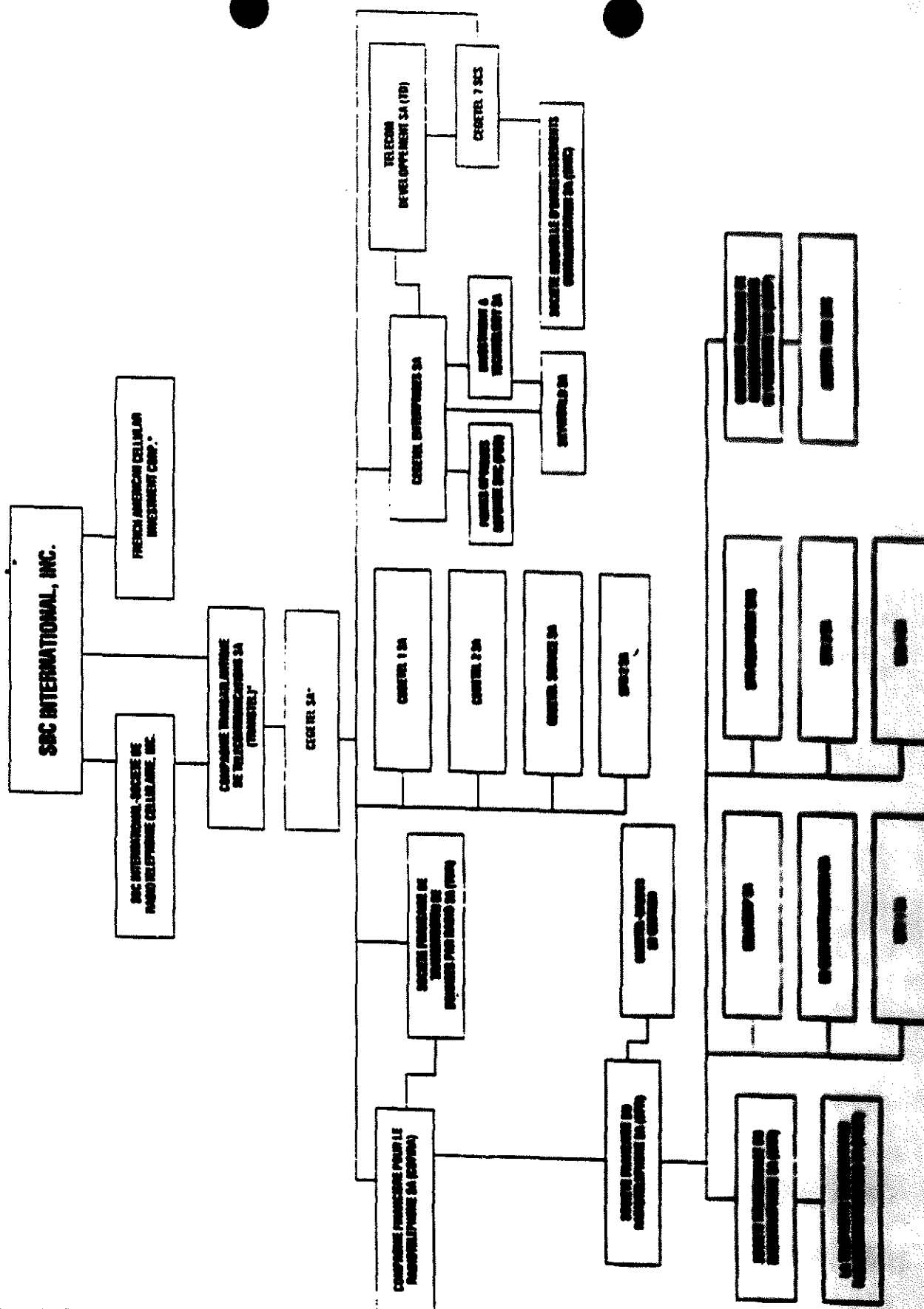


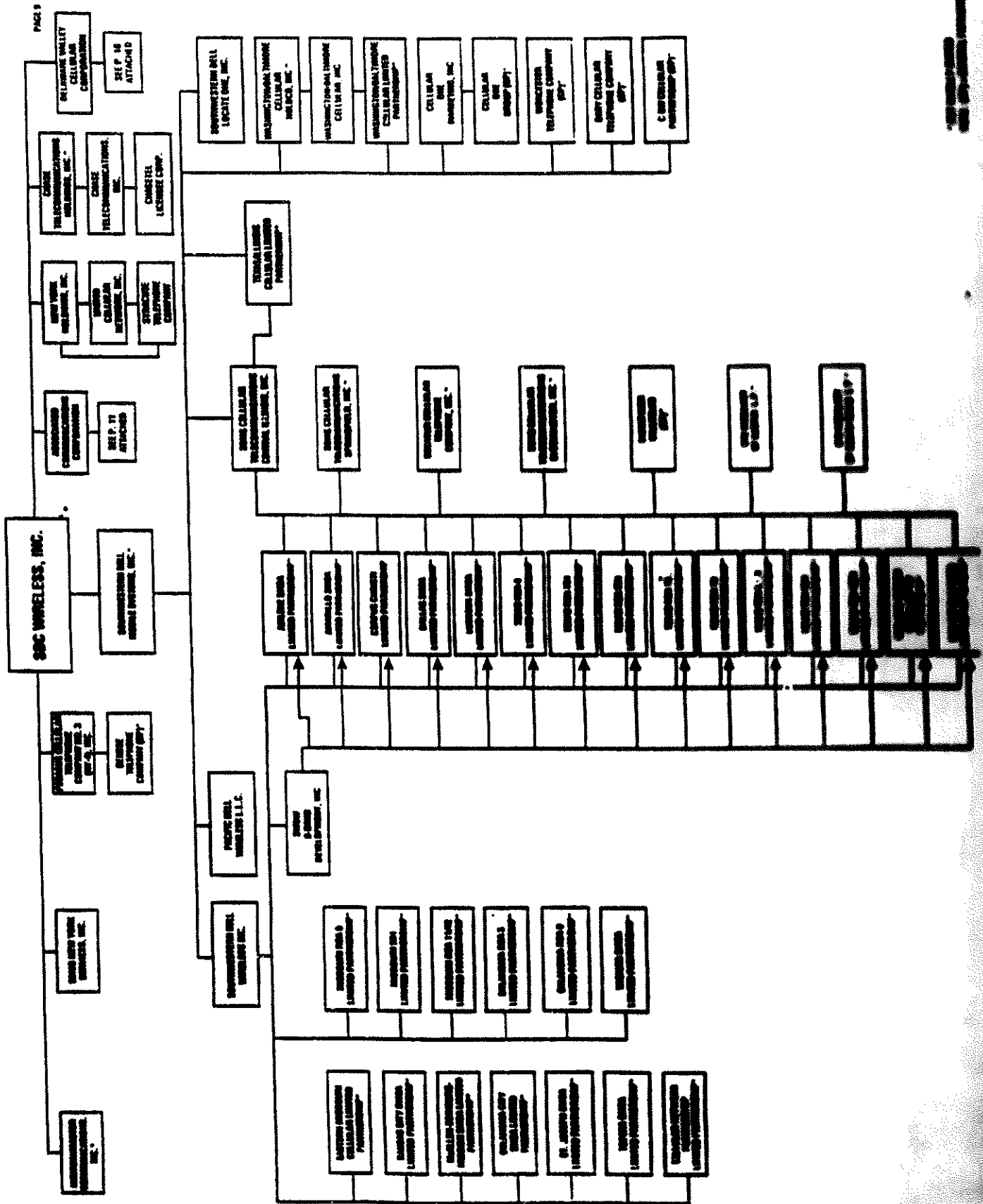


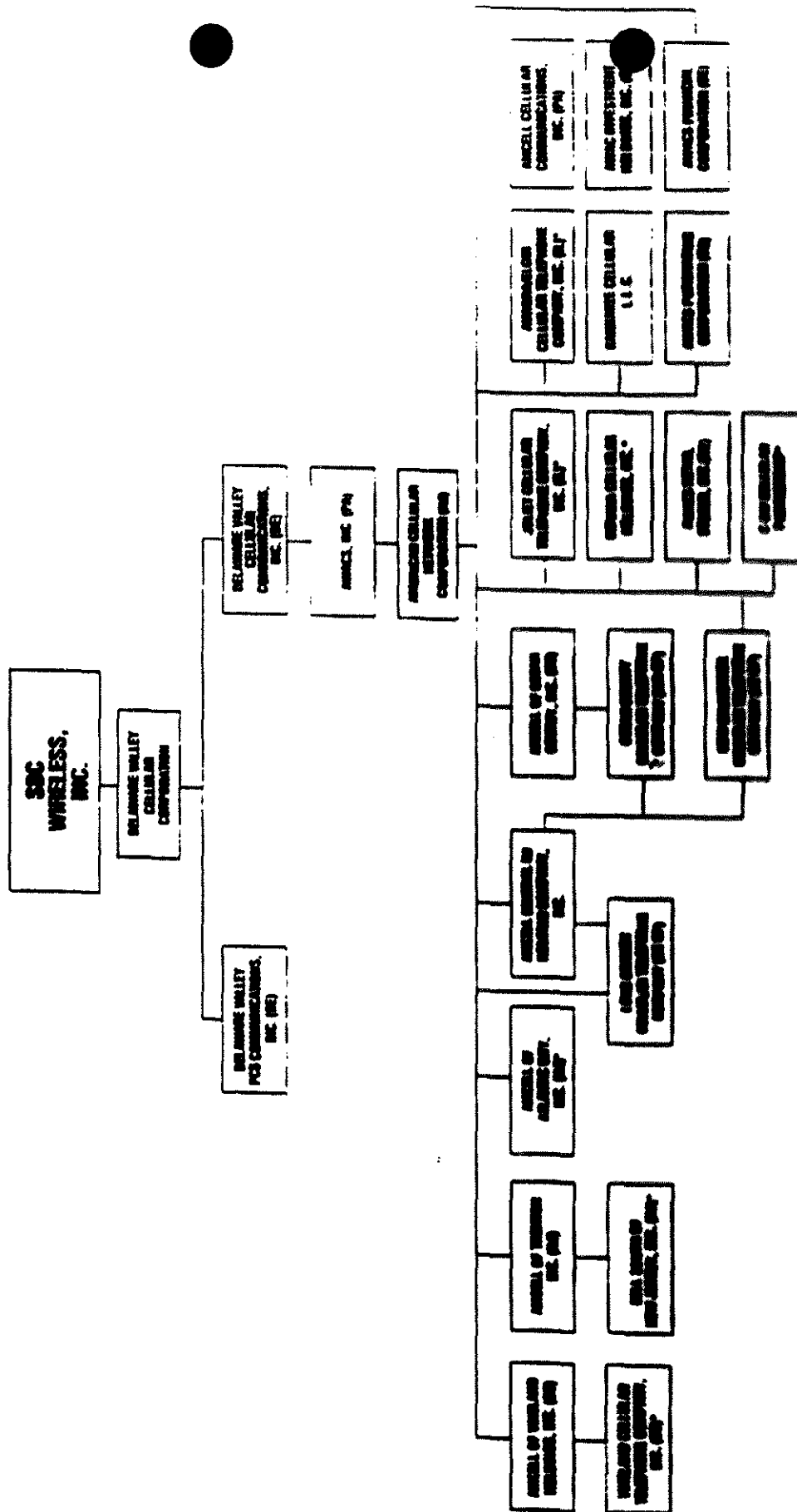




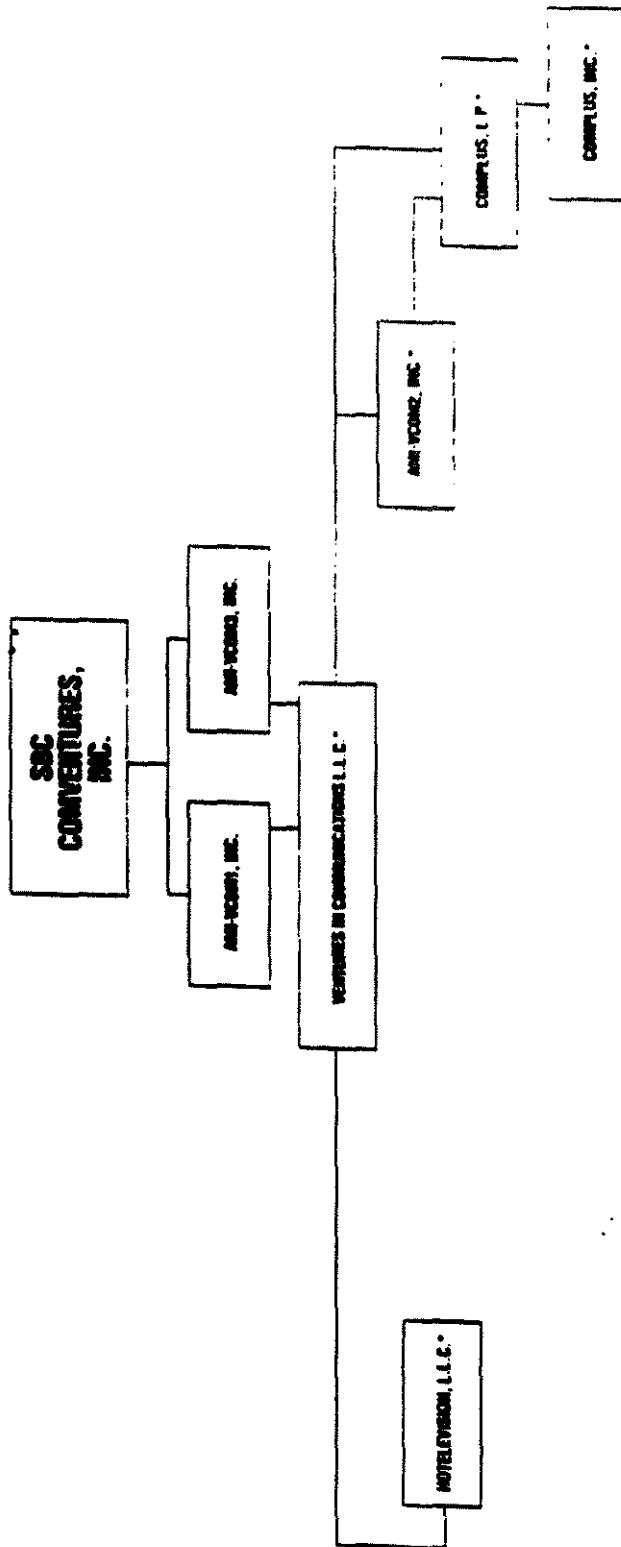


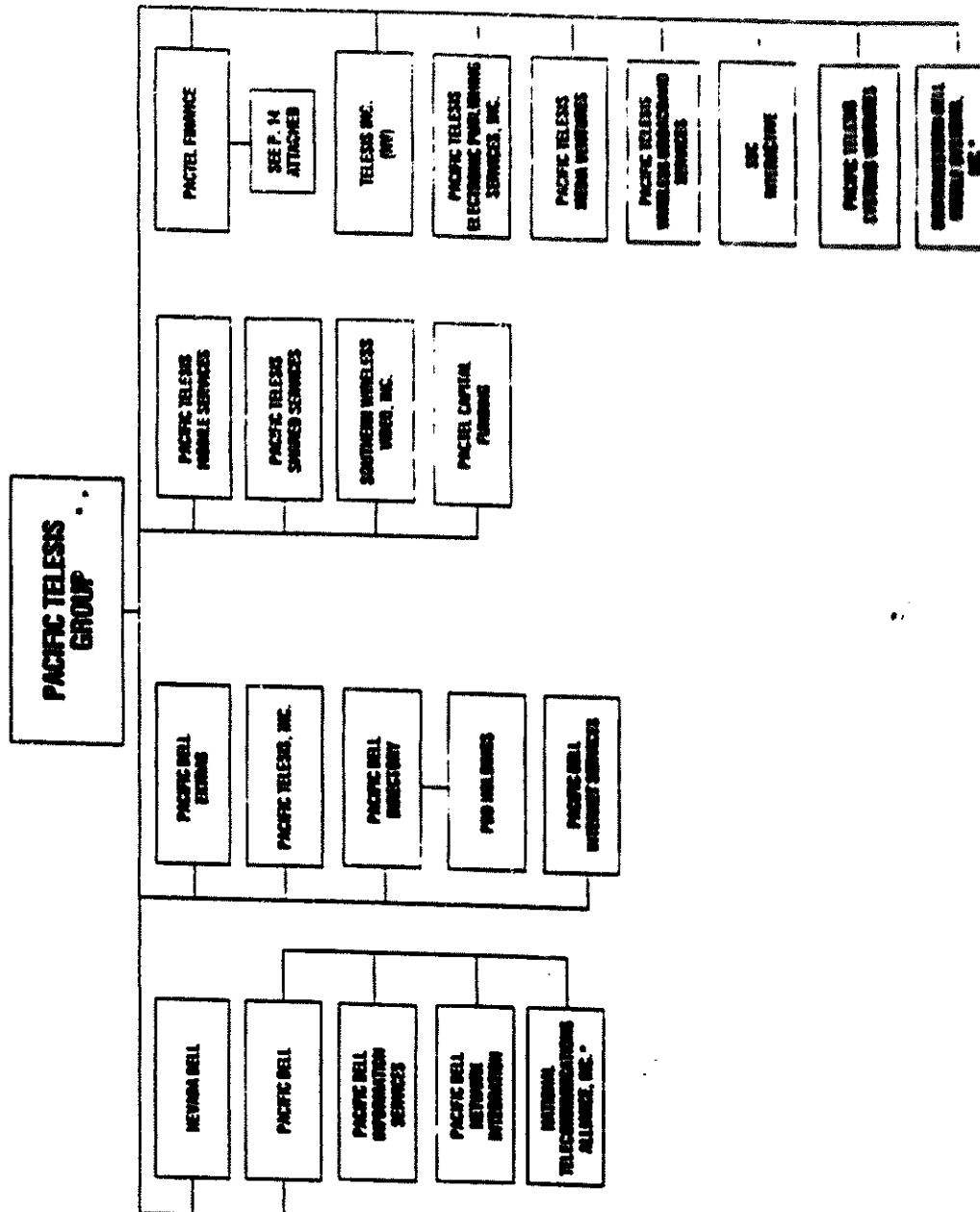


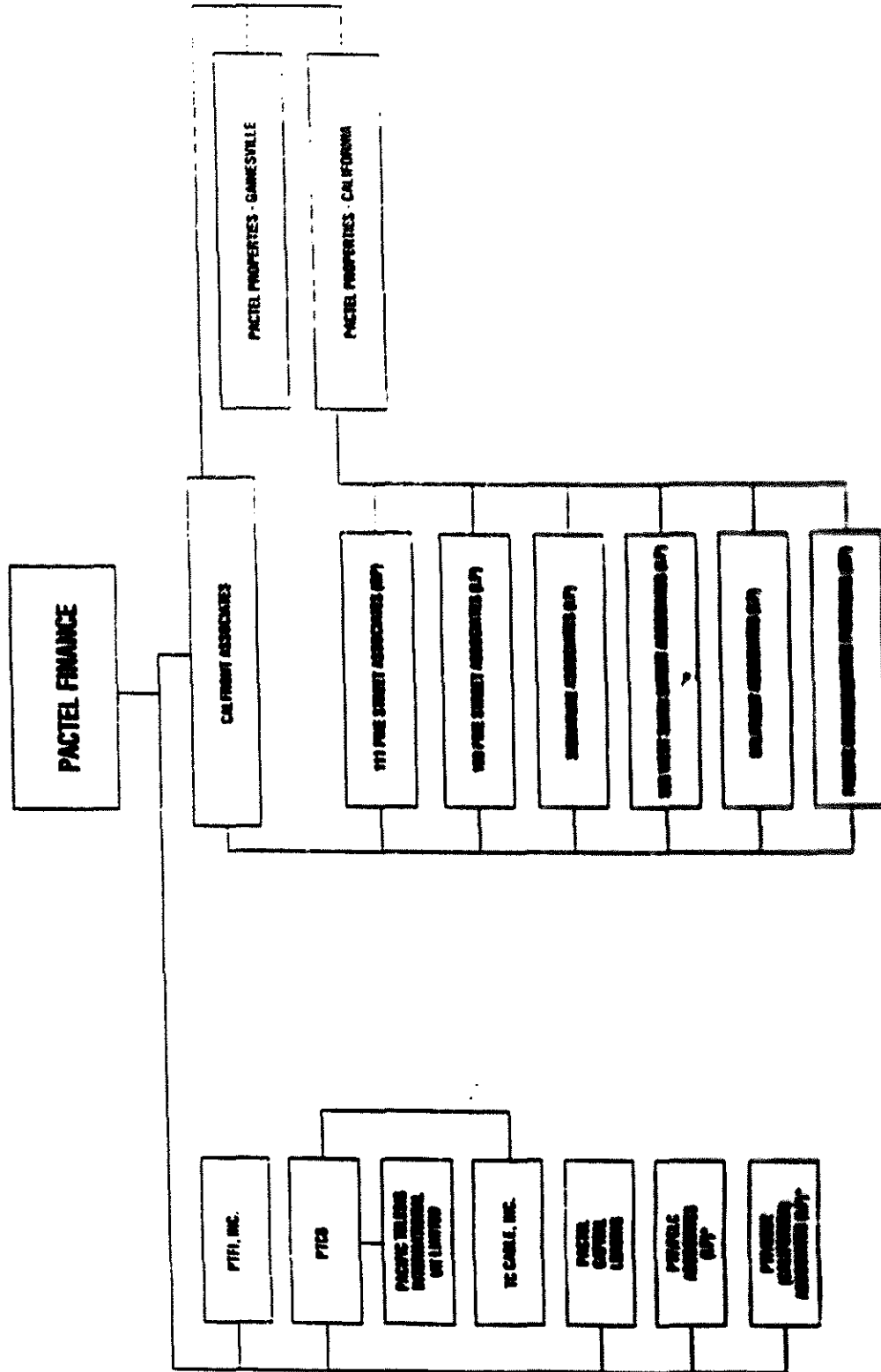


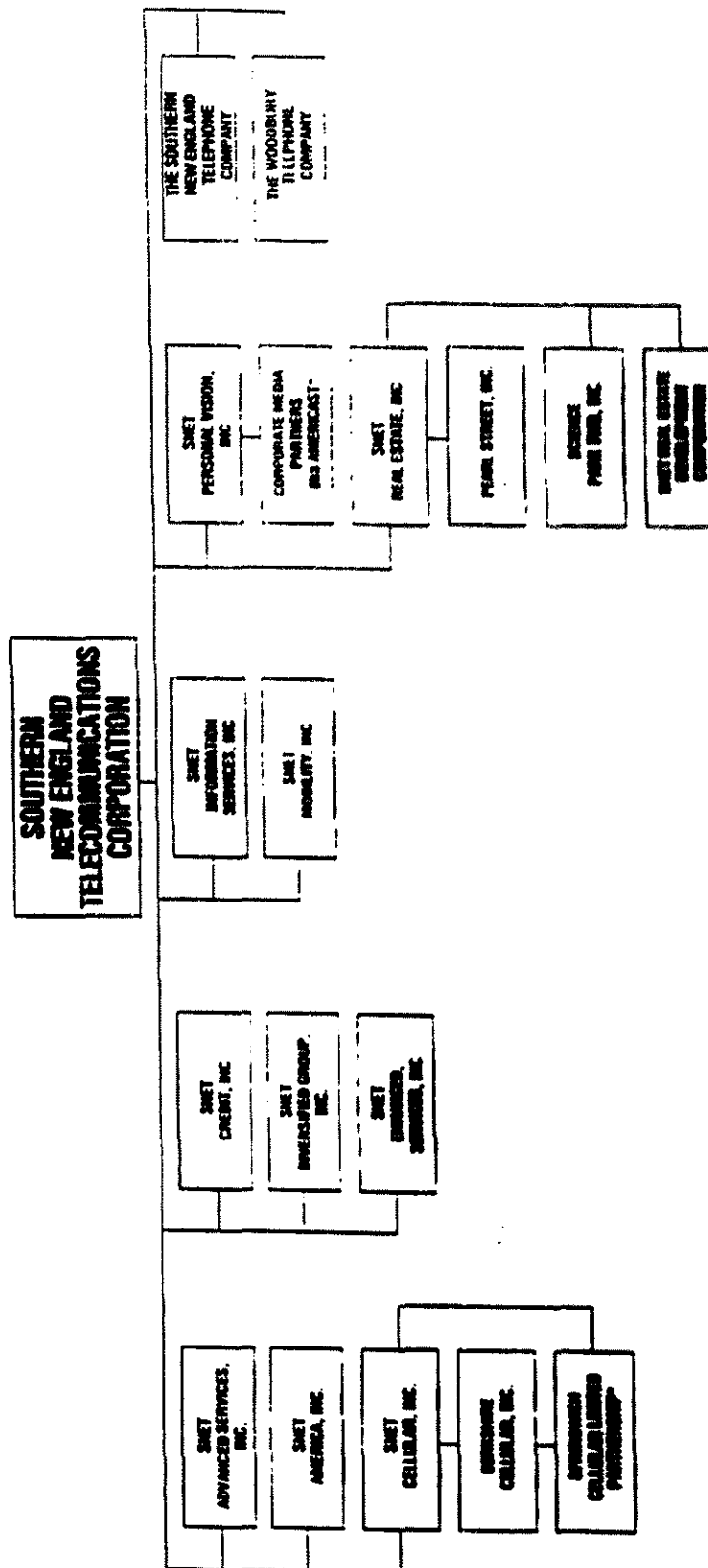


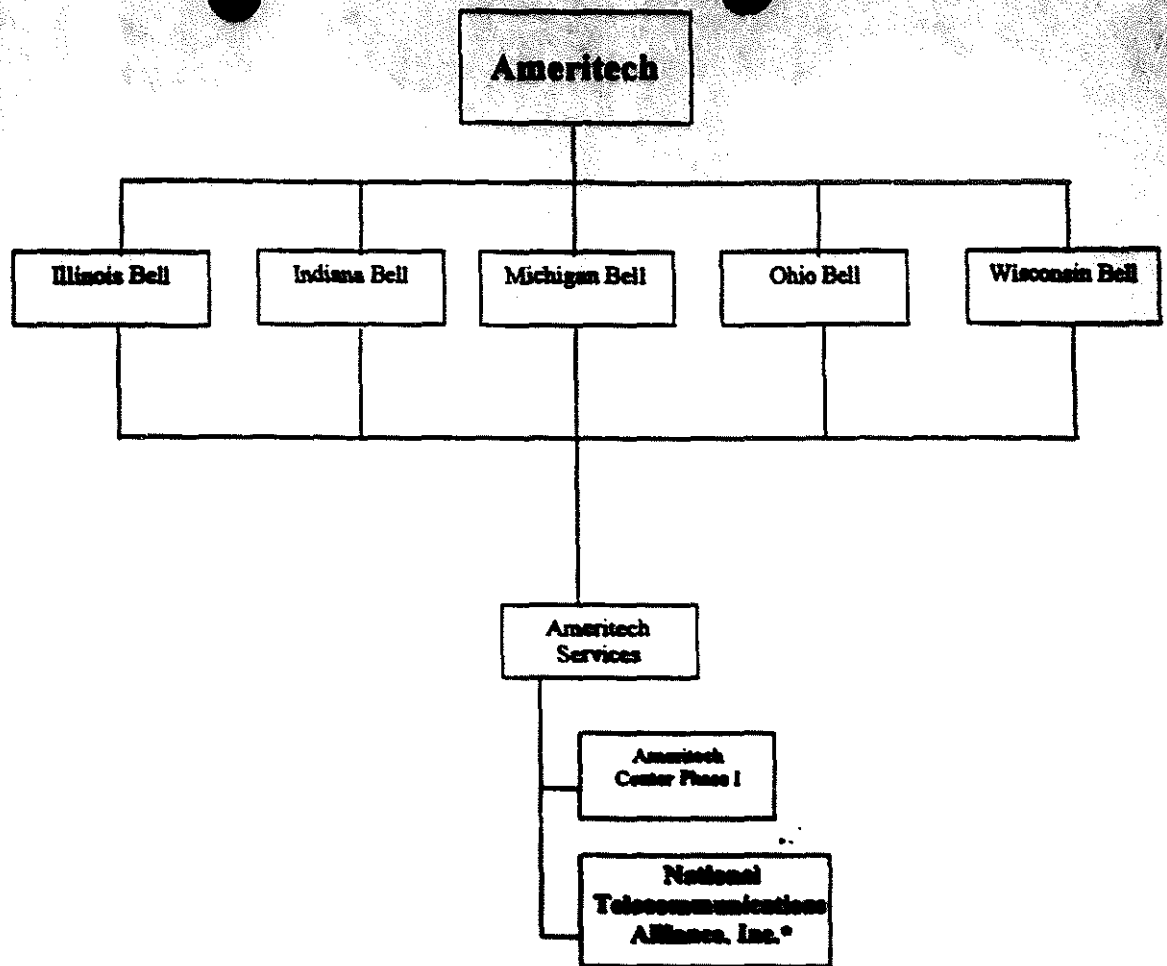




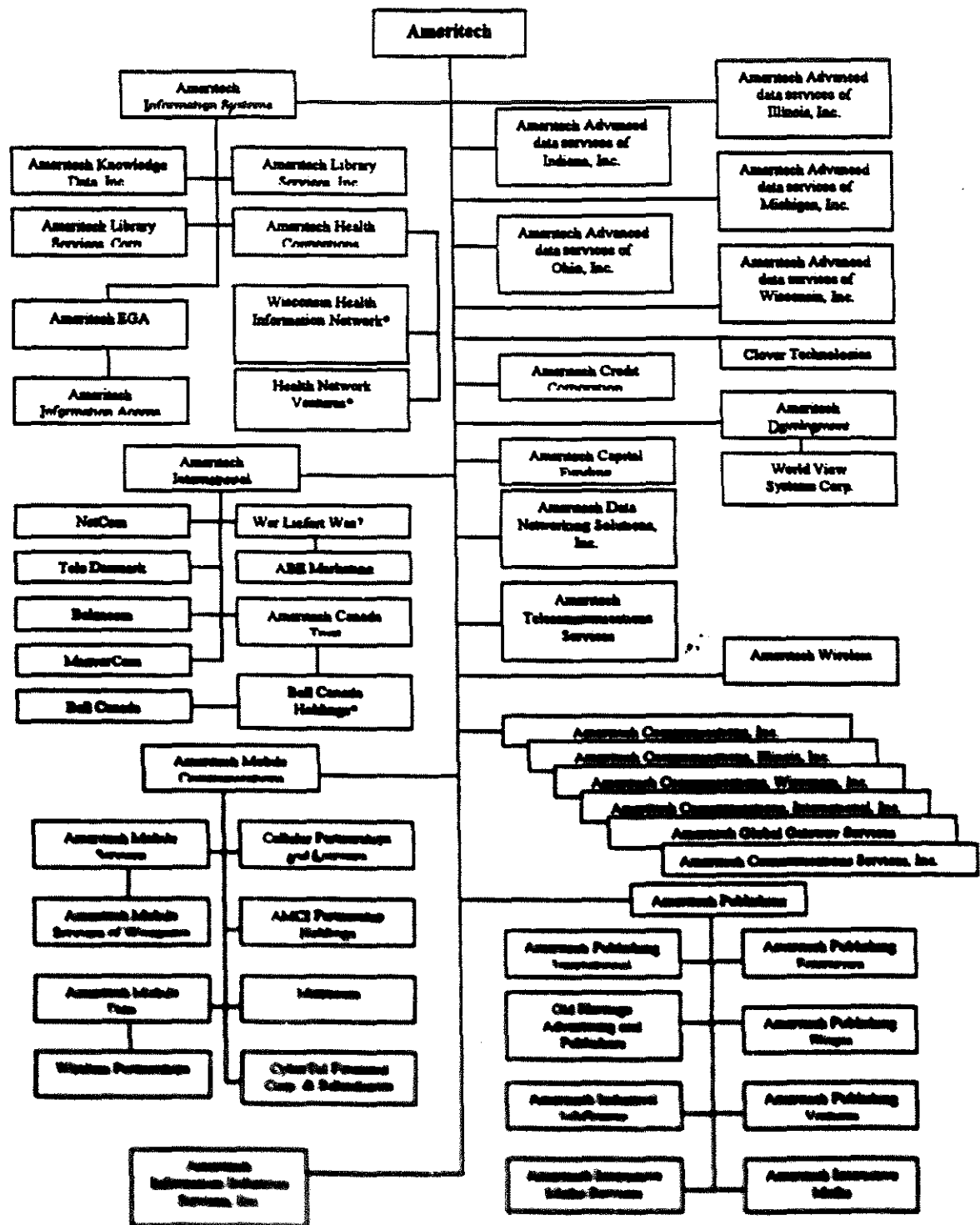




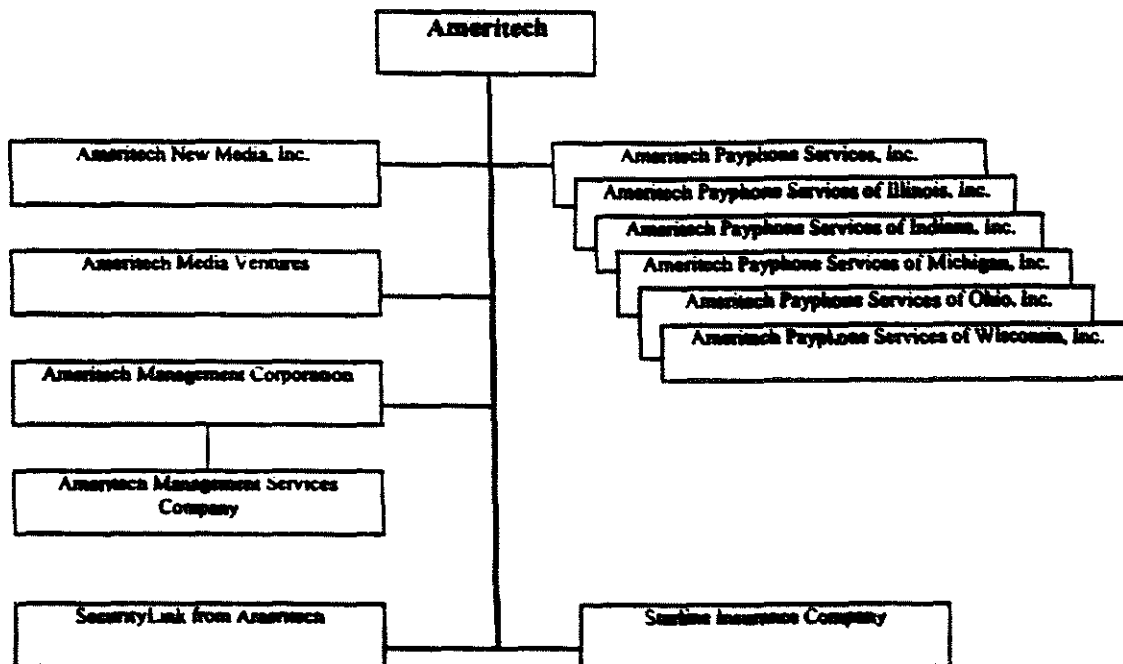




* NOT WHOLLY OWNED



* NOT WHOLLY OWNED



SECTION V- TRANSACTIONS WITH AFFILIATES

INTRODUCTION

Nevada Bell, Pacific Bell and Southwestern Bell Telephone Company (Telcos) use the applicable provisions of the following guidelines established in RAO 26, released May 6, 1998, 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.¹
- (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 50 percent of the total quantity of such product or service sold by an entity. Carriers shall apply this 50 percent threshold on an asset-by-asset and service-by-service basis, rather than on a product line or service line basis.²
- (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.³
- (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.⁴ 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

¹ See Accounting Safeguards Order, 11 FCC Rcd at 17612-13 para. 158.

² *Id.* at 17600-001 para. 135-136.

³ See Accounting Safeguards Under the Telecommunications Act of 1996, CC Docket No. 96-150, Notice of Proposed Rulemaking, 11 FCC Rcd 9354, fn. 167.

⁴ 47 C.F.R. § 64.501(b).

each service or product.⁵ (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 50 percent of the total quantity of such product sold by an entity. Carriers shall apply this 50 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 50 percent threshold has been satisfied.
- (3) "higher of fair market value and net book cost" – is to be used for all other assets sold by or transferred from the carrier to its affiliates. 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 for all other assets purchased by or transferred to the carrier from its affiliates. 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 50 percent of the total quantity of such service sold by an entity. Carriers shall apply this 50 percent threshold on a service-by-service basis rather than on a service-line basis.

⁵ See Accounting Subpart Order, fn. 1381.

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 50 percent threshold has been satisfied.

- (4) "higher of fair market value and fully distributed cost" -- is to be used for all other services sold by or transferred from the carrier to its affiliates. 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 for all other services purchased by or transferred to the carrier from its affiliates (except 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 affiliates⁶ 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,⁷ 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 recorded.

Assets transferred from Telco to its affiliates will be recorded at prevailing price or tariff rate, if applicable.⁸ Otherwise, revenues will be recorded at the higher of fair market value or Telco's net book cost.

⁶ See chart of corporate affiliates in Section IV of this manual.

⁷ Order on Reconsideration, Appendix C.

⁸ For assets or services subject to Section 272 rules, Telcos may record at prevailing price regardless of whether the 50% threshold has been satisfied.

With respect to the purchase of services or assets from an affiliate, Telco will record the prevailing price or any applicable rate pursuant to a tariff or publicly filed agreement. Otherwise, Telco will record the lower of fair market value or fully distributed cost (FDC), with the following exception. For services Telco purchases from an affiliate that exists solely to provide services to members of the corporate family, Telco may record 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 any applicable rate pursuant to a tariff or publicly filed agreement. Absent such rates, Telco will apply a prevailing price, if available.⁹ Otherwise, services sold to affiliates will be recorded at the higher of fair market value or fully distributed cost.

The Telcos provide instructions, outlined below, 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 rate pursuant to a tariff or publicly filed agreement, Telco must record at that rate. The second rule applies when the affiliate provides more than 50 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, Telco must record expenses on its (regulated) books at the lower of fair market value or fully distributed cost. 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.

⁹ See Footnote 6

AFFILIATE'S FULLY DISTRIBUTED COSTING PROCEDURES

Fully distributed costing procedures means that all costs must be considered when developing the cost for a service. Each affiliate must consider all costs when developing its service costs. Every attempt should be made to assign direct and indirect costs prior to calculating an allocation of generally allocated costs. These remaining costs should comprise only a small portion of an affiliate's costs using FDC costing procedures. These generally allocated costs should be allocated to the service based on the following equation:

$$\frac{\text{Affiliate Total Direct and Indirect Costs for the Service}}{\text{Affiliate's Total Direct and Indirect Costs}} = \text{Ratio}$$

$$\text{Ratio} \times \begin{array}{l} \text{Remaining} \\ \text{affiliate costs} \end{array} \text{ Subject to general allocator} = \begin{array}{l} \text{Generally} \\ \text{allocated to} \\ \text{Affiliate Service} \end{array}$$

For example, assume that an affiliate provides a service to Telco. Further assume: that the service's direct and indirect costs are \$100,000, the affiliate's total direct and indirect costs are \$1,000,000 and the affiliate's total generally allocated costs are \$10,000. The rate of return used in determining fully distributed costs associated with affiliate service transactions is the FCC's 11.25% prescribed rate of return on interstate services. When the affiliate calculates the FDC of providing that service, it will arrive at \$101,000 calculated as follows:

$$\frac{\text{Affiliate Service/Product Total Direct \& Indirect Costs (\$100,000)}}{\text{Affiliate Total Direct \& Indirect Costs (\$1,000,000)}} = \text{Ratio (10\%)}$$

$$\text{Ratio (10\%)} \times \begin{array}{l} \text{Affiliate's} \\ \text{Costs subject to general} \\ \text{allocator (\$10,000)} \end{array} = \begin{array}{l} \text{Generally Allocated} \\ \text{To Affiliate Service/} \\ \text{Product (\$1,000)} \end{array}$$

$$\text{Fully Distributed Cost} = \$100,000 + \$1,000 = \underline{\underline{\$101,000}}$$

In determining the FDC derived for an affiliate service, the affiliate should omit any "contribution" over and above FDC plus ROI as that is an inter-affiliate profit markup and therefore not allowable by the FCC. This does not suggest, however, that the affiliate will not realize any contribution on the sale of service to Telco. For example, an affiliate provides a service to all of its affiliates at a price of \$1.50 per unit of service. Further assume that this \$1.50 price includes a cost based on FDC procedures, including ROI of \$1.36, plus contribution of \$.14. When the affiliate provides this service to Telco it may, if Telco agrees, continue to charge \$1.50 per unit of service, just as it did in the past. The only thing that will change is that the affiliate must now tell Telco that the FDC plus ROI per unit of service using FDC procedures is \$1.36. Telco will not be allowed to record the "contribution" amount, i.e., \$.14, as an allowable regulated expense. Further, if the Fair Market Value is below \$1.36, then Telco would be required to record no more than the Fair Market Value on its regulated books.

LIST OF AFFILIATES

SBC ComVentures, Inc.	Seeks and participates in various telecommunications ventures.
SBC International, Inc.	Holding company for SBC subsidiaries and affiliates operating internationally whose interests are in foreign telecommunications and other related businesses.
SBC Management Services, Inc.	(FDC exception applies.) Provides various administrative and support services for the parent holding company and other subsidiaries.
SBC Operations, Inc.	(FDC exception applies) Provides for the planning, development and other support for the sale and merchandising of telecommunications services and products.
SBC 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.
SBC Technology Resources, 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 SBC subsidiaries are being met; and writing applications software for computers with processing systems that have been designed to be user-programmed.
Southwestern Bell Internet Services, Inc.	Internet service provider.
Southwestern Bell Mobile Systems, Inc.	Wireless services and equipment provider.
Southwestern Bell Wireless Inc.	In-region wireless services and equipment provider.
SBC Advanced Solutions, Inc.	Data services provider.
Southwestern Bell Communications Services, Inc.	(Section 272 Affiliate) SBCS will implement interexchange services when SBC Communications Inc. receives authority to provide such services.
Southwestern Bell Messaging Services, Inc.	Voice messaging services provider.
Southwestern Bell Telecommunications, Inc.	Mostly inactive affiliate that formerly sold CPE.
Southwestern Bell Video Services, Inc.	Video Programming services provider.
Southwestern Bell Yellow Pages, Inc.	Directory publishing and advertising provider.
AMDOCS, Inc.	Computer software provider.
National Telecommunications Alliance, Inc.	Single point of contact for National Security Emergency Preparedness and matters relating to telecommunications network reliability, security and interoperability. Industry consortium in which Telcos have ownership interest.

LIST OF AFFILIATES

Telco Year 2000 Forum, LLC	Industry consortium addressing Year 2000 issues, in which Telcos have an ownership interest.
Pacific Bell Internet Services	Internet service provider.
Pacific Bell Information Services	Voice messaging service provider.
Pacific Bell Wireless, LLC	In-region wireless services and equipment provider.
Pacific Bell Directory	Directory publishing and advertising provider.
SBC Interactive	Internet service provider.
Pacific Telesis Group	(FDC exception applies.) Provides various administrative and support services for the parent holding company and other subsidiaries.
Pacific Bell Extras	Mostly inactive affiliate that formerly administered customer loyalty program.
SNET Cellular, Inc.	Wireless services and equipment provider.
SNET Information Services, Inc.	Provides yellow pages directory advertising and publishing, and engages in electronic publishing and Internet services.
Southern New England Telecommunications Corporation	(FDC exception applies) Provides various administrative and support services for the holding company and other subsidiaries.
SNET America, Inc.	Interexchange service provider through carrier alliances.
SNET Personal Vision, Inc.	Cable TV provider.
SBC Telecom, Inc.	Competitive local exchange carrier.
Ameritech Communications, Inc.	(Section 272 Affiliate) Will implement interexchange services upon receipt of authority.
Ameritech Services	(FDC exception applies) Provides various administrative and support services for the parent holding company and other subsidiaries.
SNET Diversified Group, Inc.	Engages in a variety of business activities including tandem switching services, customer call center operations, operator services and consulting services.
The SBC Center for Learning	Formerly provided training management services to Telcos. Listed here for purposes of identifying asset transfer during 1999.

**LIST OF ASSETS AND SERVICES PROVIDED
FROM TELCOS TO AFFILIATES**

Service Provided	Service Description
Administrative Services	Services include various combinations of general administrative activities, preparation and maintenance of technical and other documents, ID and access cards, facsimile provisioning, conference rooms, etc. FDC or FMV depending on the specific service provided from this service grouping.
Official Communications	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. FDC at PB and NB, FDC or FMV at SWBT depending on the specific service provided from this service grouping.
Real Estate Services	Services include property management, lease administration, architectural planning, design and construction, floor space planning, furniture inventory, floor space, furniture and equipment leasing, and parking facilities. At SWBT provided at either FDC or FMV; hourly services are provided at FDC, furniture leasing depends on item leased and floor space leasing depends on local market conditions. At PB and NB, provided at FDC, except for PB property management services provided at FMV.
Temporary Projects	Services include temporary support, one-time transactions including licensing of intellectual property, and consultation for general administrative activities.
Legal Services	Services include professional services provided by Telco legal organizations. FDC or FMV depending on the specific employee level providing support.
Public Relations and Customer Related Services	Services include general public relations services such as layout, video, news clippings, employee information publications, graphics, and audio tape production. FDC or FMV depending on the specific employee level providing support. May also include customer contact support provided at FDC and customer service measurement provided at FMV.
Marketing Services	Includes retail sales of products and the administrative support of sales operations for outside third parties and affiliates. PB provides at FDC except for certain analyst services provided at FMV. SWBT and NB provide at FDC or FMV depending on the specific service provided from this service grouping.
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 and/or management services e.g., consulting, design, engineering and administration activities associated with customer-owned networks. 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. Primarily provided at providing stations, or FMV where providing price offers are not utilized.

**LIST OF ASSETS AND SERVICES PROVIDED
FROM TELCOS TO AFFILIATES**

Service Provided	Service Description
Billing and Collections	Services include billing and collection for services provided by the affiliate to its customers. Provided based upon tariff or prevailing price depending on state commission requirements.
Telephone Directory Services	Includes provision of White Pages listings to telephone directory publishers at prevailing price and other miscellaneous directory support at FDC.
Tariffed Telecommunications Services	Provision of services covered by federal and/or state tariff.
Primary Interexchange Carrier Services	May include creation of sample transaction files and provision of file formats, file naming conventions, transmission frequencies, etc. at FDC. May also include provision of customer information, verification of customer record and switch data, and service order issuance, which are provided at prevailing price.
Finance & Treasury Services	Includes budget analysis support, concession services, accounting standards and safety services.
Regulatory	Services include regulatory support, audit oversight, consulting services and public affairs support. FDC or FMV depending on the specific service provided from the service grouping.
Year 2000 Support	Services include support in the resolution of Year 2000 issues.
Other Directory Services	Oversight of billing and collection of Yellow Pages sales and advertising, and related project management.
Training Provided to Others	Training classes, curricula and materials developed or acquired for Telco use are provided to others, and can include custom training development. FDC or FMV depending on specific training provided.
Network Support	Includes network infrastructure planning and forecasting, engineering, network monitoring and surveillance, circuit provisioning, trouble identification/troubleshooting generation and related customer interaction, number administration, testing, report generation, etc. FDC or FMV depending on the specific service provided from the service grouping.
Interconnection	Establishment of interconnection arrangements with other telecommunications providers.
Asset Transfers	Occasional transfers of assets to affiliates, listed in the associated schedule by asset type.

**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.
Finance and Treasury Services	Includes shareholder 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 and fixed asset accounting.
External Affairs and Government Relations	Includes external reporting, regulatory and rate proceeding activities, and compliance with securities law and exchange requirements.
Advertising and Image Promotion	Provision of information and promotion of SBC and Telco names, products, services and corporate image to the investment community and other external audiences
Human Resources Support Services	Includes staffing, work force development, benefit administration, absence management and labor relations.
Legal Services	Includes professional services provided by affiliate legal organizations
Administrative Services	Includes executive transportation, repatriation, customer seminars, services provided to Telco employees located in affiliate buildings, and interim employee-related services arising from mergers and acquisitions.
Market Planning and Strategic Direction	Services may include product and market management, distribution channel management and development, pricing, packaging and promotion, and customer competitive and research analysis.
Marketing Support	May include market trials and tests, marketing channels, corporate call center activities and retail sale of Telco products.
Procurement Support Services	Includes contract management, purchasing operations, fleet management, materials management, internal mail services, copy business services and procurement systems project management.
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 using applications software for computers with processing systems that have been designed to be user-programmed.
Training Services	Includes course development and instructor-led and self-paced employee training.
National Security Emergency Preparedness (NSEP) and Network	Provides single point of contact services for all POCs for NSEP and other matters relating to telecommunications network reliability, security and interoperability.

**Nevada Bell Pacific Bell
Southwestern Bell Telephone Company
Cost Allocation Manual**

**V-10
12/90**

**LIST OF ASSETS AND SERVICES PROVIDED
TO TELCOS FROM AFFILIATES**

Service Provided Reliability, Security and Interdependency Services	Service Description
Real Estate Support Services	Includes facilities management, real estate design and construction management, real estate transactions, space planning, real estate systems project management and furniture administration.
White Pages Directory Services	Includes composition, production and distribution of white pages directories, provision of independent company directories, directory sales, printing and binding of Customer Guide Pages, customer listing change support, and local directory closing costs.
Advertising	Directory advertising, directory insert advertising, and miscellaneous advertising.
Billing Support Services	Includes billing operations, bill printing and mailing, fraud management, payment processing and billing system project management.
Information Technology Services	Includes software development and maintenance, data center operations, PC desktop support services, corporate data communications management and other miscellaneous services.
Year 2000 Issue Resolution	Provision of resources to address Year 2000 issues.
Telecommunications Services and Equipment	Includes provision of 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 and maintenance of telecommunications products and services. Provided at prevailing price except for voice messaging and call management provided at tariffed rates in California and certain product support provided at FDC where prevailing price criteria not satisfied.
Street Address Directories	Directories are sold to Telcos on an as-issued basis.
Other Directory Services	Includes project management of business enhanced listing products and directory cover advertising.
Architecture and Technology Planning and Strategy	Includes planning functions for the development and initial deployment of new technology, products and associated services.
Lease of Floor Space	Leasing or sub-leasing of administrative floor space.
Asset Transfers	Occasional transfers of assets from affiliates, listed in the associated matrix by asset type.

**Nevada Bell/ Pacific Bell/
Southwestern Bell Telephone Company
Cost Allocation Manual**

**V-11
12/16/99**

[illegible]

1= SBC Telecom	10= Pacific Teleb. Group	19= Southwestern Bell Yellow Pages	28= SNET America
2= Southwestern Bell Communication Services	11= Southern New England Telecommunications	20= SBC Advanced Solutions	29= SNET Personal Vision
3= SBC International	12= SBC Services	21= Southwestern Bell Messaging Services	30= The SBC Center for Learning
4= Pacific Bell Directory	13= SBC Management Services	22= AMDOCS	
5= Pacific Bell Extra	14= SBC Operations	23= America's Communications	
6= Pacific Bell Information Services	15= Southwestern Bell Mobile Systems	24= Southwestern Bell Telecommunications	
7= SBC Interactive	16= Southwestern Bell Monitor	25= Southwestern Bell Video Services	
8= Pacific Bell Internet Services	17= Southwestern Bell Internet	26= SNET Outlook	
9= Pacific Bell Wireless	18= SBC Technology Resources	27= SNET Information Services	

* See "List of Assets and Services Provided" accompanying copies to States V for more detailed description of assets and services provided to respondent. D-Dish, W-Weekly, M-Monthly, O-Occasionally, A-Annually, O-Occasionally.

**Novels, Best Books and
Bestselling Best Sellers
Can't Wait to Read**

11

[illegible]

1= SBC Telecom	10= Pacific Telefax Group	20= SBC America
2= Southwestern Bell Communication Services	11= Southern New England Telecommunications	20= SBC Advanced Systems
3= SBC International	12= SBC Services	20= SBC Personal Video
4= Pacific Bell Directory	13= SBC Management Services	20= Southwestern Bell Managing Services
5= Pacific Bell Extras	14= SBC Operations	21= AMDOCS
6= Pacific Bell Information Services	15= Southwestern Bell Mobile Systems	22= American Communications
7= SBC Interactive	16= Southwestern Bell Minutes	24= Southwestern Bell Telecommunications
8= Pacific Bell Internet Services	17= Southwestern Bell Internet	25= Southwestern Bell Video Services
9= Pacific Bell Wireless	18= SBC Technology Resources	26= SBC Cellular
		26= SBC Telecommunications Services

.. See "Laid Assets and Services Provided" regarding assets in Section V. For more details, see pages of assets and services provided.

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
Official Communications (FDC, FMV)	D	D	D	D		D	D	D	D	D	D	D	D	D	D	M	M	D	D	D	D			D	M	D	D		D	
Real Estate Services (FDC, FMV)				D		D		D	D	D		D	D	D	D	D	D	D	D		D			D	D					
Temporary Projects (FDC)	O	O	O	O	O	O		O	O	O		O	O	O	O	O	O	O	O	O	O			O	O					
Legal Services (FDC, FMV)	O	O	O	O		O	O	O	O	O	O	O	O	O	O	O	O	O	O	O	O			O	O					
Public Relations and Customer-Related Services (FDC, FMV)			O			O							W	O	D	O	O	O	D		W				O					
Marketing Services (FDC, FMV)	O	D	O	D		D		D	D			O		M	M	D	D				D							D		
CPE and Wire Svcs (FMV)	O	O	O	O	O	O	O	O	O	O		O	O	O	O	O	O	O	O	O	O	O		O	O					
Telephone Directory Services (FDC)				D															D											
Primary Interexchange Carrier Services (FDC, FMV)		D																												
Regulatory (FDC, FMV)		M		O		O		O	O	O		O	M	M	M	M		M	M		M				M					
Network Support (FDC, FMV)	D	D				O			M											D										

1= SBC Telecom

2= Southwestern Bell Communication Services

3= SBC International

4= Pacific Bell Directory

5= Pacific Bell Extras

6= Pacific Bell Information Services

7= SBC Interactive

8= Pacific Bell Internet Services

9= Pacific Bell Wireless

10= Pacific Telecom Group

11= Southern New England Telecommunications

12= SBC Services

13= SBC Management Services

14= SBC Operations

15= Southwestern Bell Mobile Systems

16= Southwestern Bell Wireless

17= Southwestern Bell Internet

18= SBC Technology Resources

19= Southwestern Bell Yellow Pages

20= SBC Advanced Solutions

21= Southwestern Bell Messaging Services

22= AMDOCS

23= Ameritech Communications

24= Southwestern Bell Telecommunications

25= Southwestern Bell Video Services

26= SNET Cellular

27= SNET Information Services

28= SNET America

29= SNET Personal Vision

30= The SBC Center for Learning

** See "List of Assets and Services Provided" appearing earlier in Section V for a more detailed description of assets and services provided

Legend: D = Daily, W = Weekly, M = Monthly, Q = Quarterly, A = Annually, O = Occasionally

AFFILIATE TRANSACTIONS MATRIX FROM TELCOS TO AFFILIATES

[illegible]

1= SBC Telecom	10= Pacific Teleads Corp	10= Communications Bell Video Pages	20= SNET America
2= Suburban Bell Communication Services	11= Southern New England Telecommunications	20= SBC Advanced Sublines	20= SNET Personal Vision
3= SBC International	12= SBC Services	21= Communications Bell Managing Services	20= The SBC Center for Learning
4= Pacific Bell Directory	13= SBC Management Services	21= ADOLCO	
5= Pacific Bell Etern	14= SBC Operations	21= American Communications	
6= Pacific Bell Information Services	15= Suburban Bell Mobile Systems	21= Suburban Bell Telecommunications	
7= SBC Interactive	16= Suburban Bell Workers	21= Suburban Bell Video Services	
8= Pacific Bell Internet Services	17= Suburban Bell Internet	21= SNET Cellular	
9= Pacific Bell Video	18= SBC Technology Resources	21= SNET Information Services	

* See List of Authors and Subjects. Profiles, representing authors in Russian who are considered specialists of some and not others, are listed. D. = Data; W. = Works; M. = Memoir; G. = General; A. = Author; O. = Commentary.

**Harold Bell Packer Bell
Southwestern Bell Telephone Company
Cost Accounting Manual**

AFFILIATE TRANSACTIONS MATRIX 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
Tariffed Rate																					
Telecommunications Services and Equipment-Call Management and Voice Messaging						D															
Publicly Filed Agreement																					
None																					
Prevailing Price (assets & services)																					
Information Technology Services				O													O				
Advertising				D												D					
Telecommunications Services and Equipment						D		D	D	D		D			D			D	D		
Street Address Directories				D																	
Finance and Treasury Services															D						
National Security Emergency Preparedness and Network Reliability, Security and Interdependency Services (FDC)		D																			

10- Southwestern Bell Yellow Pages
17- AMDOCS
18- Southwestern Bell Internet Services
19- Southwestern Bell Messaging Services
20- SBC International
21- Yellow Pages 2000 Forum

9- SBC Contributions
10- SBC Management Services
11- SBC Technology Resources
12- SBC Advanced Solutions
13- SBC Shared Group, Inc.
14- SBC Services
15- Southwestern Bell Wireless

1- SBC Operations
2- National Telecommunications Alliance
3- Southwestern Bell Video Services
4- Pacific Bell Directory
5- AmeriHealth Services
6- Pacific Bell Information Services
7- Pacific Bell Internet Services
8- Pacific Bell Wireless

** See "List of Assets and Services Provided" accompanying notes to Section V for a more detailed description of assets and services provided.
Legend: D = Daily, W = Weekly, M = Monthly, Q = Quarterly, A = Annually, O = Occasionally

Nevada Bell/Pacific Bell/
Southwestern Bell Telephone Company
Cost Allocation Manual

AFFILIATE TRANSACTIONS MATRIX 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
Assets - Lower of Fair Market Value and Net Book Cost																					
Portable Buildings			O																		
Power Equipment			O																		
Services - Lower of Fair Market Value and Fully Distributed Cost																					
External Affairs and Government Relations (FDC)								O							D	M					
White Pages Directory Services (FDC)				D												D					
Other Directory Services (FDC)																D					
Administrative Services (FDC)					D	D										O				O	
Telecommunications Services and Equipment (FDC)							D														
Year 2000 Issue Resolution (FDC)																					O
Marketing Support (FDC)															D	D					
Lease of Floor Space (FNV)																			O		
Fully Distributed Costs																					
Advertising and Image Promotion										D											

- 1= SBC Operations
- 2= National Telecommunications Alliance
- 3= Southwestern Bell Video Services
- 4= Pacific Bell Directory
- 5= Ameritech Services
- 6= Pacific Bell Information Services
- 7= Pacific Bell Internet Services
- 8= Pacific Bell Wireless

- 9= SBC ConVentures
- 10= SBC Management Services
- 11= SBC Technology Resources
- 12= SBC Advanced Solutions
- 13= SBC Shared Group, Inc.
- 14= SBC Services
- 15= Southwestern Bell Wireless

- 16= Southwestern Bell Yellow Pages
- 17= AMDOCS
- 18= Southwestern Bell Internet Services
- 19= Southwestern Bell Messaging Services
- 20= SBC International
- 21= Telco Year 2000 Forum

** See "List of Assets and Services Provided" appearing earlier in Section V for a more detailed description of assets and services provided
 Legend: D = Daily, W = Weekly, M = Monthly, Q = Quarterly, A = Annually, O = Occasionally

AFFILIATE TRANSACTIONS MATRIX 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
Human Resources Support Services																					
Corporate Governance										D				D							
Finance and Treasury Services										D				D							
External Affairs and Government Relations										D											
Administrative Services					M					D											
Legal Services										D											
Billing Support Services																					
Information Technology Services														D							
Training Services														D							
Technology Planning, Assessment, and Applied Technology Services										D											
Marketing Support	D																				
Procurement Support Services														D							
Market Planning and Strategic Direction	D																				
Real Estate Support Services														D							

1= SBC Operations
 2= National Telecommunications Alliance
 3= Southwestern Bell Video Services
 4= Pacific Bell Directory
 5= Ameritech Services
 6= Pacific Bell Information Services
 7= Pacific Bell Internet Services
 8= Pacific Bell Wireless

9= SBC Communications
 10= SBC Management Services
 11= SBC Technology Resources
 12= SBC Advanced Solutions
 13= SBC IT Shared Group, Inc.
 14= SBC Services
 15= Southwestern Bell Wireless

16= Southwestern Bell Yellow Pages
 17= AMDOCS
 18= Southwestern Bell Internet Services
 19= Southwestern Bell Managing Services
 20= SBC International
 21= Telco Year 2000 Forum

** See "List of Assets and Services Provided" appearing earlier in Section V for a more detailed description of assets and services provided.
 Legend: D = Debt, W = Weekly, M = Monthly, Q = Quarterly, A = Annually, O = Occasionally

Nevada Bell Pacific Bell
 Southwestern Bell Telephone Company
 Qwest Telecommunications

AFFILIATE TRANSACTIONS MATRIX 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
Architecture and Technology Planning and Strategy																					
	D																				

1= SBC Operations
2= National Telecommunications Alliance
3= Southwestern Bell Video Services
4= Pacific Bell Directory
5= American Bell Services
6= Pacific Bell Information Services
7= Pacific Bell Internet Services
8= Pacific Bell Video

9= SBC Contributions
10= SBC Management Services
11= SBC Technology Resources
12= SBC Advanced Solutions
13= SBC International Group, Inc.
14= SBC Services
15= Southwestern Bell Ventures

16= Southwestern Bell Yellow Pages
17= ASDOCIS
18= Southwestern Bell Internet Services
19= Southwestern Bell Managing Services
20= SBC International
21= Yellow Pages 2000 Forum

** See List of Assets and Services Provided, appearing under the Section Yellow Pages under description of assets and services provided
Legend: D=Data, V=Video, M=Mobile, C=Computing, A=Audio, O=Other

Northwestern Bell Pacific Bell
Southwestern Bell Telephone Company
Cable Television Service

COST APPORTIONMENT TABLES

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 AAD92-42. 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 Allocated 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
- Job Function Codes (JFCs)
- Field Reporting Codes (FRCs)
- Special Purpose Function Codes (SPFCs)
- Cost Function Codes (CFCs)
- Expenditure Type Codes (EXTCs)
- Responsibility Codes (RCs)
- Continuing Property Records (CPR)
- Activity Codes
- Environment Codes (ECs)
- Keep Cost Orders (KCOs)
- Nonregulated Product Identification Codes (NPICs) (which are a subset of KCOs)
- Equipment Category Number (ECN)
- Separations Suffix (SS)
- Tracking Code

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.

Account Transaction Analysis

In instances involving accounts with transactions whose costs are heterogeneous and difficult to disaggregate, a transaction-by-transaction analysis is performed and each transaction is classified into regulated, nonregulated, and shared cost pools based on the nature of the activity benefiting from the asset or associated with the liability involved. An example of account transaction analysis would be the review of general ledger entries. Once the account transaction analysis has been completed, the cost pools are populated by assigning all related investment or expense amounts to one of the cost pools available in the account.

The following accounts use account transaction analysis as a basis for assigning costs to pools:

2880	6124	7180	7540
4180	7150		
4310			

COST POOL IDENTIFICATION (cont.)

Analysis of Building Use

The Companies maintain a floor space inventory file of all of their buildings. This inventory associates floor space with functions by building that can be used to separate building space into functional categories. These categories include: Central Office, Distribution Services, Network Operations, Customer Operations, and Corporate Operations floor space, and leased or rented floor space.

Once the actual floor space has been derived for each of the Building cost pools listed above, a ratio of that cost pool's floor space to total building floor space 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.

The following account uses analysis of building use as a basis for assigning costs to pools:

2121

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 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.

Selected cost pools in Accounts 2112, Motor Vehicles, use this basis for assigning costs.

Lease Study

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. These lease categories are then used to populate the associated cost pools in Account 2881, Capital Leases.

COST POOL IDENTIFICATION (cont.)

Leasehold Improvement Study

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. These leasehold improvement categories are then used to populate the associated cost pools in Account 2682, Leasehold Improvements.

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. An example would be investment assigned to Embedded Investment in Individual Items of Small Value which is identified within an account by separate accounting codes.

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.

Selected cost pools in the following accounts use the description of accounting codes as a basis for pool assignment:

1220	2411	5301	6311	6540	6722
2003	2422	5302	6341	6581	6723
2114	2423	6112	6362	6584	6724
2123	2441	6114	6411	6585	6725
2124	2681	6121	6421	6611	6726
2211	2682	6122	6422	6612	6727
2212	2689	6123	6423	6613	6728
2220	3100	6124	6441	6621	7160
2231	3886	6211	6512	6622	7210
2232	4100	6212	6532	6623	7240
2311	4310	6220	6533	6711	
2341	4340	6231	6534	6712	7370
2362	4360	6232	6535	6721	7540

COST POOL IDENTIFICATION (cont.)

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.

Analysis of equipment inventory records is the basis for assigning costs to selected cost pools in the following accounts:

2211 2220

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.

Selected cost pools in the following accounts use cost pool equals account as a basis for assigning costs to pools:

1410	2421	5000-5270	6511	7320
1438	2424		6531	7330
1439	2426		6562	7340
1500	2431		6563	7350
2002	3200	5280		7360
2005	3410	6113	6565	7510
2111	3420		6790	7520
			7110	7530
:	3600	6215	7130	7610
2122	4040		7140	7620
2215	4120	6351	7220	7630
2321	4370	6424	7230	7640
2351		6426	7250	7910
		6431	7310	7990

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.

Selected cost pools in the following accounts use account balance less amounts assigned to the direct cost pools as a basis for assigning costs to pools:

6123	7540
------	------

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.

Selected cost pools in the following accounts use account balance less amount assigned to the cost pools as a basis for assigning costs to pools:

2123 2220 6124

Analysis of No Access Reports - SWBT

: An analysis of no access reports is performed by jurisdiction on a monthly basis. The total number of hours associated with no accesses will be calculated by multiplying the number of no access reports by the average duration time of a no access call. The average duration time is derived from a special study conducted monthly. ::

The no access hours will be divided into various accounting codes in proportion to the quantity of no accesses reported in the month. Finally, the no access hours charged to each accounting code will be multiplied by an average labor rate per hour by state for its main account. This process creates the No Access Cost Pool in the following accounts:

6411 6421 6423

COST POOL IDENTIFICATION (cont.)

Analysis of No Trouble Found Reports - SWBT

Analysis of no trouble found reports is performed by jurisdiction on a monthly basis. The total number of hours associated with no trouble found will be calculated by multiplying the number of trouble found reports by the average duration time of a no trouble found call. The average duration time is derived from a special study conducted monthly.

The no trouble found hours will be divided into various accounting codes in proportion to the quantity of no trouble found reported in the month. Finally, the no trouble found hours charged to each accounting code will be multiplied by an average labor rate per hour by state for its main account. This process creates the No Trouble Found Cost Pool in the following accounts:

6411

6421

6423

Computer Usage

A special study is conducted at least on an annual basis to assign mainframe computer investment into several cost causative categories. Mainframe computer usage is the basis for developing the cost pools of mainframe computer investment which then can be apportioned by direct/indirect measures of causation. For minicomputers a review of the accounting records is performed to determine computer usage. For general purpose computer and information management expenses billed to the telcos by the affiliate providing support services, actual computer usage based on the services affiliate billing detail will be used to assign costs to cost pools.

2124

6124

6724

Analysis of Property Records Allocated on Peak Forecasted Annual Usage - Attendant Lines - Nevada

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

Percentages will be developed to identify the prorata portion of the value of the investment placed in each cost pool. These percentages will be determined at least annually. Once these percentages are determined, they will be applied each month to the total value of the investment account, thereby identifying the amount allocable to each cost pool. Account 2212 uses this basis for pooling costs.

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 nonregulated 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.

Selected cost pools in the following accounts have a direct assignment to nonregulated activities as a basis for allocating costs:

1220	2411	6114	6411	6612	6727
2003	2423	6122	6421	6613	6728
2114	2441	6123	6422	6621	7150
2123	2690	6124	6423	6622	7160
2124	3100	6211	6441	6623	7210
2211		6212	6512	6711	7540
2212		6220	6532	6712	7990
2231		6231	6533	6721	
2232	5280	6232	6534	6722	
2311	5301	6311	6535	6723	
2341	5302	6341	6540	6724	
2351	6112	6351	6561	6725	
2362		6362	6611	6726	

COST POOL APPORTIONMENT METHOD (cont.)

Assigned to Regulated

When a cost pool is identified as incurred exclusively for regulated services, then a direct assignment to regulated is made. Selected cost pools in the following accounts have a direct assignment to regulated services as a basis for allocating costs:

1220	2421	4370	6311	6611	7160
1438	2422	4370	6341	6612	7240
1439	2423	5000-5270	6362	6613	7310
1500	2424		6411	6621	7320
2003	2426		6421	6622	7330
2114	2431		6422	6623	7350
2123	2441	5301	6423	6711	7360
2124	2681	6112	6424	6712	7370
2211	2690	6114	6426	6721	7540
2212	3100		6431	6722	7610
2215	4040	6122	6441	6723	7620
2220		6123	6512	6724	7630
2231	4120	6124	6532	6725	7640
2232	4310	6211	6533	6726	7910
2311	4340	6212	6534	6727	
2321	4360	6215	6535	6728	
2341		6220	6540	7110	
2362		6231	6561	7130	
2411		6232		7150	

Peak Forecasted Annual Usage - Kilosegments - SWBT

Common network investment that is not utilized at tariff rates 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. This forecasting process is used to apportion a selected cost pool in Account 2212.

Peak Forecasted Annual Usage - CDE Study - Nevada

Common network investment that is not utilized at tariff rates 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. This forecasting process is used to apportion a selected cost pool in Account 2212, Digital Electronic Switching.

COST POOL APPORTIONMENT METHOD (cont.)

Peak Forecasted Annual Usage - 128-byte segments - Pacific

Common network investment that is not utilized at tariff rates 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. This forecasting process is used to apportion a selected cost pool in Account 2212.

Peak Forecasted Annual Usage - cpu cycles - Pacific

Common network investment that is not utilized at tariff rates is apportioned to nonregulated on the basis of peak nonregulated relative forecasted annual usage over a three year forecast period. Cpu cycles is a unit of measure used to forecast the usage capacity on an analog switch. Cpu cycles represent a manner by which regulated services and nonregulated activities can be differentiated. The apportionment to nonregulated is made by dividing nonregulated cpu cycles by total cpu cycles in the peak year. This forecasting process is used to apportion a selected cost pool in Account 2212, Digital Electronic Switching, and Account 2211, Analog Electronic Switching.

Peak Forecasted Annual Usage - cpu seconds - Pacific

Common network investment that is not utilized at tariff rates 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. This forecasting process is used to apportion a selected cost pool in Account 2212, Digital Electronic Switching, and Account 2211, Analog Electronic Switching.

Peak Forecasted Annual Usage - Messages - SWRT

Common network investment that is not utilized at tariff rates 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. This forecasting process is used to apportion selected cost pools in Account 2211, Analog Electronic Switching and Account 2212, Digital Electronic Switching.

COST POOL APPORTIONMENT METHOD (cont.)

Peak Forecasted Annual Usage – Call Volumes – Pacific and SWBT

Common network investment that is not utilized at tariff rates is apportioned to nonregulated on the basis of peak nonregulated relative forecasted annual usage over a three year forecast period. Call volume 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. This forecasting process is used to apportion selected cost pools in Account 2220, Operator Systems.

Peak Forecasted Annual Usage – Octets – Pacific and SWBT

Common Network investment that is not utilized at tariffed rates 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. This forecast process is used to apportion selected cost pools in the following accounts:

2212	2231	2232	2422	2441
------	------	------	------	------

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.

COST POOL APPORTIONMENT METHOD (cont.)

When Accounts 2111 through 2690, Telephone Plant In Service (TPIS), are used as a basis of apportionment, the related accumulated depreciation and amortization in Accounts 3100 through 3600 and related occurrences in Accounts 2002 through 2007 are also included in the allocator. The inclusion of accumulated depreciation/amortization and occurrences in 2002 through 2007 are determined on an FRC by FRC 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 2007 occurrences related to Accounting Code 377C are also included in the allocator.

Relative value of salaries and wages is used to apportion regulated and nonregulated costs for selected cost pools in the following accounts:

1220	2682	6534	6621	6726
2114	6124	6611	6622	
2681	6532	6612	6711	
	6533	6613	6724	

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.

2112	2121
------	------

Current (Month) Regulated and Nonregulated Use

Many plant related expenses (Account 6112 through 6585) 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 other 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.

The methodology is used as a directly attributed measure of causation for selected cost pools in the following accounts:

6134	6330	6422
6211	6331	6441
6212	6332	6734

COST POOL APPORTIONMENT METHOD (cont.)

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. This calculation apportions the Common-No Access/No Trouble Cost Pool in the following accounts:

6311	6341	6362
------	------	------

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.

The accounts that are allocated with usage data are those listed previously under "Current Regulated and Nonregulated Use."

Current regulated and nonregulated investment values are used to apportion selected cost pools in the following accounts:

1220	2005	2681	6124	7240	7540
2002	2121	2890	6724	7510	
2003	2124	4100	7210	7530	

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.

This method of attribution is used to apportion the Operating Rent Cost Pool in Account 6121, Land and Building Expense.

COST POOL APPORTIONMENT METHOD (cont.)

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 a direct 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. For example, the Garage Work Equipment Cost Pool is apportioned based on the relative investment value of Accounts 2112 and 2114. The nonregulated ratio is the total nonregulated investment amount in those accounts divided by the total amount of investment for Accounts 2112 and 2114. The nonregulated ratio is then multiplied by the costs in the cost pool, and the result is apportioned to nonregulated.

Relative investment value is used to apportion regulated and nonregulated costs for selected cost pools in the following accounts:

2114	3420	6122	6561	6724
2124	3500	6123	6562	6726
2681	3600	6124	6563	7340
3100	6112	6511	6564	7520
3200	6114	6531	6565	
3410		6535	6721	

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

The basis for assigning costs to cost pools in Account 2121 Buildings, the Operating Rent Cost Pools in Account 6121, Land and Building Expense, the Capital Lease Cost Pools in Account 2681, Capital Leases, and the Leased Cost Pools in Account 2682, Leasehold Improvements, is by usage studies on the investments. When these 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.

Common 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.

COST POOL APPORTIONMENT METHOD (cont.)

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.

1410	4100	6113	6611	6723	6728
2124	4310	6124	6613	6724	
2212	4340	6212	6623	6726	

Relative Value of Regulated and Nonregulated Dispatched Reports – SWBT

For those cost pools where the relative value of regulated and nonregulated dispatched reports is specified as the basis of apportionment, a nonregulated percentage is developed by dividing the nonregulated dispatched reports by total dispatched reports. The nonregulated percentage is multiplied by the total costs in the cost pool and the resulting amount is attributed to nonregulated. This methodology is used to apportion the No Access Cost Pools in the following accounts:

6411 6421 6423

Relative Value of Regulated and Nonregulated Repeat Reports Following No Trouble Found – SWBT

The No Trouble Found Cost Pools in the accounts listed below are apportioned based on the relative value of regulated and nonregulated repeat reports following no trouble found. A repeat report is created when a technician returns to a job after no trouble was found on the initial visit. A nonregulated percentage is created by dividing nonregulated repeat reports by the total. The No Trouble Found Cost Pools in the following accounts are attributed with this method:

6411 6421 6423

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. This methodology is used for selected cost pools in the following accounts as it provides for a direct causal apportionment between the related accounts:

2001 2000 6534 6523 7240

COST POOL APPORTIONMENT METHOD (cont.)

Directory Space - SWBT

The White Pages Advertising Cost Pool's common expenses in Account 6622, Number Services, are allocated based on the ratio of the nonregulated business advertising space in each state to the total space in the associated state's White Pages directories. The Directory Listing Cost Pool's common costs in Account 2124, General Purpose Computers, is allocated to regulated and nonregulated based on the ratio of the nonregulated business advertising space for each processing center to the total space in the associated processing center's White Pages directories. The St. Louis processing center allocator is a combined ratio for the four northern states. The Dallas processing center allocator is the same as the state allocator used above.

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

The common cost pools in Accounts 7220, 7230 and 7250 are allocated based on operating book income before income taxes less interest expense.

Directory Assistance Call Volume Usage - PB and SWBT

The Operator Systems Directory Assistance Cost Pool's common expenses in Account 6622, Number Services, are allocated based on the ratio of nonregulated call work volumes to total call work volumes.

COST POOL APPORTIONMENT METHOD (cont.)

Analysis of Customer Bills

Every line on a bill is identified as regulated, nonregulated, or common. The lines which are either regulated or nonregulated are used to apportion billing expenses accordingly. The common lines are allocated to nonregulated based on the ratio of nonregulated lines appearing on a bill, to the total number of regulated and nonregulated lines. This method provides a means to apportion the costs of retrieving data for and producing customer bills.

2124	6124	6623	6724
------	------	------	------

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.

Selected cost pools in the following accounts are apportioned based on the relative value of cost pools:

2111	2123	6121	6564
	2124	6124	6623
	3500		6724

Relative Amount of Time / Portion of Asset Included in Rate Base

The apportionment method for Account 7150, Gains or Losses from the Disposition of Land and Artworks, is based on the service life of the asset being disposed. When an asset has been jointly used in the provision of regulated services and nonregulated activities, the gain or loss is allocated based on the relative amount of time the asset was included in the rate base divided by the total period of time the asset was in service. This is consistent with the treatment required in CC Docket No. 84-497 (Paragraph 86).

Current Month 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.

COST POOL APPORTIONMENT METHOD (cont.)

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.

Cost Pools in the following accounts use this method of apportionment to allocate nonregulated costs:

2121	2124	6122	6724
2122	2681	6123	6725
2123	2682	6124	6726

Trouble Reports

The Subscriber Line Testing Cost Pool in Account 6533, Testing Expense is allocated between regulated services and nonregulated activities based on trouble reports. Trouble reports are identified as either regulated or nonregulated. The nonregulated trouble reports are multiplied by a dispatch factor to determine the number of trouble reports which were known to be nonregulated before dispatch. 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.

Relative Weighted Usage of Investment

Where relative weighted usage of investment is the basis for apportioning regulated services and nonregulated activities, a nonregulated percentage is developed from specific investment components. The weighted nonregulated percentage is developed by dividing the nonregulated investment in a specified accounting code by the total investment in that field reporting code in the pool being allocated. Accounting codes allocated on relative weighted usage of investment provide for a direct causal apportionment.

The amount apportioned to nonregulated would be calculated by multiplying the ratio of nonregulated weighted usage of investment to total investment by the total value of the cost pool. The nonregulated weighted usage is calculated by summing all the pooled investment in the field reporting code being allocated which had been allocated to nonregulated (based on the nonregulated usage of the individual components comprising the investment) and dividing by the sum of the total of the pooled investment.

Relative weighted usage of investment is used to apportion regulated and nonregulated costs for selected cost pools in Account 2124.

COST POOL APPORTIONMENT METHOD (cont.)

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 allocated marketing costs obtained from selected cost pools in accounts 6611, 6612, 6613, and 6623.

The marketing allocator is used to apportion marketing expenses in cost pools in the following accounts:

6611	6613	6722
6612	6124	6724

General Allocator

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

Accounts which have selected cost pools apportioned using the general allocator include:

2124	6512	6722	6727	7140	7370
4360	6712	6724	6728	7160	
6124	6721	6725	6790	7240	

Not Applicable (Uniformity - Cost Pool not in use).

Direct cost pools exist in some accounts solely as place holders for the cost pools required per Uniformity. For example, the directly assigned pools in Account 2121, Buildings, are not in use by the Companies. These are accordingly marked "Not Applicable (Uniformity - Cost Pool not in use)."

2111	2112	2121	6121
------	------	------	------

UDOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
1220 Inventories	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	This pool is used by Nevada Bell (NB) and Pacific Bell (PB).
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	
	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.	
	Station Connections Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of Station Connections current month salaries and wages in Accounts 2311 through 2362 and 6311 through 6362.	
	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.	
1410 Other Noncurrent Assets	Other Noncurrent Assets Cost Pool	Cost Pool equals account.	Indirectly attributed based on company current month salaries and wages.	This pool is used by PB and Southwestern Bell Telephone Company (SWBT).
1438 Deferred Maintenance And Repairs	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	
1439 Deferred Charges	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	Amounts in this account will be excluded from rate-making in the Separation process; thus allocation between regulated and nonregulated is not necessary.

USDA Part 32 Accounts

Cost Pool Name

Cost Pool Identification

Cost Pool Apportionment Method

Comments

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.	This pool is used by PB.
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.	
	Common Cost Pool	Based on description of accounting codes.	Indirectly attributed based on current regulated and nonregulated investment value of Accounts 2211 through 2441.	
2005 Telecommunications Plant Adjustment	Common Cost Pool	Cost Pool equals account.	Indirectly attributed based on current regulated and nonregulated investment value of Account 2001, Telecommunications Plant In Service.	This pool is used by PB.
2111 Land	Directly Assigned Regulated	Not applicable.	Directly Assigned to Regulated.	Nevada Bell, Pacific Bell, and Southwestern Bell (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 2101, Buildings.	

2112 Motor Vehicles

Directly Assigned Regulated

Not applicable.

Directly Assigned Regulated.

The Companies do not have Motor Vehicles 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 Motor Vehicles which can be directly assigned. Not applicable (Uniformity - Cost Pool not in use).

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 6211 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 6311 through 6441

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 2411 through 2441, and 6411 through 6441.

This pool is used by SWBT.

Network Operations - Network
Administration/ Testing Subpool

Analysis of motor vehicle records.

Indirectly attributed based on relative value of Network Administration/Testing current year salaries and wages in Accounts 6532 through 6534.

This pool is used by SWBT.

Network Operations -
Engineering Subpool

Analysis of motor vehicle records.

Indirectly attributed based on relative value of Engineering current year salaries and wages in Account 6535.

This pool is used by SWBT

Network Operations - Other
Network Operations Subpool

Analysis of motor vehicle records.

Indirectly attributed based on relative value of Other Network Operations current year salaries and wages in Accounts 6113 through 6124 and 6511 through 6531

2112 Motor Vehicles (cont.)

Customer Operations Cost Pool

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 Accounts 6710 through 6726.

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.

This pool is used by PB and SWBT.

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

Includes embedded investment to be amortized over 5 years per CC Docket 95-60, beginning 1/1/98. This pool is used by NB and PB.

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to nonregulated.

This pool is used by SWBT.

Garage Work Equipment Cost Pool

Based on description of accounting codes.

Indirectly attributed based on relative investment value of Account 2112, Motor Vehicles, Account 2114, Tools and Other Work Equipment excluding the Garage Work Equipment Cost Pool.

Tools and equipment used to maintain items included in Accounts 2112, Motor Vehicles, 2114, Tools and Other Work Equipment, Other Work Equipment. Includes embedded investment to be amortized over 5 years per CC Docket 95-60, beginning 1/1/98.

Other Work Equipment Cost Pool

Based on description of accounting codes.

Indirectly attributed based on relative value of current assets salaries and wages in Accounts 2113 through 2141 and 6711 through 6721.

Includes major tool items not provided for in other accounts.

USCA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Appportionment Method	Comments
2114 Tools and Other Work Equipment (cont.)	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 8411 through 8441.	Specialized tools consisting of heavy construction and cable laying equipment.
	Embedded Small Value Tools and Other Work Equipment Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of the other cost pools in Account 2114, Tools and Other Work Equipment (excluding the Embedded Small Value Tools and Other Work Equipment Cost Pool).	Includes embedded investment to be amortized over 5 years per CC Doctet 95-60, beginning 1/1/98.
	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).
2121 Buildings	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 and equal access investment. This pool is used by PB and SWBT.
	Directly Attributed Nonregulated	Analysis of building use.	Directly attributed to nonregulated	Not applicable (Uniformity - Cost pool not in use).
	Central Office Cost Pool	Analysis of building use.	Indirectly attributed based on current regulated and nonregulated investment value of Central Office equipment in Accounts 2110 through 2132, excluding investment in central office equipment in buildings directly assigned to regulated or nonregulated activities.	

USOA Part 32 Accounts

Cost Pool Name

Cost Pool Identification

Cost Pool Apportionment Method

Comments

2121 Buildings (Cont.)

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 6511 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 6611 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 Accounts 6711 through 6728, excluding such salaries and wages associated with personnel who are assigned to buildings that are directly assigned to regulated or nonregulated activities.

2122 Furniture

Furniture Cost Pool

Cost Pool equals account.

Indirectly attributed based on category current month salaries and wages, excluding salaries and wages in Accounts 2311 through 2441, and 6211 through 6441.

Includes embedded investment to be amortized over 5 years per CC Circular 95-60, beginning 1/1/88.

2123 Office Equipment

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to regulated.

This pool is used by DPHBT.

USOA Part 32 Accounts
Buildings, Furniture, and Equipment

2121
Buildings (Cont.)

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
2123 Office Equipment (Cont.)	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	This pool is used by SWBT.
	Office Equipment Cost Pool	Account balance less amounts assigned to other cost pools.	Indirectly attributed based on company current month salaries and wages, excluding salaries and wages in Accounts 2211 through 2441, and 6211 through 6441.	Includes office support equipment and company communications systems.
	Embedded Small Value Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of the other cost pools in Account 2123, Office Equipment (excluding the Embedded Small Value Cost Pool).	Includes embedded investment to be amortized over 5 years per CC Docket 95-60, beginning 1/1/98. This pool is used by SWBT.
2124 General Purpose Computers	Direct Cost Pool	Based on description of accounting codes and computer usage.	Directly assigned to regulated.	This pool is used by PB and SWBT.
	Direct Cost Pool	Based on description of accounting codes and computer usage.	Directly assigned to nonregulated.	This pool is used by PB and SWBT.
	Directly Attributed Regulated	Based on description of accounting codes and computer usage.	Directly attributed to regulated.	This pool is used by PB and SWBT.
	Directly Attributed Nonregulated	Based on description of accounting codes and computer usage.	Directly attributed to nonregulated.	This pool is used by PB and SWBT.
	Information Services Cost Pool	Based on description of accounting codes and computer usage.	Directly attributed to regulated and nonregulated based on Account 2124, Information Services Investment usage.	This pool is used by SWBT.
	Billing Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on analysis of customer bills.	This pool is used by PB.
	Joint Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on total company current month salaries and wages less billing related current month salaries and wages in Account 6623.2, Customer Services.	This pool is used by PB.

UDOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
2124 General Purpose Computers (Cont.)	Network Facilities Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on current regulated and nonregulated investment value of cable and wire facilities investment in Accounts 2211 through 2232 and 2411 through 2441.	This pool is used by SWBT.
	Outside Plant Maintenance Cost Pool	Based on description of accounting codes and computer usage.	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.	This pool is used by SWBT.
	Distribution Services and Station Connections Cost Pool	Based on description of accounting codes and computer usage.	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	This pool is used by SWBT.
	Signaling Cost Pool	Based on description of accounting codes and computer usage.	Directly attributed based on current regulated and nonregulated use of signaling investment in Account 2212, Digital Electronic Switching.	This pool is used by SWBT. This general purpose computer investment is used to count usage of central office signaling investment
	Microcomputers Cost Pool	Based on description of accounting codes.	Indirectly attributed based on company current month salaries and wages, excluding salaries and wages in Accounts 2211 through 2441, and 6211 through 6441	
	Embedded Small Value Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of the Cost Pools (including the Embedded Small Value and the Microcomputers Cost Pool) in Account 2124, General Purpose Computers.	Includes embedded investment to be amortized over 5 years per CC Docket 95-60, beginning 1/1/96.
	Operations 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.	This pool is used by NB
	General Operations Cost Pool	Based on description of accounting codes and computer usage.	General Allocator	This pool is used by SWBT.

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
2211 Analog Electronic Switching	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	This pool is used by PB and SWBT.
	Direct Cost Pool	Analysis of equipment inventory records.	Directly assigned to nonregulated.	This pool is used by SWBT.
	Analog Cost Pool	Based on description of accounting codes.	Directly attributed based on peak forecasted annual usage.	This pool is used by PB and SWBT. PB uses cpu cycles; SWBT uses messages. SWBT's investment is frozen.
2212 Digital Electronic Switching	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 pool is used by PB and SWBT.
	Packet Switch Cost Pool	Based on description of accounting codes.	Directly attributed based on peak forecasted annual usage.	This pool is used by PB and SWBT. PB uses 128 byte segments. SWBT uses kilosegments.
	Signaling Cost Pool	Based on description of accounting codes.	Directly attributed based on peak forecasted annual usage-clocks.	This pool is used by PB and SWBT.
	CDAR Cost Pool	Based on description of accounting codes.	Directly attributed based on forecasted annual usage.	PB uses cpu seconds; SWBT uses messages; NB uses COE usage study. SWBT's investment is frozen.
	Joint Automated Attendant Other	Analysis of property records allocated on peak forecasted annual usage attendant lines.	Directly attributed to nonregulated.	This pool is used by NB.
	Automated Attendant Official Communications Services	Analysis of property records allocated on peak forecasted annual usage attendant lines.	Indirectly attributed based on company current month salaries and wages.	This pool is used by NB.

USDA Part 32 Accounts

Comments

Cost Pool Assignment Method

Cost Pool Identification

Cost Pool Name

USDA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Assignment Method	Comments
2215 Electromechanical Switching	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	The Companies do not use electromechanical switching equipment in the provision of nonregulated activities.
2220 Operator Systems	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	
	Operator Systems Frozen Cost Pool	Analysis of equipment inventory records.	Directly attributed based on peak forecasted annual usage-call volumes.	This pool is used by SWBT. This investment is frozen.
2231 Radio Systems	Operator Systems Cost Pool	Account balance less amounts assigned to other cost pools.	Directly attributed based on peak forecasted annual usage - call volumes.	This pool is used by PB and SWBT.
	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 pool is used by PB.
	Signaling Cost Pool	Based on description of accounting codes.	Directly attributed based on peak forecasted annual usage-calls.	This pool is used by PB.
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 pool is used by SWBT.
	Signaling Cost Pool	Based on description of accounting codes.	Directly attributed based on peak forecasted annual usage-calls.	This pool is used by PB and SWBT.

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
2311 Station Apparatus	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Includes regulated investment for station apparatus for 911 emergency systems. This pool is used SWBT.
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	
2321 Customer Premises Wiring	Direct Cost Pool	Cost pool equals account.	Directly assigned to regulated.	This pool is used by PB.
2341 Large PBX	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	Regulated investment includes Customer Premises Equipment for 911 emergency systems and embedded (as of 1/1/83) investment in centrex service (Plexar) [®] consoles. This pool is used by SWBT.
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	This pool is used by PB and SWBT.
2351 Public Telephone Terminal Equipment	Direct Cost Pool	Cost Pool equals account.	Directly assigned to nonregulated.	

USDA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apporportionment Method	Comments
2382 Other Terminal Equipment	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	
2411 Poles	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	This pool is used by SWBT.
2421 Aerial Cable	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	This pool is used by PB for frozen investment.
2422 Underground Cable	Direct Cost Pool	Cost Pool equals account	Directly assigned to regulated.	The Companies do not use aerial cable in the provision of nonregulated activities.
2423 Buried Cable	Signaling Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	This pool is used by PB and SWBT
2424 Submarine Cable	Direct Cost Pool	Based on description of accounting codes.	Directly attributed based on peak forecasted annual usage-accounts.	
2425 Deep Sea Cable	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	This pool is used by SWBT.
	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	The Companies do not use submarine cable in the provision of nonregulated activities.
	Not Applicable	Not applicable	Not applicable	The Companies do not have any Deep Sea Cable investment

USDA Part 32 Accounts	Cost Pool Name	Cost Pool Modification	Cost Pool Assignment Method	Comments
2428 Intra-building Network Cable	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	The Companies do not use intra-building network cable in the provision of nonregulated activities.
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.
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.	This pool is used by PB for frozen investment.
	Signaling Cost Pool	Based on description of accounting codes.	Directly attributed based on peak forecasted annual usage-ochts.	This pool is used by PB and SWBT.
2681 Capital Leases	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	This pool is used by PB.
	Directly Attributed Regulated Cost Pool	Based on description of accounting codes and lease study.	Directly attributed to regulated.	This pool is used by PB.
	Directly Attributed Nonregulated Cost Pool	Based on description of accounting codes and lease study.	Directly attributed to nonregulated.	This pool is used periodically by PB.
	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 2711 through 2841, and 6211 through 6441.	This pool is used by PB and SWBT.
	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 2134, General Purpose Computers.	This pool is used by PB and SWBT.

2651 Capital Leases (cont.)

Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
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.	This pool is used by PB and SWBT.
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.	This pool is used by PB and SWBT.
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. This pool is used by PB and SWBT.
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.	This pool is used by PB and SWBT.
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 6621.	This pool is used by PB and SWBT.
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.	This pool is used by PB and SWBT.
Capital Lease - Garage Work Equipment	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Accounts 2112 Motor Vehicles and 2114 Special Purpose Vehicles.	This pool is used by PB.
Capital Lease-Furniture and Artwork	Based on description of accounting codes.	Indirectly attributed based on Corporate current month salaries and wages, excluding salaries and wages in Accounts 2211 through 2441, and 6211 through 6441.	This pool is used by PB.

USDA Part 32 Accounts

Cost Pool Name

Cost Pool Identification

Cost Pool Assignment Method

Comments

2681 Capital Leases (cont.)

Capital Lease-Other Cost Pool

Based on description of accounting codes.

Indirectly attributed based on the relative value of the cost pools in Account 2681, Capital-Leases (including the Capital Lease - Other Cost Pool)

This pool is used by PB.

Capital Lease-Operations

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.

This pool is used by PB and SWBT.

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. This pool is used by PB and SWBT.

Directly Attributed Nonregulated Cost Pool

Based on description of accounting codes and leasehold improvement study.

Directly attributed to nonregulated.

This pool is used by PB.

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.

This pool is used by PB and SWBT.

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 (including 6121) and 6511 through 6623.

This pool is used by PB and SWBT.

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.

This pool is used by PB and SWBT.

USOA Part 32 Accounts

Cost Pool Name

Cost Pool Identification

Cost Pool Apportionment Method

Comments

2682 Leasehold
Improvements (cont.)Leased-Corporate Operations
Cost PoolBased 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 PoolBased 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 6351 through
6623.

This pool is used by NB.

2690 Intangibles

Direct Cost Pool

Account transaction analysis.

Directly assigned to regulated.

This pool is used by PB and SWBT.

Direct Cost Pool

Account transaction analysis.

Directly assigned to nonregulated.

This pool is used by PB and SWBT.

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.General Purpose Computer
Software Cost PoolBased on description of
accounting codes.Indirectly attributed based on the relative
value of Account 6124, General Purpose
Computers Expense.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
regulated pool includes equal
access. This pool is used by PB and
SWBT.

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to nonregulated.

This pool is used by PB and SWBT.

Central Office Equipment Cost
PoolBased on description of accounting
codes.Indirectly attributed based on relative
investment value of Central Office Equipment
in Accounts 2211 through 2232, including
equal access.Information Origination/
Transmission Equipment Cost
PoolBased on description of accounting
codes.Indirectly attributed based on relative
investment value of Information Origination/
Transmission Equipment in Accounts 2271
through 2282.

USCA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
3100 Accumulated Depreciation (cont.)	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, excluding equal access.	
3200 Accumulated Depreciation - Property Held For Future Telecommunications Use	Accumulated Depreciation 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 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. This pool is rarely used by PB
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	This pool is used by PB and SWBT
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.	
3500 Accumulated Amortization - Intangible	Accumulated Amortization Intangible Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Account 2690, Intangibles, excluding the Network Software Cost Pool and the General Purpose Computer Software Cost Pool.	
	Network Software Accumulated 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.	This pool is rarely used by PB.
	General Purpose Computer Software Accumulated 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.	
3600 Accumulated Amortization - Other	Accumulated Amortization - Other Cost Pool	Cost Pool equals account.	Indirectly attributed based on the relative investment value of Account 2695, Telecommunications Plant Adjustment.	
4040 Customer Deposits	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated	At the present time none of the Computer's nonregulated services require customer deposits.

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
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.	
	Non-Plant Cost Pool	Based on description of accounting codes.	Indirectly attributed based on company current month salaries and wages.	
4120 Other Accrued Liabilities	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.
4310 Other Long-Term Liabilities	Direct Cost Pool	Account transaction analysis.	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.
	Pension, Benefits and Other Cost Pool	Based on description of accounting codes.	Indirectly attributed based on company current month salaries and wages.	This cost pool is used in ratemaking.
4340 Net Noncurrent Deferred Operating Income Taxes	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated	Includes deferred operating taxes associated with equal access network reconfiguration. This pool is used by SWBT.
	Plant Cost Pool	Based on description of accounting codes.	Indirectly attributed based on 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.	

4360 Other Deferred Credits

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to regulated.

Other Cost Pool

Based on description of accounting codes.

General allocator.

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.

5000 - 5270

Direct Cost Pool

Cost Pool equals account.

Directly assigned to regulated.

5260 Nonregulated
Operating Revenue

Direct Cost Pool

Cost Pool equals account.

Directly assigned to nonregulated.

5301 Uncollectible Revenue
Telecommunications

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.

5302 Uncollectible
Revenue - Other

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to nonregulated.

This pool is used by MB and PB.

Uncollectible Revenue - Other
Cost Pool

Based on description of accounting codes.

Indirectly allocated based on relative value of regulated and unregulated Other Operating Revenue (Non-Telecommunications) in Accounts 5260 through 5370.

This pool is rarely used by SWBT.

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
6112 Motor Vehicle Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	This pool is used by NB and SWBT.
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	This pool is used by NB and SWBT.
	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	Common Cost Pool	Cost pool equals account.	Indirectly attributed based on company current month salaries and wages.	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.	
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	This pool is used by PB and SWBT.
	Garage Equipment Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of the Garage Work Equipment Cost Pool in Account 2114, Tools and Other Work Equipment.	
	Common Tools Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of the Other Work Equipment Cost Pool in Account 2114, Tools and Other Work Equipment.	The cost pool balance represents the remaining expenses after clearance to construction accounts and other plant specific expense accounts. This pool is used by SWBT.
	Special Tools Distribution Services Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of the Special Tools-Distribution Services Cost Pool in Account 2114, Tools and Other Work Equipment.	The cost pool balance represents the remaining expenses after clearance to construction accounts and other plant specific expense accounts. This pool is used by SWBT.
	Other Work Equipment Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative investment value of Account 2114, Tools and Other Work Equipment.	This pool is used by NB and PB.

USOA Part 32 Accounts

Cost Pool Name

Cost Pool Identification

Cost Pool Assignment Method

Comments

6121 Land And Building
Expense

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).
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	
Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated.	This pool is used by PB and SWBT.
Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated.	This pool is used by PB and SWBT.
Furniture Cost Pool	Based on description of accounting codes	Indirectly attributed based on Company current month salaries and wages, excluding salaries and wages in Accounts 2211 through 2441, and 6211 through 6441	
Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated	This pool is used by PB and SWBT.
Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated.	This pool is used by PB and SWBT.
Office Equipment Cost Pool	Account 6123 includes, less amount assigned to the Direct Cost Pools.	Indirectly attributed based on Company current month salaries and wages, excluding salaries and wages in Accounts 2211 through 2441, and 6211 through 6441.	

6122 Furniture And Artworks

6123 Office Equipment
Expense

6124 General Purpose
Computers Expense

Cost Pool Name	Cost Pool Identification	Cost Pool Appportionment Method	Comments
Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	This pool is used by PB and SWBT.
Directly Attributed Regulated	Based on description of accounting codes and computer usage.	Directly assigned to nonregulated.	This pool is used by PB and SWBT.
Directly Attributed Nonregulated	Based on description of accounting codes and computer usage.	Directly attributed to regulated.	
Signaling Cost Pool	Account transaction analysis.	Directly attributed to nonregulated.	
Information Services Cost Pool	Based on description of accounting codes and computer usage.	Directly attributed based on current regulated and nonregulated use of the Signaling Cost Pool investment in Account 2212, Digital Electronic Switching	This pool is used by SWBT. This expense pertains to general purpose computer investment used to count usage of central office investment
Operator Services Cost Pool	Based on description of accounting codes and computer usage.	Directly attributed to regulated and nonregulated based on Account 2124, Information Services Investment usage.	This pool is used by SWBT.
Billing Cost Pool	Based on description of accounting codes and computer usage.	Directly attributed based on current month regulated and nonregulated call volume use of the Operator Services Cost Pool in Account 2228, Operator Systems.	
Network Facilities Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on analysis of customer bills.	
		Indirectly attributed based on current regulated and nonregulated investment value of cable and wire facilities investment in Accounts 2211 through 2222 and 2211 through 2221.	
Distribution Services and Station Connections Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on relative value of distribution services and station connections current month volume and usage in Accounts 2211 through 2221 and 2211 through 2221.	
Outside Plant Maintenance Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on relative value of cable and wire facilities current month volume and usage in Accounts 2211 through 2221 and 2211 through 2221.	

USOA Part 32 Accounts

Cost Pool Name

Cost Pool Identification

Cost Pool Apportionment Method

Comments

6124 General Purpose Computers Expense (Cont.)

Service Order Cost Pool

Based on description of accounting codes and computer usage.

Indirectly attributed based on relative value of the Service Order Cost Pool in Account 6623, Customer Services.

Personnel/Communications 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.

Marketing Allocator.

General Operations Cost Pool

Based on description of accounting codes and computer usage.

General Allocator.

Microcomputers Cost Pool

Based on description of accounting codes.

Indirectly attributed based on company current month salaries and wages, excluding salaries and wages in Accounts 2211 through 2441, and 6211 through 6441.

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.

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 pool is used by PB and SWBT. For CDAR, Pacific used June month data for June through November; December month data is used for December through May.

Analog Cost Pool

Based on description of accounting codes.

Directly attributed based on current regulated and nonregulated use of the Analog Cost Pool Investment in Account 2211, Analog Electronic Subsystem.

This pool is used by PB and SWBT.

6212 Digital Electronic Expense

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to regulated.

This pool is used by PB and SWBT.

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to nonregulated.

Pooled Building Cost Pool

Based on description of accounting codes.

Directly attributed based on current regulated and nonregulated use of the Pooled Building Cost Pool Investment in Account 2124, General Purpose Computers.

This pool is used by PB and SWBT.

USDA Part 32 Accounts

Cost Pool Name

Cost Pool Identification

Cost Pool Apportionment Method

Comments

6362 Other Terminal
Equipment Expense
(Cont.)

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).Common-No Access/No Trouble
Found Cost PoolBased on description of accounting
codes.Indirectly attributed based on assigned to
regulated based on 75% of the ratio of
regulated trouble counts to total trouble
counts cleared, with the residual assigned to
nonregulated.

6411 Poles Expense

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to regulated.

This pool is used by PB and SWBT.

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to nonregulated.

This pool is used by SWBT.

No Access Cost Pool

Analysis of no access reports

Indirectly attributed based on relative value of
regulated and nonregulated dispatched
reports

No Trouble Found Cost Pool

Analysis of no trouble found reports

Indirectly attributed based on relative value of
regulated and nonregulated repair reports
including no trouble found.

This pool is used by SWBT

6421 Aerial Cable Expense

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to regulated.

This pool is used by PB and SWBT.

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to nonregulated.

This pool is used by PB and SWBT.
who perform work on others'
property, so there is no direct
nonregulated related investment.
This pool is used by SWBT.

No Access Cost Pool

Analysis of no access reports.

Indirectly attributed based on relative value of
regulated and nonregulated dispatched
reports

No Trouble Found Cost Pool

Analysis of no trouble found reports.

Indirectly attributed based on relative value of
regulated and nonregulated repair reports
including no trouble found.

This pool is used by SWBT.

6422 Underground Cable
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.

This pool is used by PB and SWBT.
who perform work on others'
property, so there is no direct
nonregulated related investment.

USDA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
6422 Underground Cable Expense (Cont.)	Signaling Cost Pool	Based on 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.	This pool is used by PB and SWBT.
6423 Buried Cable 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.	This pool is used by PB and SWBT, who perform work on others' property, so there is not necessarily direct nonregulated related investment.
	No Access Cost Pool	Analysis of no access reports.	Indirectly attributed based on relative value of regulated and nonregulated dispatched reports	This pool is used by SWBT.
	No Trouble Found Cost Pool	Analysis of no trouble found reports.	Indirectly attributed based on relative value of regulated and nonregulated repeat reports following no trouble found.	This pool is used by SWBT.
6424 Submarine Cable Expense	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	This pool is used by PB and SWBT.
6425 Deep Sea Cable Expense	Not applicable	Not applicable.	Not applicable	The Companies do not have any Deep Sea Cable expense.
6426 Intra-building Network Cable Expense	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	
6431 Aerial Wire Expense	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	
6441 Conduit Systems Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	This pool is used by PB and SWBT.
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	
	Signaling Cost Pool	Based on relative value of Signaling Cost Pool in Account 2421.	Directly attributed based on current month regulated and nonregulated use of the Signaling Cost Pool Investment in Account 2421, Conduit.	This pool is used by PB and SWBT.
6911 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 6901, Property Held For Future Telecommunications Use.	This pool is rarely used by PB.

UDCA Part 32 Accounts

UDCA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
6512 Provisioning Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	This pool is used by SWBT, but rarely used by PB or NB.
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	This pool is used by SWBT, but rarely used by PB or NB.
	Provisioning Cost Pool	Based on description of accounting codes.	General allocator.	Represents the remaining expenses after clearances to construction accounts and other plant specific expense accounts.
	Power Cost Pool	Cost Pool equals account.	Indirectly attributed based on relative investment value of central office equipment in Accounts 2211 through 2232.	
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	
6531 Power Expense	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	This pool is used by PB and SWBT, but rarely by NB.
	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	This pool is used by SWBT.
	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 (including the Network Administration Support Cost Pool) in Account 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.	Includes the costs incurred in testing telecommunications facilities from a testing facility to determine the condition of plant.
6533 Testing Expense	Subscriber Line Testing Cost Pool	Based on description of accounting codes.	Directly attributed based on trouble reports.	This pool is used by PB and SWBT.
	Testing Support Cost Pool	Based on description of accounting codes.	Directly attributed based on relative value of current month salaries and wages in the other cost pools (including the 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.	
Distribution Services and Station Connections 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.	NB rarely uses this pool.
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.	NB rarely uses this pool.
General Support and Central Office Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative value of General Support and Central Office current month salaries and wages in Accounts 2111 through 2232, and 6112 through 6232.	NB rarely uses this pool.
Plant Operations Administration-Other Cost Pool	Based on description of accounting codes.	Indirectly attributed based on the relative value of Account 6534 (excluding Plant Operations Administration-Other Cost Pool).	NB rarely uses this pool. Includes nonspecific training related expenses and plant support personnel expenses clearances to construction accounts. The clearance amounts are computed on the basis of direct labor hours.
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.	This cost pool is used by PG and SNGT, but rarely by NB.
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.	
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.	
Engineering - Other Cost Pool	Based on description of accounting codes.	Indirectly attributed based on relative investment value of Accounts 2121, 2121 through 2122, and 2111 through 2111.	
Engineering - Common Function Cost Pool	Based on description of accounting codes.		

USDA Part 32 Accounts

Cost Pool Name

Cost Pool Identification

Cost Pool Apportionment Method

Comments

6540 Access Expense

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to regulated.

This pool is used by PB.

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.

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, excluding equal access

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 2352

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, excluding equal access

6562 Depreciation
Expense - Property Held
For Future
Telecommunications Use

Future Depreciation Cost Pool

Cost Pool equals account.

Indirectly attributed based on relative investment value in Account 2502, Property Held for Future Telecommunications Use.

This pool is rarely used by PB.

6563 Amortization
Expense - Tangible

Amortization Tangible Cost Pool

Cost Pool equals account.

Indirectly attributed based on relative investment value in Account 2501, Capital Assets and Account 2502, Land and Improvements

USDA Part 32 Accounts

Cost Pool Name

Cost Pool Identification

Cost Pool Apportionment Method

Comments

6564 Amortization
Expense - IntangibleAmortization Intangible Cost
PoolBased on description of
accounting codes.Indirectly attributed based on relative
investment value of Account 2690,
Intangibles, excluding the Network
Software Cost Pool and the General
Purpose Computer Software Cost Pool.Network Software
Amortization Intangible Cost
PoolBased 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 PoolBased 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

Amortization Other Cost Pool

Cost Pool equals account.

Indirectly attributed based on the relative
investment value of Accounts 2114, 2122,
2123, and 2124.Account 6565 includes charges
applicable to the 60 month
accounting period (beginning 1/1/98)
designated in CC Docket No. 95-60
for amortization of embedded
investment in individual items of
small value.

6611 Product Management

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

Sales Support and Supervision
Cost PoolBased on description of accounting
codes.Indirectly attributed based on relative value of
current month salaries and wages in the cost
pools (including the Sales Support and
Supervision Cost Pool and the Product
Management Residual Cost Pool) in Account
6611, Product Management.

This pool is used by NS and PS.

Product Management Residual
Cost PoolBased on description of accounting
codes.

Marketing /Reseller

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
6612 Sales	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.	
	Premises Sales Cost Pool	Based on description of accounting codes.	Directly attributed based on statistical sampling of premises sales operations.	This pool is used by SWBT. See TRACS (SWBT) in Section VII.
	Sales Administration Cost Pool	Based on description of accounting codes.	Directly attributed based on relative value of current month salaries and wages in the Direct Cost Pools and the Premises Sales Cost Pool in Account 6612, Sales.	
	Sales Residual Cost Pool	Based on description of accounting codes.	Marketing Allocator	
6613 Product Advertising	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.	
	Product Advertising Support Cost Pool	Based on description of accounting codes.	Directly attributed based on relative value of current month salaries and wages in Account 6613, Product Advertising (including the Product Advertising Support Cost Pool and Product Advertising Residual Cost Pool).	This pool is used by SWBT.
	Product Advertising Residual Cost Pool	Based on description of accounting codes.	Marketing Allocator	
	Product Advertising Residual Cost Pool	Based on description of accounting codes.	Marketing Allocator	This pool is used by NB and PB.

6621 Call Completion 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.

This pool is used by PB and SWBT.

Call Completion Services Cost Pool

Based on description of accounting codes.

Directly attributed based on relative value of Call Completion current month salaries and wages in the Direct Cost Pools in Account 6621, Call Completion Services.

This pool is used by SWBT.

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.

This pool is used by PB and SWBT.

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 (including the Number Services Support Cost Pool) in Account 6622, Number Services.

This pool is used by PB and SWBT.

Directory Cost Pool

Based on description of accounting codes.

Indirectly attributed based on directory study.

This pool is used by SWBT. SWBT uses Directory Space.

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.

This pool is used by PB and SWBT.

6623 Customer Services

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to regulated.

MS rarely uses this pool. Includes service order processing, payment and collection and billing inquiry for interchange 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.

Billing/MS Payment Cost Pool

Based on description of accounting codes.

Indirectly attributed based on analysis of customer bills.

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.

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/MS Payment Cost Pool.

Includes costs of combined customer services operations, i.e., order processing, billing inquiry, and payment and collection activities that are performed within a centralized operation. This pool is used by SW95T.

6623 Customer Services
(cont.)Other Customer Services Cost
PoolBased on description of accounting
codes.Indirectly attributed based on the relative
value of Account 6623, Customer Services
(excluding the Billing/Bill Payment Cost Pool
and payphone expenses).

This pool is used by NB and PB.

Support and Supervision Cost
PoolBased on description of accounting
codes.Indirectly attributed based on the relative
value of marketing current month salaries
and wages in Account 6623 (excluding
Support and Supervision Cost Pool).

This pool is used by NB.

6711 Executive

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to regulated.

This pool is used by PB and SWBT.

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to nonregulated.

This pool is used by PB and SWBT.

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 2711 through 2691, 6712
through 6711 and 6623 through 6626.This pool is used by PB and
SWBT.

6711 Executive (cont.)

Customer Services Operations
Cost PoolBased 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
6813, and 6821 through 6823.This pool is used by PB and
SWBT.

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 6711 (excluding the Corporate
Operations Cost Pool) and Accounts 6721
through 6728.This pool is used by PB and
SWBT.

Executive Cost Pool

Based on description of
accounting codes.Indirectly attributed based on company
current month salaries and wages.

This pool is used by NB.

6712 Planning

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to regulated

This pool is used by SWBT, but NB
and PB rarely use this pool

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to nonregulated.

The Companies rarely use this pool.

Planning Cost Pool

Based on description of accounting
codes.

General Allocator

6721 Accounting And
Finance

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 used by PB and
SWBT, but rarely by NB.

Plant Investment Cost Pool

Based on description of accounting
codes.Indirectly attributed based on relative
investment value of Accounts 2002 through
2005.

Accounting Cost Pool

Based on description of accounting
codes.

General Allocator

6722 External Relations

Includes costs associated with providing executive direction and formulating policy for the regulatory, government relations and service costs aspects of the business. Includes consolidated contract administration for shared facilities and shared services. Includes costs for non-Bell exchange carrier relations.

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to regulated.

Marketing Support and Supervision Cost Pool

Based on description of accounting codes.

Directly attributed based on the relative value of the marketing current month salaries and wages in Account 6722, External Relations (excluding the Marketing Support and Supervision Cost Pool and the Corporate Advertising and Public Relations Cost Pool).

This pool is used by NB and PB.

Corporate Advertising and Public Relations Cost Pool

Based on description of accounting codes.

Marketing Allocator

Includes informational and corporate advertising and public relations.

External Relations Cost Pool

Based on description of accounting codes.

General allocator

Includes claims, investigation and adjusting matters.

6723 Human Resources

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to regulated.

This pool is used by PB and SWBT.

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to nonregulated.

This pool is used by PB and SWBT.

Human Resources Cost Pool

Based on description of accounting codes.

Indirectly allocated based on company current month salaries and wages.

6724 Information Management

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to regulated.

This pool is used by PB and SWBT.

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to nonregulated.

This pool is used by PB and SWBT.

USOA Part 32 Accounts
Cost Pool Name
Cost Pool Identification
Cost Pool Apportionment Method
Comments

USOA Part 32 Accounts
Cost Pool Name
Cost Pool Identification
Cost Pool Apportionment Method
Comments

6724 Information Management (cont.)

Directly Attributed Regulated				
Directly Attributed Nonregulated	Based on description of accounting codes and computer usage.	Directly attributed to regulated.		
Signaling Cost Pool	Based on description of accounting codes and computer usage.	Directly attributed to nonregulated.		
Information Services Cost Pool	Based on description of accounting codes and computer usage.	Directly attributed based on current regulated and nonregulated use of the Signaling Cost Pool Investment in Account 2212, Digital Electronic Switching.		This pool is used by SWBT.
Operator Services Cost Pool	Based on description of accounting codes and computer usage.	Directly attributed to regulated and nonregulated based on Account 2124, Information Services Investment usage.		This pool is used by SWBT.
Billing Cost Pool	Based on description of accounting codes and computer usage.	Directly attributed based on current month regulated and nonregulated call volume use of the Operation Systems Cost Pool in Account 2228, Operator Systems.		
Network Facilities Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on analysis of customer bills.		
Distribution Services and Station Connections Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on current regulated and nonregulated investment value of cable and wire facilities investment in Accounts 2211 through 2232 and 2411 through 2441.		
Cable Plant Maintenance Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on relative value of distribution services and station connections current month salaries and wages in Accounts 2311 through 2441 and 2411 through 2441.		
Service Order Cost Pool	Based on description of accounting codes and computer usage.	Indirectly attributed based on relative value of Cable and Wire facilities current month salaries and wages in Accounts 2411 through 2441 and 2411 through 2441.		

USOA Part 32 Accounts

Cost Pool Name

Cost Pool Identification

Cost Pool Apportionment Method

Comments

8724 Information Management (Cont.)

Personnel/Communications 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.

Marketing Allocator.

General Operations Cost Pool

Based on description of accounting codes and computer usage.

General Allocator.

Information Management Cost Pool

Based on description of accounting codes.

Indirectly attributed based on relative investment value of the common pools in Account 2124, General Purpose Computer

This pool is used by SWBT and NB.

Information Management Residual Cost Pool

Based on description of accounting codes.

Indirectly attributed based on company current month salaries and wages.

This pool is used by PB.

6725 Legal

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to regulated

This pool is rarely used by NB.

Direct Cost Pool

Based on description of accounting codes.

Directly assigned to nonregulated

This pool is used by PB and SWBT, but rarely by NB.

Legal Support Cost Pool

Based on description of accounting codes.

Indirectly attributed based on relative value of the other cost pools in Account 6725, Legal (except the Legal Support Cost Pool).

This pool is used by PB and SWBT.

Legal Residual Cost Pool

Based on description of accounting codes.

General Allocator

6726 Procurement

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 pool is used by PB and SWBT

USOA Part 32 Accounts
 Information Management
 8724 Information Management (Cont.)
 6725 Legal
 6726 Procurement

USOA
 Part 32
 Accounts
 8724-8726

6726 Procurement (Cont.)

Network/Delivery Operations
Cost PoolIndirectly attributed based on relative
investment value of Accounts 1220 and 2112
through 2662.

This pool is used by SWBT.

Procurement Support Cost Pool

Based on description of accounting
codes.Indirectly attributed based on relative value of
the other cost pools in Account 6726,
Procurement (excluding the Procurement
Support Cost Pool).

This pool is used by NB and PB.

Procurement - General
Purchasing Cost PoolBased on description of accounting
codes.Indirectly attributed based on company
current month salaries and wages.6727 Research And
Development

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to regulated.

This pool is rarely used by NB.

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to nonregulated.

The Companies rarely use this pool.

Research and Development Cost
PoolBased on description of accounting
codes.

General allocator

This pool is rarely used by NB.

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to regulated.

This pool is used by PB and SWBT,
but rarely by NB.

Direct Cost Pool

Based on description of accounting
codes.

Directly assigned to nonregulated.

Corporate Support
Services/Communications Cost
PoolBased on description of accounting
codes.Indirectly attributed based on company
current month salaries and wages.Includes such costs as mail and
distribution services,
communications, reprographics, food
and lounge services and general
security. This pool is used by PB
and SWBT.General and Administrative Cost
PoolBased on description of accounting
codes.

General allocator

Includes death benefits, other benefit
payments and group insurance
payments for retired and separated
employees. Also includes accidents
and damage claims.

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportment Method	Comments
-----------------------	----------------	--------------------------	-----------------------------	----------

6790 Provision For Uncollectible Notes Receivable	Uncollectible Cost Pool	Cost Pool equals account.	General allocator.	This pool is rarely used by SWBT.
7110 Income From Custom Work	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	
7130 Return From Nonregulated Use Of Regulated Facilities	Direct Cost Pool	Cost Pool equals account.	Directly assigned to regulated.	The Companies rarely use this pool.
7140 Gains Or Losses From Foreign Exchange	Foreign Exchange Cost Pool	Cost Pool equals account	General allocator	This pool is used by PB and SWBT. this account is rarely used
7150 Gains Or Losses From The Disposition Of Land And Airworks	Direct Cost Pool	Account transaction analysis	Directly assigned to regulated	NB and PB rarely use this pool
	Direct Cost Pool	Account transaction analysis.	Directly assigned to nonregulated	The Companies rarely use this pool
	Directly Attributed Regulated	Account transaction analysis.	Directly attributed to regulated.	NB rarely uses this pool. Includes portion of Land and Airworks investment gain or loss for time in rate base prior to 1988.
	Land Cost Pool	Account transaction analysis.	Indirectly allocated based on the relative amount of time and the relative portion of the asset which was included in the rate base over the period of time the asset was in service after 1987, per requirement in Report and Order in CC Docket No. 88-497.	NB rarely uses this pool
			The relative portion of the asset is allocated to regulated and nonregulated based on Land Investment in Account 2111 and Asset Investment in Account 2122	
7160 Other Operating Gains And Losses	Direct Cost Pool	Based on description of operating gains and Asset Transaction Analysis.	Directly assigned to regulated	This pool is rarely used.
	Direct Cost Pool	Based on description of operating gains and Asset Transaction Analysis.	Directly assigned to nonregulated	This pool is rarely used.

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
7100 Other Operating Gains And Losses	Other Operating Gains and Losses Cost Pool	Based on description of accounting codes and Account Transaction Analysis.	General Allocator and Account Transaction Analysis.*	
7210 Operating Investment Tax Credits - Net	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.	This pool is used by PB.
	Investment Tax Credit 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, 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.	This pool is used by PB and SWBT.
7240 Operating Other Taxes	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to regulated.	This pool is used by NB and SWBT.
	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 9001 through 9200, net of uncollectible revenues in Accounts 5301 and 5302, less contra revenues and revenues not subject to Gross Receipts Taxes in Account 5200.	
	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.	

USDA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
7310 Dividend Income	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.
7320 Interest Income	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.
7330 Income From Sinking And Other Funds	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.
7340 Allowance For Funds Used During Construction	Funds for Construction Cost Pool	Cost Pool equals account.	Indirectly attributed based on relative investment value of Account 2003, Telecommunications Plant Under Construction.	
7350 Gains Or Losses From The Disposition Of Certain Property	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.
7360 Other Nonoperating Income	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.
7370 Special Charges	Direct Cost Pool	Based on description of accounting entries.	Directly assigned to regulated.	Amounts in this account (except for contributions) will be excluded from ratemaking in the Separations process; thus allocation between regulated and nonregulated is not necessary.

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
7378 Special Charges (Cont.)	Contributions Cost Pool	Based on description of accounting codes.	General allocator.	
7510 Interest On Funded Debt	Funded Debt Cost Pool	Cost Pool equates account.	Indirectly attributed based on the current regulated and nonregulated investment value of Account 2001, Telecommunications Plant In Service.	
7520 Interest Expense - Capital Leases	Interest Capital Leases Cost Pool	Cost Pool equates account.	Indirectly attributed based on the relative investment value of Account 2681, Capital Leases.	This pool is used by PB and SWBT.
7530 Amortization of Debt Insurance Expense	Debt Insurance Cost Pool	Cost Pool equates account.	Indirectly attributed based on the current regulated and nonregulated investment value of Account 2001, Telecommunications Plant In Service.	
7540 Other Interest Deductions	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. This pool is used by SWBT.
	Direct Cost Pool	Based on description of accounting codes and Account Transactions Analysis.	Directly assigned to nonregulated.	Interest expense charged directly to nonregulated due to under forecasting of nonregulated activities on regulated facilities. This pool is used by SWBT.
	Other Interest Cost Pool	Account 7949 balance, less amounts assigned to the Direct Cost Pools.	Indirectly attributed based on the current regulated and nonregulated investment value of Account 2001, Telecommunications Plant In Service.	
7810 Emergency Insurance Credits	Direct Cost Pool	Cost Pool equates account.	Directly assigned to regulated.	Amounts in this account will be allocated from amounts in the Regulatory Assets; this allocation between regulated and nonregulated is not necessary. The Companies rarely use this account.

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments
7620 Extraordinary Income 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. The Companies rarely use this account.
7630 Current Income Tax Effect Of Extra- Ordinary Terms - 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. The Companies rarely use this account.
7640 Provision For Deferred Income Tax Effect Of 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.
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 details the time reporting methods used to drive expenses to the correct Part 32 accounts and to meet the Part 64 requirements for separating regulated and nonregulated expenses.

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 a Part 32 account to regulated and nonregulated to meet Part 64 requirements. They are not used to drive payroll expenses to Part 32 accounts

C. TRAINING

This section covers the training methods that are used by Nevada Bell, Pacific Bell and Southwestern Bell Telephone Company.

D. MONITORING AND CONTROL

This section covers how the monitoring and control requirements are met.

E. RECORD RETENTION

Record retention requirements are stated in this section.

F. ALLOCATION OF NONPRODUCTIVE TIME

This section details the allocation of nonproductive time.

G. ALLOCATION OF COMBINATION TRAVEL TIME

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 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 – Nevada Bell, Southwestern Bell, Pacific Bell

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 - Pacific Bell, Enhanced Time and Distribution Process (ETDP)

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. The sample is designed to provide an allocation of employees' time/dollars to an expense account, which is within ± 3 percentage points at the 95% level of confidence. Employees whose activities are classifiable to construction (capital accounts) report by conventional positive time reporting.

Employees covered by sampled positive time reporting are subdivided into geographic clusters based upon their functions and job titles. Each cluster is individually sampled monthly to reflect the unique time distribution characteristics of the cluster. For the monthly samples, company statisticians use a statistically valid method to randomly select employees within each cluster.

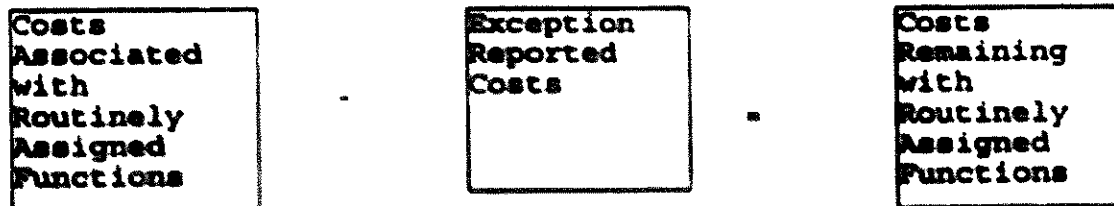
The names of the selected employees are forwarded to trained Time Reporting Analysts who conduct the actual sample procedure. The selected employees complete activity logs, which identify how their time was spent during the sample period. The Analysts, using interviews, randomly verify completed logs. A review of the quality of the reporting (e.g., completeness, detail, and match to source documents) is also performed.

The activity data is then compiled and converted into the appropriate accounting classifications. A percentage distribution for each cluster is developed from the previous three-month period and is input up front into the time reporting system for all employees in each cluster. Employees in the ETPD population who are not selected to be sampled, report only actual time paid (such as a normal eight-hour workday or paid time off) without identifying any distribution to activities. The expense related to paid time, by both sampled and non-sampled employees, is then distributed to Part 32 accounts based upon the percentage distribution of the employees' cluster.

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 that is 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 product/project tracking, contracts, and other special projects. The accounting system assigns costs to both the exception reported and routinely assigned functions as follows:



Exception time reporting will be in the following increments:

- Southwestern Bell and Nevada Bell 15 minutes.
- Pacific Bell: marketing employees 15 minutes, other employees 1 hour

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.

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 the 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 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 6612 and 6623 to regulated and nonregulated to meet Part 64 requirements. They are not used to drive expenses to Part 32 accounts. Chart I 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 - Pacific Bell Enhanced Sales Time Reporting System (ESTRS)

This allocation method utilizes a time study to allocate the regulated, nonregulated and administrative time of direct sales personnel within Account 6612.

The sampling scheme is designed to have each employee in the sample population selected once per quarter. The sample period is 2 days. The starting date of the sample period is randomly chosen. The employees to be sampled during each month are selected using a random number process.

The selected sales personnel complete daily logs detailing their regulated, nonregulated and administrative work activities. The Trained Time Reporting Analysts review these logs. After being reviewed, this information is used to compute a three-month rolling average of regulated, nonregulated and administrative/nonproductive percentages. The administrative time is loaded on the regulated and nonregulated time based on the percentages calculated. The percentages are used to allocate the cost of all the employees in the ESTRS population.

The employees in the ESTRS population who were not selected to be sampled, report only actual time worked without identifying any distribution to activities. The total paid time, including paid time off, is then distributed to regulated and nonregulated based upon the results of the percentages distribution from the three-month rolling average.

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.

2. For Sales employees – Southwestern Bell, Time Reporting Activity Control System (TRACS)

This allocation method utilizes a time study to allocate the regulated, nonregulated and administrative time of direct sales personnel within Account 6612.

One twelfth of the employees are selected each month. The employees are selected using a random number generator. All employees are studied once each year for a full month.

During the study month, the sales personnel complete a mechanized form detailing their regulated, nonregulated and administrative work activities including customer contacts. Information provided includes:

- Customer
- Time spent on contact – Hours/Minutes
- Products discussed with the customer
- Month/day/year

The information is reviewed by the TRACS coordinators and stored in a central database location. The information is used to compute monthly regulated, nonregulated and administrative/nonproductive percentages. This data will be factored into a three-month rolling average of regulated and nonregulated percentages. The administrative time is loaded on the regulated and nonregulated based on the percentages calculated. This percentage distribution is input into the CAS system. It is used to allocate the Premises Sales Cost Pool in account 6612 which contains the expenses of all employees with Job Function Codes of 2200 and 2201

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 - Pacific Bell, Sales Channel Study

This method of allocating non-exception reported time utilizes a time and motion study to allocate the regulated, nonregulated and administrative time of service representatives within Account 6623.

Company statisticians use a statistically valid method to randomly select the monthly sample size by stratum. Each sample is then generated using a random number generator. Employees that have been sampled previously are not eligible to be sampled more than once in the same calendar year.

A time and motion study is performed to determine the percent of time spent on each activity. The results of the study are used to determine the percentage of activities, on average, that are devoted to regulated products/services vs. nonregulated products/services. The administrative time is loaded on the regulated and nonregulated products/services based on the results of the study.

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.

4. For Service Representatives - Southwestern Bell, Customer Operations Expense Study

This method of allocating non-exception reported time utilizes a work study procedure to allocate the regulated, nonregulated and administrative time of service representatives within Account 6623.

This is a study based on a work sampling procedure. The work study is done annually. The company statistician uses a statistically valid method to determine the offices to be studied and the times at which the observations should be made. When an office is studied, all employees in the sample population are included.

The activities of employees in the selected offices are observed at the predetermined times throughout the day. The results of the study are used to determine the percentage of activities, on average, that are devoted to regulated products/services vs. nonregulated products/services. The administrative time is loaded on the regulated and nonregulated products/services based on the results of the study.

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.

5. For Service Representatives - Nevada Bell, Sales Channel Study

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

All employees are included in the study. A list with all employees IDs is provided, and the person doing the study continually recycles through the list every day for one week.

Incoming calls are monitored and tallied to identify the nonregulated and regulated work activities performed.

The results of the study are used to determine the percentage of activities, on average, that are devoted to regulated products/services vs. nonregulated products/services. The administrative time is loaded on the regulated and nonregulated products/services based on the results of the study.

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.)

- 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.

- Periodic internal and external audits are conducted to ensure compliance with time reporting procedures.
- Departmental managers perform periodic reviews of payroll time reporting and accounting classification code accuracy.

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 minimum of two (2) years, 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.

- 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 all employees using exception time reporting (ETR) will be allocated to nonregulated activities based upon a ratio of all costs reported to nonproductive payroll codes to total payroll costs of employees using ETR. 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 nonregulated directly assigned wages, the amount of expense that would have been assigned to nonregulated using the NETR Ratio is calculated by multiplying the NETR Ratio times the productive wages. This amount is compared to the amount that was actually assigned. If the actual amount assigned, is less than what would have been assigned by the ratio, the difference is assigned to nonregulated and subtracted from regulated. If the amount assigned is more, nothing is done.

b. Administrative Time

The administrative time percentage, as determined by a study, is multiplied against applicable wages that had been exception reported from a direct regulated account to a nonregulated accounting code. The resulting amount is moved from a direct regulated cost pool to a direct nonregulated cost pool. 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.

G. ALLOCATION OF COMBINATION TRAVEL TIME

In order to comply with the Uniformity Order (described in Section VI-1), SWBT will utilize the following procedures for allocation of combination travel time. On a monthly basis, an amount equal to 50% of combination travel payroll cost will be removed from regulated cost and charged to nonregulated cost.

These payroll costs related to the nonregulated portion of combination travel time will be computed by first obtaining the number of Service Orders and Repair Tickets which contain both regulated and nonregulated account charges (combination jobs). Average travel time for installation and repair jobs will be determined from Travel Time Studies. The average technician's hourly labor rate will be multiplied by average travel time for jobs and then multiplied by the count of combination jobs. The product of these three factors will be multiplied by 50%. This amount will represent payroll cost related to travel time for nonregulated account charges and will be transferred from the regulated accounts to nonregulated accounts on a monthly basis.

CHART 1 TIME REPORTING AND ALLOCATION METHODS BY WORK GROUP

Work Group In USOA Expense Accounts	Positive Time Reporting		Exception Time Reporting	
	Conventional	Sampled	Allocation by Accounting Code	Allocation Methods Using Sampling
<u>PLANT SPECIFIC</u>				
Construction	NONMGT			
Installation	NONMGT	NONMGT		
Maintenance/Repair	NONMGT	NONMGT		
Engineering	MGT & NONMGT			
<u>PLANT NONSPECIFIC</u>				
Provisioning	NONMGT		MGT & NONMGT	
Network Admin.	NONMGT		MGT & NONMGT	
Testing	NONMGT		MGT & NONMGT	
Plant Oper. Admin.	NONMGT		MGT & NONMGT	
Engineering Admin.	MGT		MGT & NONMGT	
<u>CUSTOMER OPERATIONS</u>				
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
<u>CORPORATE OPERATIONS</u>				
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	

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