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August 3, 1998

Blanca Bayo  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

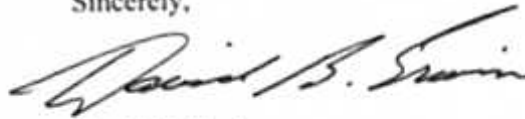
In re: Docket No. 980696-TP

Dear Ms. Bayo:

Please find enclosed the original and 15 copies of the Direct Testimony of Dan Weaver in Docket No. 980696-TP. Attached to the testimony as an Exhibit is the embedded cost study of ITS Telecommunications Systems, Inc. (ITS).

The testimony and the attached exhibit have been hand delivered by the undersigned to you at the Commission's Division of Records and Reporting. All parties as shown on the enclosed Certificate of Service have been served by U. S. Mail by the undersigned.

Sincerely,



David B. Erwin

ACK \_\_\_\_\_  
AFA 2 DBE:jm  
Attachments  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CML 5 Costs  
CTR \_\_\_\_\_  
EAG \_\_\_\_\_  
LEG 2  
LIN 5 Cost of Service  
OPC \_\_\_\_\_  
RCH \_\_\_\_\_  
SEC 1  
WAS \_\_\_\_\_  
OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE

08108 AUG-3 98

FPSC-RECORDS/REPORTING

**CERTIFICATE OF SERVICE  
DOCKET NO. 980696-TP**

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony and Embedded Cost Study was served via U.S. Mail this 3<sup>rd</sup> day of August, 1998 to the following:

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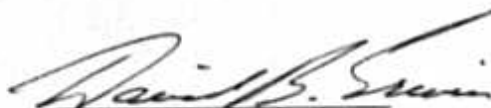
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David B. Erwin

# Florida Public Service Commission

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Docket No. 980696-TP

Determination of the Cost of Basic Local  
Telecommunications Service, Pursuant  
To Section 364.025, Florida Statutes

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ITS Telecommunications Systems, Inc.  
Indiantown, Florida

Direct Testimony  
of  
Daniel C. Weaver

August 3, 1998

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

1 **Q1: Please state your name, title and business address.**

2

3 A1: My name is Daniel C. Weaver; I am Staff Director of Revenue Requirements for  
4 John Staurulakis, Incorporated (JSI). My business address is 6315 Seabrook  
5 Road, Seabrook, Maryland 20706.

6

7 JSI is a consulting firm specializing in financial, management and regulatory  
8 services. JSI assists in the preparation and submission of jurisdictional cost  
9 studies and universal service fund data to the National Exchange Carrier  
10 Association (NECA), and routinely prepares and files tariffs on behalf of many  
11 clients.

12

13 **Q2: Please describe your educational and professional background.**

14

15 A2: After receiving a B. S. in Business Administration from Salisbury State  
16 University in 1977, I have had many responsibilities at JSI which include  
17 separations studies, continuing property record development and maintenance,  
18 and my current responsibility as staff director for revenue requirements. In my  
19 current capacity, I am responsible for the coordination and completion of  
20 quarterly and annual toll separations studies for clients served from JSI  
21 headquarters. In coordinating these studies, I interact with JSI's Traffic and  
22 Continuing Property Records departments and oversee all aspects of these studies,

1 including detailed reviews of the study work papers, traffic developments,  
2 categorization of central office and cable and wire facilities, Part 36/69 study  
3 models, and revenue requirement developments. I have been employed by JSI for  
4 over twenty years.

5

6 **Q3: On whose behalf are you testifying?**

7

8 A3: I am testifying on behalf of ITS Telecommunications Systems, Inc. (ITS)  
9 operating in Indiantown, Florida.

10

11 **Q4: What is the purpose of your testimony?**

12

13 A4: The purpose of my testimony is to present the results of ITS Telecommunications  
14 Systems cost study that is required by HB 4785, passed by the Florida  
15 Legislature. In order to assist the Legislature in "establishing a permanent  
16 universal service mechanism," the Public Service Commission has the  
17 responsibility to determine and report the results of its findings related to total  
18 service cost.

19

20 In accordance with the specific provisions for small local exchange  
21 telecommunications companies, I have prepared a study identifying the cost of

1 providing basic local telecommunications services based on a fully distributed  
2 allocation of embedded costs.

3

4 **Q5: Is the methodology you used to determine the cost of providing basic local**  
5 **telecommunications services for ITS consistent with the small local exchange**  
6 **carriers methodology described in the Direct Testimony of Mr. Dennis**  
7 **Curry?**

8

9 A5: Yes.

10

11 **Q6: What data did you use in your study?**

12

13 A6: I used financial information based on year-end 1997 "regulated" cost of ITS. For  
14 investment related accounts, I used an average balance for 1997. For expenses  
15 and taxes, I used the regulated expenses incurred during 1997.

16

17 **Q7: Did you utilize the same basis for rate base and expense items in your study**  
18 **that were utilized in determining interstate access service costs?**

19

20 A7: No. For the purposes of this study, I excluded all paystation-related costs. These  
21 costs were included in the 1997 study submitted to NECA. As of April 15, 1997,  
22 paystation costs are now classified as non-regulated or de-regulated.



1

2

3 **Q8: How did you calculate the average number of access lines?**

4

5 A8: I used the ITS average loop count that was provided to NECA in its annual  
6 universal service fund filing for 1997 and 1998. Each local exchange carrier is  
7 required to provide this information to NECA each July. This is the most  
8 consistent and uniform approach to determine the average number of universal  
9 service access lines.

10

11 **Q9: What is the cost of providing basic local telecommunications services for  
12 ITS?**

13

14 A9: ITS's cost of providing basic local telecommunications services, based on a fully  
15 distributed allocation of embedded costs, is \$2,946,919 annually, or \$73.07 per  
16 access line per month. I have attached a summary of these costs, with the  
17 associated input values and Part 36 computations as Exhibit 1 of my testimony.

18

19 **Q10: Does this complete your direct testimony?**

20

21 A10: Yes.

SUMMARY DEVELOPMENT OF EMBEDDED UNIVERSAL SERVICE REVENUE REQUIREMENT  
FOR YEAR ENDING DECEMBER 31, 1997

|   | Source                        | LOCAL LOOP | TOTAL COMPANY |
|---|-------------------------------|------------|---------------|
| 1. Central Support Assets                   | Part 36, Form 1, Ln 3         | 1,400,804  | 1,675,052     |
| 2. Total COE                                | Part 36, Form 1, Ln 7         | 2,992,631  | 4,032,996     |
| 3. Total CWF                                | Part 36, Form 1, Ln 9         | 5,339,642  | 5,935,127     |
| 4. Plant in Service                         | (Line 1+2+3)                  | 9,722,877  | 9,722,877     |
| 5. Plant Under Construction                 | Part 36, Form 1, Ln 17        | 17,114     | 20,465        |
| 6. Net Investment                           | Part 36, Form 2, Ln 39        | 5,275,253  | 6,324,676     |
| 7. Rate of Return as of                     | Authorized                    | 11.250%    |               |
| 8. Return                                   | (Line 6 x 7)                  | 293,466    |               |
| 9. AFUDC                                    | Part 36, Form 11, Ln 192      | 2,951      | 3,528         |
| 10. Net Return                              | (Lines 8 - 9)                 | 296,515    |               |
| 11. Fixed Charges                           | Part 36, Form 11, Ln 199      | 220,764    | 261,909       |
| 12. Investment Tax Credit                   | Part 36, Form 11, Ln 191      | 13,314     | 15,320        |
| 13. Other FIT Adjustments                   | Part 36, Form 11, Ln 195      | 0          | 0             |
| 14. Subject to FIT                          | (Lines 10+11+12+13)           | 356,437    |               |
| 15. Federal Income Tax                      | Rate = 51.51515%              | 183,619    |               |
| 16. Other SIT Adjustments                   | Part 36, Form 11, Ln 198      | 0          | 0             |
| 17. Subject to SIT                          | (Lines 14+15+16)              | 540,056    |               |
| 18. State Income Tax                        | Rate = 5.82010%               | 31,432     |               |
| 19. Return + FIT + SIT                      | (Lines 10-12+15+18)           | 792,252    |               |
| 20. Plant Specific Expenses                 | Part 36, Form 7, Ln 128       | 369,629    | 433,727       |
| 21. Plant Non-Specific Expenses             | Part 36, Form 8, Ln 143       | 860,662    | 1,041,379     |
| 22. Customer Operations Expenses            | Part 36, Form 10, Ln 174      | 42,178     | 302,984       |
| 23. Corporate Operations Expenses           | Part 36, Form 10, Ln 181      | 778,277    | 1,274,684     |
| 24. Operating Taxes And Other Expenses      | Part 36, Form 10 Ln 185 & 186 | 102,112    | 124,655       |
| 25. Interest on Customer Deposits           | Part 36, Form 11, Ln 200      | 3,740      | 4,437         |
| 26. Total Expenses & Taxes                  | (Lines 20+21+22+23+24+25)     | 2,154,667  | 3,181,676     |
| 27. Subtotal                                | (Lines 19+26)                 | 2,946,919  |               |
| 28. Gross Receipts Tax                      | Rate = 0.00000%               | 0          |               |
| 29. Subtotal                                | (Line 27+28)                  | 2,946,919  |               |
| 30. Pre Fee                                 | Rate = 0.00000%               | 0          |               |
| 31. Total Revenue Requirement               | (Lines 29+30)                 | 2,946,919  |               |
| 32. Average Access Lines for 1997           |                               | 3,341      |               |
| 33. Embedded Cost per Access Line per Month |                               | 5          | 73.07         |

ITS TELECOMMUNICATIONS SYSTEMS, INC. EMBEDDED STUDY  
Study No.:210331-97-2

PART 36

| La Acct | Description                       | Allocation     | Interstate |         | Intrastate |     | Interstate |         | Intrastate |         | Interstate |           | Intrastate |     | EAS | Local |
|---------|-----------------------------------|----------------|------------|---------|------------|-----|------------|---------|------------|---------|------------|-----------|------------|-----|-----|-------|
|         |                                   |                | Message    | P/L     | Message    | P/L | Message    | P/L     | Message    | P/L     | Message    | P/L       | Message    | P/L |     |       |
| 1       | 2111 Land                         | L10            |            |         |            |     |            |         |            |         |            |           |            |     |     |       |
| 2       | General Support                   | L10            | 105,825    | 5,384   | 2,519      | 0   | 1,053      | 2,044   | 1,483      | 4,843   | 897        | 87,602    |            |     |     |       |
| 3       | 2110 Land & General Support       | L1-2           | 1,569,227  | 79,841  | 37,352     | 0   | 15,614     | 30,306  | 21,996     | 71,813  | 13,297     | 1,299,008 |            |     |     |       |
|         |                                   |                | 1,675,052  | 85,225  | 39,871     | 0   | 16,667     | 31,350  | 23,479     | 76,656  | 14,194     | 1,386,610 |            |     |     |       |
| 4       | 2210 COE - Switching              | L45            | 1,622,330  | 307,688 | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 1,314,642 |            |     |     |       |
| 5       | 2220 COE - Operator Systems       | L50            | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0         |            |     |     |       |
| 6       | 2230 COE - Transmission           | L60            | 2,410,666  | 140,695 | 138,350    | 0   | 69,690     | 85,735  | 98,175     | 200,032 | 39,455     | 1,638,534 |            |     |     |       |
| 7       | Total COE                         | L4-6           | 4,032,996  | 448,383 | 138,350    | 0   | 69,690     | 85,735  | 98,175     | 200,032 | 39,455     | 2,953,176 |            |     |     |       |
| 8       | 2310 Information Orig./Term       | L66            | 24,580     | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 24,580    |            |     |     |       |
| 9       | 2410 Cable & Wire Facilities      | L74            | 5,935,127  | 60,036  | 99,503     | 0   | 29,738     | 107,250 | 41,892     | 257,266 | 45,219     | 5,294,223 |            |     |     |       |
| 10      | Total COE, IOT & C&WF             | L3-9           | 9,992,703  | 508,419 | 237,853    | 0   | 99,428     | 192,985 | 140,067    | 457,298 | 84,674     | 8,271,979 |            |     |     |       |
| 11      | 2680 Capital Leases               | L81            | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0         |            |     |     |       |
| 12      | 2680 Leasehold Improvements       | L88            | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0         |            |     |     |       |
| 13      | 2680 Amortizable Tangibles        | L11-12         | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0         |            |     |     |       |
| 14      | 2690 Intangibles                  | L40            | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0         |            |     |     |       |
| 15      | 2801 Plant In Service             | L3, 10, 13, 14 | 11,667,755 | 593,644 | 277,724    | 0   | 116,895    | 225,335 | 163,546    | 533,954 | 98,368     | 9,558,589 |            |     |     |       |
| 16      | 2802 Prop Held For Future Use     | L13            | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0         |            |     |     |       |
| 17      | 2803 Plant Under Construction     | L15            | 20,465     | 1,041   | 487        | 0   | 204        | 395     | 287        | 937     | 173        | 16,941    |            |     |     |       |
| 18      | 2805 Plant Acquisition Adjustment | L15            | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0         |            |     |     |       |
| 19      | 1220 Material & Supplies          | L9             | 196,658    | 1,989   | 3,297      | 0   | 985        | 3,554   | 1,388      | 8,524   | 1,498      | 175,423   |            |     |     |       |
| 20      | 1402 Class B RTB Stock            | L15            | 206,125    | 10,487  | 4,906      | 0   | 2,051      | 3,981   | 2,889      | 9,433   | 1,747      | 170,631   |            |     |     |       |
| 21      | 1410 Other Noncurrent Assets      | L179           | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0         |            |     |     |       |
| 22      | 1438 Deferred Maint & Retirements | L95            | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0         |            |     |     |       |
| 23      | 1439 Def Non-Capital Equal Access | Alloc 13       | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0         |            |     |     |       |
| 24      | 1500 Other Jurisdictional Assets  | Alloc 19       | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0         |            |     |     |       |
| 25      | CWC Cash Working Capital          | L188           | 261,909    | 31,751  | 4,747      | 0   | 9,114      | 3,706   | 38,064     | 8,794   | 1,823      | 163,910   |            |     |     |       |

ITS TELECOMMUNICATIONS SYSTEMS, INC. EMBEDDED STUDY  
Study No.: 210331-97-2

PART 36

| Ln | Acct | Description                    | Allocation                   | Interstate |         | Interstate |     | Interstate |         | Interstate |         | Interstate |        | EAS       | Local |
|----|------|--------------------------------|------------------------------|------------|---------|------------|-----|------------|---------|------------|---------|------------|--------|-----------|-------|
|    |      |                                |                              | Message    | P/L     | Message    | P/L | Message    | P/L     | Message    | P/L     | Message    | P/L    |           |       |
| 26 | 3100 | Depreciation Reserve           | L102                         | 5,440,722  | 292,162 | 132,913    | 0   | 0          | 56,445  | 105,863    | 79,515  | 250,618    | 46,585 | 4,476,621 |       |
| 27 | 3200 | Res - Prop Held for Future Use | L16                          | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0      | 0         |       |
| 28 | 3400 | Res - Capital leases           | L13                          | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0      | 0         |       |
| 29 | 3400 | Res - Leasehold Improvements   | L13                          | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0      | 0         |       |
| 30 | 3500 | Res - Intangible               | L14                          | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0      | 0         |       |
| 31 | 3600 | Res - Plant Acquisition Adj    | L15                          | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0      | 0         |       |
| 32 |      | Total Reserves                 | L26-31                       | 5,440,722  | 292,162 | 132,913    | 0   | 0          | 56,445  | 105,863    | 79,515  | 250,618    | 46,585 | 4,476,621 |       |
| 33 | 4040 | Customer Deposits              | L15                          | 82,115     | 4,178   | 1,955      | 0   | 0          | 817     | 1,586      | 1,151   | 3,758      | 696    | 67,974    |       |
| 34 | 4100 | Current Deferred Op Taxes      | L106                         | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0      | 0         |       |
| 35 | 4310 | Other Long Term Liabilities    | L175                         | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0      | 0         |       |
| 36 | 4340 | Non-Carrent Def Oper Taxes     | L116                         | 505,399    | 25,608  | 12,091     | 0   | 0          | 5,056   | 9,808      | 7,122   | 23,240     | 4,304  | 418,178   |       |
| 37 | 4360 | Other Deferred Credits         | Allow 48                     | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0      | 0         |       |
| 38 | 4370 | Oth Juris Liab & Def Credits   | Allow 41                     | 0          | 0       | 0          | 0   | 0          | 0       | 0          | 0       | 0          | 0      | 0         |       |
| 39 |      | Net Investment                 | L15-25 Less L12-38           | 6,324,676  | 316,964 | 144,302    | 0   | 0          | 66,131  | 119,714    | 118,386 | 284,036    | 52,534 | 5,332,725 |       |
| 40 |      | Total 2001 Less 2690           | L1, 10, 13                   | 11,667,735 | 593,644 | 277,224    | 0   | 0          | 116,095 | 235,335    | 163,546 | 533,954    | 98,368 | 9,658,389 |       |
| 41 |      | Total 2001 Less Associated Res | L15-19,24 Less L12,34, 36-38 | 5,938,757  | 278,304 | 136,504    | 0   | 0          | 55,783  | 113,613    | 78,584  | 269,557    | 49,850 | 4,956,162 |       |

ITS TELECOMMUNICATIONS SYSTEMS, INC. EMBEDDED STUDY  
Study No.: 210331-97-2

PART 36

| La Acct | Description                   | Allocation | Interstate |         | Interstate |           | Interstate |           | Interstate |           | Interstate |           | Interstate |         | Local |           |
|---------|-------------------------------|------------|------------|---------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|---------|-------|-----------|
|         |                               |            | Company    | Message | InterLATA  | InterLATA | InterLATA  | InterLATA | InterLATA  | InterLATA | InterLATA  | InterLATA | InterLATA  | Message |       | P/L       |
| 42      | 2210 Cat 2 - Tandem Switching | Alloc 2    | 0          | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0     | 0         |
| 43      | 2210 Cat 3 - Local Switching  | Alloc 3    | 1,622,330  | 307,688 | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0     | 1,314,642 |
| 44      | 2210 Cat 5 - Equal Access     | Alloc 13   | 0          | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0     | 0         |
| 45      | Total 2210                    | L42-44     | 1,622,330  | 307,688 | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0     | 1,314,642 |

Central Office Switching - Acct 2210

Central Office Operator Systems - Acct 2220

| La Acct | Description                   | Allocation | Interstate |         | Interstate |           | Interstate |           | Interstate |           | Interstate |           | Interstate |         | Local |     |
|---------|-------------------------------|------------|------------|---------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|---------|-------|-----|
|         |                               |            | Company    | Message | InterLATA  | InterLATA | InterLATA  | InterLATA | InterLATA  | InterLATA | InterLATA  | InterLATA | InterLATA  | Message |       | P/L |
| 46      | 2220 Cat 1 - Operator Systems |            | 0          | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0     | 0   |
| 47      | Intercept Boards              | Alloc 24   | 0          | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0     | 0   |
| 48      | Information Boards            | Alloc 47   | 0          | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0     | 0   |
| 49      | Service Observing Boards      | Alloc 67   | 0          | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0     | 0   |
| 49      | Other Boards                  | Alloc 1    | 0          | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0     | 0   |
| 50      | Total 2220                    | L46-49     | 0          | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0     | 0   |

Central Office Transmission - Acct 2230

| La Acct | Description                       | Allocation | Interstate |         | Interstate |           | Interstate |           | Interstate |           | Interstate |           | Interstate |         | Local  |           |
|---------|-----------------------------------|------------|------------|---------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|---------|--------|-----------|
|         |                                   |            | Company    | Message | InterLATA  | InterLATA | InterLATA  | InterLATA | InterLATA  | InterLATA | InterLATA  | InterLATA | InterLATA  | Message |        | P/L       |
| 51      | 2230 Cat 4.11 - Wdbd Exch Ln Cir  | Alloc 4    | 0          | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0      | 0         |
| 52      | 2230 Cat 4.121 - Exch Trunk EAS   | Alloc 3    | 39,454     | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 39,454 | 0         |
| 53      | 2230 Cat 4.122 - Exch Trunk Toll  | Alloc 6    | 0          | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0      | 0         |
| 54      | 2230 Cat 4.123 - Exch Trunk Spl   | Alloc 7    | 64,544     | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0      | 0         |
| 55      | 2230 Cat 4.13 - Exch Ln Circuit   | Alloc 8    | 1,722,386  | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0      | 0         |
| 56      | 2230 Cat 4.21 - IX Cct - Other Co | Alloc 9    | 0          | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0      | 0         |
| 57      | 2230 Cat 4.22 - IX Cct - Wdbd     | Alloc 10   | 105,765    | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0      | 0         |
| 58      | 2230 Cat 4.23 - IX Cct - Other    | Alloc 11   | 478,517    | 140,695 | 9,900      | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 98,175 | 138,605   |
| 59      | 2230 Cat 4.3 - Host Remote        | Alloc 12   | 0          | 0       | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 0      | 0         |
| 60      | Total 2230                        | L51-59     | 2,410,666  | 140,695 | 138,350    | 0         | 0          | 0         | 0          | 0         | 0          | 0         | 0          | 0       | 98,175 | 200,032   |
|         |                                   |            |            |         |            |           |            |           |            |           |            |           |            |         | 39,454 | 1,638,534 |

Plant Date: 12/31/1997  
Expense Date: 12 Mo. Ending 12/31/1997

ITS TELECOMMUNICATIONS SYSTEMS, INC. EMBEDDED STUDY  
Study No.:210331-97-2

Exhibit I Form 4

PART 36

| Ln   | Acct | Description                      | Allocation | Total Company | Interstate InterLATA Message | Interstate InterLATA P/L | Interstate IntraLATA Message | Interstate IntraLATA P/L | Intrastate InterLATA Message | Intrastate InterLATA P/L | Intrastate IntraLATA Message | Intrastate IntraLATA P/L | EAS    | Local     |
|--|------|----------------------------------|------------|---------------|------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|--------------------------|--------|-----------|
| <b>Information Origination / Termination - Acct 2310</b> |      |                                  |            |               |                              |                          |                              |                          |                              |                          |                              |                          |        |           |
| 61   | 2351 | Cat 1 - Pub Tel ( Less Coinless) | Alloc 14   | 0             | 0                            |                          | 0                            |                          | 0                            |                          | 0                            |                          | 0      | 0         |
| 62   | 2351 | Cat 1 - Pub Tel (Coinless )      | Alloc 15   | 0             | 0                            |                          | 0                            |                          | 0                            |                          | 0                            |                          | 0      | 0         |
| 63   | 2362 | Cat 1 - Other Terminal Equip     | Alloc 14   | 24,580        | 0                            |                          | 0                            |                          | 0                            |                          | 0                            |                          | 0      | 24,580    |
| 64   |      | Total Category 1                 | L61-63     | 24,580        | 0                            |                          | 0                            |                          | 0                            |                          | 0                            |                          | 0      | 24,580    |
| 65   |      | Cat 2 - Customer Premise         | Alloc 16   | 0             |                              |                          |                              |                          | 0                            |                          | 0                            |                          | 0      | 0         |
| 66   |      | Total 2310                       | L64-65     | 24,580        | 0                            |                          | 0                            |                          | 0                            |                          | 0                            |                          | 0      | 24,580    |
| <b>Cable and Wire Facilities - Acct 2410</b>             |      |                                  |            |               |                              |                          |                              |                          |                              |                          |                              |                          |        |           |
| 67   | 2410 | Cat 1 - Exch Ln CWF              | Alloc 17   | 5,565,156     | 0                            | 34,654                   | 0                            | 0                        | 0                            | 37,805                   | 0                            | 198,474                  | 0      | 5,294,221 |
| 68   | 2410 | Cat 2.1 - Exch Trk CWF - EAS     | Alloc 5    | 45,219        |                              |                          |                              |                          |                              |                          |                              |                          | 45,219 | 0         |
| 69   | 2410 | Cat 2.2 - Exch Trk CWF - Toll    | Alloc 6    | 0             | 0                            |                          | 0                            |                          | 0                            |                          | 0                            |                          | 0      | 0         |
| 70   | 2410 | Cat 2.3 - Exch Trk CWF - Spl     | Alloc 7    | 0             |                              | 0                        |                              | 0                        | 0                            |                          | 0                            |                          | 0      | 0         |
| 71   | 2410 | Cat 2.4 - Exch Trk CWF - Wb      | Alloc 10   | 121,268       | 0                            | 60,976                   | 0                            | 0                        | 0                            | 60,292                   | 0                            | 0                        | 0      | 0         |
| 72   | 2410 | Cat 3 - IX C&WF                  | Alloc 18   | 203,484       | 60,036                       | 3,873                    | 0                            | 0                        | 29,738                       | 9,153                    | 41,892                       | 58,792                   | (0)    | 0         |
| 73   | 2410 | Cat 4 - Host / Remote C&WF       | Alloc 12   | 0             | 0                            |                          | 0                            |                          | 0                            |                          | 0                            |                          | 0      | 0         |
| 74   |      | Total 2410                       | L67-73     | 5,935,127     | 60,036                       | 99,503                   | 0                            | 0                        | 29,738                       | 107,250                  | 41,892                       | 257,266                  | 45,219 | 5,294,221 |

ITS TELECOMMUNICATIONS SYSTEMS, INC. EMBEDDED STUDY  
Study No.: 210331-97-2

PART 36

| Ls Acct | Description                     | Allocation | Interstate |         | Intrastate |         | Interstate |         | Intrastate |         | Interstate |         | Intrastate |         | EAS | Local |
|---------|---------------------------------|------------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|-----|-------|
|         |                                 |            | InterLATA  | Message | InterLATA  | Message | InterLATA  | Message | InterLATA  | Message | InterLATA  | Message | InterLATA  | Message |     |       |
| 75      | 2110 General Support Facilities | L3         | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0   | 0     |
| 76      | 2210 COE - Switching            | L4         | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0   | 0     |
| 77      | 2220 COE - Operator Systems     | L3         | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0   | 0     |
| 78      | 2230 COE - Transmission         | L6         | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0   | 0     |
| 79      | 2310 Information Orig /Term     | L8         | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0   | 0     |
| 80      | 2410 Cable & Wire Facilities    | L9         | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0   | 0     |
| 81      | Total 2681                      | L35-80     | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0   | 0     |

Tangible Assets - Capital Leases - Acct 2680

Tangible Assets - Leasehold Improvements - Acct 2680

|    |                                 |        |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|----|---------------------------------|--------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 82 | 2110 General Support Facilities | L3     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 83 | 2210 COE - Switching            | L4     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 84 | 2220 COE - Operator Systems     | L3     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 85 | 2230 COE - Transmission         | L6     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 86 | 2310 Information Orig /Term     | L8     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 87 | 2410 Cable & Wire Facilities    | L9     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 88 | Total 2682                      | L32-47 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Deferred Maint. & Replacements Acct 1438

|    |                                 |        |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|----|---------------------------------|--------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 89 | 2110 General Support Facilities | L3     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 90 | 2210 COE - Switching            | L4     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 91 | 2220 COE - Operator Systems     | L3     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 92 | 2230 COE - Transmission         | L6     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 93 | 2310 Information Orig /Term     | L8     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 94 | 2410 Cable & Wire Facilities    | L9     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 95 | Total 1438                      | L85-94 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**PART 36**

| La  | Acct       | Description                | Allocation | Total Company | Interstate |         | Intrastate |         | Interstate |         | Intrastate |         | Interstate |         | Intrastate |         | EAS | Local |
|---|------------|----------------------------|------------|---------------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|-----|-------|
|   |            |                            |            |               | IntraLATA  | Message | IntraLATA  | Message | IntraLATA  | Message | IntraLATA  | Message | IntraLATA  | Message | IntraLATA  | Message |     |       |
| <b>Accumulated Depreciation - Acct 3100</b> |            |                            |            |               |            |         |            |         |            |         |            |         |            |         |            |         |     |       |
| 96  | 2110       | General Support Facilities | L3         | 815,371       | 41,485     | 19,408  | 0          | 8,113   | 15,747     | 11,429  | 37,314     | 6,909   | 674,966    |         |            |         |     |       |
| 97  | 2210       | COE - Switching            | L4         | 807,250       | 153,101    | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 654,149    |         |            |         |     |       |
| 98  | 2220       | COE - Operator Systems     | L3         | 0             | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          |         |            |         |     |       |
| 99  | 2230       | COE - Transmission         | L6         | 1,225,608     | 71,531     | 70,339  | 0          | 35,431  | 43,589     | 49,913  | 101,698    | 20,859  | 833,048    |         |            |         |     |       |
| 100   | 2310       | Information Orig /Term     | L8         | 17,742        | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 17,742     |         |            |         |     |       |
| 101   | 2410       | Cable & Wire Facilities    | L9         | 2,574,751     | 26,045     | 43,166  | 0          | 12,901  | 46,527     | 18,173  | 111,606    | 19,617  | 2,296,716  |         |            |         |     |       |
| 102   | Total 3100 |                            | L06-101    | 5,440,722     | 292,162    | 132,913 | 0          | 56,445  | 185,863    | 79,515  | 250,618    | 46,585  | 4,796,621  |         |            |         |     |       |

**Net Current Deferred Operating Income Taxes - Acct 4100**

|     |            |                            |          |   |   |   |   |   |   |   |   |   |   |  |  |  |  |  |
|-----|------------|----------------------------|----------|---|---|---|---|---|---|---|---|---|---|--|--|--|--|--|
| 103 | 2110       | General Support Facilities | L3       | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |  |  |  |  |  |
| 104 | 2210       | COE - Switching            | L4       | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |  |  |  |  |  |
| 105 | 2220       | COE - Operator Systems     | L3       | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |  |  |  |  |  |
| 106 | 2230       | COE - Transmission         | L6       | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |  |  |  |  |  |
| 107 | 2310       | Information Orig /Term     | L8       | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |  |  |  |  |  |
| 108 | 2410       | Cable & Wire Facilities    | L9       | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |  |  |  |  |  |
| 109 | Total 4100 |                            | L103-108 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |  |  |  |  |  |

**Net Noncurrent Deferred Operating Income Taxes - Acct 4340**

|     |            |                            |          |         |        |        |   |       |       |       |        |       |         |  |  |  |  |  |
|-----|------------|----------------------------|----------|---------|--------|--------|---|-------|-------|-------|--------|-------|---------|--|--|--|--|--|
| 110 | 2110       | General Support Facilities | L3       | 69,006  | 3,511  | 1,643  | 0 | 687   | 1,333 | 967   | 3,158  | 585   | 57,122  |  |  |  |  |  |
| 111 | 2210       | COE - Switching            | L4       | 70,006  | 13,277 | 0      | 0 | 0     | 0     | 0     | 0      | 0     | 56,729  |  |  |  |  |  |
| 112 | 2220       | COE - Operator Systems     | L3       | 0       | 0      | 0      | 0 | 0     | 0     | 0     | 0      | 0     | 0       |  |  |  |  |  |
| 113 | 2230       | COE - Transmission         | L6       | 105,995 | 6,186  | 6,083  | 0 | 3,064 | 3,770 | 4,317 | 8,795  | 1,735 | 72,045  |  |  |  |  |  |
| 114 | 2310       | Information Orig /Term     | L8       | 0       | 0      | 0      | 0 | 0     | 0     | 0     | 0      | 0     | 0       |  |  |  |  |  |
| 115 | 2410       | Cable & Wire Facilities    | L9       | 260,392 | 2,634  | 4,365  | 0 | 1,305 | 4,705 | 1,838 | 11,287 | 1,984 | 232,274 |  |  |  |  |  |
| 116 | Total 4340 |                            | L110-115 | 505,399 | 25,308 | 12,091 | 0 | 5,056 | 9,208 | 7,122 | 23,240 | 4,304 | 418,170 |  |  |  |  |  |





**PART 36**

| La                                  | Acct | Description                   | Allocation        | Interstate |         | Interstate |         | Interstate |         | Interstate |         | Interstate |         | Interstate |         | EAS | Local |
|-------------------------------------|------|-------------------------------|-------------------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|-----|-------|
|                                     |      |                               |                   | IntraLATA  | Message | IntraLATA  | Message | IntraLATA  | Message | IntraLATA  | Message | IntraLATA  | Message | IntraLATA  | Message |     |       |
| <b>Plant Non-Specific Expenses</b>  |      |                               |                   |            |         |            |         |            |         |            |         |            |         |            |         |     |       |
| 129                                 | 6510 | Other Prop Plant & Equip      | L13               | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0   | 0     |
| 130                                 | 6530 | Network Operations            | L10               | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0   | 0     |
| 131                                 | 6540 | Access                        | Alloc 20          | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0   | 0     |
| <b>6561 Depreciation</b>            |      |                               |                   |            |         |            |         |            |         |            |         |            |         |            |         |     |       |
| 132                                 |      | Dep - Support Assets          | L3                | 87,641     | 4,459   | 2,086      | 0       | 872        | 1,693   | 1,228      | 4,811   | 743        | 72,549  |            |         |     |       |
| 133                                 |      | Dep - COE Switching           | L4                | 135,139    | 25,630  | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 109,509 |            |         |     |       |
| 134                                 |      | Dep - COE Operator            | L5                | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       |            |         |     |       |
| 135                                 |      | Dep - COE Transmission        | L4                | 194,040    | 11,325  | 11,136     | 0       | 5,610      | 6,901   | 7,902      | 16,101  | 3,176      | 131,889 |            |         |     |       |
| 136                                 |      | Dep - IOT                     | L8                | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       |            |         |     |       |
| 137                                 |      | Dep - Cable & Wire Facilities | L9                | 323,418    | 3,271   | 5,422      | 0       | 1,620      | 5,844   | 2,283      | 14,819  | 2,464      | 288,495 |            |         |     |       |
| 138                                 |      | Total 6561                    | L129-137          | 740,238    | 44,685  | 18,644     | 0       | 8,102      | 14,438  | 11,413     | 34,131  | 6,383      | 602,442 |            |         |     |       |
| 139                                 | 6562 | Dep - Prop Held for Fut Use   | L15               | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       |            |         |     |       |
| 140                                 | 6563 | Amort - Tangible Assets       | L13               | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       |            |         |     |       |
| 141                                 | 6564 | Amort - Intangible Assets     | L14               | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       |            |         |     |       |
| 142                                 | 6565 | Amort - Acquisition Adjust    | L13               | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       |            |         |     |       |
| 143                                 |      | Total Plant Non-Specific      | L129-142 Less 138 | 1,841,379  | 60,007  | 25,012     | 0       | 11,098     | 20,254  | 15,634     | 47,912  | 8,315      | 851,727 |            |         |     |       |
| <b>Customer Operations Expenses</b> |      |                               |                   |            |         |            |         |            |         |            |         |            |         |            |         |     |       |
| 144                                 | 6610 | Marketing                     | Alloc 43          | 2,176      | 836     | 0          | 0       | 167        | 0       | 707        | 0       | 0          | 466     |            |         |     |       |
| 145                                 | 6621 | Operator                      | L30               | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       |            |         |     |       |
| 146                                 |      | Outside Operator Services     | Alloc 42          | 44,857     | 0       | 0          | 0       | 0          | 0       | 44,857     | 0       | 0          | 0       |            |         |     |       |
| <b>6622 Directivity</b>             |      |                               |                   |            |         |            |         |            |         |            |         |            |         |            |         |     |       |
| 147                                 |      | Classified                    | Alloc 22          | 1,698      | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 1,698   |            |         |     |       |
| 148                                 |      | TWX                           | Alloc 23          | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       |            |         |     |       |
| 149                                 |      | Alpha                         | Alloc 24          | 8,124      | 1,976   | 0          | 0       | 975        | 0       | 1,373      | 1,467   | 2,333      | 0       |            |         |     |       |
| 150                                 |      | Foreign                       | Alloc 25          | 745        | 0       | 0          | 0       | 0          | 0       | 745        | 0       | 0          | 0       |            |         |     |       |
| 151                                 |      | Total 6622                    | L147-150          | 10,567     | 1,976   | 0          | 0       | 975        | 0       | 2,118      | 1,467   | 2,333      | 1,698   |            |         |     |       |

ITS TELECOMMUNICATIONS SYSTEMS, INC. EMBEDDED STUDY

Study No.:210331-97-2

PART 36

Plant Date: 12/31/1997

Expense Date: 12 Mo. Ending 12/31/1997

| Ln                                  | Acct | Description                          | Allocation | Total Company  |               | Interstate   |          | Interstate    |              | Interstate    |              | Interstate |          | Interstate |          | Interstate |          | Local         |
|-------------------------------------|------|--------------------------------------|------------|----------------|---------------|--------------|----------|---------------|--------------|---------------|--------------|------------|----------|------------|----------|------------|----------|---------------|
|                                     |      |                                      |            | Message        | P/L           | Message      | P/L      | Message       | P/L          | Message       | P/L          | Message    | P/L      | Message    | P/L      | Message    | P/L      |               |
| <b>6623 Commercial Operations</b>   |      |                                      |            |                |               |              |          |               |              |               |              |            |          |            |          |            |          |               |
| <b>Cal. - Local Business Office</b> |      |                                      |            |                |               |              |          |               |              |               |              |            |          |            |          |            |          |               |
| End User service order processing   |      |                                      |            |                |               |              |          |               |              |               |              |            |          |            |          |            |          |               |
| 152                                 |      | Presubscription                      | Alloc 26   | 4,622          | 4,622         |              |          |               |              |               |              |            |          |            |          |            |          | 0             |
| 153                                 |      | Directory Advertising                | Alloc 27   | 0              | 0             |              |          |               |              |               |              |            |          |            |          |            |          | 0             |
| 154                                 |      | All other                            | Alloc 28   | 10,638         | 1,761         | 514          | 0        | 220           | 367          | 73            | 147          |            |          |            |          |            |          | 7,556         |
| 155                                 |      | End User payment & collection        | Alloc 21   | 39,678         | 16,036        | 0            | 0        | 4,369         | 35           | 8,651         | 2,293        |            |          |            |          |            |          | 8,294         |
| 156                                 |      | End User billing inquiry             | Alloc 30   | 4,517          | 317           | 1,734        | 0        | 195           | 952          | 195           | 1,025        |            |          |            |          |            |          | 99            |
| 157                                 |      | IXC service order processing         | Alloc 32   | 733            | 146           | 293          | 0        | 0             | 147          | 0             | 147          |            |          |            |          |            |          | 0             |
| 158                                 |      | IXC payment and collection           | Alloc 33   | 0              | 0             | 0            | 0        | 0             | 0            | 0             | 0            |            |          |            |          |            |          | 0             |
| 159                                 |      | IXC billing inquiry                  | Alloc 34   | 855            | 65            | 0            | 0        | 395           | 0            | 395           | 0            |            |          |            |          |            |          | 0             |
| 160                                 |      | Coins collection and admin           | Alloc 35   | 0              | 0             | 0            | 0        | 0             | 0            | 0             | 0            |            |          |            |          |            |          | 0             |
| 161                                 |      | <b>Total Category 1</b>              | L152-160   | <b>61,843</b>  | <b>22,947</b> | <b>2,541</b> | <b>0</b> | <b>5,179</b>  | <b>1,501</b> | <b>9,314</b>  | <b>3,612</b> | <b>0</b>   | <b>0</b> | <b>0</b>   | <b>0</b> | <b>0</b>   | <b>0</b> | <b>15,949</b> |
| <b>Cal. - Revenue Accounting</b>    |      |                                      |            |                |               |              |          |               |              |               |              |            |          |            |          |            |          |               |
| Message Processing                  |      |                                      |            |                |               |              |          |               |              |               |              |            |          |            |          |            |          |               |
| 162                                 |      | OB&C - Message Telephone             | Alloc 36   | 95,000         | 16,499        | 0            | 0        | 17,253        | 0            | 61,247        | 0            |            |          |            |          |            |          | 1             |
| 163                                 |      | OB&C - TWX                           | Alloc 36   | 6,980          | 1,212         | 0            | 0        | 1,268         | 0            | 4,590         | 0            |            |          |            |          |            |          | 0             |
| 164                                 |      | OB&C - Local & Directory             | Alloc 37   | 33,113         | 11,038        | 0            | 0        | 5,519         | 0            | 5,519         | 0            |            |          |            |          |            |          | 11,037        |
| 165                                 |      | OB&C - Private Line                  | Alloc 38   | 9,226          | 0             | 0            | 0        | 0             | 0            | 0             | 0            |            |          |            |          |            |          | 9,226         |
| 166                                 |      | Carrier Access Billing               | Alloc 39   | 11             | 11            | 0            | 0        | 0             | 0            | 0             | 0            |            |          |            |          |            |          | 11            |
| 167                                 |      | Subscriber Line Charge               | Alloc 44   | 36,447         | 18,223        | 0            | 0        | 0             | 0            | 18,224        | 0            |            |          |            |          |            |          | 0             |
| 168                                 |      |                                      | Alloc 29   | 2,596          | 2,596         | 0            | 0        | 0             | 0            | 0             | 0            |            |          |            |          |            |          | 0             |
| 169                                 |      | <b>Total Category 2</b>              | L162-168   | <b>183,373</b> | <b>49,568</b> | <b>0</b>     | <b>0</b> | <b>24,040</b> | <b>0</b>     | <b>89,490</b> | <b>0</b>     | <b>0</b>   | <b>0</b> | <b>0</b>   | <b>0</b> | <b>0</b>   | <b>0</b> | <b>20,275</b> |
| 170                                 |      | <b>Subtotal Categories 1 &amp; 2</b> | L161,169   | <b>244,416</b> | <b>72,515</b> | <b>2,541</b> | <b>0</b> | <b>29,319</b> | <b>1,501</b> | <b>98,804</b> | <b>3,612</b> | <b>0</b>   | <b>0</b> | <b>0</b>   | <b>0</b> | <b>0</b>   | <b>0</b> | <b>36,224</b> |

ITS TELECOMMUNICATIONS SYSTEMS, INC. EMBEDDED STUDY  
Study No.: 210331-97-2

PART 36

Plant Date: 12/31/1997  
Expense Date: 12 Mo. Ending 12/31/1997

| Ln                                       | Acct | Description  | Allocation           | Interstate |         | Intrastate |     | Interstate |     | Intrastate |         | Interstate |        | Intrastate |     | EAS | Local |
|--|------|--|----------------------|------------|---------|------------|-----|------------|-----|------------|---------|------------|--------|------------|-----|-----|-------|
|  |      |  |                      | Message    | P/L     | Message    | P/L | Message    | P/L | Message    | P/L     | Message    | P/L    | Message    | P/L |     |       |
| <b>Category 3 - Other Commercial</b>     |      |  |                      |            |         |            |     |            |     |            |         |            |        |            |     |     |       |
| 171                                      |      | Telecom Relay Service                                      | Alloc 45             | 968        | 0       | 968        | 0   | 0          | 0   | 0          | 0       | 0          | 0      | 0          | 0   | 0   | 0     |
| 172                                      |      | Other  | L170                 | 0          | 0       | 0          | 0   | 0          | 0   | 0          | 0       | 0          | 0      | 0          | 0   | 0   | 0     |
| 173                                      |      | <b>Total Commercial Operations</b>                         | L170-172             | 968        | 0       | 968        | 0   | 0          | 0   | 0          | 0       | 0          | 0      | 0          | 0   | 0   | 0     |
| 174                                      |      | <b>Total Customer Operations</b>                           | L144-146,151,173     | 968        | 0       | 968        | 0   | 0          | 0   | 0          | 0       | 0          | 0      | 0          | 0   | 0   | 0     |
| 175                                      |      | <b>Total Big Three Expenses</b>                            | L122,126-127,130,174 | 968        | 0       | 968        | 0   | 0          | 0   | 0          | 0       | 0          | 0      | 0          | 0   | 0   | 0     |
| <i>(See L119)</i>                        |      |  |                      |            |         |            |     |            |     |            |         |            |        |            |     |     |       |
| <b>Corporate Operations Expenses</b>     |      |  |                      |            |         |            |     |            |     |            |         |            |        |            |     |     |       |
| 176                                      | 6710 | Executive & Planning                                       | L175                 | 649,634    | 72,097  | 11,690     | 0   | 24,316     | 0   | 9,088      | 102,997 | 21,571     | 4,526  | 403,349    |     |     |       |
| <b>6720 General &amp; Administrative</b> |      |  |                      |            |         |            |     |            |     |            |         |            |        |            |     |     |       |
| 177                                      |      | Other Direct   | Alloc 46             | 38,192     | 0       | 0          | 0   | 0          | 0   | 0          | 0       | 0          | 0      | 0          | 0   | 0   | 0     |
| 178                                      |      | Direct to EAS  | Alloc 31             | 0          | 0       | 0          | 0   | 0          | 0   | 0          | 0       | 0          | 0      | 0          | 0   | 0   | 0     |
| 179                                      |      | Other  | L175                 | 586,858    | 65,130  | 18,561     | 0   | 21,966     | 0   | 8,210      | 93,044  | 19,486     | 4,088  | 364,373    |     |     |       |
| 180                                      |      | <b>Total 6720</b>  | L175-179             | 625,050    | 103,321 | 18,561     | 0   | 21,966     | 0   | 8,210      | 93,044  | 19,486     | 4,088  | 364,373    |     |     |       |
| 181                                      |      | <b>Total Corporate Operations</b>                          | L176,180             | 1,274,684  | 175,419 | 22,251     | 0   | 46,282     | 0   | 17,298     | 196,041 | 41,057     | 8,614  | 767,722    |     |     |       |
| 182                                      |      | <b>Total Operating Expenses</b>                            | L128,143,174,181     | 3,852,784  | 331,818 | 59,907     | 0   | 91,645     | 0   | 46,503     | 303,662 | 110,374    | 22,314 | 2,038,581  |     |     |       |
| <b>Operating Taxes</b>                   |      |  |                      |            |         |            |     |            |     |            |         |            |        |            |     |     |       |
| 183                                      | 7240 | Ad Valorem Taxes - Allocated                               | L15                  | 120,994    | 6,156   | 2,880      | 0   | 1,204      | 0   | 2,337      | 1,696   | 5,537      | 1,825  | 100,159    |     |     |       |
| 184                                      | 7240 | Ad Valorem Taxes - Direct                                  | Alloc 40             | 1,936      | 1,936   | 0          | 0   | 0          | 0   | 0          | 0       | 0          | 0      | 0          | 0   | 0   | 0     |
| 185                                      |      | <b>Total 7240</b>  | L183-184             | 122,930    | 8,092   | 2,880      | 0   | 1,204      | 0   | 2,337      | 1,696   | 5,537      | 1,825  | 100,159    |     |     |       |
| 186                                      | 7370 | Special Charges  | L181                 | 1,525      | 210     | 27         | 0   | 55         | 0   | 21         | 235     | 49         | 10     | 918        |     |     |       |
| 187                                      |      | <b>Total Operating Exp &amp; Taxes</b>                     | L182,185,186         | 3,177,239  | 340,120 | 62,814     | 0   | 92,904     | 0   | 48,841     | 305,353 | 115,900    | 23,349 | 2,137,578  |     |     |       |
| 188                                      |      | <b>Total Operating Exp &amp; Taxes (Less Depreciation)</b> | L187 Less 134-142    | 2,437,001  | 295,435 | 44,170     | 0   | 84,802     | 0   | 34,483     | 354,180 | 81,829     | 16,966 | 1,525,136  |     |     |       |

Plant Date: 12/31/1997  
Expense Date: 12 Mo. Ending 12/31/1997

ITS TELECOMMUNICATIONS SYSTEMS, INC. EMBEDDED STUDY  
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Exhibit 1 Form 11

PART 36

| Ln                                | Acct | Description   | Allocation        | Total Company | Interstate InterLATA Message | Interstate InterLATA P/L | Interstate IntraLATA Message | Interstate IntraLATA P/L | Intrastate InterLATA Message | Intrastate InterLATA P/L | Intrastate IntraLATA Message | Intrastate IntraLATA P/L | EAS    | Local     |
|-----------------------------------|------|---|-------------------|---------------|------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|--------------------------|--------|-----------|
| <b>Tax Adjustments</b>            |      |   |                   |               |                              |                          |                              |                          |                              |                          |                              |                          |        |           |
| 189                               | 7210 | Investment Tax Credits  | L15               | 15,920        | 810                          | 379                      | 0                            | 0                        | 158                          | 307                      | 223                          | 729                      | 135    | 13,179    |
| 190                               |      | TRA-86 Amortization   | L15               | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 191                               |      | Total   | L189-190          | 15,920        | 810                          | 379                      | 0                            | 0                        | 158                          | 307                      | 223                          | 729                      | 135    | 13,179    |
| 192                               | 7340 | AFUDC   | L17               | 3,528         | 180                          | 84                       | 0                            | 0                        | 35                           | 68                       | 49                           | 161                      | 30     | 2,921     |
| 193                               |      | FIT Adjustments - Addbacks                                    | L15               | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 194                               |      | FIT Adjustments - Deductions                                  | L15               | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 195                               |      | Total FIT Adjustments   | L193-194          | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 196                               |      | SIT Adjustments - Addbacks                                    | L15               | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 197                               |      | SIT Adjustments - Deductions                                  | L15               | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 198                               |      | Total SIT Adjustments   | L196-197          | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 199                               | 7500 | Fixed Charges   | L41               | 261,909       | 12,300                       | 6,020                    | 0                            | 0                        | 2,460                        | 5,011                    | 3,466                        | 11,888                   | 2,190  | 218,574   |
| 200                               | 7540 | Interest On Customer Dep                                      | L41               | 4,437         | 208                          | 102                      | 0                            | 0                        | 42                           | 85                       | 59                           | 201                      | 37     | 3,703     |
| <b>Rent Revenues Account 5240</b> |      |   |                   |               |                              |                          |                              |                          |                              |                          |                              |                          |        |           |
| 201                               | 2110 | General Support Facilities                                    | L3                | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 202                               | 2210 | COE - Switching   | L4                | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 203                               | 2220 | COE - Operator Systems  | L5                | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 204                               | 2230 | COE - Transmission  | L6                | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 205                               | 2310 | Information Orig /Term  | L8                | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 206                               | 2410 | Cable & Wire Facilities                                       | L9                | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 207                               |      | Total 5240  | L201-206          | 0             | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0                            | 0                        | 0      | 0         |
| 208                               |      | Total Operating Exp & Taxes<br>(Including 7540 / Net of 5240) | L187+200 Less 207 | 3,181,676     | 340,328                      | 62,916                   | 0                            | 0                        | 92,946                       | 49,006                   | 365,652                      | 116,161                  | 23,386 | 2,131,281 |



Plant Date: 12/31/1997  
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ITS TELECOMMUNICATIONS SYSTEMS, INC. EMBEDDED STUDY  
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Exhibit 11page 2

CENTRAL OFFICE EQUIPMENT

| Account | Cat          | Per Study        |
|---------|--------------|------------------|
| 2210    | 2            | 0                |
|         | 3            | 1,622,330        |
|         | 5            | 0                |
|         | <b>Total</b> | <b>1,622,330</b> |
| 2220    | 1            | 0                |
|         | Intrept Bids | 0                |
|         | Info Bids    | 0                |
|         | Ser Obs Bids | 0                |
|         | Orth Bids    | 0                |
|         | <b>Total</b> | <b>0</b>         |
| 2230    | 4.11         | 0                |
|         | 4.121        | 39,454           |
|         | 4.122        | 0                |
|         | 4.123        | 64,544           |
|         | 4.13         | 1,722,386        |
|         | 4.21         | 0                |
|         | 4.22         | 105,765          |
|         | 4.23         | 478,517          |
|         | 4.3          | 0                |
|         | <b>Total</b> | <b>2,418,666</b> |

INFORMATION ORIGINATION/TERMINATION

|       | Msg Tel           | Spl Svc       | Per Study     |
|-------|-------------------|---------------|---------------|
| CALL  |                   |               |               |
|       | 2351              | 0             | 0             |
|       | 2362              | 24,580        | 24,580        |
|       | Coinless Pay      | 0             | 0             |
|       | <b>Total</b>      | <b>24,580</b> | <b>24,580</b> |
| CALL2 |                   |               |               |
|       | 2311              | 0             | 0             |
|       | 2321              | 0             | 0             |
|       | 2341              | 0             | 0             |
|       | <b>Total</b>      | <b>0</b>      | <b>0</b>      |
|       | <b>Total CALL</b> | <b>24,580</b> | <b>24,580</b> |

CABLE & WIRE FACILITIES

| Account | Cat          | Per Study        |
|---------|--------------|------------------|
| 2410    | 1            | 5,565,156        |
|         | 2.1          | 45,219           |
|         | 2.2          | 0                |
|         | 2.3          | 0                |
|         | 2.4          | 121,268          |
|         | 3            | 203,484          |
|         | 4            | 0                |
|         | <b>Total</b> | <b>5,935,127</b> |





ITEMS ASSIGNED BY PRIMARY PLANT ACCOUNT

| Primary Plant Account | Description                           | 2481 | 2482 | 4100 | 4340    | 6561    | 5240 | 1438 |
|-----------------------|---------------------------------------|------|------|------|---------|---------|------|------|
| 2111                  | Land                                  | 0    | 0    | 0    | 0       | 0       | 0    | 0    |
|                       | General Support                       | 0    | 0    | 0    | 69,006  | 87,641  | 0    | 0    |
| 2210                  | COE - Switching                       | 0    | 0    | 0    | 70,006  | 135,139 | 0    | 0    |
| 2220                  | COE - Operator Systems                | 0    | 0    | 0    | 0       | 0       | 0    | 0    |
| 2230                  | COE - Transmission                    | 0    | 0    | 0    | 105,995 | 194,040 | 0    | 0    |
| 2310                  | Information Origination / Termination | 0    | 0    | 0    | 0       | 0       | 0    | 0    |
| 2410                  | Cable & Wire Facilities               | 0    | 0    | 0    | 260,392 | 323,418 | 0    | 0    |
| Total                 |                                       | 0    | 0    | 0    | 505,399 | 740,238 | 0    | 0    |

Final Date: 12/31/1997  
 Expense Date: 12 Mo. Ending 12/31/1997

ITS TELECOMMUNICATIONS SYSTEMS, INC. EMBEDDED STUDY  
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Exhibit H Input 5

**OPERATOR EXPENSE**

|                    | Amount        |
|--------------------|---------------|
| 1 Operator         | 0             |
| 2 Outside Operator | 44,857        |
| 3 Total Operator   | <u>44,857</u> |

**DIRECTORY EXPENSE**

|                   | Amount        |
|-------------------|---------------|
| 4 Classified      | 1,698         |
| 5 Alpha           | 8,124         |
| 6 Foreign         | 745           |
| 7 TWX             | 0             |
| 8 Total Directory | <u>10,567</u> |

**COMMERCIAL OPERATIONS**

| Category 2 - Revenue Accounting | Amount         |
|---------------------------------|----------------|
| 9 Message Processing            | 95,000         |
| 10 OB&C - Message Tel           | 6,980          |
| 11 OB&C - Private Line          | 11             |
| 12 OB&C - Local & Directory     | 9,226          |
| 13 OB&C - TWX                   | 33,113         |
| 14 Carrier Access Billing       | 36,447         |
| 15 Subscriber Line Charge       | 2,596          |
| 16 Total Category 2             | <u>183,373</u> |

**Category 3 - Other Commercial**

|                          |            |
|--------------------------|------------|
| 17 Telecom Relay Service | 968        |
| 18 Other                 | 0          |
| 19 Total Category 3      | <u>968</u> |

COMMERCIAL OPERATIONS

| Account 66.1 - Local Business Office Category 1 | End User Service Order Processing  | Interstate |         | Intrastate |         | InterLATA |         | IntraLATA |         | InterLATA |         | IntraLATA |         | InterLATA |         | IntraLATA |         |        |
|---|------------------------------------|------------|---------|------------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|--------|
|   |                                    | Company    | Message | InterLATA  | Message | InterLATA | Message | InterLATA | Message | InterLATA | Message | InterLATA | Message | InterLATA | Message | InterLATA | Message | Local  |
| 1   | Local                              | 7,556      |         |            |         |           |         |           |         |           |         |           |         |           |         |           |         | 7,556  |
| 2   | Directory                          | 0          |         |            |         |           |         |           |         |           |         |           |         |           |         |           |         | 0      |
| 3   | Message Tel                        | 2,054      | 1,761   | 0          | 0       | 220       | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0      |
| 4   | Private Line                       | 1,028      |         | 514        |         |           |         |           |         |           |         |           |         |           |         |           |         | 0      |
| 5   | Presubscription                    | 4,622      | 4,622   |            |         |           |         |           |         |           |         |           |         |           |         |           |         | 0      |
| 6   | Total                              | 15,260     | 6,383   | 514        | 0       | 220       | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 7,556  |
| 7   | End User Payment and Collection    |            |         |            |         |           |         |           |         |           |         |           |         |           |         |           |         |        |
| 8   | Local                              | 8,294      |         |            |         |           |         |           |         |           |         |           |         |           |         |           |         | 8,294  |
| 9   | Message Tel                        | 26,356     | 13,336  | 0          | 0       | 4,369     | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0      |
| 10  | Private Line                       | 2,328      |         | 0          | 0       |           |         |           |         |           |         |           |         |           |         |           |         | 0      |
| 11  | Subscriber Line Charge             | 2,700      | 2,700   |            |         |           |         |           |         |           |         |           |         |           |         |           |         | 0      |
| 12  | Total                              | 39,678     | 16,036  | 0          | 0       | 4,369     | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 8,294  |
| 13  | End User Billing Inquiry           |            |         |            |         |           |         |           |         |           |         |           |         |           |         |           |         |        |
| 14  | Local                              | 99         |         |            |         |           |         |           |         |           |         |           |         |           |         |           |         | 99     |
| 15  | Message Tel                        | 585        | 195     | 0          | 0       | 195       | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0      |
| 16  | Private Line                       | 3,711      |         | 1,734      |         |           |         |           |         |           |         |           |         |           |         |           |         | 0      |
| 17  | Subscriber Line Charge             | 122        | 122     |            |         |           |         |           |         |           |         |           |         |           |         |           |         | 0      |
| 18  | Total                              | 4,517      | 317     | 1,734      | 0       | 195       | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 99     |
| 19  | IXC Service Order Processing       |            |         |            |         |           |         |           |         |           |         |           |         |           |         |           |         |        |
| 20  | Switched Access                    | 146        | 146     | 0          | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0      |
| 21  | Private Line                       | 587        |         | 293        |         |           |         |           |         |           |         |           |         |           |         |           |         | 0      |
| 22  | Billing and Collection             | 0          | 0       |            |         |           |         |           |         |           |         |           |         |           |         |           |         | 0      |
| 23  | Total                              | 733        | 146     | 293        | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0      |
| 24  | IXC Payment and Collection         |            |         |            |         |           |         |           |         |           |         |           |         |           |         |           |         |        |
| 25  | Switched Access                    | 0          | 0       | 0          | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0      |
| 26  | Private Line                       | 0          |         | 0          |         |           |         |           |         |           |         |           |         |           |         |           |         | 0      |
| 27  | Billing and Collection             | 0          | 0       |            |         |           |         |           |         |           |         |           |         |           |         |           |         | 0      |
| 28  | Total                              | 855        | 65      | 0          | 0       | 395       | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0      |
| 29  | Coin Collection and Administration |            |         |            |         |           |         |           |         |           |         |           |         |           |         |           |         |        |
| 30  | Joint P.S.                         | 0          | 0       | 0          | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0      |
| 31  | Total Category 1                   | 61,043     | 22,947  | 2,541      | 0       | 5,179     | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 0         | 0       | 15,349 |

Plant Date: 12/31/1997  
Expense Date: 12 Mo. Ending 12/31/1997

ITS TELECOMMUNICATIONS SYSTEMS, INC. EMBEDDED STUDY  
Study No.: 210331-97-2

Exhibit Input 7

PART 36 - DIRECT ASSIGNMENTS

| Company                                       | Interstate |         | Interstate |         | Interstate |         | Interstate |         | Interstate |         | Interstate |         | Interstate |         | Local |
|---|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|-------|
|   | InterLATA  | Message | InterLATA  | Message | InterLATA  | Message | InterLATA  | Message | InterLATA  | Message | InterLATA  | Message | InterLATA  | Message |       |
| 1 Account 1500 - Other Jurisdictional Assets  | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0     |
| 2 Account 4360 - Other Deferred Credits       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0     |
| 3 Account 4370 - Other Jar Liab & Def Credits | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0     |
| 4 Account 6540 - Access Expense               | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0     |
| 5 Outside Operator Services                   | 44,857     | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 44,857  | 0          | 0       | 0     |
| 6 Subscriber Line Charge                      | 2,596      | 2,596   | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0     |
| 7 Telecom. Relay Service (TRS)                | 968        | 968     | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0     |
| 8 Account 6720 - Direct Assignments           | 38,192     | 38,192  | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0     |
| 9 Account 6720 - Direct EAS                   | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0     |
| 10 Account 7240 Direct - Ad Valorem Taxes     | 1,936      | 1,936   | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0     |
| 11 IX Circuit For Other Company               | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0          | 0       | 0     |



TRAFFIC FACTORS

|                                       | Interstate |           | State     |           | State     |           | EAS      | Local    | Total |
|---------------------------------------|------------|-----------|-----------|-----------|-----------|-----------|----------|----------|-------|
|                                       | InterLATA  | IntraLATA | InterLATA | IntraLATA | InterLATA | IntraLATA |          |          |       |
| 1 Tandem Switching Factor             | 0.000000   | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000 | 0.000000 |       |
| 2 Weighted Dtm                        | 0.187653   | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.810342 | 1.000000 |       |
| 3 Wideband Exch Line Circuit Factor   | 0.502800   | 0.000000  | 0.000000  | 0.497200  | 0.000000  | 0.000000  | 0.000000 | 1.000000 |       |
| 4 Exchange Trunk Toll Factor          | 0.000000   | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000 | 0.000000 |       |
| 5 Subscriber Plant Factor             | 0.000000   | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 1.000000 | 1.000000 |       |
| 6 Conversation Minute Factor          | 0.455972   | 0.000000  | 0.225856  | 0.318172  | 0.000000  | 0.000000  | 0.000000 | 1.000000 |       |
| 7 Conversation Minute Miles Factor    | 0.455972   | 0.000000  | 0.225856  | 0.318172  | 0.000000  | 0.000000  | 0.000000 | 1.000000 |       |
| 8 Host Remote Factor                  | 0.000000   | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000 | 0.000000 |       |
| 9 Subscriber Line Usage Factor        | 0.243266   | 0.000000  | 0.120035  | 0.169008  | 0.180595  | 0.000000  | 0.287094 | 1.000000 |       |
| 10 Exchange Trunk Special Factor      | 1.000000   | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000 | 1.000000 |       |
| 11 Equal Access Factor                | 0.000000   | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000 | 0.000000 |       |
| 12 Coinless Pay MOU Factor            | 0.000000   | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000 | 0.000000 |       |
| 13 IOT Category 2 Factor              |            |           |           |           |           |           |          |          |       |
| 14 Wideband Conversation Minute Miles | 0.502800   | 0.000000  | 0.000000  | 0.497200  | 0.000000  | 0.000000  | 1.000000 | 1.000000 |       |
| 15 Carrier Access Billing Factor      | 0.500000   | 0.000000  | 0.000000  | 0.500000  | 0.000000  | 0.000000  | 0.000000 | 1.000000 |       |
| 16 Service Observing BD Factor        | 0.000000   | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000  | 0.000000 | 0.000000 |       |



ITS TELECOMMUNICATIONS SYSTEMS, INC. EMBEDDED STUDY  
Study No.: 210331-97-2

ASSETTED AMOUNTS

|     | AS SETTLED<br>CARRIER COMMON LINE |            |       |          | AS SETTLED<br>TRAFFIC SENSITIVE SWITCHED ACCESS |              |            |       | AS SETTLED<br>TRAFFIC SENSITIVE SPECIAL ACCESS |                 |              |            |       |          |                 |
|-----|-----------------------------------|------------|-------|----------|---|--------------|------------|-------|--|-----------------|--------------|------------|-------|----------|-----------------|
|     | Exp. & Taxes                      | Net Invest | AFUDC | FIT Adj. | Inv. Tax Credit                                 | Exp. & Taxes | Net Invest | AFUDC | FIT Adj.                                       | Inv. Tax Credit | Exp. & Taxes | Net Invest | AFUDC | FIT Adj. | Inv. Tax Credit |
| Jan | 40,280                            | 1,211,680  | 434   | 4,984    | 326   | 35,100       | 896,116    | 324   | 3,687  | 243             | 3,452        | 91,079     | 34    | 375      | 26              |
| Feb | 40,280                            | 1,211,680  | 434   | 4,984    | 326   | 35,100       | 896,116    | 324   | 3,687  | 243             | 3,452        | 91,079     | 34    | 375      | 26              |
| Mar | 40,280                            | 1,211,680  | 434   | 4,984    | 326   | 35,100       | 896,116    | 324   | 3,687  | 243             | 3,452        | 91,079     | 34    | 375      | 26              |
| Apr | 40,280                            | 1,211,680  | 434   | 4,984    | 326   | 35,100       | 896,116    | 324   | 3,687  | 243             | 3,452        | 91,079     | 34    | 375      | 26              |
| May | 40,280                            | 1,211,680  | 434   | 4,984    | 326   | 35,100       | 896,116    | 324   | 3,687  | 243             | 3,452        | 91,079     | 34    | 375      | 26              |
| Jun | 40,280                            | 1,211,680  | 434   | 4,984    | 326   | 35,100       | 896,116    | 324   | 3,687  | 243             | 3,452        | 91,079     | 34    | 375      | 26              |
| Jul | 40,280                            | 1,211,680  | 434   | 4,984    | 326   | 35,100       | 896,116    | 324   | 3,687  | 243             | 3,452        | 91,079     | 34    | 375      | 26              |
| Aug | 40,280                            | 1,211,680  | 434   | 4,984    | 326   | 35,100       | 896,116    | 324   | 3,687  | 243             | 3,452        | 91,079     | 34    | 375      | 26              |
| Sep | 40,280                            | 1,211,680  | 434   | 4,984    | 326   | 35,100       | 896,116    | 324   | 3,687  | 243             | 3,452        | 91,079     | 34    | 375      | 26              |
| Oct | 40,280                            | 1,211,680  | 434   | 4,984    | 326   | 35,100       | 896,116    | 324   | 3,687  | 243             | 3,452        | 91,079     | 34    | 375      | 26              |
| Nov | 40,280                            | 1,211,680  | 434   | 4,984    | 326   | 35,100       | 896,116    | 324   | 3,687  | 243             | 3,452        | 91,079     | 34    | 375      | 26              |
| Dec | 40,280                            | 1,211,680  | 434   | 4,984    | 326   | 35,100       | 896,116    | 324   | 3,687  | 243             | 3,452        | 91,079     | 34    | 375      | 26              |