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98 AUG -3 PM 3:54

RECORDS AND
REPORTING

August 3, 1998

BY HAND DELIVERY

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

Re: Docket No. 980696-TP

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Northeast's Direct Testimony and Exhibits of Lynne G. Brewer.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

RECEIVED & FILED


FPSC-BUREAU OF RECORDS

Sincerely,


J. Jeffrey Wahlen

- ACK Enclosures
- AF: 2 cc: All parties of record
- AP:
- CAS:
- CMU:
- CTR:
- EAG:
- LEG: 2
- LIN: 5708
- OPC:
- RCH:
- SEC: 1
- WAS:
- OTH:

DOCUMENT NUMBER-DATE

08191 AUG-3 98

FPSC-RECORDS AND REPORTING

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 DIRECT TESTIMONY

3 OF

4 LYNNE G. BREWER

5

6 Q. Please state your name, address and position with Northeast
7 Florida Telephone Company, Inc. ("Northeast" or "The
8 Company").

9

10 A. My name is Lynne G. Brewer. I am employed by Northeast as
11 Director-Revenue Requirements and Regulatory Affairs. My
12 business address is 130 North 4th Street, Macclenny,
13 Florida.

14

15 Q. Please give a brief description of your educational
16 background and experience.

17

18 A. I was graduated from Rollins College with a B.S. degree in
19 Accounting and Business Administration. I have been with
20 Northeast for three years, and have over eighteen years of
21 experience in the telecommunications industry. My most
22 recent assignment, prior to joining Northeast, was as a Cost
23 Analysis Manager with the National Exchange Carrier
24 Association (NECA) in the Atlanta regional office. I spent
25 eleven years with NECA in various management assignments.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

1 Prior to joining NECA, I was a Telecommunications Consultant
2 with a consulting firm owned by TDS, Inc. I began my career
3 in 1978 with United Telephone Company of Florida (now called
4 "Sprint") as an Accounting Clerk. While at United, I moved
5 rapidly through this company to levels of increased
6 responsibility during my employment.
7

8 Q. Please describe Northeast.
9

10 A. Northeast is a small local exchange company that serves
11 approximately 8,400 access lines in Baker County, Florida.
12 Northeast has not elected price regulation and is regulated
13 under the Commission's traditional form of rate base, rate
14 of return regulation. Northeast has two exchanges.
15

16 Q. What is the purpose of your testimony?
17

18 A. The purpose of my testimony is to attest to the cost
19 information used as inputs in Northeast's embedded cost
20 study, describe the cost study and present the results of
21 that study.
22

23 Q. Have you prepared an exhibit to accompany this testimony?
24

25 A. Yes. Exhibit ___ (LGB-1) is a composite exhibit consisting

1 of two documents, both of which were prepared under my
2 direction and supervision for this proceeding. The first
3 document is the embedded cost study described in this
4 testimony. The second is a document showing the detailed
5 assumptions used to perform the cost study.

6
7 Q. Please describe the data used in your embedded cost study.

8
9 A. For the embedded cost study, I used 1997 financial
10 information for the regulated operations of Northeast
11 Florida Telephone Company. Thirteen-month averages for the
12 period from December 31, 1996 through December 31, 1997 are
13 reflected for investments, reserves, and deferred income
14 taxes. For expenses and other taxes, I utilized 1997
15 calendar year data. Depreciation reserve and the associated
16 expense balances are stated in accordance with the last
17 approved depreciation rates prescribed by the Florida Public
18 Service Commission ("Florida PSC") in Docket #950640-TL.
19 The data that supports the embedded cost study is the same
20 as that reflected in the Annual Report (PSC/AFA 18) and the
21 Telephone Earnings Surveillance Report (PSC/AFA 15), which
22 are filed with the Florida PSC, and the underlying data used
23 to calculated the National Exchange Carrier Association
24 (NECA) Part 36 cost study.

25

1 Q. Are the rate base items and expense data utilized in your
2 costs in the embedded study the same that you utilized in
3 determining your company's access costs for interstate
4 services you provide?

5

6 A. No. For this embedded study, an adjustment was made to
7 exclude all paystation-related costs, since these costs were
8 included in the 1997 interstate cost study submitted to
9 NECA. On April 15, 1997, these costs were reclassified as
10 non-regulated consistent with the FCC's Paystation Order in
11 CC Docket 96-128.

12

13 Q. Have you made adjustments to your study for non-regulated or
14 deregulated service you provide to your customers?

15

16 A. Yes. Our company adheres to the FCC mandated rules as
17 codified in the Code of Federal Regulations (CFRs) for Parts
18 32, 36, 64 and 69. Non-regulated activities have been
19 removed from the regulated accounts through the application
20 of FCC Part 64 rules. This is consistent with the
21 procedures Northeast follows in the development of its
22 interstate cost study that is submitted to NECA.

23

24 Q. What depreciation rates did you use in the study?

25

1 A. We used the depreciation rates last approved by the FPSC for
2 Northeast in Docket No. 950640-TL.
3

4 Q. Did you modify your study to comply with the small LEC
5 company methodology in its embedded cost study approach as
6 discussed in the testimony of Mr. Curry?
7

8 A. Yes. Northeast followed the embedded cost study approach
9 adopted by the small LECs in this docket.
10

11 Q. What is Northeast's cost of basic local telecommunications
12 service based on the study you performed?
13

14 A. Based on Northeast's embedded cost study, which is included
15 in Exhibit ___ (LGB-1), the Company's total embedded costs
16 are \$6,332,511 or \$65.87 per access line.
17

18 Q. How did you arrive at your access line counts?
19

20 A. The average number of access lines was computed by taking
21 the average loop count information provided to NECA in the
22 annual Universal Service Fund (USF) data submissions for the
23 1997 and 1998 filings. The LECs are required to report this
24 information to NECA by July 31 of each year. I believe that
25 this approach to determining the company's cost on an access

1 line basis is both reasonable and consistent with industry
2 practice for this type of study.

3

4 Q. Does this complete your testimony at this time?

5

6 A. Yes, it does.

7

8

9

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DOCKET NO. 980696-TP
NORTHEAST
EXHIBIT ____ (LGB-1)

Composite Exhibit

Of

Lynne G. Brewer

2 Documents

DOCKET NO. 980696-TP
NORTHEAST
EXHIBIT 1 (LGB-1)
Document 1 (21 pages)

Northeast's Embedded
Cost Study

for

Cost of Basic Local
Telecommunications Service

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5-1 1471

REVENUE REQUIREMENT SUMMARY

LN	DESCRIPTION	TOTAL OPERATING	ALLOCATION BASIS		INTERSTATE		MESSAGE TOLL		INTRA-STATE		EXCHANGE	MESSAGE
			INT'L	STATE	INT'L	STATE	INT'L	STATE	INT'L	STATE		
1	REVENUE REQUIREMENT SUMMARY											
2	NET INVESTMENT FOR SETTLEMENTS	10714223	0	204623	0	44958	179109	191987	175464	46298	0	8281804
3	RATE OF RETURN	118617%	0.0000%	11.2500%	0.0000%	11.2500%	4.2548%	-10.5000%	-2.2548%	-10.5000%	0.0000%	13.0155%
4	RETURN ON INVESTMENT	1202224	0	44421	0	3058	-14783	-20173	-14479	-4864	0	1208047
5	ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	30850	0	52	0	129	493	514	508	134	0	27865
6	NET RETURN FOR SETTLEMENTS	1172529	0	43229	0	4829	-15278	-20687	-14587	-4998	0	1180882
7	FEDERAL OPERATING INCOME TAX (OPTIONAL)	306907	0	13209	0	1679	12965	15817	11147	3487	0	423988
8	LESS FEDERAL ITC AMORTIZATION	17862	0	518	0	72	274	286	282	75	0	15274
9	NET FEDERAL INCOME TAX (OPTIONAL)	37862	0	1274	0	1607	13239	15803	11429	3542	0	409271
10	STATE AND LOCAL INCOME TAX	62480	0	2087	0	384	3285	3772	1898	417	0	67801
11	LESS STATE ITC AMORTIZATION	62480	0	2087	0	384	3285	3772	1898	417	0	67801
12	NET STATE INCOME TAX	582704	0	56703	0	1857	43703	317408	86796	16378	0	4482048
13	OPERATING EXPENSE AND TAX	3058	0	1771	0	15	432	407	57	13	0	3091
14	OTHER ALLOCABLE EXPENSES	27730	0	11254	0	8444	27018	27211	7235	0	0	12567
15	UNCOLLECTIBLES	789044	0.0000%	86704	0.0000%	23791	413837	272211	272211	272211	272211	8164700
16	BASES FOR GROSS RECEIPTS TAX (GROSS UP)	187918	0	0	0	0	11268	7586	1048	187	0	457912
17	GROSS RECEIPTS TAX RATE											
18	LESS 8-1/2% CREDITS	776282	0	86704	0	23791	42026	28814	36485	7432	0	8332911
19	TOTAL REVENUE REQUIREMENT											

NOTE A: INCLUDES NET TEL PLANT FROM BGN 5-1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100

LN	DESCRIPTION	TOTAL OPERATING	ALLOCATION BASIS		INTERSTATE		MESSAGE TOLL		INTRA-STATE		EXCHANGE	MESSAGE
			INT'L	STATE	INT'L	STATE	INT'L	STATE	INT'L	STATE		
20	OPTIONAL GROSS UP INCOME TAX CALCULATION											
21	RETURN ON INVESTMENT	1172529	0	63489	0	4829	15278	20687	14587	4998	0	1180882
22	LESS FEDERAL ITC AMORTIZATION	17862	0	518	0	72	274	286	282	75	0	15274
23	TOTAL INCOME TAX	306907	0	13209	0	1679	12965	15817	11147	3487	0	423988
24	FEDERAL ITC AMORTIZATION	17862	0	518	0	72	274	286	282	75	0	15274
25	FEDERAL TAXABLE INCOME	1154667	0	34890	0	4658	37337	40822	32796	15197	0	1248174
26	FEDERAL INCOME TAX (34.00%)	392607	0	13209	0	1679	12965	15817	11147	3487	0	423988
27	FEDERAL SURTAX ALLOCATION - OPERATING	392607	0	13209	0	1679	12965	15817	11147	3487	0	423988
28	NET FEDERAL INCOME TAX BEFORE ITC	353346	0	11990	0	1512	11672	14230	10033	3040	0	381590
29	STATE TAXABLE INCOME	1154667	0	34890	0	4658	37337	40822	32796	15197	0	1248174
30	STATE ITC AMORTIZATION	17862	0	518	0	72	274	286	282	75	0	15274
31	STATE TAXABLE INCOME	1136805	0	29702	0	4586	37063	40536	32514	14422	0	1232900
32	STATE SURTAX EXEMPTION (5.00%)	56840	0	1891	0	22	87	83	85	22	0	488
33	NET STATE INCOME TAX BEFORE ITC	60000	0	2087	0	384	3285	3772	1898	417	0	67801

Northeast Florida Telephone Company's Embedded Cost per Access Line = \$6,332,511/8011 = \$790.48 / 12 = \$65.87 per month

SUMMARY OF NET TELEPHONE PLANT, MES AND WORKING CAPITAL

LN	DESCRIPTION	AC	CAT	TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE		SPECIAL ACCESS		EXCHANGE		EAS	EA CHANGE MESSAGE	OTHER
						MESSAGE TOLL	INTRALATA	MESSAGE TOLL	INTRALATA	MESSAGE TOLL	INTRALATA			
NET INVESTMENT SUMMARY														
1	GENERAL SUPPORT FACILITIES	2110		211482	5-3.LN 10	0	89717	0	9126	34928	36429	0	0	168288
2	CENTRAL OFFICE SWITCHING EQUIPMENT	2210		342570	5-4.LN 32	0	232542	0	118583	128264	128264	0	0	261879
3	OPERATOR SYSTEMS EQUIPMENT	2220		174780	5-4.LN 41	0	151981	0	11052	82784	85720	0	0	132826
4	CENTRAL OFFICE TRANSMISSION EQUIPMENT	2230		1778	5-4.LN 79	0	12328	0	36009	88860	87637	0	0	1778
5	INFORMATION ORIENTED EQUIPMENT	2310		1152098	5-5.LN 17	0	0	0	0	0	0	0	0	108243
6	CABLE AND WIRE FACILITIES	2410		0	5-5.LN 42	0	0	0	0	0	0	0	0	0
7	TANGIBLE ASSETS	2600		0	5-3.LN 29	0	0	0	0	0	0	0	0	0
8	INTANGIBLE ASSETS	2660		0	5-3.LN 36	0	0	0	0	0	0	0	0	0
9	TOTAL PLANT IN SERVICE AC 2001			1857097		0	872603	0	79187	302128	318170	0	0	1726462
10	% DISTRIBUTION			100.0000%		0.0000%	3.0264%	0.0000%	0.4188%	1.6063%	1.6784%	0.0000%	0.0000%	81.1725%
11	PROPERTY HELD FOR FUTURE USE	2002		0	5-4.LN 9	0	0	0	0	0	0	0	0	0
12	PLANT UNDER CONSTRUCTION	2003		0	5-4.LN 15	0	0	0	0	0	0	0	0	0
13	RESERVED FOR FUTURE USE	2004		0	5-4.LN 16	0	0	0	0	0	0	0	0	0
14	TELEPHONE PLANT ADJUSTMENT	2005		0	5-4.LN 27	0	0	0	0	0	0	0	0	0
15	NONOPERATING PLANT	2006		0	DIRECT	0	0	0	0	0	0	0	0	0
16	GOODWILL	1307		0	DIRECT	0	0	0	0	0	0	0	0	0
17	TOTAL PROPERTY, PLANT & EQUIPMENT			1857097		0	872603	0	79187	302128	318170	0	0	1726462
18	% DISTRIBUTION			100.0000%		0.0000%	3.0264%	0.0000%	0.4188%	1.6063%	1.6784%	0.0000%	0.0000%	81.1725%
19	ACCUM DEPRECIATION - PLANT IN SERVICE	3102		848083	5-7.LN 18	0	0	0	0	0	0	0	0	848083
20	ACCUM DEPRECIATION - FUTURE USE	3200		0	5-7.LN 19	0	0	0	0	0	0	0	0	0
21	ACCUM AMORTIZATION - TANGIBLE PROP	3400		0	5-7.LN 23	0	0	0	0	0	0	0	0	0
22	ACCUM AMORTIZATION - INTANGIBLE PROP	3500		0	5-7.LN 24	0	0	0	0	0	0	0	0	0
23	ACCUM AMORTIZATION - TEL PLANT ADJUS	3600		0	5-7.LN 25	0	0	0	0	0	0	0	0	0
24	OPERATING DEFERRED INCOME TAX - NET	VAR		0	5-7.LN 34	0	0	0	0	0	0	0	0	0
25	CUSTOMER DEPOSITS	4040		0	5-7.LN 43	0	0	0	0	0	0	0	0	0
26	OTHER L/T LAB - POST NET BENEFITS	4310		0	5-7.LN 43	0	0	0	0	0	0	0	0	0
27	OTHER DEFERRED CREDITS - NET	4360		0	5-7.LN 42	0	0	0	0	0	0	0	0	0
28	NET TELEPHONE PLANT			1008988		0	287916	0	42741	156218	164288	0	0	894197
29	% DISTRIBUTION			100.0000%		0.0000%	3.0235%	0.0000%	0.4327%	1.6111%	1.6739%	0.0000%	0.0000%	81.1523%
30	MATERIALS AND SUPPLIES	1220		94077	5-4.LN 31	0	0	0	0	0	0	0	0	94077
31	INVESTMENT IN NONAFFILIATED CO'S	1402		18712	5-4.LN 36	0	0	0	0	0	0	0	0	18712
32	RECURRING ASSETS - POST NET BENEFIT	1410		0	5-4.LN 36	0	0	0	0	0	0	0	0	0
33	EQUAL ACCESS EQUIPMENT	1420		0	5-4.LN 37	0	0	0	0	0	0	0	0	0
34	OTHER ADDITIONAL ASSETS	1500		0	5-4.LN 38	0	0	0	0	0	0	0	0	0
35	CASH WORKING CAPITAL	330X		210248		0	0	0	0	0	0	0	0	210248
36	NET TEL PLANT, MES AND CASH WORKING CAPITAL			1029982		0	287916	0	42741	156218	164288	0	0	915425
37	% DISTRIBUTION			100.0000%		0.0000%	3.0235%	0.0000%	0.4335%	1.7305%	1.6810%	0.0000%	0.0000%	82.9584%

8-3.1W1

OTHER TELECOMMUNICATIONS PLANT

8-3.1W1

LN	DESCRIPTION	AC	CAT	TOTAL COMPANY	INTERSTATE			INTRA-STATE			EXCHANGE MESSAGE	OTHER			
					MESSAGE TOLL	SPECIAL ACCESS	EXCHANGE TOLL	MESSAGE TOLL	SPECIAL ACCESS	EXCHANGE TOLL					
					INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA			
BASIS FOR GENERAL SUPPORT FACILITIES															
1	- CLASS A SEPARATIONS			224192	0	31423	0	6090	15304	16577	23423	5474	0	161565	0
2	- BIG THREE EXPENSES			100 0000%	0.0000%	13.866%	0.0000%	0.266%	7.281%	7.318%	1.033%	0.241%	0.0000%	70.025%	0.0000%
3	- % DISTRIBUTION														
4	- CLASS B SEPARATIONS			1889685	0	505791	0	70281	208190	279731	276033	73028	0	1822248	0
5	- COE, JCT AND CAMP			100 0000%	0.0000%	3.056%	0.0000%	0.416%	1.803%	1.875%	1.853%	0.457%	0.0000%	81.172%	0.0000%
6	- % DISTRIBUTION														
LAND AND SUPPORT ASSETS															
7	CLASS A COMPANIES			0	0	0	0	0	0	0	0	0	0	0	0
8	CLASS B COMPANIES			0	0	0	0	0	0	0	0	0	0	0	0
9	CLASS C COMPANIES			0	0	0	0	0	0	0	0	0	0	0	0
10	DIRECT ASSIGNED NON ACCESS			0	0	0	0	0	0	0	0	0	0	0	0
11	TOTAL LAND AND SUPPORT ASSETS			217482	0	68017	0	8128	34828	38428	38660	8810	0	180283	0
	% DISTRIBUTION			100 0000%	0.0000%	3.056%	0.0000%	0.416%	1.803%	1.875%	1.853%	0.457%	0.0000%	81.172%	0.0000%
GEN SUPPORT ASSETS, COE, INFORMATION															
12	ORIGTERM AND CAMP			1887087	0	57268	0	79187	203128	318170	313015	82918	0	1720842	0
13	% DISTRIBUTION			100 0000%	0.0000%	3.056%	0.0000%	0.416%	1.803%	1.875%	1.853%	0.457%	0.0000%	81.172%	0.0000%
TANGIBLE ASSETS															
15	GENERAL SUPPORT			0	0	0	0	0	0	0	0	0	0	0	0
16	CENTRAL OFFICE EQUIP			0	0	0	0	0	0	0	0	0	0	0	0
17	INFORMATION CREDIT			0	0	0	0	0	0	0	0	0	0	0	0
18	CABLE AND WIRE FACILITIES			0	0	0	0	0	0	0	0	0	0	0	0
19	UNDISTRIBUTED			0	0	0	0	0	0	0	0	0	0	0	0
20	SUBTOTAL CAPITAL LEASES			0	0	0	0	0	0	0	0	0	0	0	0
21	LEASEHOLD IMPROVEMENTS			0	0	0	0	0	0	0	0	0	0	0	0
22	CENTRAL OFFICE EQUIP			0	0	0	0	0	0	0	0	0	0	0	0
23	INFORMATION CREDIT			0	0	0	0	0	0	0	0	0	0	0	0
24	CABLE AND WIRE FACILITIES			0	0	0	0	0	0	0	0	0	0	0	0
25	UNDISTRIBUTED			0	0	0	0	0	0	0	0	0	0	0	0
26	SUBTOTAL LEASEHOLD IMPROVEMENTS			0	0	0	0	0	0	0	0	0	0	0	0
27	TOTAL TANGIBLE ASSETS			0	0	0	0	0	0	0	0	0	0	0	0
28	% DISTRIBUTION			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
GEN SUPPORT ASSETS, COE, INFORMATION															
31	ORIGTERM AND CAMP			1887087	0	57268	0	79187	203128	318170	313015	82918	0	1720842	0
32	% DISTRIBUTION			100 0000%	0.0000%	3.056%	0.0000%	0.416%	1.803%	1.875%	1.853%	0.457%	0.0000%	81.172%	0.0000%
INTANGIBLE ASSETS															
34	ALLOCATED			0	0	0	0	0	0	0	0	0	0	0	0
35	DIRECT ASSIGNMENT			0	0	0	0	0	0	0	0	0	0	0	0
36	TOTAL INTANGIBLES			0	0	0	0	0	0	0	0	0	0	0	0
37	% DISTRIBUTION			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

STUDY1

PROPRIETARY INFORMATION

COPYRIGHT (C) 1987, TELEPHONYSYSTEMS, INC. 1.115

5-4 162

CENTRAL OFFICE EQUIPMENT SEPARATIONS

5-4 162

LF	DESCRIPTION	AC	CAT	TOTAL COMPANY	ALLOCATION BASIS		INTERSTATE		MESSAGE TOLL		SPECIAL ACCESS		EXCHANGE MESSAGE	OTHER
					INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA		
SEPARATION FACTORS														
1	STANDARD WORK SECONDS			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
2	COMBINED TOLL AND LOCAL BOARDS			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
3	SEPARATE TOLL AND LOCAL BOARDS			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
4	DVA BOARDS			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
5	DSB BOARDS			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
6	DIRECTORY ASSISTANCE BOARDS			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
7	TSPS COMPLEX			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
8	SERVICE OBSERVING TOLL MOUNTS			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
9	PROCESSOR REAL TIME - RTA			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
10	PROCESSOR REAL TIME - TSPS COMPLEX			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
11	REL MOUNTS - TANDEM SWITCHING			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
12	REL MOUNTS - TANDEM SWITCH TRANSPORT			100.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
13	DIAL EQUIPMENT MOUNTS (SEMI)			100.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
14	REL MOUNTS - EXCHANGE TRUNK			100.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
15	HOT/RESERVE MOUNTS			100.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
16	EQUIPMENT FURNISHED OTHERS FACTOR			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
COE BOOK COST														
OPERATOR SYSTEMS EQUIPMENT														
17	MANUAL SWITCHBOARDS	2220	1.1	0		LN 2	0	0	0	0	0	0	0	0
18	COMBINED TOLL AND LOCAL			0		LN 3	0	0	0	0	0	0	0	0
19	SEPARATE TOLL BOARD			0		LN 4	0	0	0	0	0	0	0	0
20	SEPARATE DSA BOARDS			0		LN 5	0	0	0	0	0	0	0	0
21	SEPARATE DSB BOARDS			0		DIRECT	0	0	0	0	0	0	0	0
22	DIRECT ASSIGNMENT			0			0	0	0	0	0	0	0	0
23	SUBTOTAL MANUAL BOARDS			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
24	% DISTRIBUTION													
25	AUXILIARY SWITCHBOARDS	2220	1.2	0		LN 6-CORRECT	0	0	0	0	0	0	0	0
26	INTERCEPT			0		SLU	0	0	0	0	0	0	0	0
27	TOLL RATE AND ROUTE			0		LN 3-CORRECT	0	0	0	0	0	0	0	0
28	SUBTOTAL AUXILIARY BOARDS			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
29	% DISTRIBUTION													
30	SERVICE OBSERVING	2220	1.3	0		LN 8	0	0	0	0	0	0	0	0
31	TOLL			0		DIRECT	0	0	0	0	0	0	0	0
32	EXCHANGE			0		DIRECT	0	0	0	0	0	0	0	0
33	DIRECT ASSIGNMENT			0			0	0	0	0	0	0	0	0
34	SUBTOTAL SERVICE OBSERVING			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
35	% DISTRIBUTION													
36	TRUNK SERVICE POSITIONS	2220	1.4	0		LN 7-CORRECT	0	0	0	0	0	0	0	0
37	OPERATOR			0		LN 8-CORRECT	0	0	0	0	0	0	0	0
38	REMOTE TRUNK ARRANGEMENT			0		LN 9-CORRECT	0	0	0	0	0	0	0	0
39	OTHER			0		LN 10-CORRECT	0	0	0	0	0	0	0	0
40	SUBTOTAL TRUNK ARRANGEMENT			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
41	% DISTRIBUTION													
42	TOTAL OPERATOR SYSTEMS EQUIPMENT			0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
43	% DISTRIBUTION													

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5-1-107

INFORMATION ORIGINATOR AND CAUSE SEPARATIONS

5-1-107

LN	DESCRIPTION	AC	CAT	TOTAL COMPANY	INTERSTATE		MESSAGE TOLL		INTRA-STATE		EXCHANGE	EXCHANGE	OTHER
					BASES	ALLOCATION	INTRALATA	INTERLATA	INTRALATA	INTERLATA			
1	SUBSCRIBER PLANT FACTOR (SPF)			100 0000%									
2	RELATIVE MOVTS - COMLESS PAY TEL			0 0000%								100 0000%	
3	EQUIVALENT MOVTS - CWF			100 0000%								0 0000%	0 0000%
4	EQUIVALENT CHANNELS - EXCH WIDEBAND			0 0000%								0 0000%	0 0000%
5	EQUIVALENT CHANNELS - IN WIDEBAND			0 0000%								0 0000%	0 0000%
6	EX CIRCUIT MALES - CWF			100 0000%								0 0000%	0 0000%
7	REL MOVTS - EXCHANGE TRUNK			0 0000%								0 0000%	0 0000%
8	HOST REMOTE MOU MALES			100 0000%								0 0000%	0 0000%
9	EQUIPMENT FURNISHED OTHERS FACTOR			0 0000%								0 0000%	0 0000%
INFORMATION ORIGINATOR/TERMINATION													
10	OTHER NOT EQUIPMENT	2310											
11	COMM PUBLIC TELEPHONE	1.1		0									
12	COMMLESS PUBLIC TELEPHONE	1.2		0									
13	OTHER	1.3		1778									
14	SUBTOTAL			100 0000%									
15	% DISTRIBUTION												
16	NEW CUSTOMER PREMISE EQUIPMENT	2.0		0									
17	TOTAL INFO ORIGINATOR EQUIP			1778									
18	% DISTRIBUTION												
CABLE AND WIRE FACILITIES													
19	SUBSCRIBER LINE - JOINT	2410		10729641									
20	SUBSCRIBER LINE - DIRECT			0									
21	SUBTOTAL SUBSCRIBER LINE	1.0		10729641									
22	EXCHANGE WIDEBAND - JOINT			0									
23	EXCHANGE WIDEBAND - DIRECT			0									
24	SUBTOTAL EXCHANGE WIDEBAND	2.1		0									
25	EXCHANGE TRUNK - JOINT			0									
26	EXCHANGE TRUNK - DIRECT			0									
27	SUBTOTAL EXCH TRUNK	2.2		0									
28	INTEREXCHANGE WIDEBAND - JOINT			0									
29	INTEREXCHANGE WIDEBAND - DIRECT			0									
30	SUBTOTAL INTEREXCHANGE WIDEBAND	3.1		0									
31	EX TRUNK - ACCESS - JOINT			111515									
32	EX TRUNK - ACCESS - DIRECT			0									
33	SUBTOTAL EX TRUNK - ACCESS	3.2		111515									
34	EX TRUNK - NON ACCESS - DIRECT	3.3		890209									
35	HOST REMOTE - JOINT			0									
36	HOST REMOTE - DIRECT			0									
37	SUBTOTAL HOST REMOTE EXCL WATS	4.1		0									
38	HOST REMOTE - CLOSED END WATS	4.2		0									
39	EQUIPMENT FURNISHED OTHERS - JOINT			0									
40	EQUIPMENT FURNISHED OTHERS - DIRECT			0									
41	SUBTOTAL EQUIPMENT FURNISHED OTHERS	5.0		0									
42	TOTAL CABLE AND WIRE FACILITIES			11632968									
43	% DISTRIBUTION			100 0000%									

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OTHER TELEPHONE PLANT A-C DEFERRED CHARGES

5-A, 147

LN	DESCRIPTION	AC	CAT	TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE			INTRA-STATE			EXCHANGE MESSAGE	OTHER	
						MESSAGE TOLL	SPECIAL ACCESS	EXCHANGE TOLL	MESSAGE TOLL	SPECIAL ACCESS	EXCHANGE TOLL			
						INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	
1	TELEPHONE PLANT IN SERVICE	2001		100.0000%	S-3.LIN 10	0.0000%	3.0594%	0.0000%	0.4188%	1.6882%	1.8734%	0.0000%	0.0000%	0.0000%
2	CABLE AND WARE FACILITIES	2410		100.0000%	S-4.LIN 43	0.0000%	1.0633%	0.0000%	0.5122%	0.5603%	0.5871%	0.0000%	0.0000%	0.0000%
3	EQUAL ACCESS MOV'G			100.0000%	INPUT	0.0000%	64.4941%	0.0000%	0.0000%	0.0000%	35.5059%	0.0000%	0.0000%	0.0000%
OTHER TELECOMMUNICATIONS PLANT														
4	PROPERTY HELD FOR FUTURE USE	2002		0	S-3.LIN 11	0	0	0	0	0	0	0	0	0
5	GENERAL SUPPORT FACILITIES			0	S-4.LIN 81	0	0	0	0	0	0	0	0	0
6	CENTRAL OFFICE EQUIPMENT			0	S-4.LIN 81	0	0	0	0	0	0	0	0	0
7	CABLE AND WARE FACILITIES			0	S-4.LIN 43	0	0	0	0	0	0	0	0	0
8	UNDISTRIBUTED			0	LN 1-DIRECT	0	0	0	0	0	0	0	0	0
9	PROPERTY HELD FOR FUTURE USE	2003		0	S-3.LIN 11	0	0	0	0	0	0	0	0	0
10	PLANT UNDER CONSTRUCTION			0	S-3.LIN 11	0	0	0	0	0	0	0	0	0
11	GENERAL SUPPORT FACILITIES			0	S-4.LIN 81	0	0	0	0	0	0	0	0	0
12	CENTRAL OFFICE EQUIPMENT			0	S-4.LIN 81	0	0	0	0	0	0	0	0	0
13	CABLE AND WARE FACILITIES			0	S-4.LIN 43	0	0	1923	7360	7578	2004	0	417798	0
14	UNDISTRIBUTED			480007	LN 1-DIRECT	0	13008	1923	7360	7578	2004	0	417798	0
15	TOTAL TRAC			480007		0	13008	1923	7360	7578	2004	0	417798	0
16	RESERVED FOR FUTURE USE	2004		0	S-3.LIN 11	0	0	0	0	0	0	0	0	0
17	GENERAL SUPPORT FACILITIES			0	S-4.LIN 81	0	0	0	0	0	0	0	0	0
18	CENTRAL OFFICE EQUIPMENT			0	S-4.LIN 81	0	0	0	0	0	0	0	0	0
19	CABLE AND WARE FACILITIES			0	S-4.LIN 43	0	0	0	0	0	0	0	0	0
20	UNDISTRIBUTED			0	LN 1-DIRECT	0	0	0	0	0	0	0	0	0
21	TOTAL			0		0	0	0	0	0	0	0	0	0
22	TELECOMMUNICATIONS PLANT ADJUSTMENT	2005		0	S-3.LIN 11	0	0	0	0	0	0	0	0	0
23	GENERAL SUPPORT FACILITIES			0	S-4.LIN 81	0	0	0	0	0	0	0	0	0
24	CENTRAL OFFICE EQUIPMENT			0	S-4.LIN 81	0	0	0	0	0	0	0	0	0
25	CABLE AND WARE FACILITIES			0	S-4.LIN 43	0	0	0	0	0	0	0	0	0
26	UNDISTRIBUTED			0	LN 1-DIRECT	0	0	0	0	0	0	0	0	0
27	TOTAL			0		0	0	0	0	0	0	0	0	0
28	TOTAL TELEPHONE PLANT			480007		0	13008	1923	7360	7578	2004	0	417798	0
MATERIALS AND SUPPLIES														
29	CPE	1230		0	DIRECT	0	1021	0	482	848	512	0	80004	0
30	OTHER			84827	LN 2-DIRECT	0	0	482	548	512	480	0	80004	0
31	TOTAL			84827		0	1021	482	1096	1024	992	0	160008	0
32	% DISTRIBUTION			100.0000%		0.0000%	1.9600%	0.0000%	0.0122%	0.0802%	0.0871%	0.0000%	0.0000%	0.0000%
INVESTMENT IN NONAFFILIATED COMPANIE														
33	RTS STOCK	1402		189113	LN 1	0	5740	0	794	3038	3127	0	172418	0
34	OTHER			189113	DIRECT	0	0	794	3038	3127	0	0	172418	0
35	TOTAL			378226		0	5740	794	6076	6254	0	0	344836	0
36	% DISTRIBUTION			100.0000%		0.0000%	0.0152%	0.0210%	0.0161%	0.0163%	0.0000%	0.0000%	0.0097%	0.0000%
NONCURRENT ASSETS - POST NET BENEFIT														
37	EQUAL ACCESS EQUIPMENT - NET	1410		0	S-3.LIN 3	0	0	0	0	0	0	0	0	0
38	OTHER JURISDICTIONAL ASSETS	1080		0	LN 3-DIRECT	0	0	0	0	0	0	0	0	0
39	TOTAL			0	DIRECT	0	0	0	0	0	0	0	0	0

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PROPRIETARY INFORMATION

CC: TRICENT (C) 1987, TELEPHONYSYSTEMS, INC. 1.1.1.

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8-7 140

ACCUMULATED DEPRECIATION/AMORTIZATION SEPARATIONS

LN	DESCRIPTION	AC	CAT	TOTAL COMPANY	ALLOCATION BASES		INTERSTATE		SPECIAL ACCESS		INTRA/STATE		EXCHANGE		EAS	EXCHANGE MESSAGE	OTHER
					5-LLN 11	5-LLN 27	MESSAGE TOLL	INTRALATA	INTERLATA	INTRALATA	INTERLATA	EXCHANGE	PTV LINE				
1	GENERAL SUPPORT FACILITIES	2110		100 0000%	0	0	0	0	0	0	0	0	0	0	0	0	0
2	CENTRAL OFFICE EQUIPMENT	2230		100 0000%	0	0	0	0	0	0	0	0	0	0	0	0	0
3	INFORMATION ORIGINATOR EQUIPMENT	2310		100 0000%	0	0	0	0	0	0	0	0	0	0	0	0	0
4	CABLE & WIRE FACILITIES	2410		100 0000%	0	0	0	0	0	0	0	0	0	0	0	0	0
5	GEN SUPPORT COE. IOT AND CAMP			100 0000%	0	0	0	0	0	0	0	0	0	0	0	0	0
6	CAPITAL LEASES	2681		0 0000%	0	0	0	0	0	0	0	0	0	0	0	0	0
7	LEASEHOLD IMPROVEMENTS	2682		0 0000%	0	0	0	0	0	0	0	0	0	0	0	0	0
8	TANGIBLE ASSETS	2686		0 0000%	0	0	0	0	0	0	0	0	0	0	0	0	0
9	PLANT HELD FOR FUTURE USE	2002		0 0000%	0	0	0	0	0	0	0	0	0	0	0	0	0
10	TELECOMMUNICATIONS PLANT ADJUSTMEN	2005		0 0000%	0	0	0	0	0	0	0	0	0	0	0	0	0
ACOM DEPRECIATION - PLANT IN SERVICE																	
11	GENERAL SUPPORT	3100		79774	0	0	0	0	0	0	0	0	0	0	0	0	0
12	CENTRAL OFFICE SWITCHING EQUIPMENT			1379183	0	0	0	0	0	0	0	0	0	0	0	0	0
13	OPERATOR SERVICES EQUIPMENT			0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	CENTRAL OFFICE TRANSMISSION			714489	0	0	0	0	0	0	0	0	0	0	0	0	0
15	UNCONTRIBUTED COE			0	0	0	0	0	0	0	0	0	0	0	0	0	0
16	INFORMATION ORIGINATOR			615	0	0	0	0	0	0	0	0	0	0	0	0	0
17	CABLE AND WIRE FACILITIES			5887322	0	0	0	0	0	0	0	0	0	0	0	0	0
18	TOTAL ACCUM DEP - PLANT IN SERVICE			8488083	0	0	0	0	0	0	0	0	0	0	0	0	0
ACOM DEPRECIATION - FUTURE USE																	
19	GENERAL SUPPORT	3050		0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACCUMULATED AMORTIZATION																	
20	TANGIBLE ASSETS	3450		0	0	0	0	0	0	0	0	0	0	0	0	0	0
21	CAPITAL LEASES			0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	LEASEHOLD IMPROVEMENTS			0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	UNCONTRIBUTED			0	0	0	0	0	0	0	0	0	0	0	0	0	0
24	TOTAL ACCUM AMORT - TANGIBLE ASSETS	3650		0	0	0	0	0	0	0	0	0	0	0	0	0	0
25	RETAGGABLE ASSETS	3650		0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	TELECOMMUNICATIONS PLANT ADJUSTME	3650		0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL ACCUM AMORTIZATION																	
NET OPERATING DEFERRED INC TAX																	
27	GENERAL SUPPORT	4100A		86218	0	0	0	0	0	0	0	0	0	0	0	0	0
28	CENTRAL OFFICE SWITCHING EQUIPMENT	4340		820148	0	0	0	0	0	0	0	0	0	0	0	0	0
29	OPERATOR SERVICES EQUIPMENT			0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	CENTRAL OFFICE TRANSMISSION			-13771	0	0	0	0	0	0	0	0	0	0	0	0	0
31	INFORMATION ORIGINATOR			158	0	0	0	0	0	0	0	0	0	0	0	0	0
32	CABLE AND WIRE FACILITIES			183348	0	0	0	0	0	0	0	0	0	0	0	0	0
33	UNCONTRIBUTED			0	0	0	0	0	0	0	0	0	0	0	0	0	0
34	TOTAL NET DEFERRED INCOME TAX			888940	0	0	0	0	0	0	0	0	0	0	0	0	0

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ACCUMULATED DEPRECIATION/MORTGIZATION SEPARATIONS

9-7-240

LN	DESCRIPTION	A/C	CAT	TOTAL COMPART	ALLOCATION BASIS	INTERSTATE		MESSAGE TOLL		INTRALATA		SPECIAL ACCESS		EXCHANGE MESSAGE	EXCHANGE MESSAGE	OTHER
						MESSAGE TOLL	INTRALATA	MESSAGE TOLL	INTRALATA	INTRALATA	INTRALATA	INTRALATA	INTRALATA			
	OTHER DEFERRED CREDITS - NET	4060														
35	GENERAL SUPPORT				LN 1-CORRECT	0	0	0	0	0	0	0	0	0	0	0
36	CENTRAL OFFICE SWITCHING EQUIPMENT				LN 2-CORRECT	0	0	0	0	0	0	0	0	0	0	0
37	OPERATOR SERVICES EQUIPMENT				LN 3-CORRECT	0	0	0	0	0	0	0	0	0	0	0
38	CENTRAL OFFICE TRU/ADMISSION				LN 4-CORRECT	0	0	0	0	0	0	0	0	0	0	0
39	INFORMATION ORG/TERM				LN 5-CORRECT	0	0	0	0	0	0	0	0	0	0	0
40	CABLE AND WIRE FACILITIES				LN 6-CORRECT	0	0	0	0	0	0	0	0	0	0	0
41	UNALLOCATED					0	0	0	0	0	0	0	0	0	0	0
42	TOTAL OTHER DEFERRED CREDITS					0	0	0	0	0	0	0	0	0	0	0
43	OTHER LT LMB - POST NET BENEFIT	4310			LN 3-LR 3	0	0	0	0	0	0	0	0	0	0	0

SUMMARY OF OPERATING EXPENSE AND TAX

LN	DESCRIPTION	AC	CAT	TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE			INTRA-STATE			EXCHANGE MESSAGE	OTHER		
						MESSAGE TOLL	SPECIAL ACCESS	EXCHANGE	MESSAGE TOLL	SPECIAL ACCESS	EXCHANGE				
						INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA
1	OPERATING EXPENSE AND TAX SUMMARY														
2	NETWORK SUPPORT EXPENSE	6110		14887	5-ALLN 7	0	455	0	63	241	241	0	0	0	13894
3	GENERAL SUPPORT EXPENSE	6120		229322	5-ALLN 8	0	6861	0	862	3644	3762	0	0	0	208079
4	CENTRAL OFFICE EXPENSE	6210		314613	5-ALLN 15	0	23370	0	672	12344	4041	0	0	0	260326
5	INFORMATION SYSTEMS EXPENSE	6310		0	5-ALLN 21	0	0	0	0	0	0	0	0	0	0
6	CABLE AND WIRE FACILITIES EXPENSE	6410		471481	5-ALLN 25	0	5014	0	2415	2736	6578	0	0	0	447343
7	OTHER PLANT EXPENSE	6510		0	5-ALLN 11	0	0	0	0	0	0	0	0	0	0
8	NETWORK OPERATIONS EXPENSE	6530		423748	5-10LLN 13	0	12816	0	1772	6762	6881	0	0	0	384847
9	ACCESS CHARGE EXPENSE	6640		47162	5-10LLN 14	0	0	0	0	125573	0	0	0	0	0
10	MARKETING EXPENSE	6650		11428	5-10LLN 15	0	11428	0	277	4835	646	0	0	0	26015
11	EXECUTIVE AND PLANNING EXPENSE	6620		281427	5-11LLN 44	0	845	0	1735	137607	2967	0	0	0	486326
12	GENERAL AND ADMINISTRATIVE EXPENSE	6710		102888	5-11LLN 44	0	84230	0	1735	45762	6660	0	0	0	423300
13	SUBTOTAL OPERATING EXPENSES	6730		783180	5-12LLN 8+9	0	108273	0	2103	30696	8085	0	0	0	548455
14	% DISTRIBUTION			4826473	5-12LLN 11+12	0.0000%	0.0000%	0.0000%	0.2683%	3.7679%	4.2717%	0.0000%	0.0000%	0.0000%	0.0000%
15	DEPRECIATION AND AMORTIZATION	6860		1036408	5-15LLN 24+31	0	70729	0	3022	36038	25836	0	0	0	1468734
16	OTHER OPERATING TAX	7140		235333	5-12LLN 23	0	7143	0	188	3780	3691	0	0	0	214659
17	EQUAL ACCESS EXPENSE	7290		8948	5-12LLN 15	0	298	0	38	143	154	0	0	0	659
18	INTEREST ON CUSTOMER DEPOSITS	5240		4138	5-12LLN 17	0	185	0	0	0	111	0	0	0	4594
19	RENT REVENUE			887933	5-10LLN 21	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
20	TOTAL OPERATING EXPENSE AND TAX			100.0000%		0.0000%	10.0000%	0.0000%	0.2683%	7.2683%	8.5407%	0.0000%	0.0000%	0.0000%	75.5324%
21	% DISTRIBUTION			7370											
22	NON OPERATING EXPENSE														
23	ABANDONED CONSTRUCTION														
24	CONTRIBUTIONS														
25	OTHER NON OPERATING EXPENSE														
26	TOTAL NON OPERATING EXPENSE														
27	UNCOLLECTIBLES														
28	END USER MSG TOLLS	5310		36371	DIRECT	0	6444	0	0	0	0	0	0	0	16667
29	END USER COMMON LINE	5320		1358	DIRECT	0	0	0	0	0	0	0	0	0	0
30	IX CARRIER	5330		0	DIRECT	0	0	0	0	0	0	0	0	0	0
31	TOTAL UNCOLLECTIBLES			37730		0	11204	0	0	6444	615	0	0	0	16667
32	ALLOWANCE FOR FUNDS USED DURING CO	7340		30896	5-12LLN 3	0	932	0	129	653	514	0	0	0	27685

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5-5 1/81

PLANT SPECIFIC OPERATIONS EXPENSE DEFERRALS

5-5 1/81

LN	DESCRIPTION	A.C.	CAT	TOTAL COMPANY	ALLOCATION BASIS	MESSAGE TOLL		SPECIAL ACCESS		INTERSTATE		MESSAGE TOLL		SPECIAL ACCESS		EXCHANGE PVT LINE	EAS	EXCHANGE MESSAGE	OTHER
						INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA				
1	GENERAL SUPPORT EXPENSE	2110		100.0000%															
2	ALLOCATION FACTORS																		
3	CENTRAL OFFICE EQUIPMENT	VIA		100.0000%	S-3, LN 11	0.0000%	3.0354%	0.0000%	0.4136%	1.6023%	1.6754%	1.6534%	0.4377%	0.0000%	0.0000%	0.0000%	0.0000%	\$1,172.14	0.0000%
4	CON PUBLIC TELEPHONE EQUIP	2210		100.0000%	S-4, LN 81	0.0000%	7.4281%	0.0000%	0.2137%	3.8919%	4.0899%	1.2644%	0.2778%	0.0000%	0.0000%	0.0000%	0.0000%	\$2,807.14	0.0000%
5	CON JESS PUBLIC TELEPHONE EQUIP	2310		0.0000%	S-5, LN 11	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
6	OTY J & T EQUIPMENT	2410		100.0000%	S-4, LN 12	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
7	CABLE AND WIRE FACILITIES	2410		100.0000%	S-5, LN 43	0.0000%	1.9633%	0.0000%	0.5127%	0.3823%	0.5671%	1.8194%	0.3107%	0.0000%	0.0000%	0.0000%	0.0000%	\$4,505.71	0.0000%
8	GENERAL SUPPORT EXPENSE	6110		14887	LN 1-CORRECT	0	465	0	63	241	251	2-1	86	0	0	0	0	13664	0
9	NETWORK SUPPORT	6120		22622	LN 1-CORRECT	0	661	0	62	304	362	3762	1023	0	0	0	0	20679	0
10	% DISTRIBUTION			34209		0	7416	0	1025	3024	4093	4039	1089	0	0	0	0	22743	0
11	CENTRAL OFFICE EQUIPMENT	6210		274111	LN 2-CORRECT	0	20261	0	568	10669	11238	3521	791	0	0	0	0	22987	0
12	OPERATOR SYSTEMS EXPENSE	6220		4202	LN 2-CORRECT	0	3009	0	87	1576	1661	520	111	0	0	0	0	3359	0
13	CENTRAL OFFICE TRANSMISSION EXPENSE	6230		314613	LN 2-CORRECT	0	23370	0	872	12244	12969	4041	861	0	0	0	0	26028	0
14	UNDISTRIBUTED					0.0000%	7.4281%	0.0000%	0.2137%	3.8919%	4.0899%	1.2644%	0.2778%	0.0000%	0.0000%	0.0000%	0.0000%	\$2,807.14	0.0000%
15	TOTAL CENTRAL OFFICE EXPENSE																		
16	% DISTRIBUTION																		
17	INFORMATION CIRCUITRY EXPENSE	6310		0	LN 3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	ROT EXPENSES - COM PAY TEL			0	LN 4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	ROT EXPENSES - COM LESS PAY TEL			0	LN 4-CORRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20	ROT EXPENSES - COM			0	CORRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21	TOTAL INFORMATION CIRCUITRY EXP			0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
22	% DISTRIBUTION																		
23	CABLE AND WIRE FACILITIES EXPENSE	6410		471461	LN 6	0	5074	0	2415	2726	2768	8578	2428	0	0	0	0	44743	0
24	CHF EXP - UNDISTRIBUTED			0	AL-1, LN 8-COR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25	CHF EXP - SET LEASE			0	CORRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	TOTAL CHF EXPENSE			471461		0.0000%	1.0633%	0.0000%	0.5127%	0.3823%	0.5671%	1.8194%	0.3107%	0.0000%	0.0000%	0.0000%	0.0000%	\$4,505.71	0.0000%
27	TOTAL PLANT SPECIFIC EXPENSE			103283		0	36820	0	4112	18620	19700	10058	4238	0	0	0	0	82081	0
28	% DISTRIBUTION			100.0000%		0.0000%	3.4744%	0.0000%	0.3991%	1.8347%	1.9177%	1.6167%	0.4210%	0.0000%	0.0000%	0.0000%	0.0000%	\$2,326.43	0.0000%
29	PLANT SPECIFIC EXP EXCLUDING GENERAL SUPPORT			798274		0.0000%	26384	0	3067	14680	15067	12819	3299	0	0	0	0	79828	0
30	% DISTRIBUTION			100.0000%		0.0000%	3.8109%	0.0000%	0.3927%	1.9057%	1.9920%	1.8653%	0.4159%	0.0000%	0.0000%	0.0000%	0.0000%	\$2,326.43	0.0000%

STUDY1

"PROPRIETARY INFORMATION"

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PLANT NONSPECIFIC OPERATIONS EXPENSE SEPARATIONS

LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE		INTRA-STATE		MESSAGE TOLL		SPECIAL ACCESS		EXCHANGE		OTHER	
						INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA		INTRALATA
1	TELEPHONE PLANT IN SERVICE	2001		100.0000%	S-2, LN 10	0.0000%	3.0254%	0.0000%	0.4186%	1.6003%	1.8754%	1.6534%	0.4377%	0.0000%	0.0000%	\$1,1725%	0.0000%
2	CAPITAL LEASES	2681		0.0000%	S-7, LN 6	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
3	LEASEHOLD IMPROVEMENTS	2682		0.0000%	S-7, LN 7	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
4	TANGIBLE PROPERTY	2680		0.0000%	S-3, LN 30	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
5	INTANGIBLE PROPERTY	2686		0.0000%	S-3, LN 37	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
6	TELEPHONE PLANT ADJUSTMENT	2005		0.0000%	S-7, LN 10	0.0000%	3.0254%	0.0000%	0.4186%	1.6003%	1.8754%	1.6534%	0.4377%	0.0000%	0.0000%	\$1,1725%	0.0000%
7	COE, LOT AND CAMP			0.0000%	S-3, LN 7	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
OTHER PROPERTY PLANT & EQUIPMENT EXPENSE																	
8	UNDISTRIBUTED	6610		0	LN 1-CORRECT	0	0	0	0	0	0	0	0	0	0	0	0
9	PROPERTY HELD FOR FUTURE USE	6611		0	LN 1-CORRECT	0	0	0	0	0	0	0	0	0	0	0	0
10	MATERIALS & SUPPLIES PROVISIONING	6612		0	LN 1-CORRECT	0	0	0	0	0	0	0	0	0	0	0	0
11	TOTAL OTHER PROP PLANT & EQUIP EXPENSE			0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
12	% DISTRIBUTION																
13	NETWORK OPERATIONS EXPENSE	6630		422718	LN 1-CORRECT	0	12818	0	1772	8782	7074	8881	1646	0	0	364947	0
14	ACCESS CHARGE EXPENSE	6640		125573	DIRECT	0	0	0	0	125573	0	0	0	0	0	0	0
15	GENERAL SUPPORT	6660		136273	S-3, LN 11	0	4228	0	364	2217	2333	2303	609	0	0	128579	0
16	CENTRAL OFFICE SWITCHING EQUIPMENT			606683	S-4, LN 30	0	4570	0	0	23077	24688	0	0	0	0	573311	0
17	OPERATOR SYSTEMS EQUIP ENT			162876	S-4, LN 42	0	0	0	0	0	0	0	0	0	0	0	0
18	CENTRAL OFFICE TRANSMISS ON			0	S-4, LN 79	0	14134	0	1030	7713	7822	8191	1320	0	0	124686	0
19	UNDISTRIBUTED COE			238	S-4, LN 81	0	0	0	0	0	0	0	0	0	0	0	0
20	INFORMATION ORGTEMS			87238	S-4, LN 19	0	7057	0	3418	3673	3918	4241	2459	0	0	238	0
21	CABLE AND WIRE FACILITIES			163468	S-5, LN 43	0	70728	0	5032	38508	38038	20038	5237	0	0	820480	0
22	TOTAL DEP - PLANT IN SERVICE			163468	LN 1-CORRECT	0	70728	0	5032	38508	38038	20038	5237	0	0	1468734	0
23	PROPERTY HELD FOR FUTURE USE			0		0	0	0	0	0	0	0	0	0	0	0	0
24	TOTAL DEPRECIATION EXPENSE			163468		0.0000%	4.3222%	0.0000%	0.3079%	2.2949%	2.3667%	1.2810%	0.3202%	0.0000%	0.0000%	1468734	0.0000%
25	% DISTRIBUTION																
AMORTIZATION EXPENSE																	
26	CAPITAL LEASE	6663		0	LN 3-CORRECT	0	0	0	0	0	0	0	0	0	0	0	0
27	LEASEHOLD IMPROVEMENTS	6662		0	LN 3-CORRECT	0	0	0	0	0	0	0	0	0	0	0	0
28	UNDISTRIBUTED	6662		0	LN 4-CORRECT	0	0	0	0	0	0	0	0	0	0	0	0
29	RENEWABLE ASSETS	6664		0	LN 4-CORRECT	0	0	0	0	0	0	0	0	0	0	0	0
30	OTHER - TPA	6665		0	LN 8-CORRECT	0	0	0	0	0	0	0	0	0	0	0	0
31	TOTAL AMORTIZA "ON EXPENSE			0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
32	% DISTRIBUTION																
RENT REVENUES																	
33	GEN SUPPORT ASSETS	5240		0	S-3, LN 11-COR	0	0	0	0	0	0	0	0	0	0	0	0
34	CENTRAL OFFICE EQUIPMENT	5240		0	S-4, LN 81-COR	0	0	0	0	0	0	0	0	0	0	0	0
35	CABLE & WIRE FACILITIES	5240		6136	S-5, LN 43-COR	0	186	0	0	0	103	151	27	0	0	5564	0
36	UNDISTRIBUTED	5240		6136	S-2, LN 10-COR	0	186	0	0	26	103	151	27	0	0	5564	0
37	TOTAL RENT REVENUES			6136		0	186	0	26	103	103	151	27	0	0	5564	0

CUSTOMER OPERATIONS EXPENSE SEPARATIONS

LN	DESCRIPTION	AC	CAT	TOTAL COMPANY	ALLOCATION BASIS	MESSAGE TOLL		INTERSTATE		MESSAGE TOLL		INTERSTATE		EXCHANGE MESSAGE	EXCHANGE MESSAGE	OTHER
						INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA			
1	ENG - OPERATOR SERVICES EXCL DA			0.0000%	INPUT	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
2	SWG - DIRECTORY ASSISTANCE BOARD			0.0000%	INPUT	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
3	SUBSCRIBER LINE USE (SLL)			100.0000%	INPUT	0.0000%	11.9577%	0.0000%	8.1827%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
4	END USER BELLED REVENUE INCL COL			100.0000%	INPUT	0.0000%	24.2325%	0.0000%	8.2908%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
5	IN CARRIER BELLED REVENUE			100.0000%	INPUT	0.0000%	53.0244%	0.0000%	7.5817%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
6	PAYSTATION REVENUE			100.0000%	INPUT	0.0000%	7.0201%	0.0000%	10.4485%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
7	BUSINESS OFFICE CONTACTS			100.0000%	INPUT	0.0000%	12.6731%	0.0000%	8.3273%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
8	BELLING INQUIRY CONTACTS			100.0000%	INPUT	0.0000%	25.0000%	0.0000%	28.7888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
9	IN CARRIER SVC ORDER CONTACTS			100.0000%	INPUT	0.0000%	30.0000%	0.0000%	18.1504%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
10	IN CARRIER BILLING INQUIRY CONTACTS			100.0000%	INPUT	0.0000%	30.0000%	0.0000%	18.1504%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
11	CARRIER ACCESS BILLING FACTOR			100.0000%	INPUT	0.0000%	30.0000%	0.0000%	18.1504%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER OPERATIONS EXPENSES																
12	MARKETING	6610		47182	INPUT	0	11428	0	277	4035	3914	848	68	0	28013	0
13	TELEPHONE OPERATOR SERVICES			0	LN 1-DIRECT	0	0	0	0	0	0	0	0	0	0	0
14	CALL COMPLETION INCL DA	6621		106832	DIRECT	0	0	0	8225	0	0	0	0	0	100037	0
15	OPERATOR SERVICES UNDER CONTRACT	6622		31553	DIRECT	0	11173	0	0	8007	6188	0	0	0	31553	0
16	PUBLISHED DIRECTORY LISTINGS			80779	LN 3	0	0	0	0	0	0	0	0	0	78342	0
17	CLASSIFIED			131284	DIRECT	0	11173	0	0	8007	6188	0	0	0	107947	0
18	TRK			20888	DIRECT	0	20888	0	0	12718	13820	0	0	0	8008	0
19	ALPHA			133882	LN 7	0	13382	0	0	12718	13820	0	0	0	8008	0
20	FOREIGN			858	LN 4	0	38845	0	840	12706	13889	0	0	0	8008	0
21	LOCAL BUSINESS OFFICE	6623	1.0	106832	LN 8	0	1300	0	0	3302	1300	0	0	0	8008	0
22	END USER SVC ORDER PROCESSING			238	LN 9	0	0	0	0	0	120	0	0	0	2825	0
23	PRESUBSCRIPTION			435723	LN 10	0	88	0	2	0	28	0	0	0	0	0
24	OTHER			508	LN 11	0	253	0	0	0	253	0	0	0	0	0
25	END USER PAYMENT & COLLECTION			306483	LN 12	0	81083	0	843	30282	29015	0	0	0	181981	0
26	END USER INQUIRY & COLLECTION			133882	LN 13	0	13382	0	0	12718	13820	0	0	0	8008	0
27	END USER BILLING & COLLECTION			858	LN 14	0	38845	0	840	12706	13889	0	0	0	8008	0
28	IN CARRIER SVC ORDER PROCESSING			238	LN 15	0	0	0	0	0	0	0	0	0	0	0
29	IN CARRIER BILLING INQUIRY			508	LN 16	0	253	0	0	0	253	0	0	0	0	0
30	LOCAL BUSINESS OFFICE	6623	2.0	106832	LN 17	0	81083	0	843	30282	29015	0	0	0	181981	0
31	OPERATOR SERVICES (REV ACCTG)			31881	LN 18	0	31881	0	0	41634	21289	0	0	0	0	0
32	MESSAGE PROCESSING			215850	LN 19	0	64400	0	0	47973	28927	0	0	0	78772	0
33	TOLL TROTT PROCESSING			11398	LN 20	0	11398	0	0	0	0	0	0	0	0	0
34	LOCAL MESSAGE PROCESSING			108373	LN 21	0	181801	0	0	89029	103551	0	0	0	0	0
35	OTHER BILLING & COLLECTION			757228	LN 22	0	242354	0	843	118881	132588	0	0	0	257733	0
36	END USER COMMON LINE			11948	LN 23	0	11948	0	0	0	0	0	0	0	0	0
37	CARRIER ACCESS BILLING (CABS)			100.0000%	LN 24	0	32.0716%	0.0000%	13.8237%	15.8237%	17.0089%	0.3889%	0.0000%	0.0000%	34.0000%	0.0000%
38	SUBTOTAL CUSTOMER SERVICES			100.0000%	LN 25	0	7374	0	3294	3294	3294	0	0	0	75772	0
39	TOTAL CAT 1 AND CAT 2			100.0000%	LN 26	0	281451	0	845	137507	138052	0	0	0	485828	0
40	ALL OTHER CUSTOMER SERVICE			100.0000%	LN 27	0	25.8149%	0.0000%	0.2837%	13.8237%	13.7895%	0.2932%	0.0000%	0.0000%	48.2007%	0.0000%
41	% DISTRIBUTION			100.0000%	LN 28	0	277523	0	1222	142142	142876	0	0	0	485828	0
42	TOTAL CUSTOMER OPERATIONS EXPENSE			100.0000%	LN 29	0	25.8367%	0.0000%	0.1187%	13.4871%	13.5411%	0.3882%	0.0000%	0.0000%	48.8478%	0.0000%
43	% DISTRIBUTION			100.0000%	LN 30	0	25.8367%	0.0000%	0.1187%	13.4871%	13.5411%	0.3882%	0.0000%	0.0000%	48.8478%	0.0000%

8-12, 197

OTHER OPERATING EXPENSE AND TAX SEPARATIONS

8-12, 197

LN	DESCRIPTION	AC	CAT	TOTAL COMPANY	ALLOCATION BASIS	MESSAGE TOLL		SPECIAL ACCESS		INTRASTATE		MESSAGE TOLL		SPECIAL ACCESS		EXCHANGE MESSAGE	EXCHANGE MESSAGE	OTHER
						INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA			
SEPARATION FACTORS																		
1	BIG THREE EXPENSES			100.0000%	5-3, LN 4	0.0000%	13.8600%	0.0000%	0.2850%	7.2301%	7.2301%	0.2418%	0.0000%	0.0000%	70.0000%	0.0000%	0.0000%	
2	TELEPHONE PLANT IN SERVICE	2001		100.0000%	5-2, LN 10	0.0000%	3.0214%	0.0000%	0.4178%	1.6003%	1.6003%	0.6373%	0.0000%	0.0000%	91.1725%	0.0000%	0.0000%	
3	PLANT UNDER CONSTRUCTION	2003		100.0000%	5-4, LN 21	0.0000%	3.0554%	0.0000%	0.4178%	1.6003%	1.6003%	0.6373%	0.0000%	0.0000%	91.1725%	0.0000%	0.0000%	
4	CAPITAL LEASES	2040		0.0000%	5-3, LN 21	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
5	EQUAL ACCESS INVESTMENT			100.0000%	5-4, LN 26	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
6	NET TELEPHONE PLANT - OPERATING			100.0000%	5-2, LN 27	0.0000%	3.0325%	0.0000%	0.4152%	1.6111%	1.6111%	0.6403%	0.0000%	0.0000%	91.0000%	0.0000%	0.0000%	
CORPORATE OPERATIONS EXPENSE																		
7	EXECUTIVE AND PLANNING	8719		0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
8	DIRECT ASSIGNED			646239	LN 1	0	69620	0	1720	46762	47289	6680	0	0	462550	0	0	0
9	OTHER			0		0	0	0	0	0	0	0	0	0	0	0	0	0
10	GENERAL & ADMINISTRATIVE	8720		0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
11	DIRECT ASSIGNED			783190	LN 1	0	108625	0	2103	59696	57223	8063	0	0	548455	0	0	0
12	OTHER			1409429		0	196255	0	3428	100477	104622	14775	0	0	1261003	0	0	0
13	TOTAL CORPORATE OPERATIONS EXPENSE			100.0000%		0.0000%	13.8600%	0.0000%	0.2881%	7.2301%	7.2301%	1.0326%	0.0000%	0.0000%	70.0000%	0.0000%	0.0000%	
14	% DISTRIBUTION																	
15	EQUAL ACCESS EXPENSE			0	LN 5	0	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST AND RELATED ITEMS																		
16	CAPITAL LEASES			0	LN 4-CORRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
17	CUSTOMER DEPOSITS			8446	LN 6-CORRECT	0	268	0	39	143	148	154	0	0	8058	0	0	0
18	OTHER FIXED CHARGES - OPERATING			308189	LN 6	0	10194	0	1463	5416	5627	1634	0	0	266060	0	0	0
19	OTHER FIXED CHARGES - NON OPERATING			0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
20	TOTAL			349517		0	10483	0	1502	5936	5775	1668	0	0	314147	0	0	0
BASES FOR FEDERAL INCOME TAX ALLOCATION																		
21	TOTAL OPERATING REVENUES			7029827	RECORDS	0	2762658	0	30655	477008	272420	0	7628	0	2611152	0	0	0
22	LESS OPERATING EXPENSES AND TAX			6882142	WARRANTS	0	698208	0	18952	451708	337509	0	69823	0	4285311	0	0	0
23	INTEREST - CAPITAL LEASE			0	LN 16	0	0	0	0	0	0	0	0	0	0	0	0	0
24	OPERATING FIXED CHARGES			308189	LN 17	0	10194	0	1463	5416	5627	1645	0	0	266060	0	0	0
25	OTHER INCOME ADJ BASED ON PLANT			0	LN 2-CORRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
26	OTHER INCOME ADJ BASED ON EXPENSE			50793	LN 1-CORRECT	0	7028	0	138	3674	3713	525	0	0	36541	0	0	0
27	NET TAXABLE INCOME			655583	LN 1-CORRECT	0	2154055	0	12284	11401	200470	-7322	-10823	0	1818791	0	0	0
28	% DISTRIBUTION			100.0000%		0.0000%	387.7100%	0.0000%	2.2054%	2.0500%	68.4800%	-13.1781%	-1.9100%	0.0000%	34.3389%	0.0000%	0.0000%	0.0000%
OPERATING TAXES																		
29	FEDERAL ITC ALLOCATION			-17082	LN 2-CORRECT	0	-419	0	-72	-274	-288	-262	0	0	-15574	0	0	0
30	STATE ITC ALLOCATION			2719	LN 2-CORRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
31	OPERATING FEDERAL INCOME TAX			369875	LN 28	0	1419225	0	8078	7510	200020	-46232	4897	0	-128328	0	0	0
32	OPERATING STATE & LOCAL INCOME TAX			81801	LN 28	0	239987	0	1360	1270	42360	-4108	0	0	-133781	0	0	0
33	OPERATING TAXES - PROPERTY & OTHER			235333	LN 2-CORRECT	0	7143	0	968	3760	3943	3691	0	0	214528	0	0	0
34	OPERATING TAXES - DIRECT ASSIGN			0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
35	TOTAL OPERATING TAXES			648127		0	1885547	0	10261	12296	299696	-52762	-7227	0	-1278723	0	0	0

AL-1, NET

AL-1, NET

DEVELOPMENT OF ALLOCATION RATIOS

LN	ALLOCATION RATIO	TOTAL COMPANY	ALLOCATION BASIS	MESSAGE TOLL		INTERSTATE		SPECIAL ACCESS		MESSAGE TOLL		INTRASTATE		SPECIAL ACCESS		EXCHANGE MESSAGE	EXCHANGE MESSAGE	OTHER
				INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA			
1	ALLOCATED LOOPS - COE	8008	SPF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	PERCENT DISTRIBUTION	102.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
3	ALLOCATED LOOPS - CHF	8008	SPF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	PERCENT DISTRIBUTION	102.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
5	ALLOCATED CIRCUIT TERMINATIONS - COE	570	TOLL MOU	0	220	0	0	0	0	0	0	0	0	0	0	0	0	0
6	PERCENT DISTRIBUTION	102.0000%		0.0000%	38.8300%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
7	ALLOCATED CIRCUIT MILES - CHF	2850.0	CHM	0.0	1101.2	0.0	45.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	PERCENT DISTRIBUTION	102.0000%		0.0000%	38.8300%	0.0000%	1.5799%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
9	ALLOCATED EACH WIDEBAND LOOPS	0	WB MOU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	PERCENT DISTRIBUTION	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
11	ALLOCATED EACH WIDEBAND CHANNELS (MOU/N)	0	WB MOU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	PERCENT DISTRIBUTION	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
13	ALLOCATED TOLL MESSAGES (SP * RC)	1300015	WB MOU MILES	0	438645	0	0	0	0	0	0	0	0	0	0	0	0	0
14	PERCENT DISTRIBUTION	102.0000%		0.0000%	33.8000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
15	ALLOCATED TOLL MESSAGES (SP * RC)	13008	DIRECT	0	4037	0	0	0	0	0	0	0	0	0	0	0	0	0
16	PERCENT DISTRIBUTION	102.0000%		0.0000%	29.8244%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
17	ALLOCATED USERS	13008		0	4037	0	0	0	0	0	0	0	0	0	0	0	0	0
18	PERCENT DISTRIBUTION	102.0000%		0.0000%	29.8244%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

CWC-1

CWC-1

CASH WORKING CAPITAL WORKSHEET

LN	DESCRIPTION	TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE		SPECIAL ACCESS		INTRA-STATE		MESSAGE TOLL		EXCHANGE		EAS	EXCHANGE MESSAGE
				MESSAGE TOLL	INTRA-STATE	MESSAGE TOLL	INTRA-STATE	MESSAGE TOLL	INTRA-STATE	MESSAGE TOLL	INTRA-STATE	MESSAGE TOLL	INTRA-STATE		
1	PLANT SPECIFIC EXPENSES	103083	5-8,11,17	0	36830	2	4112	18900	18790	18900	4328	0	0	0	830811
2	PLANT NON SPECIFIC EXPENSE EXCL DEP & AMORT	547794	VARIOUS	0	12818	0	1772	132255	7074	132255	1348	0	0	0	264647
3	CUSTOMER OPERATIONS EXP - MARKETING	47182	5-11,17,18	0	11428	0	277	4635	2914	4635	88	0	0	0	20015
4	CUSTOMER OPERATIONS EXP - SERVICES	100888	5-11,17,18	0	281401	0	845	13787	13902	13787	290	0	0	0	480528
5	CORPORATE OPERATIONS EXPENSE	1429028	5-12,17,18	0	186255	0	3829	103417	104622	103417	3458	0	0	0	1001025
6	EQUAL ACCESS EXPENSE	0	5-12,17,18	0	0	0	0	0	0	0	0	0	0	0	0
7	OTHER EXPENSE - CONTRIB/ITONG	508	5-12,17,18	0	771	0	15	462	407	462	13	0	0	0	381
8	INTEREST ON CUSTOMER DEPOSITS	8848	5-12,17,18	0	268	0	28	143	148	143	40	0	0	0	8008
9	FEDERAL INCOME TAX (ACTUAL)	305975	5-12,17,18	0	1418623	0	8678	7519	20820	7519	4887	0	0	0	-1205528
10	STATE INCOME TAX (ACTUAL)	61981	5-12,17,18	0	238827	0	1365	1270	42390	1270	-1184	0	0	0	-213781
11	OTHER OPERATING TAX	238333	5-12,17,18	0	7143	0	868	3790	2643	3790	1029	0	0	0	214559
12	OPERATING TAXES - DIRECT ALIGN	40728	5-12,17,18	0	0	0	0	5698	3713	5698	0	0	0	0	21218
13	GROSS RECEIPTS TAX (ACTUAL)	338160	5-12,17,18	0	10194	0	1460	5418	5627	5418	1334	0	0	0	300000
14	INTEREST (1/4) CAPITAL LEASES	5117981	5-12,17,18	0	2188987	0	23883	421088	581278	421088	4435	0	0	0	1888388
15	OTHER FIXED CHARGES - OPERATING	210248	5-12,17,18	0	0	0	0	0	0	0	0	0	0	0	0
16	TOTAL CASH WORKING CAPITAL EXPENSES	210248	RECORDS	0.04110	0.04110	0.04110	0.04110	0.04110	0.04110	0.04110	0.04110	0.04110	0.04110	0.04110	0.04110
17	CASH WORKING CAPITAL MATO	210248	RECORDS	0	841	0	841	17207	23881	17207	182	0	0	0	27905
18	AMBIUM BANK BALANCE	0	ALN 16	0	0	0	0	0	0	0	0	0	0	0	0
19	WORKING CASH ADVANCES	0	ALN 16	0	0	0	0	0	0	0	0	0	0	0	0
20	TOTAL CASH WORKING CAPITAL	210248	RECORDS	0	841	0	841	17207	23881	17207	182	0	0	0	27905

TAX-1 EFFECTIVE FEDERAL INCOME TAX RATE

LN	DESCRIPTION	SOURCE	TAXABLE INCOME		INCOME TAX	
			TOTAL	OPERATING	TOTAL	OPERATING
1	AVERAGE NET INVESTMENT	S-1, Ln 1	10314223	10314223		
2	ASSUMED RATE OF RETURN FOR ESTIMATING TAX RATE		11.7515%	11.0657%		
3	RETURN ON INVESTMENT	Ln 1 Ln 2	1212572	1203224		
4	FIT INCOME ADJUSTMENT (FROM COST STUDY)		365770	369922		
5	INVESTMENT TAX CREDIT AMORTIZATION	S-12, Ln 29	17082	17082		
6	AFTER TAX INCOME BEFORE TAX CREDITS	Ln 3-4-5	799220	799220		
7	FIT BEFORE TAX CREDITS (MUST EQUAL LN 17)		411720	411720		
8	TAXABLE INCOME	Ln 6+Ln 7	1210940	1210940		
9	FIT ON \$0 TO \$50,000 @ 15%		50000	50000	7500	7500
10	FIT ON \$50,000 TO \$75,000 @ 25%		25000	25000	6250	6250
11	FIT ON \$75,000 TO \$100,000 @ 34%		25000	25000	8500	8500
12	FIT ON \$100,000 TO \$335,000 @ 39%		235000	235000	91650	91650
13	FIT ON \$335,000 TO \$10,000,000 @ 34%		875940	875940	297820	297820
14	FIT ON \$10,000,000 TO \$15,000,000 @ 35%		0	0	0	0
15	FIT ON \$15,000,000 TO \$18,333,333 @ 36%		0	0	0	0
16	FIT ON OVER \$18,333,333 @ 35%		0	0	0	0
17	TOTAL TAXABLE INCOME/FIT BEFORE TAX CREDITS	Ln 9-16	1210940	1210940	411720	411720
18	EFFECTIVE FIT TAX RATE				34.0000%	34.0000%

ALLOCATION BASIS	AC NUMBER	TOTAL	MESSAGE		INTERSTATE		SPECIAL ACCESS		MESSAGE		INTRASTATE		SPECIAL ACCESS		EXCHANGE		OTHER	
			INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	EXCHANGE	MESSAGE		
NET INVESTMENT SUMMARY																		
GENERAL SUPPORT FACILITIES	2110	68,000.00%	0.0000%	3,025.4%	0.0000%	0.4198%	0.0000%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	0.0000%	0.0000%	0.0000%	0.0000%
CENTRAL OFFICE SWITCHING EQUIPMENT	2210	100,000.00%	0.0000%	4,790.0%	0.0000%	0.0000%	0.0000%	3,481.0%	3,481.0%	3,481.0%	3,481.0%	3,481.0%	3,481.0%	3,481.0%	0.0000%	0.0000%	0.0000%	0.0000%
OPERATION SYSTEMS EQUIPMENT	2220	5,000.00%	0.0000%	8,779.0%	0.0000%	0.0000%	0.0000%	4,733.0%	4,733.0%	4,733.0%	4,733.0%	4,733.0%	4,733.0%	4,733.0%	0.0000%	0.0000%	0.0000%	0.0000%
CENTRAL OFFICE TRANSMISSION EQUIPMENT	2230	100,000.00%	0.0000%	1,800.0%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
INFORMATION SYSTEMS EQUIPMENT	2410	100,000.00%	0.0000%	1,800.0%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CABLE AND WIRE FACILITIES	2490	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TANGIBLE ASSETS	2890	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
INTANGIBLE ASSETS	2890	100,000.00%	0.0000%	3,025.4%	0.0000%	0.4198%	0.0000%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL PLANT IN SERVICE - AC 2091																		
PROPERTY HELD FOR FUTURE USE	2002	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
PLANT UNDER CONSTRUCTION	2003	100,000.00%	0.0000%	3,025.4%	0.0000%	0.4198%	0.0000%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	0.0000%	0.0000%	0.0000%	0.0000%
RESERVED FOR FUTURE USE	XXXX	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TELEPHONE PLANT ADJUSTMENT	2008	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
NONOPERATING PLANT	2008	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
GOODWILL	2007	100,000.00%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL PROPERTY, PLANT & EQUIPMENT																		
ACCUM DEPRECIATION - PLANT IN SERVICE	3100	100,000.00%	0.0000%	2,816.0%	0.0000%	0.4301%	0.0000%	1,492.0%	1,492.0%	1,492.0%	1,492.0%	1,492.0%	1,492.0%	1,492.0%	0.0000%	0.0000%	0.0000%	0.0000%
ACCUM DEPRECIATION - FUTURE USE	3200	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
ACCUM AMORTIZATION - TANGIBLE PROPERTY	3400	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
ACCUM AMORTIZATION - INTANGIBLE PROPERTY	3600	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
ACCUM AMORTIZATION - TEL PLANT ADJUSTMENT	3600	100,000.00%	0.0000%	5,140.0%	0.0000%	0.1433%	0.0000%	2,620.0%	2,620.0%	2,620.0%	2,620.0%	2,620.0%	2,620.0%	2,620.0%	0.0000%	0.0000%	0.0000%	0.0000%
NONCURRENT DEFERRED INCOME TAX - NET	4340	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
OTHER DEFERRED CREDITS - NET	4370	100,000.00%	0.0000%	3,025.4%	0.0000%	0.4198%	0.0000%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS																		
NET TELEPHONE PLANT																		
MATERIALS AND SUPPLIES	1220	100,000.00%	0.0000%	1,063.5%	0.0000%	0.5122%	0.0000%	500.0%	500.0%	500.0%	500.0%	500.0%	500.0%	500.0%	0.0000%	0.0000%	0.0000%	0.0000%
INVESTMENT IN NONAFFILIATED CO'S	1402	100,000.00%	0.0000%	3,025.4%	0.0000%	0.4198%	0.0000%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	1,600.0%	0.0000%	0.0000%	0.0000%	0.0000%
EQUAL ACCESS EQUIPMENT	1430	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
OTHER AMBIDIRECTIONAL ASSETS	1500	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CASH WORKING CAPITAL	XXXX	100,000.00%	0.0000%	42,927.0%	0.0000%	0.4472%	0.0000%	8,227.0%	8,227.0%	8,227.0%	8,227.0%	8,227.0%	8,227.0%	8,227.0%	0.0000%	0.0000%	0.0000%	0.0000%
NET TEL PLANT, M&S AND CASH WORKING CAPITAL																		

ALLOCATION RATIOS	ACC NUMBER	TOTAL	MESSAGE		INTERSTATE		PRIVATE LINE		MESSAGE		INTRA-STATE		EXCHANGE		EXCHANGE MESSAGE	OTHER
			INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA	INTRALATA	INTERLATA		
OPERATING EXPENSE AND TAX SUMMARY																
NETWORK SUPPORT EXPENSE	6110	100.0000%	0.0000%	3.0264%	0.0000%	0.4196%	1.6037%	1.6037%	1.6037%	1.6037%	1.6037%	0.4377%	0.4377%	0.0000%	0.0000%	0.0000%
GENERAL SUPPORT EXPENSE	6120	100.0000%	0.0000%	3.0264%	0.0000%	0.4196%	1.6037%	1.6037%	1.6037%	1.6037%	1.6037%	0.4377%	0.4377%	0.0000%	0.0000%	0.0000%
CENTRAL OFFICE EXPENSE	6210	100.0000%	0.0000%	7.4261%	0.0000%	0.2137%	3.8919%	3.8919%	4.0899%	4.0899%	4.0899%	0.2736%	0.2736%	0.0000%	0.0000%	0.0000%
INFORMATION CONCEPTS EXPENSE	6410	100.0000%	0.0000%	1.0035%	0.0000%	0.5123%	0.0000%	0.0000%	0.5871%	0.5871%	0.5871%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CABLE AND WIRE FACILITIES EXPENSE	6410	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
OTHER PLANT EXPENSE	6510	100.0000%	0.0000%	3.6714%	0.0000%	0.4196%	1.6037%	1.6037%	1.6794%	1.6794%	1.6794%	0.4377%	0.4377%	0.0000%	0.0000%	0.0000%
NETWORK OPERATIONS EXPENSE	6520	100.0000%	0.0000%	24.2202%	0.0000%	0.0000%	8.6241%	8.6241%	8.2989%	8.2989%	8.2989%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
ACCESS CHARGE EXPENSE	6640	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
MARKETING EXPENSE	6610	100.0000%	0.0000%	25.8144%	0.0000%	0.0000%	13.7802%	13.7802%	13.7802%	13.7802%	13.7802%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
SERVICES EXPENSE	6620	100.0000%	0.0000%	13.8861%	0.0000%	0.2687%	7.2391%	7.2391%	7.2391%	7.2391%	7.2391%	0.2418%	0.2418%	0.0000%	0.0000%	0.0000%
EXECUTIVE AND PLANNING EXPENSE	6710	100.0000%	0.0000%	13.8861%	0.0000%	0.2687%	7.2391%	7.2391%	7.2391%	7.2391%	7.2391%	0.2418%	0.2418%	0.0000%	0.0000%	0.0000%
GENERAL AND ADMINISTRATIVE EXPENSE	6720	100.0000%	0.0000%	12.7895%	0.0000%	0.2687%	8.7675%	8.7675%	8.7675%	8.7675%	8.7675%	0.2481%	0.2481%	0.0000%	0.0000%	0.0000%
SUBTOTAL, OPERATING EXPENSES																
DEPRECIATION AND AM. DEDUCTION	6880	100.0000%	0.0000%	4.3227%	0.0000%	0.3073%	2.2548%	2.2548%	2.3609%	2.3609%	2.3609%	0.3262%	0.3262%	0.0000%	0.0000%	0.0000%
OTHER OPERATING TAX	7240	100.0000%	0.0000%	3.0264%	0.0000%	0.4196%	1.6037%	1.6037%	1.6794%	1.6794%	1.6794%	0.4377%	0.4377%	0.0000%	0.0000%	0.0000%
EQUAL ACCESS EXPENSE		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
INTEREST ON CUSTOMER DEPOSITS	7500	100.0000%	0.0000%	3.0227%	0.0000%	0.4352%	1.8111%	1.8111%	1.8739%	1.8739%	1.8739%	0.4862%	0.4862%	0.0000%	0.0000%	0.0000%
RENT REVENUE - ACCESS	5240	100.0000%	0.0000%	3.0264%	0.0000%	0.4196%	1.6037%	1.6037%	1.6794%	1.6794%	1.6794%	0.4377%	0.4377%	0.0000%	0.0000%	0.0000%
TOTAL OPERATING EXPENSE AND TAX																
NON OPERATING EXPENSE	7570															
ABANDONED CONSTRUCTION		100.0000%	0.0000%	3.0264%	0.0000%	0.4196%	1.6037%	1.6037%	1.6794%	1.6794%	1.6794%	0.4377%	0.4377%	0.0000%	0.0000%	0.0000%
CONTRIBUTIONS		100.0000%	0.0000%	13.8861%	0.0000%	0.2687%	7.2391%	7.2391%	7.2391%	7.2391%	7.2391%	0.2418%	0.2418%	0.0000%	0.0000%	0.0000%
OTHER NON OPERATING EXPENSE		100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL NON OPERATING EXPENSE																
UNCOLLECTIBLES																
END USER MSG TOLLS	5310	100.0000%	0.0000%	27.0867%	0.0000%	0.0000%	17.7174%	17.7174%	14.960%	14.960%	14.960%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
END USER COMMON LINE	5320	100.0000%	0.0000%	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
IX CARRIER	5330	100.0000%	0.0000%	29.8652%	0.0000%	0.0000%	17.0762%	17.0762%	1.3850%	1.3850%	1.3850%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL UNCOLLECTIBLES																
ALLOWANCE FOR FUNDS USED DURING CONSTR	7340	100.0000%	0.0000%	3.0264%	0.0000%	0.4196%	1.6037%	1.6037%	1.6794%	1.6794%	1.6794%	0.4377%	0.4377%	0.0000%	0.0000%	0.0000%
OTHER INCOME ADJUSTMENTS	XXXX	100.0000%	0.0000%	13.8861%	0.0000%	0.2687%	7.2391%	7.2391%	7.2391%	7.2391%	7.2391%	0.2418%	0.2418%	0.0000%	0.0000%	0.0000%

DOCKET NO. 980696-TP
NORTHEAST
EXHIBIT _____ (LGB-1)
Document 2 (3 pages)

Cost Study Assumptions

NORTHEAST FLORIDA TELEPHONE COMPANY
DOCKET NUMBER 980696
Determination of the Cost of Basic Local Telecommunications Service
Fully Distributed Allocation of 1997 Embedded Costs
Cost Study Assumptions

Northeast Florida Telephone Company has performed a fully distributed allocation of 1997 embedded costs using the following assumptions:

- COE Category 3.1 Joint Use investment was split between Switching (Traffic Sensitive) and Subscriber Line Cards (Non-Traffic Sensitive) based on COE/CPR Records. The entire investment in Subscriber Line Cards was assigned to the Local jurisdiction, while Switching investment was multiplied by the local SLU (subscriber line usage) factor to determine the amount to be apportioned to the "Local" jurisdiction. These two "Local" amounts were added together and then divided by the Total Investment in COE Category 3.1 from the Interstate cost study. This calculation yielded a Local Dial Office Factor (DOF), which was used in this study to allocate the appropriate portion of COE Category 3.1 to the "Local" jurisdiction. The amounts for Intrastate IntraLata, Intrastate InterLata and Interstate were allocated from the remaining Category 3.1 Switching investment by developing DOF factors that represented the same allocation relationship as that in the Interstate cost study. The calculations used to develop these new DOF factors are indicated below.

Total Category 3.1 Investment from '97 Interstate C/S	\$3,401,495
Total Cat. 3.1 Local Subscriber. Line Card Inv. (CPR Rec's)	\$1,461,044
Total Cat. 3.1 Local Switching Inv. (See (A) Below)	<u>1,484,657</u>
Total Cat. 3.1 Local Investment	<u>\$2,945,701</u>

Total Cat. 3.1 Switching Inv. = \$3,401,495 - \$1,461,044 = \$1,940,451

Total Cat. 3.1 Local Switching Inv. = \$1,940,451 x .765109 Local SLU factor

Remaining Cat. 3.1 Inv. = \$3,401,495 - \$2,945,701 = \$455,794

Local DOF = \$2,945,701/\$3,401,495 = 0.866002

Intrastate/IntraLata DOF = (\$1,940,451 x .061102 IntraLata SLU)/\$3,401,495 = 0.034856

Intrastate/InterLata DOF = (\$1,940,451 x .061812 InterLata SLU)/\$3,401,495 = 0.035262

Interstate DOF = (\$1,940,451 x .111977 Interstate SLU)/\$3,401,495 = 0.063880

Intrastate/IntraLata Cat. 3.1 Switching Investment = \$3,401,495 x 0.034856 = \$118,563

Intrastate/InterLata Cat. 3.1 Switching Investment = \$3,401,495 x 0.035262 = \$119,944

Interstate Cat. 3.1 Switching Investment = \$3,401,495 x 0.063880 = \$217,288

- The "Local" Cash Working Capital Factor was changed to .04110 in the cost study.
- Exchange Private Line (PL) loops used to allocate COE Category 4.13 and CWF Category 1 Private Line investment were moved to the Interstate PL jurisdiction in the cost study.

4. All investment, depreciation reserve, deferred taxes, depreciation expense, coin collection expense and information, origination and termination expense associated with Paystations was removed from the cost study.
5. The Subscriber Plant Factor (SPF), which is used to allocate joint investment in COE Category 4.13 and CWF Category 1, was changed to allocate 100% of this investment to the Local jurisdiction in the cost study.
6. A simple average of 97-1 USF loops (year-end 1996 loops) and 98-1 USF loops (year-end 1997 loops) was used to calculate the number of Access Lines for the calculation of Northeast's Local Revenue Requirement/Line.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U. S. Mail or hand delivery (*) this 3rd day of August, 1998, to the following:

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